Allianz Life Insurance Malaysia Berhad

Registration No. 198301008983 (104248-X)
(Incorporated in Malaysia)

Financial statements for the year ended 31 December 2022

(in Ringgit Malaysia "RM")

Domiciled in Malaysia
Principal place of business
Level 29, Menara Allianz Sentral,
203, Jalan Tun Sambanthan,
Kuala Lumpur Sentral,
50470 Kuala Lumpur

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Directors' report for the financial year ended 31 December 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2022.

Principal activities

The Company is principally engaged in the underwriting of life insurance and investment-linked business. There has been no significant change in the nature of these activities during the financial year.

Results

	RM'000
Net profit for the financial year	175,718

Dividend

Since the end of the previous financial year, the Company paid a single tier interim dividend of 28.5 sen per ordinary share totalling RM67,431,000 in respect of the financial year ended 31 December 2022 on 19 January 2023.

The Directors have not recommended 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.

Life insurance liabilities

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that the life insurance liabilities are adequate in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework issued by Bank Negara Malaysia ("BNM").

Bad and doubtful debts

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

Current assets

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the financial statements of the Company, have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances that would render the value attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities in the financial statements of the Company misleading or inappropriate.

Contingent and other liabilities

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

(i) any charge on the assets 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 Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company 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 Company to meet its obligations as and when they fall due.

For the purpose of the above paragraphs, contingent liability and other liability do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company that would render any amount stated in the financial statements of the Company misleading.

Items of an unusual nature

In the opinion of the Directors, the results of operations of the Company for the financial year ended 31 December 2022 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.

Issue of shares

There were no 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 Company maintains 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 RM37,687.

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 during the financial year.

To the extent permitted by law, the Company has agreed to indemnify its auditors as part of the terms of non-audit engagement against claims by third parties arising from the non-audit engagement. No payment has been made to indemnify the auditor during the financial year.

Directors of the Company

The Directors of the Company who served during the financial year and during the period from the end of the financial year to the date of this report are:

Goh Ching Yin (Chairman - Independent Non-Executive Director)
Peter Ho Kok Wai (Independent Non-Executive Director)
Lim Fen Nee (Independent Non-Executive Director)
Foo Chee It (Independent Non-Executive Director) (Appointed on 1 November 2022)
Ong Eng Chow (Non-Independent Executive Director) (Appointed on 1 January 2023)
Anusha A/P Thavarajah (Non-Independent Executive Director) (Resigned on 21 January 2022)
Dato' Dr. Kantha A/L Rasalingam (Independent Non-Executive Director) (Retired on 7 July 2022)
Joseph Kumar Gross (Non-Independent Executive Director) (Resigned on 31 December 2022)

Directors' interests

The Directors of the Company do not hold any shares in the Company as the Company is a wholly-owned subsidiary of Allianz Malaysia Berhad ("AMB"). The interests and deemed interests in the shares of AMB and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interest of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of registered shares			
Interests in the Ultimate Holding Company, Allianz SE	**As at 1.1.2022**	**Bought**	**Sold**	**As at 31.12.2022**
Joseph Kumar Gross				
- Direct Interest	1[(a)]	1[(a)]	-	2

Note:
[(a)] Free share granted under Allianz Free Share Program

Save as disclosed above, none of the other Directors holding office as at 31 December 2022 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as disclosed in the "Directors Remuneration" of this report 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 objective 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.

Directors' remuneration

The details of the directors' remuneration paid to the directors of the Company during the financial year are as follows:

		(RM '000)		
	Fees	**Other Emoluments[a]**	**Benefits-in-kind**	**Total**
Non-Executive Directors				
Goh Ching Yin	120	162	-	282
Peter Ho Kok Wai	120	15	-	135
Lim Fen Nee	120	15	-	135
Foo Chee It	20	3	-	23
Dato' Dr. Kantha A/L Rasalingam	62	6	-	68
Total remuneration of Non-Executive Directors of the Company	442	201	-	643
Executive Director				
Joseph Kumar Gross[b]	-	-	-	-

Notes:-

[a] Other emoluments comprising Chairman's allowances and meeting allowances.

[b] No remuneration received for his position as the Executive Director of the Company. The remuneration received for his position as the Chief Executive Officer is disclosed in Note 25.

Corporate governance disclosures

A. Board of Directors

The Board of Directors ("Board") has overall responsibility for reviewing and adopting strategic plans for the Company, overseeing the conduct of business of the Company, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company's internal control system.

The detailed responsibilities of the Board are set out in the Board Charter, which is available at Allianz Malaysia's website, www.allianz.com.my.

A1. Composition of the Board

The Board is made up of 4 Independent Non-Executive Directors and 1 Non-Independent Executive Director.

The Board comprises members from various fields with a balance of skills and experiences appropriate to the business of the Company.

All members of the Board complied with the minimum criteria of "A Fit and Proper Person" as prescribed under the Financial Services Act, 2013 ("FSA 2013").

The appointments and re-appointments of all Board members were approved by BNM.

The profiles of the Board members are as follows:-

Goh Ching Yin Chairman - Independent Non-Executive Director	
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.

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A1. Composition of the Board (continued)

Goh Ching Yin (continued) Chairman - Independent Non-Executive Director	
Working experience	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. 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 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 the setting up of 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.
Shareholding in the Company	Nil

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A1. Composition of the Board (continued)

Peter Ho Kok Wai Independent Non-Executive Director	
Working experience	Peter Ho 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. Peter Ho 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 Ho 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. He 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 Ho retired from KPMG in December 2014.
Shareholding in the Company	Nil

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A1. Composition of the Board (continued)

Lim Fen Nee Independent Non-Executive Director	
Working experience	Lim Fen Nee was the Regional Partner of Deloitte Southeast Asia ("SEA"), SEA Regulatory and Public Policy Leader and the Audit and Assurance Partner for Malaysia from 2017 to 2019. Her main role involves dealing with assurance and advisory, professional practice, quality initiatives, regulatory and public policy. In addition to being the Chief Financial Officer Program Co-Leader for Malaysia, she also actively supported the firm's gender equality initiatives and was a partner mentor to young women talent. Previously, she was a mentor to ACCA's Leaders for Tomorrow. She appeared as moderator or panelist in various public speaking engagements to support views ranging from standard settings to regulatory, public policy, and governance matters. Prior to her role in Deloitte SEA, she was with Securities Commission of Malaysia from 2010 to 2016. She was the Head of Audit Oversight Board and was one of the founding management team. In addition, she also served as a Project Advisor to the Securities Commission of Malaysia covering various capital market projects and actively involved in international and ASEAN audit oversight activities. She gained extensive experience in assurance and advisory in public listed companies, multinational company, initial public offerings, debt securitisation and corporate restructuring during her roles in Ernst & Young, Kuala Lumpur and PricewaterhouseCoopers United States during the period from 1997 to 2009. In her early career, she has also served her posting in the United States and held consulting roles in the World Bank covering governance and financial reporting.

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A1. Composition of the Board (continued)

Lim Fen Nee (continued) Independent Non-Executive Director	
Working experience	Amongst her other contributions, she represented the authorities, accounting profession and the industry both locally and internationally. This included having served as a Council Member of MIA, Chair of MIA Digital Technology Implementation Committee and as the Chair of ACCA Malaysia Advisory Committee. She was also a past member of the Audit Licensing Committee of the Ministry of Finance Malaysia.
Shareholding in the Company	Nil

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A1. Composition of the Board (continued)

Foo Chee It Independent Non-Executive Director	
Working experience	Foo Chee It ("Serrina") is a dynamic and seasoned insurance practitioner with 40 years working experiences in the insurance industry (Life/Non-life) covering underwriting and claims administration, strategic and business development, sales and multi-channel distribution, partner relationship management, implementation of cross marketing/ upselling initiatives via data mining and deployment of digitalisation of bank sales application/processing tools. She began her professional career in 1980 as a District Manager at QBE Insurance (M) Sdn Bhd, responsible for managing branch operations which comprised of underwriting and claims handling, business development, recruitment of agents and servicing of corporate and retail accounts. Thereafter, she was relocated to Head Office in Kuala Lumpur and was appointed as the Assistant Underwriting Manager. In 1994, Serrina was appointed as Manager, Research & Development in Malaysia Assurance Alliance Bhd. From 1996 to 1998, she assumed the role of Senior Manager – Accident & Health at Perdana Cigna Insurance Bhd. She joined American International Assurance Berhad in 1998 as Vice President Specialty Marketing Division and was redesignated to Vice President, AIG Marketing in 2000. She had served as Head of Alternative Distribution in Allianz Life Insurance Malaysia Berhad ("ALIM") from 2001 to 2007 before joining AXA Affin Life Insurance Berhad as Chief Officer – Bancassurance/ Alternative Distribution from 2007 to 2011. She re-joined AIA Bhd as the Chief Partnership Distribution Officer in 2011 and served until her retirement on 30 September 2021.
Shareholding in the Company	Nil

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A1. Composition of the Board (continued)

Ong Eng Chow Chief Executive Officer ("CEO") - Non-Independent Executive Director	
Working experience	Ong Eng Chow ("Charles") has more than 34 years of experience in the financial services industry, of which 27 years have been in the insurance industry. He started his professional career as an auditor in KPMG Peat Marwick, New Zealand in 1988. In 1991, Charles joined Hume Industries (Malaysia) Berhad (a related company of Hong Leong Group) as the Group Accountant, responsible for the preparation of financial information for Merger and Acquisitions activities and group planning process and tax planning. In 1993, he was transferred to Akoko Sdn Bhd, a newly acquired subsidiary of Hong Leong Industries Bhd and assumed the position as Finance Manager responsible for the overall financial functions of Akoko Sdn Bhd. He left Hong Leong Group in 1995 and assumed the position as the Finance Manager EON CMG Life Assurance Berhad from 1995 to 1999. He joined ALIM on 1 June 1999 as Financial Controller and was promoted to Chief Financial Officer ("CFO") in 2003. In addition to his role as CFO of ALIM, he was the Chief Risk Officer of ALIM from 2005 to 2010. He was appointed as CFO of AMB in 2008, to oversee the financial management of AMB Group and part of the leadership driving business growth, profitability and financial sustainability of AMB Group. He relinquished his positions as CFO of ALIM and AMB on 31 March 2022 before he assumed his current position as CEO of ALIM on 1 April 2022.
Shareholding in the Company	Nil

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A1. Composition of the Board (continued)

During the financial year, the following trainings had been organised internally for the Board of ALIM:-

- Cybersecurity Awareness Training
- Malaysian Financial Reporting Standard 17 Insurance Contract
- Data Privacy and Personal Data Protection Act 2010
- Guidelines for the Reporting Framework on Beneficial Ownership under Companies Act 2016
- Cyber Threats for Top Executive

In addition, the newly appointed Directors of the Company attended the mandatory Financial Institutions Directors' Education Core Programme and in-house orientation programmes organised by the Company.

Save for the above trainings, the Directors also attended external training programmes, conferences and seminars that covered among others, areas of corporate governance, sustainability, risk management, compliance, directors' responsibilities, requirement on finance, accounting and insurance, and relevant industry or regulation updates.

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A2. Board Meetings

There were 5 Board Meetings held during the financial year ended 31 December 2022 and the attendance of the Directors was as follows:-

Name of Directors	No. of Board Meetings Held	No. of Board Meetings Attended
Goh Ching Yin	5	5
Peter Ho Kok Wai	5	5
Dato' Dr. Kantha A/L Rasalingam	5	2 out of 3 meetings held prior to his retirement as Director on 7 July 2022
Lim Fen Nee	5	5
Foo Chee It	5	1 out of 1 meeting held after her appointment as Director on 1 November 2022
Joseph Kumar Gross	5	5

A3. Board Committees

The following Board Committees are centralised at its immediate holding company, AMB:

(a) Audit Committee;
(b) Risk Management Committee; and
(c) Nomination and Remuneration Committee.

The Board Committees are operating on the terms of reference approved by the Board of AMB and adopted by the Board of the Company, to assist the Board in the execution of its responsibilities.

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A3. Board Committees (continued)

A3.1. Audit Committee of AMB Board ("AC")

The composition of the AC during the financial year is as follows:

Peter Ho Kok Wai (Chairman - Independent Non-Executive Director of ALIM and AMB)
Goh Ching Yin (Independent Non-Executive Director of ALIM and AMB)
Gerard Lim Kim Meng (Independent Non-Executive Director of AMB) (Appointed as AC member on 15 July 2022)
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Non-Independent Non-Executive Director of Allianz General Insurance Company (Malaysia) Berhad ("AGIC") and AMB) (Retired on 22 June 2022)

There were 6 AC Meetings held during the financial year ended 31 December 2022 and the attendance of the abovementioned AC members were as follows:

Name of Members	No. of AC Meetings Held	No. of AC Meetings Attended
Peter Ho Kok Wai	6	6
Goh Ching Yin	6	6
Gerard Lim Kim Meng	6	2 out of 2 meetings held after his appointment as AC member on 15 July 2022
Tan Sri Datuk (Dr.) Rafiah Binti Salim	6	4 out of 4 meetings held prior to her retirement as AC member on 22 June 2022

The AC is charged with the responsibilities of assisting the Board of AMB and its subsidiaries ("AMB Group" or "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; and
- review and report to the Board of conflict of interest situations and related party transactions.

The detailed terms of reference of the AC is available at Allianz Malaysia's website, www.allianz.com.my.

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A3. Board Committees (continued)

A3.2. Risk Management Committee of AMB Board ("RMC")

The composition of the RMC during the financial year is as follows:

Lim Tuang Ooi (Chairman – Independent Non-Executive Director of AGIC) (Appointed as RMC member on 1 April 2022 and redesignated as RMC Chairman on 22 June 2022)
Dr. Muhammed Bin Abdul Khalid (Independent Non-Executive Director of AGIC and AMB) (Redesignated as RMC member on 22 June 2022)
Goh Ching Yin (Independent Non-Executive Director of ALIM and AMB)
Peter Ho Kok Wai (Independent Non-Executive Director of ALIM and AMB)

There were 5 RMC Meetings held during the financial year ended 31 December 2022 and the attendance of the abovementioned RMC members were as follows:

Name of Members	No. of RMC Meetings Held	No. of RMC Meetings Attended
Lim Tuang Ooi	5	4 out of 4 meetings held after his appointment as RMC member on 1 April 2022
Dr. Muhammed Bin Abdul Khalid	5	5
Goh Ching Yin	5	5
Peter Ho Kok Wai	5	5

The RMC is responsible for effective risk identification, measurement, monitoring and control of the AMB Group, and oversees the Senior Management's activities in managing the key risk areas of the AMB Group and to ensure that the risk management process is in place and functioning effectively.

The detailed terms of reference of the RMC is available at Allianz Malaysia's website, www.allianz.com.my.

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A3. Board Committees (continued)

A3.3. Nomination and Remuneration Committee of AMB Board ("NRC")

The composition of the NRC during the financial year is as follows:

Tunku Zain Al-'Abidin Ibni Tuanku Muhriz (Chairman - Independent Non-Executive Director of AMB)
Goh Ching Yin (Independent Non-Executive Director of ALIM and AMB)
Dr. Muhammed Bin Abdul Khalid (Independent Non-Executive Director of AGIC and AMB) (Appointed as NRC member on 15 July 2022)
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Non-Independent Non-Executive Director of AGIC and AMB) (Retired on 22 June 2022)

There were 5 NRC Meetings held during the financial year ended 31 December 2022 and the attendance of the abovementioned NRC members were as follows:-

Name of Members	No. of NRC Meetings Held	No. of NRC Meetings Attended
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	5	5
Goh Ching Yin	5	5
Dr. Muhammed Bin Abdul Khalid	5	2 out of 2 meetings held after his appointment as NRC member on 15 July 2022
Tan Sri Datuk (Dr.) Rafiah Binti Salim	5	3 out of 3 meetings held prior to her retirement as NRC member on 22 June 2022

The primary objectives of the NRC are:-

(a) to establish a documented formal and transparent procedure for the appointment and removals of Directors, CEOs and Key Responsible Persons ("KRP(s)") of AMB Group;
(b) to assess the effectiveness of individual Director, the respective Boards (including various committees of the Board), CEOs and KRPs of AMB Group on an on-going basis;
(c) to provide formal and transparent procedure for developing a remuneration policy for Directors, CEOs and KRPs of AMB Group; and
(d) to ensure that the compensation is competitive and consistent with the culture, objective and strategy of AMB Group.

The detailed terms of reference of the NRC is available at Allianz Malaysia's website, www.allianz.com.my.

Corporate governance disclosures (continued)

B. Internal control framework

B1. 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 Company's operations. The Company has in place a Risk Management Framework Manual ("RMFM"). 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 Company. It is designed to formalise the risk management functions and practices across the Company and to increase awareness of the Company's employees to risk identification, measurement, control, on-going monitoring and reporting.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

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 Company, 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 Company 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 Board and Senior Management of the Company 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 Board and Senior Management of the Company 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 Board of the Company to discharge its oversight function effectively. As part of its responsibilities, the Compliance and Risk Management functions advise the Board and Senior Management of the Company on compliance, risk and regulatory matters; and promote risk and compliance awareness amongst the Company's employees through trainings and workshops.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

In addition to the above oversight functions, Legal and Actuarial functions of the Company 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 Board and Senior Management of the Company. 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 Company and reports quarterly to the Board on its recommendations and/or decisions. The Risk Management Working Committee (“RMWC”) is established at the Management level of the Company 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 Board of the Company for consideration.

The Governance and Control Committee (“GovCC”) supports the Company’s 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 Company’s Senior Management Committee on governance and internal control system related matters.

Corporate governance disclosures (continued)

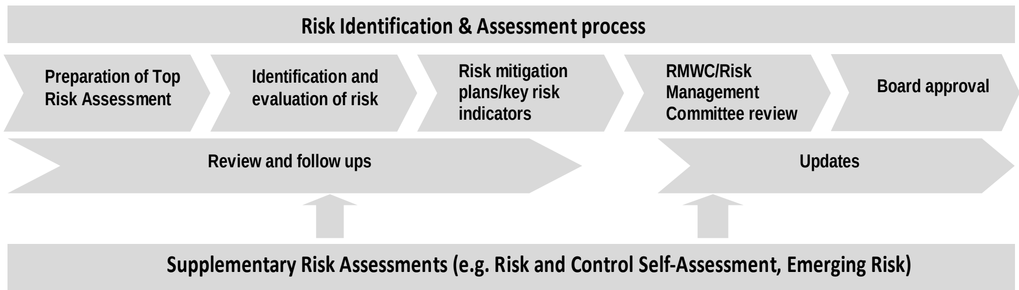
B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process

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

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



(i) Top Risk Assessment (“TRA”)

TRA approach is in place to periodically analyse all material quantifiable and non-quantifiable risks including market, credit, underwriting, business, operational, liquidity, reputational and strategic risks, and also transversal risks such as concentration risks, emerging risks and Environmental, Social or Governance (“ESG”) risk.

The Company 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 Company manages these risks are set out below:-

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Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process (continued)

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.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process (continued)

Key risks	Broad Definition	Risk Management Practices
Underwriting	Unexpected financial losses due to inadequacy of premiums for catastrophe and non-catastrophe risks, due to the inadequacy of reserves or due to the unpredictability of mortality or longevity.	• Managed through a comprehensive and strict standard for underwriting limit guidelines. Where necessary, the risk will be surveyed by the loss control engineers. • Regular monitoring of products, assumptions used against actual industry statistics and re-pricing will be considered if necessary. • Adequate reinsurance is purchased and reviewed annually to ensure adequate continuous cover within acceptable appetite and costs. • New products undergo a robust product development process.
Business	Unexpected decrease in actual results as compared to business assumptions, which leads to a decline in income without a corresponding decrease in expenses; this includes lapse risk.	• Regular monitoring of actual experience. • New products undergo a robust product development review process.
Legal and Regulatory	Losses arising from a breach of relevant laws and regulations.	• Trainings will be provided and annual declarations required from all staff. • New guidelines will be published in the Group's staff e-portal and highlighted through e-mails. • Regular reviews are conducted to ensure compliance.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process (continued)

Key risks	Broad Definition	Risk Management Practices
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.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process (continued)

(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 Company 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 all operating entities within the Allianz SE Group will be escalated to Allianz SE.

The Company has adopted Allianz SE Group's Allianz Standard for Reputational Risk Management ("ASRRIM") which establishes a core set of principles and processes for the management of reputational risks within the Company. The management of direct reputational risks requires balancing the benefits of a given business decision against the potential reputational impacts, taking into account the Company's reputational risk strategy as well as ESG 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 Company actively manages the reputational risk by assessing any potential risk arising from media, social media or any transaction relating to pre-defined sensitive areas.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process (continued)

(iv) Liquidity Risk Management

Liquidity risk is a consequential risk, i.e. another adverse event has to happen before the Company runs into liquidity issues. On this background, the Company has identified various events that might lead to liquidity shortages. To mitigate this, limits on minimum liquid asset have been put in place and closely monitored. In addition to this, stress testing is performed to assess the liquidity intensity ratio against the defined limits and action required at the various defined limits.

(v) ESG Risk Management

ESG events or conditions (include climate change) are those which, if they occur, may potentially have significant negative impacts on the assets, profitability or reputation of the Company and/or Allianz SE.

Climate risks and opportunities that are emerging today are expected to increase over the mid- and long-term. In acknowledgement of this, and to align with ESG initiatives of BNM and Allianz SE, the Company has set-up a cross-functional Climate Change Working Group that discusses and executes climate-related initiatives as directed by the Local ESG Board. The Local ESG Board, comprising top management, reports to respective Boards of the Company and is tasked with driving ESG, including climate-related matters, as part of business considerations.

ESG-related matters are considered in operational, underwriting and investment decisions as guided by Sensitive Business Guidelines under ASRRIM to facilitate the identification of reputational risks, while physical risks such as floods are simulated and considered in both operations and underwriting activities annually.

Efforts are undertaken to promote ESG in the Company’s dealings with the business partners and stakeholders through awareness trainings and engagement.

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

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process (continued)

(v) ESG Risk Management

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

ICAAP is an overall process by which the Company 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 Company.

The review of the ICAAP coincides with the annual planning process and any changes in the strategic directions and business plans of the Company 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 Company.

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 Company'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.

(ii) Stress Testing

Stress test is an effective risk management tool and the Company conducts such stress test regularly. The stress test process is designed based on the Company's 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 Company's management plan, in determining the extent of capital affected by the threats arising from adverse events and the actions required to mitigate such threats.

The Board and Management of the Company's 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 Company.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B2. Internal Audit

The Internal Audit function of the Company, which reports to the AC, undertakes independent reviews or assessments of the Company'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 Company. The internal audit personnel form the "third line of defence", are independent from the day-to-day activities of the Company and have unrestricted access to all activities conducted by the Company.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B2. Internal Audit (continued)

Internal Audit Plan is developed based on annual risk assessment and approved by the AC. The audit scope covers auditable areas encompassing various activities of finance and tax, risk capital management, compliance program, legal, human resource operation, reinsurance management, customer experience, various operation process such as underwriting , claims management, various IT process and system; and, internal and regulatory compliance audit such as business continuity management, and replacement of policy.

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.

B3. 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 Company 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 Company's activities. The Board Committees are centralised at its immediate holding company, AMB. The Board Committees have the authority to examine matters under their terms of reference and report to the respective Board of the Company with their observations and/or recommendations. Although specific authority is delegated to the Board Committees, the ultimate responsibility for the final decision on all matters, however, lies with the respective Board of the Company.

Various Management Committees are established by the Management of the Company 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 Company.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

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 Company. The operational authority limits incorporate segregation of duties and check and balance in delegation of authority.

The Management's authority limits include limits for underwriting of risks, claims settlement, reinsurance, and capital expenditures and are reviewed and updated to ensure relevance to the Company'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 Company, all Directors and staff including the Chief Executive Officer are required to declare their interest in other entities on an annual basis. In addition, they are also required to disclose to the Company, any circumstance that may give rise to a conflict of interest situation during the course of carrying out their duties.

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.

Annual Business Plan and Performance Review

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

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

Related Party Transactions

The Company 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 Company and where required, prior approval of the respective Chief Executive Officers or Board of the Company in accordance with the levels of authority prior to execution of the transactions.

A due diligence working group was formed to review the related party transactions and submit its recommendations to the Chief Executive Officer, Audit Committee and the Board of Directors for approval in accordance with the internal authority limits approved by the Board of Directors.

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

Underwriting and Reinsurance

The Company employs 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 Company. Reinsurers selection is guided by the guidelines issued by the regulator and the Allianz SE Group. Reinsurance needs are reviewed annually in respect of reinsurance treaties and on case to case basis on facultative arrangements.

Financial Control Procedures

Financial control procedures are put in place and are documented in the procedural workflows of each business unit. These workflows are subject to reviews and improvements to reflect changing risks and process enhancement as and when required.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

Investment

The Investment Committee of the Company is responsible for setting investment policies, objectives, guidelines and controls for the Investment function, whereas the Investment function is responsible for managing the investment functions of the Company within the pre-determined parameters.

The Company has in place the Group Investment Manual which sets out the detailed investment procedures and controls, including an Investment Code of Ethics to ensure the fiduciary duties to policyholders and the Company's interests are always upheld.

The investment limits are set at various levels with limits which are more stringent than the regulatory limits as prescribed by BNM. The investment levels are monitored monthly to ensure compliance with the investment limits as specified in the Risk Based Capital Framework for Insurers and the Investment-linked Business Policy Document issued by BNM.

The investment performance reports are amongst the reports submitted to the Investment Committee and the Board of the Company for review at their quarterly meetings.

Code of Conduct ("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 Company and reflects Company's values and principles and provides guidance to employees in their actions and decisions. Each employee has a responsibility to live by the principles contained in the COC, i.e. to

(i) Treat each other fairly and respectfully
(ii) Act with integrity
(iii) Be transparent and tell the truth
(iv) Take ownership and responsibility

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

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

The Company has in place internal policies and procedures relating to AML/CFT and TFS to prevent and detect money laundering and terrorism financing activities. These include customer due diligence, screening against sanctions list, suspicious transaction reporting to the Compliance function where customer profiling, due diligence and on-going transactions monitoring procedures are in place. In respect of education, staff and agents are trained on AML/CFT requirements to promote understanding of their fundamental responsibilities in adhering to the procedures of verifying customers' identities and reporting of suspicious transactions.

Product Development

The Company has 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.

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 Company 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 Company.

Whistleblowing and Anti-Fraud

The oversight of whistleblowing and fraud matters of the Company 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.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

Whistleblowing and Anti-Fraud (continued)

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

In respect of whistleblowing, the Company 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 Company has adopted a localised Anti-Corruption Policy ("Policy") that outlines the guiding principles of Allianz SE, Malaysian Anti-Corruption Commission Act 2009 and Listing Requirements. The Anti-Corruption Policy serves to outline the Company's existing controls and behavioral 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 are being assessed annually and the effectiveness of the policies and procedures are reviewed periodically at least once in three 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.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

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) COC;
(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 Company'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 Company. The Company has established an Ethics and Compliance Committee to deal with intermediary behaviour that are contrary to the Sales Standard and AZAP Sales Agent Code of Conduct.

In addition, agents of the Company 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 Senior Management Committee together with corrective measures.

Agent Sales Disciplinary Policy

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

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

Business Continuity Management

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

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

Crisis Management

Crisis Management Plans for Company have been developed to outline the processes and procedures that guides crisis handling and manage any incident with crisis potential. The plan helps to mitigate the impact of a crisis and prevent an incident with crisis potential from escalating into a crisis. It is supplemented by Crisis Scenario Plans which detailed out the crisis handling for specific scenarios.

Information System

All employees are required to strictly abide to and comply with the Group Information Technology and Information Security Policy and Standard 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, the Company is committed to remedy the gaps to meet the expectations and requirements prescribed under the RMiT Policy. Accordingly, the Company has implemented two new frameworks were implemented, namely the Technology Risk Management Framework and Cyber Resilience Framework. The Technology Risk Management Framework formalises the technology risk management approach across the Company, and the Cyber Resilience Framework provides guidance on situational awareness of the cyber threats it may be exposed to.

The IT & Digital Steering Committee ("ITDSC") is responsible for the overall strategic deployment of IT and digital assets in tandem with the business objectives, which including matters related to Internet Insurance, IT Outsourcing and Cloud Utilisation. Other duties and responsibilities of ITDSC include, establishing effective IT and digital plans, formulation and implementation of technology risks management program, recommending to the RMC and Board (whichever applicable) for approval on IT-related expenditure, material deviation from technology-related policies and matters related to Internet Insurance, as well as monitoring the progress of approved IT and digital programs/projects.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

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 Company 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 Company 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.

C. Remuneration

The remuneration policy and practices of the Company ("Policy") are established, implemented and maintained in line with the Company's business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance. This Policy forms a key component of the governance and incentive structure through which the Board and Senior Management drive performance, convey acceptable risk taking behaviour and reinforce the Company's corporate and risk culture.

Corporate governance disclosures (continued)

C. Remuneration (continued)

The remuneration components of employees are fixed and variable compensation. Base salary is the fixed remuneration component and rewards the role and responsibilities taking account of market conditions and providing for a stable source of income. The fixed component is dependent on position responsibility as well as the experience and qualification of incumbent.

Variable Compensation components aim to reward performance and shall not provide incentives for risks which might be incompatible with the risk profile of the Company, including risk limits. Therefore, Variable Compensation components may not be paid, or payment may be restricted in the case of a breach of risk limits or a compliance breach.

The volume and relative weighting of the variable component shall depend on the level of seniority and the position. Variable components typically consist of annual bonus (short term incentive) and mid-/long-term incentives.

Variable Compensation is determined by a combination of assessment of the individual's performance and his business unit as well as overall performance of the Company.

The Company measures performance in an annual process which includes the key steps of agreed priorities, regular feedback, and a mid-year and year-end performance assessment. Personal priorities or targets are agreed for each evaluated employee and reflects financial and non-financial ambitions. The assessment of individual performance is holistic in nature and considers relativity against peers.

The remuneration of KRPs of the Company is not only determined by performance against business objectives but include other factors such as prudent risk-taking and actions affecting the long-term interests of the Company. Remuneration of KRPs is adjusted each year to account for all types of risk and breaches, determined by both quantitative measures and qualitative judgement.

Employees in control functions are measured on the achievement of control function objectives which determine their remuneration. Similar to all employees, actual payout is subject to overall size of bonus pool.

A portion of the Variable Compensation for CEO and KRPs contains a deferred component. The deferral period shall be aligned with the nature of the business, its risks, and the activities of the incumbent in question, and adopt a multi-year framework to reflect the time horizon of risks.

Corporate governance disclosures (continued)

Ultimate holding company

The Directors regard Allianz SE, a public listed company incorporated and domiciled in Germany as the Company's ultimate holding company.

Immediate holding company

The immediate holding company is AMB, a public limited company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) have expressed their willingness to accept re-appointment as auditors.

The details of the auditors' remuneration for the financial year are as follows:-

	2022 **RM'000**
Statutory audit fees	394
Other audit related fees[1]	1,191
	1,585

Note:
[1] The amount is driven by the fees associated with MFRS 17 proactive assurance.

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

……………………………………………………….
Goh Ching Yin
Director

……………………………………………………….
Ong Eng Chow
Director

Kuala Lumpur
Date: 23 February 2023

Allianz Life Insurance Malaysia Berhad

Registration No. 198301008983 (104248-X)
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Property, plant and equipment	3	30,432	27,977
Right-of-use assets	4	15,204	18,645
Intangible assets	5	94,072	18,173
Investments	6	14,991,145	14,473,879
Derivative financial assets	15	18,996	45,516
Reinsurance assets	7	120,677	119,680
Insurance receivables	8	70,214	65,369
Other receivables, deposits and prepayments	9	74,098	67,613
Cash and cash equivalents	10	1,662,899	1,109,416
Total assets		17,077,737	15,946,268
Equity, policyholders' funds and liabilities			
Share capital	11	236,600	236,600
Fair value reserve	12	(1,960)	1,476
Revaluation reserve	12	2,891	2,891
Retained earnings	12	1,458,252	1,349,965
Total equity		1,695,783	1,590,932
Insurance contract liabilities	13	14,213,542	13,259,460
Deferred tax liabilities	14	383,315	380,654
Derivative financial liabilities	15	1,293	1,641
Lease liabilities	16	5,576	9,113
Insurance payables	17	327,699	317,159
Other payables and accruals	18	441,091	373,765
Current tax liabilities		9,438	13,544
Total liabilities		15,381,954	14,355,336
Total equity, policyholders' funds and liabilities		17,077,737	15,946,268

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

Allianz Life Insurance Malaysia Berhad

Registration No. 198301008983 (104248-X)
(Incorporated in Malaysia)

Statement of profit or loss for the year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Operating revenue	19	4,012,322	3,833,500
Gross earned premiums		3,366,877	3,259,007
Premiums ceded to reinsurers		(104,801)	(142,309)
Net earned premiums	20	3,262,076	3,116,698
Investment income	21	645,445	574,493
Realised gains and losses	22	51,721	54,988
Fair value gains and losses	23	(378,736)	(430,757)
Fee and commission income		184	12,030
Other operating income		72,972	42,132
Investment and other income		391,586	252,886
Gross benefits and claims paid		(1,763,851)	(1,382,828)
Claims ceded to reinsurers		82,613	110,298
Gross change in contract liabilities		(870,285)	(1,088,455)
Change in contract liabilities ceded to reinsurers		8,088	13,784
Net benefits and claims	24	(2,543,435)	(2,347,201)
Fee and commission expense		(496,937)	(506,422)
Management expenses	25	(286,730)	(272,048)
Interest expenses	26	(252)	(423)
Other operating expenses		(76,586)	(46,324)
Other expenses		(860,505)	(825,217)
Profit before tax		249,722	197,166
Tax expense	27	(74,004)	(47,717)
Net profit for the year		175,718	149,449

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

Allianz Life Insurance Malaysia Berhad

Registration No. 198301008983 (104248-X)
(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Net profit for the year		175,718	149,449
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Fair value of available-for-sale ("AFS") financial assets			
- Net losses arising during the financial year		(50,569)	(100,496)
- Net realised gains transferred to profit or loss		(44,035)	(41,580)
Losses on cash flow hedge		(7,837)	(9,039)
Tax effects thereon		8,911	13,646
Change in insurance contract liabilities arising from net fair value change on			
- AFS financial assets	13	90,091	132,303
- Cash flow hedge reserve	13	7,837	9,039
Tax effects thereon	13	(7,834)	(11,307)
Total other comprehensive loss for the year, net of tax		(3,436)	(7,434)
Total comprehensive income for the year attributable to owner of the Company		172,282	142,015

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

Allianz Life Insurance Malaysia Berhad

Registration No. 198301008983 (104248-X)
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2022

	Attributable to owner of the Company					
	Non-distributable				Distributable	
	Share capital RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained earnings-Non-participating fund surplus* RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2021	236,600	8,910	2,891	1,137,320	63,196	1,448,917
Total other comprehensive income for the year	-	(7,434)	-	-	-	(7,434)
Profit for the year	-	-	-	104,198	45,251	149,449
Total comprehensive income for the year	-	(7,434)	-	104,198	45,251	142,015
At 31 December 2021	236,600	1,476	2,891	1,241,518	108,447	1,590,932
	Note 11	**Note 12**	**Note 12**		**Note 12**	

Allianz Life Insurance Malaysia Berhad

Registration No. 198301008983 (104248-X)
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2022 (continued)

	Attributable to owner of the Company					
	Non-distributable				Distributable	
	Share capital RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained earnings-Non-participating fund surplus* RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2022	236,600	1,476	2,891	1,241,518	108,447	1,590,932
Total other comprehensive income for the year	-	(3,436)	-	-	-	(3,436)
Profit for the year	-	-	-	123,711	52,007	175,718
Total comprehensive income for the year	-	(3,436)	-	123,711	52,007	172,282
Dividends to owner of the Company (Note 28)	-	-	-	-	(67,431)	(67,431)
At 31 December 2022	236,600	(1,960)	2,891	1,365,229	93,023	1,695,783
	Note 11	**Note 12**	**Note 12**		**Note 12**	

* 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 Company's Appointed Actuary and approved by the Board of Directors of the Company.

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

Allianz Life Insurance Malaysia Berhad

Registration No. 198301008983 (104248-X)
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Statement of cash flows for the year ended 31 December 2022

	2022 RM'000	2021 RM'000
Cash flows from operating activities		
Profit before tax	249,722	197,166
Adjustments for:		
Investment income	(645,445)	(574,493)
Interest income	(648)	(416)
Interest expense	252	423
Realised gain recorded in profit or loss	(51,721)	(54,988)
Fair value losses on investments recorded in profit or loss	348,917	389,623
Purchase of available-for-sale ("AFS") financial investments	(295,439)	(473,476)
Maturity of AFS financial investments	32,000	20,000
Proceeds from sale of AFS financial investments	327,722	432,120
Purchase of held for trading ("HFT") financial investments	(2,089,518)	(2,919,836)
Maturity of HFT financial investments	246,000	293,901
Proceeds from sale of HFT financial investments	1,053,109	1,333,619
Purchase of designated upon initial recognition ("DUIR") financial investments	(781,949)	(1,096,462)
Maturity of DUIR financial investments	322,000	406,259
Proceeds from sale of DUIR financial investments	56,274	116,738
Change in loans and receivables	228,703	442,925
Impairment loss on receivables	655	1,249
Amortisation of intangible assets	10,128	7,984
Depreciation of property, plant and equipment	5,659	4,938
Loss on disposal of property, plant and equipment	2	-
Property, plant and equipment written off	183	657
Unrealised foreign exchange gains	(21,781)	(4,850)
Impairment loss on AFS financial investments	29,819	41,134
Depreciation of right-of-use assets	5,531	5,527
Operating loss before changes in working capital	**(969,825)**	**(1,430,258)**

Allianz Life Insurance Malaysia Berhad

Registration No. 198301008983 (104248-X)
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Statement of cash flows for the year ended 31 December 2022 (continued)

	2022 RM'000	2021 RM'000
Changes in working capital:		
Change in reinsurance assets	(997)	(51,560)
Change in insurance receivables	(5,500)	(8,238)
Change in other receivables, deposits and prepayments	(5,834)	633
Change in insurance contract liabilities	1,044,176	1,237,018
Change in insurance payables	10,540	64,638
Change in other payables and accruals	8,982	(46,085)
Cash from/(used in) operations	**81,542**	**(233,852)**
Tax paid	(66,538)	(50,756)
Dividends received	127,840	102,833
Interest income received	519,931	490,777
Interest paid on lease liabilities	(252)	(423)
Net cash from operating activities	**662,523**	**308,579**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1	-
Acquisition of property, plant and equipment	(10,454)	(11,224)
Acquisition of intangible assets	(92,960)	(658)
Net cash used in investing activities	**(103,413)**	**(11,882)**
Cash flows from financing activities		
Repayment of lease liabilities	(5,627)	(5,460)
Net cash used in financing activities	**(5,627)**	**(5,460)**
Net increase in cash and cash equivalents	553,483	291,237
Cash and cash equivalents at 1 January	1,109,416	818,179
Cash and cash equivalents at 31 December	**1,662,899**	**1,109,416**
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity three months or less)	1,538,190	1,054,595
Cash and bank balances	124,709	54,821
	1,662,899	**1,109,416**

Allianz Life Insurance Malaysia Berhad

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Statement of cash flows for the year ended 31 December 2022 (continued)

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flow, as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of cash flows for payments of claims incurred for insurance contracts, which are respectively treated under operating activities.

Reconciliation of liabilities arising from financing activities:

	Lease liabilities RM'000	**Total RM'000**
At 1 January 2021	15,125	15,125
Cash flows	(5,883)	(5,883)
Interest charged	423	423
Lease additions	-	-
Modification/termination of leases	(552)	(552)
At 31 December 2021	9,113	9,113
At 1 January 2022	9,113	9,113
Cash flows	(5,879)	(5,879)
Interest charged	252	252
Lease additions	1,944	1,944
Modification/termination of leases	146	146
At 31 December 2022	5,576	5,576
		(Note 16)

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

Allianz Life Insurance Malaysia Berhad

Registration No. 198301008983 (104248-X)
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Notes to the financial statements

Corporate information

Allianz Life Insurance Malaysia Berhad is a public limited liability company incorporated and domiciled in Malaysia. 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, Malaysia

The Company is principally engaged in the underwriting of life insurance and investment-linked business.

The ultimate holding company is Allianz SE, a public listed company incorporated and domiciled in Germany. The immediate holding company is Allianz Malaysia Berhad, a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were approved by the Board of Directors on 23 February 2023.

1. Basis of preparation

1.1 Statement of compliance

The financial statements 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 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 2022 and adopted by the Company:

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 16, *COVID-19 Related Rent Concessions beyond 30 June 2021*
- 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 Improvements to MFRS 1, *Subsidiary as First-time Adopter*
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: *Lease Incentives*
- Annual Improvements to MFRS 141, *Taxation in Fair Value Measurements*
- Annual Improvements to MFRS 9, *Fees in the '10 percent' test for Derecognition of Financial Liabilities*

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 Company:

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*
- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on Disclosure of Accounting Policies and *Definition of Accounting Estimate*
- Amendments to MFRS 112, *Deferred tax related to Assets and Liabilities arising from Single Transaction*
- MFRS 17, *Insurance Contracts*

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 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes MFRS 4.

MFRS 17 provides comprehensive guidance on accounting for insurance contracts issued, reinsurance contracts held, and investment contracts with discretionary participation features. It introduces three new measurement models, reflecting a different extent of policyholder participation in investment performance or overall insurance entity performance. The general measurement model, also known as the building block approach, consists of the fulfillment cash flows and the contractual service margin. The fulfillment cash flows represent the risk-adjusted present value of an entity's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit from in-force contracts that an entity will recognise as it provides services over the coverage period.

At inception, the contractual service margin cannot be negative. If the fulfillment cash flows lead to a negative contractual service margin at inception, it will be set to zero and the negative amount will be recorded immediately in the statement of profit or loss. At the end of a reporting period, the carrying amount of a group of insurance contracts is the sum of the liability for remaining coverage and the liability of incurred claims. The liability for remaining coverage consists of the fulfillment cash flows related to future services and the contractual service margin, while the liability for incurred claims consists of the fulfillment cash flows related to past services. The contractual service margin gets adjusted for changes in cash flows related to future services and for the interest accretion at interest rates locked-in at initial recognition of the group of contracts. A release from the contractual service margin is recognised in profit or loss each period to reflect the services provided in that period based on "coverage units".

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRS 17, *Insurance Contracts (continued)*

MFRS 17 only provides principle-based guidance on how to determine these coverage units. The Company has defined the account value for the reflection of investment services and the sum at risk for insurance services as the default approach to determine the coverage units. If multiple services are provided in one contract, a weighting is applied. The variable fee approach is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate direct participating contracts. An insurance contract has a direct participation feature if the following three requirements are met:

(a) the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
(b) the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
(c) the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

The assessment of whether an insurance contract meets these three criteria is made at inception of the contract and not revised subsequently, except in case of a substantial modification of the contract. For contracts with direct participation features, the contractual service margin is adjusted for changes in the amount of the entity's share of the fair value of the underlying items. No explicit interest accretion is required since the contractual service margin is effectively remeasured when it is adjusted for changes in financial risks.

The premium allocation approach is a simplified approach for the measurement of the liability of remaining coverage an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period based on the passage of time. The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting.

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRS 17, *Insurance Contracts (continued)*

MFRS 17 requires the separation of embedded derivatives, investment components, and performance obligations to provide non-insurance goods and services, if certain conditions are met. The separated components need to be accounted for separately according to MFRS 9 (embedded derivatives, investment components) or MFRS 15 (non-insurance goods and services). Measurement is not carried out at the level of individual contracts, but on the basis of groups of contracts. To allocate individual insurance contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks that are managed together.

In the statement of financial position, insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities. The amounts presented in the statement of financial performance need to be disaggregated into an insurance service result, consisting of the insurance revenue and the insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held need to be presented separately from the expenses or income from insurance contracts issued.

For long-duration life insurance contracts, MFRS 17 is expected to have a significant impact on actuarial modeling, as more granular cash flow projections and regular updates of all assumptions will be required, either impacting profit or loss or the contractual service margin. The Company expects that direct participating business, where the rules on profit sharing are defined by legal/contractual rights, will qualify for the variable fee approach eligibility. Indirect participating business, where the payments to the policyholder depend on the investment performance but there are no fixed rules on how the performance is passed on to the policyholders, as well as non-participating business, i.e. business without policyholder participation, including savings and risk business, will be accounted for under the general measurement model.

The Company will continue to have unit-linked insurance contracts, which are contracts with significant insurance risk, e.g. via death or other insurance riders. The Company expects unit-linked insurance contracts to be eligible for the variable fee approach. In the statement of financial position, the Company expects an increase of the insurance liabilities as these will be discounted with current rates and will contain an explicit future profit margin with the contractual service margin. Shareholder’s share of unrealised capital gains will be part of the insurance liabilities accounted for under the variable fee approach.

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRS 17, *Insurance Contracts (continued)*

In the income statement, the release of the contractual service margin and the risk adjustment for non-financial risk will become the main components for the profit before tax of the life insurance and investment-linked business. Besides the qualitative impacts described above, the Company is currently assessing the quantitative impact of the application of MFRS 17. The final figures will also depend on the application of the transition approaches. MFRS 17 has to be applied retrospectively unless this is impracticable. Fulfillment cash flows are determined prospectively at every reporting date, including the date of initial application. However, the contractual service margin is rolled-forward over time, a split of profits between equity ("earned profits") and contractual service margin ("unearned profits") is required, but is often very challenging due to the long-term nature of some life insurance contracts. If a full retrospective application is impracticable, an entity can choose between a modified retrospective approach or a fair value approach.

The objective of the modified retrospective approach is to use reasonable and supportable information available without undue cost or effort to achieve the closest possible outcome to full retrospective application. To the extent a retrospective determination is not possible, certain modifications are allowed. Under the fair value approach, the contractual service margin of a group of contracts at transition is determined as the difference between the fair value of this group at transition determined in accordance with MFRS 13 and the corresponding MFRS 17 fulfillment cash flows measures at transition. Besides the determination of the contractual service margin, another crucial topic at transition is the determination of historic interest rates.

After making reasonable efforts to gather necessary historical information, the Company has determined that for certain groups of contracts, information such as the expectation of the contract's profitability at initial recognition, historical interest rates and historical cash flows were not available or not available in a form that would enable it to be used without undue cost and effort. It was therefore impracticable to apply the full retrospective approach, and the Company has adopted the modified retrospective approach for these groups.

For insurance contracts issued, the Company intends to adopt the standard using the full retrospective approach for all currently modelled products in annual cohorts 2014 or later. For modelled products in annual cohorts prior to 2014, the modified retrospective approach will be applied. For unmodelled products, the Company will continue not be modelled under MFRS 17 on the basis of insignificant.

In respect of reinsurance contract held, the modified retrospective approach will be applied to the reinsurance contracts held in annual cohorts prior to 2021 while the full retrospective approach will be applied to reinsurance contracts held in annual cohorts 2021 or later. The preparation of the 2022 comparative and 1 January 2023 results under the new standard is progressing as planned.

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRS 17, Insurance Contracts (continued)

The combined effect on the Company's statement of financial position on transition to MFRS 17 as at 1 January 2022 is to improve total equity measured under MFRS 17 by approximately 18%. The preparation of the 2022 comparative and the 1 January 2023 results under the new standard is progressing as planned.

MFRS 9, *Financial Instruments*

MFRS 9 'Financial Instruments' will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

Classification and measurements

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in other comprehensive income ("OCI") (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.

The Company has classified and measured equity instruments and bond investments that are not held for trading at FVOCI. The financial assets of the Company are for the purpose of backing insurance liabilities, hence the hold and sell business model is adopted with FVOCI as a relevant measurement approach.

There will be no significant changes to the Company's accounting for financial liabilities as it largely retains the MFRS 139 requirements.

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRS 9, *Financial Instruments*

Impairment of financial assets

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new impairment model requires the recognition of impairment allowances based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage ECL impairment model:

Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).

Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the financial asset (Lifetime ECL).

Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in profit or loss, allowance for credit losses will be more volatile under MFRS 9.

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRS 9, *Financial Instruments*

Hedge accounting

Under MFRS 9, the general hedge accounting requirements have been simplified for hedge effectiveness testing and permit hedge accounting to be applied to a greater variety of hedging instruments and risks. The Company do not expect a significant impact arising from the changes in the hedge accounting requirements.

Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Company will apply the new rules retrospectively from 1 January 2023, with the practical expedients permitted under the standard. Comparatives for 2022 will not be restated. The Company is still in the midst of finalising the financial impact in relation to the adoption of MFRS 9.

The Company 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 (see Note 37).

1. Basis of preparation (continued)

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 the Company are measured using the currency of the primary economic environment in which the Company 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.

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 (u)(i) – valuation of life actuarial liabilities.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

2. Significant accounting policies (continued)

(a) Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Company 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.

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.

(b) Property, plant and equipment

(i) Recognition and measurement

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

The Company revalues its properties comprising land and buildings every five years and at shorter intervals whenever the fair value of the revalued assets are 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.

2. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

Costs include 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.

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

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.

(ii) 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 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. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Work-in-progress are not depreciated until the assets are ready for their intended use.

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

• Buildings	50 years
• Office equipment, furniture and fittings	2 -10 years
• Computers	5 years
• Motor vehicles	5 years
• Office renovation and partitions	10 years

Depreciation methods, useful lives and residual values are reviewed at the 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(d)(i) on right-of-use assets for these assets.

2. Significant accounting policies (continued)

(c) Intangible assets

(i) 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 Company 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 overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

2. Significant accounting policies (continued)

(c) Intangible assets (continued)

(iii) 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.

(iv) Amortisation

Amortisation is based on the cost of an asset less its residual value. Intangible assets with finite useful lives are amortised from the date that they are available for use. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

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

• Capitalised software development costs	3-5 years
• Other intangible assets	15 years

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

(d) Leases

(i) 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 Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company 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 Company 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.

2. Significant accounting policies (continued)

(d) Leases (continued)

(i) Accounting by lessee (continued)

Lease term

In determining the lease term, the Company 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 Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company 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 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.

2. Significant accounting policies (continued)

(d) Leases (continued)

(i) 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 Company, 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 Company 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. Significant accounting policies (continued)

(d) Leases (continued)

(ii) Accounting by lessor

As a lessor, the Company determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Operating lease

The Company 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 Company 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 Company 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.

(e) Financial instruments

(i) Initial recognition and measurement

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

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Company categorises and measures financial instruments as follows:

Financial assets

(1) 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.

(2) Loans and receivables, excluding insurance receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market and include 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.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(3) 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.

(4) 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 Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company 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(f)(ii).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(e)(v), have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(f)(i)).

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

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 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.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(iv) 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 Company enters into forward purchase agreements as cash flow hedging instruments to hedge against variability in future cash flows arising from movements in interest rates of debt securities.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(v) 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 the 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.

(f) Impairment

(i) Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2(f)(ii) 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.

2. Significant accounting policies (continued)

(f) Impairment (continued)

(i) Financial assets, excluding insurance receivables (continued)

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 asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in 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 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 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.

(ii) 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").

2. Significant accounting policies (continued)

(f) Impairment (continued)

(ii) Insurance receivables (continued)

An impairment loss in respect of insurance receivables 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.

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.

(iii) Other assets

The carrying amounts of other assets (except for investment properties 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 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 cash-generating units.

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 to reduce the carrying amounts of the assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

2. Significant accounting policies (continued)

(f) Impairment (continued)

(iii) Other assets (continued)

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.

(g) Equity instruments

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

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) 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.

(h) Product classification

The Company issues 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.

2. Significant accounting policies (continued)

(h) Product classification (continued)

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

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

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts (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 discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation and unbundling is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

2. Significant accounting policies (continued)

(h) Product classification (continued)

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 statement of financial position similar to investment contracts.

(i) Reinsurance

The Company cedes insurance risk 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 Company from its 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 Company 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 Company will receive from the reinsurer. The impairment loss is recorded in profit or loss.

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.

2. Significant accounting policies (continued)

(i) Reinsurance (continued)

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement 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.

(j) Life insurance underwriting results

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 Company's Appointed Actuary.

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 statement of financial position.

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.

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.

2. Significant accounting policies (continued)

(j) Life insurance underwriting results (continued)

Benefits, claims and expenses (continued)

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.

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.

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. Significant accounting policies (continued)

(k) 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(u)(i)). The liability is determined as the sum of the present value of future guaranteed benefits and, in the case of the participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities 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 Company.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts, are recognised in profit or loss over the life of the contract.

The liability is derecognised when the contract expires, is discharged or is cancelled.

2. Significant accounting policies (continued)

(k) Life insurance contract liabilities (continued)

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 (Note 2(j)).

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 Company, 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 are subject to the recommendation of the Company's Appointed Actuary and are determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statements of financial position and are made in accordance with the provision of the Financial Services Act, 2013 and related regulations.

Unallocated surplus of contracts with DPF, where the amounts 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, which 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, which 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 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.

2. Significant accounting policies (continued)

(k) Life insurance contract liabilities (continued)

vii) Net asset value attributable to unitholders

The unit liability of investment-linked policy is equal to the net asset value of the investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality and morbidity costs and expense charges.

(l) Other revenue recognition

(i) Rental income

Rental income from investment properties is 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.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) 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. Gains and losses arising on disposal 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.

(m) 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.

2. Significant accounting policies (continued)

(m) Income tax (continued)

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 by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for temporary difference arising from 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 reporting period.

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 assets and liabilities will be realised simultaneously.

2. Significant accounting policies (continued)

(n) Provisions

A provision is recognised if, as a result of a past event, the Company has 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.

(o) 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 statement 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 Company.

(p) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company’s contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. Significant accounting policies (continued)

(q) 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.

(r) 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.

(s) Cash and cash equivalents and placements with financial institutions

Cash and cash equivalents consist of cash on hand, 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 Company in the management of their short term commitments.

(t) Investment in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, 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. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The Company has determined that the investment in structured securities, such as unit trust investment that the Company has an interest in are structured entities.

When the Company ceased to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost with change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. Significant accounting policies (continued)

(t) Investment in subsidiaries (continued)

In the Company's financial statements, investments in structured entities are initially recognised at fair value and subsequently measured at fair value in accordance with MFRS 139 "Financial Instruments: Recognition and Measurement". On disposal of investment in structured entities, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

The Company is exempted from presenting consolidated financial statements based on the criteria set out in paragraph 4 of MFRS 10 "Consolidated Financial Statements".

The immediate holding company, Allianz Malaysia Berhad, prepares consolidated financial statements in accordance with MFRS in Malaysia, which are available for inspection at the registered office of the immediate holding company.

2. Significant accounting policies (continued)

(u) Significant accounting judgements, estimates and assumptions

(i) 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 judgement 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 33.

3. Property, plant and equipment

	Note	Land RM'000	Buildings RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovation and partitions RM'000	Work-in-progress RM'000	Total RM'000
Cost/Valuation								
At 1 January 2021		2,300	8,250	39,234	971	14,679	6,153	71,587
Additions		-	-	4,098	227	432	6,467	11,224
Disposals		-	-	(5)	-	-	-	(5)
Written off		-	-	(43)	-	-	(657)	(700)
Reclassification #	5	-	-	383	-	1,613	(8,385)	(6,389)
At 31 December 2021/ 1 January 2022		2,300	8,250	43,667	1,198	16,724	3,578	75,717
Additions		-	-	3,296	566	-	6,592	10,454
Disposals		-	-	(11)	-	-	-	(11)
Written off		-	-	(376)	(342)	(928)	(178)	(1,824)
Reclassification #	5	-	-	927	-	1,253	(4,334)	(2,154)
At 31 December 2022		2,300	8,250	47,503	1,422	17,049	5,658	82,182

Certain work-in-progress were reclassified as software development costs (intangible assets) respectively. See Note 5.

3. Property, plant and equipment (continued)

	Note	Land RM'000	Buildings RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovation and partitions RM'000	Work-in-progress RM'000	Total RM'000
Depreciation								
At 1 January 2021		-	502	31,848	554	9,946	-	42,850
Depreciation for the year	25	-	198	3,408	149	1,183	-	4,938
Disposals		-	-	(5)	-	-	-	(5)
Written off		-	-	(43)	-	-	-	(43)
At 31 December 2021/ 1 January 2022		-	700	35,208	703	11,129	-	47,740
Depreciation for the year	25	-	198	3,797	317	1,347	-	5,659
Disposals		-	-	(8)	-	-	-	(8)
Written off		-	-	(372)	(342)	(927)	-	(1,641)
At 31 December 2022		-	898	38,625	678	11,549	-	51,750
Carrying amounts								
At 31 December 2021		2,300	7,550	8,459	495	5,595	3,578	27,977
At 31 December 2022		2,300	7,352	8,878	744	5,500	5,658	30,432

Included in property, plant and equipment are fully depreciated assets which are still in use costing RM50,150,000 (2021: RM41,553,000).

3. Property, plant and equipment (continued)

3.1 Property, plant and equipment under the revaluation model

The land and buildings were last revalued in October 2020 by Hartamas Valuation & Consultancy Sdn Bhd, an external independent qualified valuer using the Comparison Approach. This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, the land and buildings are compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

Had the land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been as follows:

	2022 RM'000	2021 RM'000
Land	1,420	1,420
Buildings	5,298	5,382
	6,718	6,802

3.2 Fair value information

Fair value of land and buildings are categorised as follows:

	2022			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Land	-	-	2,300	2,300
Buildings	-	-	7,352	7,352
	-	-	9,652	9,652

	2021			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Land	-	-	2,300	2,300
Buildings	-	-	7,550	7,550
	-	-	9,850	9,850

3. Property, plant and equipment (continued)

3.2 Fair value information (continued)

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.

Land and buildings

Valuation technique used	2022 Fair Value RM'000	2022 Adjusted psf RM/psf	2021 Fair Value RM'000	2021 Adjusted psf RM/psf
Comparison Approach	9,652	223 - 911	9,850	223 - 911

4. Right-of-use assets

	Leasehold land RM'000	Buildings RM'000	Total RM'000
Valuation/Cost			
1 January 2021	10,480	23,424	33,904
Additions	-	-	-
Modification/termination of leases	-	(3,268)	(3,268)
At 31 December 2021/1 January 2022	10,480	20,156	30,636
Additions	-	1,944	1,944
Modification/termination of leases	-	(3,377)	(3,377)
At 31 December 2022	10,480	18,723	29,203
Depreciation			
1 January 2021	370	8,809	9,179
Depreciation for the year (Note 25)	159	5,368	5,527
Modification/termination of leases	-	(2,715)	(2,715)
At 31 December 2021/1 January 2022	529	11,462	11,991
Depreciation for the year (Note 25)	158	5,373	5,531
Modification/termination of leases	-	(3,523)	(3,523)
At 31 December 2022	687	13,312	13,999

4. Right-of-use assets (continued)

	Leasehold land RM'000	Buildings RM'000	Total RM'000
Carrying amounts			
At 31 December 2021	9,951	8,694	18,645
At 31 December 2022	9,793	5,411	15,204

The Company 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.

The total cash outflow for leases amounts to RM6,083,000 (2021: RM6,393,000) and income from subleasing of right-of-use assets amounts to RM671,000 (2021: RM640,000).

4.1 Right-of-use assets under the revaluation model

The leasehold land was last revalued in October 2020 by Hartamas Valuation & Consultancy Sdn Bhd, an external independent qualified valuer 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 RM3,583,000 (2021: RM3,639,000).

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.

4. Right-of-use assets (continued)

4.2 Fair value information (continued)

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	2022 Fair Value RM'000	2022 Adjusted psf RM/psf	2021 Fair Value RM'000	2021 Adjusted psf RM/psf
Comparison Approach	9,793	777 – 1,034	9,951	777 – 1,034

5. Intangible assets

	Note	Software development costs RM'000	Other intangible assets RM'000	Total RM'000
Cost				
At 1 January 2021		17,497	50,495	67,992
Additions		658	-	658
Reclassification	3	6,389	-	6,389
At 31 December 2021		24,544	50,495	75,039
Additions		580	92,380	92,960
Written Off		-	(50,495)	(50,495)
Reclassification	3	2,154	-	2,154
At 31 December 2022		27,278	92,380	119,658
Amortisation				
At 1 January 2021		12,019	36,863	48,882
Amortisation for the year	25	3,439	4,545	7,984
At 31 December 2021		15,458	41,408	56,866
Amortisation for the year	25	3,969	6,159	10,128
Written Off		-	(41,408)	(41,408)
At 31 December 2022		19,427	6,159	25,586
Carrying amounts				
At 31 December 2021		9,086	9,087	18,173
At 31 December 2022		7,851	86,221	94,072
		Note 5.1	**Note 5.2**	

5. Intangible assets (continued)

5.1 Software development costs

The software development costs are in relation to the internal development expenditure incurred for digital application and Open Product Underwriting System ("OPUS"), the on-going integrated system to improve the efficiency of the business activity of the Company. These costs of developed software are amortised over a period of three to five years.

5.2 Other intangible assets

Other intangible assets are in relation to the exclusive Bancassurance Agreement which provides the Company with an exclusive right to the use of the bancassurance network of a local commercial bank ("the bank") to sell, market and promote conventional life product. In June 2022, the Company and the Bank entered into a renewal partnership agreement to extend the Exclusive Bancassurance Agreement for 15 years. The upfront fee for this renewal was set off against the carrying amount of the legacy upfront fee and other payable to the Bank before payment was made.

The fee for this exclusive right is amortised over its useful life of 15 years using the straight-line method. In the impairment assessment conducted by the Company, the future economic benefits that are attributable to the bancassurance agreement were valued at the present value of projected future cash flows to be derived from the remaining tenure of the agreement of 14 years using the discounted cash flow model.

The following key assumptions have been used in cash flow projections in respect of bancassurance agreement:

Key assumptions	**2022**	**2021**
Bancassurance average annualised new premium growth rate	11.8%	11.6%
Discount rate - pre tax	11.1%	10.9%

5.2.1 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. Investments

		2022 RM'000	2021 RM'000
Malaysian government securities		5,215,132	4,694,823
Malaysian government guaranteed bonds		2,496,078	2,441,652
Quoted equity securities of corporations in Malaysia		2,558,921	2,823,578
Quoted equity securities of corporations outside Malaysia		155,513	49,850
Unquoted equity securities of corporations in Malaysia		2,147	2,147
Unquoted bonds of corporations in Malaysia		4,046,938	3,778,262
Unquoted bonds of corporations outside Malaysia		100,446	104,561
Quoted unit trusts in Malaysia	6.1	70,463	61,032
Unquoted unit trusts in Malaysia	6.1	40,760	39,216
Unquoted unit trusts outside Malaysia	6.1	226,104	170,520
Fixed and call deposits with licensed financial institutions		1,400	223,980
		14,913,902	14,389,621
Policy loans		6,325	7,691
Automatic premium loans		70,918	76,567
		14,991,145	14,473,879

6.1 Interest in structured entities

The Company has determined that its investment in quoted and unquoted unit trusts as disclosed in Note 6 to the financial statements to be investment in unconsolidated structured entities ("investee funds"). The funds aim to provide investors with steady income over the medium-term to long-term investment horizon. The investee funds finance their operations through the creation of investee fund units which entitle the holder to variable returns and fair values in the respective investee fund's net assets.

The investee funds are classified as available-for-sale and held for trading investment securities. The changes in fair value of the investee funds are included in the statement of financial position and statement of profit or loss and comprehensive income of the Company.

The Company's maximum exposure to loss arising from its interests in these unconsolidated structured entities is limited to the carrying amount of the assets. Dividend income are received during the reporting period from these interests in unconsolidated structured entities.

6. Investments (continued)

6.1 Interest in structured entities (continued)

The Company's exposure to investments in the investee funds is disclosed below:

	2022 RM'000	2021 RM'000
Available-for-sale financial assets		
Quoted unit trusts in Malaysia	40,107	31,900
Unquoted unit trusts in Malaysia		
- Affin Hwang Income Fund 5*	21,246	21,046
- Others	1,190	1,227
Held for trading		
Quoted unit trusts in Malaysia	30,356	29,132
Unquoted unit trusts in Malaysia	18,324	16,943
Unquoted unit trusts outside Malaysia	226,104	170,520

*The Company holds 3.6% (2021:3.6%) of the Affin Hwang Income Fund 5, a wholesale unit trust fund established in Malaysia. The remaining investment of 96.4% (2021:96.4%) is by virtue of the shareholding through the Company's related entity, Allianz General Insurance Company (Malaysia) Berhad. The wholesale fund is consolidated by the Company's immediate holding company, Allianz Malaysia Berhad, who prepares consolidated financial statements in accordance with MFRS in Malaysia.

6. Investments (continued)

The Company’s financial investments are summarised by categories as follows:

	Current		Non-current		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	RM’000	**RM’000**	**RM’000**	**RM’000**	**RM’000**	**RM’000**
Available-for-sale financial assets (“AFS”)	2,835,080	2,979,682	-	-	2,835,080	2,979,682
Loans and receivables (“LAR”)	78,643	308,238	-	-	78,643	308,238
Fair value through profit or loss (“FVTPL”)						
- Held for trading (“HFT”)	7,340,525	6,742,924	-	-	7,340,525	6,742,924
- Designated upon initial recognition (“DUIR”)	4,736,897	4,443,035	-	-	4,736,897	4,443,035
	14,991,145	14,473,879	-	-	14,991,145	14,473,879

6. Investments (continued)

	Fair value 2022 RM'000	Fair value 2021 RM'000
Available-for-sale		
Malaysian government securities	1,011,841	1,053,490
Malaysian government guaranteed bonds	1,046,213	1,023,701
Quoted equity securities of corporations in Malaysia	631,554	750,880
Unquoted bonds of corporations in Malaysia	80,782	95,291
Quoted unit trusts in Malaysia	40,107	31,900
Unquoted unit trusts in Malaysia	22,436	22,273
	2,832,933	2,977,535

	Cost 2022 RM'000	Cost 2021 RM'000
Unquoted equity securities of corporations in Malaysia	2,147	2,147

Total available-for-sale financial investments	2,835,080	2,979,682

6. Investments (continued)

	2022		2021	
	Amortised cost RM'000	Fair value RM'000	Amortised cost RM'000	Fair value RM'000
Loans and receivables				
Policy loans	6,325	6,325	7,691	7,691
Automatic premium loans	70,918	70,918	76,567	76,567
Fixed and call deposits with licensed financial institutions	1,400	1,400	223,980	223,980
	78,643	78,643	308,238	308,238

6. Investments (continued)

	Fair value 2022 RM'000	Fair value 2021 RM'000
Fair value through profit or loss		
Held for trading		
Malaysian government securities	2,165,629	1,926,849
Malaysian government guaranteed bonds	920,625	879,597
Quoted equity securities of corporations in Malaysia	1,927,367	2,072,698
Quoted equity securities of corporations outside Malaysia	155,513	49,850
Unquoted bonds of corporations in Malaysia	1,896,607	1,597,335
Quoted unit trusts in Malaysia	30,356	29,132
Unquoted unit trusts in Malaysia	18,324	16,943
Unquoted unit trusts outside Malaysia	226,104	170,520
	7,340,525	6,742,924

6. Investments (continued)

	Fair value 2022 RM'000	Fair value 2021 RM'000
Fair value through profit or loss		
Designated upon initial recognition		
Malaysian government securities	2,037,662	1,714,484
Malaysian government guaranteed bonds	529,240	538,354
Unquoted bonds of corporations in Malaysia	2,069,549	2,085,636
Unquoted bonds of corporations outside Malaysia	100,446	104,561
	4,736,897	4,443,035
Total fair value through profit or loss financial investments	12,077,422	11,185,959

6. Investments (continued)

Movements in carrying values of financial instruments

	Note	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
At 1 January 2021		3,100,681	766,457	5,621,189	4,044,927	13,533,254
Purchases/Placements		473,476	53,721,053	2,919,836	1,096,462	58,210,827
Maturities		(20,000)	(54,163,978)	(293,901)	(406,259)	(54,884,138)
Disposals		(390,540)	-	(1,315,585)	(121,364)	(1,827,489)
Fair value losses recorded in:						
Profit or loss						
- Unrealised losses	23	-	-	(187,209)	(173,729)	(360,938)
- Movement in impairment allowance	23	(41,134)	-	-	-	(41,134)
Insurance contract liabilities	13	(132,303)	-	-	-	(132,303)
Other comprehensive income		(9,773)	-	-	-	(9,773)
Amortisation of premiums	21	(1,303)	-	(4,648)	(8,846)	(14,797)
Accretion of discounts	21	769	-	1,423	1,166	3,358
Unrealised foreign exchange gains		-	-	44	4,646	4,690
Movement in income due and accrued		(191)	(15,294)	1,775	6,032	(7,678)
At 31 December 2021		2,979,682	308,238	6,742,924	4,443,035	14,473,879

6. Investments (continued)

Movements in carrying values of financial instruments (continued)

	Note	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
At 1 January 2022		2,979,682	308,238	6,742,924	4,443,035	14,473,879
Purchases/Placements		295,439	25,827,769	2,089,518	781,949	28,994,675
Maturities		(32,000)	(26,056,472)	(246,000)	(322,000)	(26,656,472)
Disposals		(283,687)	-	(1,046,693)	(55,002)	(1,385,382)
Fair value losses recorded in:						
Profit or loss						
- Unrealised losses	23	-	-	(212,872)	(117,205)	(330,077)
- Movement in impairment allowance	23	(29,819)	-	-	-	(29,819)
Insurance contract liabilities	13	(90,091)	-	-	-	(90,091)
Other comprehensive income		(4,513)	-	-	-	(4,513)
Amortisation of premiums	21	(1,184)	-	(5,769)	(10,660)	(17,613)
Accretion of discounts	21	874	-	1,507	800	3,181
Unrealised foreign exchange gains		-	-	15,768	5,991	21,759
Movement in income due and accrued		379	(892)	2,142	9,989	11,618
At 31 December 2022		2,835,080	78,643	7,340,525	4,736,897	14,991,145

7. Reinsurance assets

	Note	2022 RM'000	2021 RM'000
Non-current			
Actuarial liabilities		60,927	52,841
Current			
Actuarial liabilities		33	31
Recoverable on claims liabilities from reinsurers		59,717	66,808
		59,750	66,839
	13	120,677	119,680

8. Insurance receivables

	Note	2022 RM'000	2021 RM'000
Current			
Due premium including agents, brokers balances		54,043	45,429
Due from reinsurers and cedants		10,159	14,628
Group claims receivable		520	1,101
Due from related companies	8.1	9,049	7,113
		73,771	68,271
Less: Allowance for impairment	34.1(ii)	(3,557)	(2,902)
		70,214	65,369

8.1 Amount due from related companies

The amount due from related company is unsecured and receivable in accordance with normal trade terms.

8.2 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 (2021: Nil).

9. Other receivables, deposits and prepayments

	Note	2022 RM'000	2021 RM'000
Non-current			
Other loans		20,593	26,751
Mortgage loans		833	924
Other secured loans		86	151
Other receivables		17,802	20,534
		39,314	48,360
Current			
Mortgage loans		107	119
Other secured loans		62	48
Prepayments		355	-
Sundry deposits		1,855	2,147
Other receivables		33,201	14,911
Less: Allowance for impairment	34.1(ii)	(796)	(796)
		34,784	16,429
Due from related companies	9.1	-	2,598
Due from immediate holding company	9.1	-	226
		34,784	19,253
		74,098	67,613

9.1 Amounts due from related companies and immediate holding company

The amounts due from related companies and immediate holding company are unsecured, interest free and repayable on demand.

10. Cash and cash equivalents

	2022 RM'000	2021 RM'000
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity three months or less)	1,538,190	1,054,595
Cash and bank balances	124,709	54,821
	1,662,899	1,109,416

11. Share capital

	2022		2021	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid up:				
Ordinary shares				
On issue at 1 January/31 December	236,600	236,600	236,600	236,600

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

12. Reserves

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.

Revaluation reserve

The revaluation reserve represents the surplus on revaluation of land and buildings.

Retained earnings

Restriction on payment of dividends

Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than the Company's internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target capital level.

Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend on its shares.

13. Insurance contract liabilities

		2022			2021		
	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities	33	9,858,009	(60,960)	9,797,049	9,523,989	(52,872)	9,471,117
Benefits and claims liabilities		990,677	(59,717)	930,960	816,786	(66,808)	749,978
Unallocated deficit		(2,071)	-	(2,071)	(56,637)	-	(56,637)
Hedging reserve		-	-	-	7,210	-	7,210
Available-for-sale fair value reserve		155,584	-	155,584	238,468	-	238,468
Revaluation reserve		6,992	-	6,992	6,992	-	6,992
Net asset value attributable to unitholders	36	3,204,351	-	3,204,351	2,722,652	-	2,722,652
		14,213,542	(120,677)	14,092,865	13,259,460	(119,680)	13,139,780
			Note 7			Note 7	

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13. Insurance contract liabilities (continued)

		Gross			Reinsurance			
	Note	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
At 1 January 2022		4,081,552	9,177,908	13,259,460	(2,795)	(116,885)	(119,680)	13,139,780
Premiums received	20	85,022	3,281,855	3,366,877	(4,947)	(99,854)	(104,801)	3,262,076
Liabilities paid for death, maturities, surrenders, benefits and claims		(362,422)	(1,395,816)	(1,758,238)	2,770	79,843	82,613	(1,675,625)
Movements in benefits and claims liabilities		47,352	126,539	173,891	274	6,817	7,091	180,982
Benefits and claims experience variation		32,040	(157,991)	(125,951)	2,145	14,185	16,330	(109,621)
Fees deducted		(9,878)	(753,659)	(763,537)	-	184	184	(763,353)
Expected interest on reserve/net investment income attributable to Universal Life Fund		134,677	89,988	224,665	(75)	(592)	(667)	223,998
Adjustments due to changes in assumptions								
- Discount rate		(345)	(24,682)	(25,027)	-	651	651	(24,376)
- Expenses		(58)	(1,382)	(1,440)	-	-	-	(1,440)
- Asset share		(88,760)	-	(88,760)	-	-	-	(88,760)
- Mortality/Morbidity		(745)	3,054	2,309	-	(2,211)	(2,211)	98
- Critical illness		-	(688)	(688)	-	-	-	(688)
- Lapse/Surrender		(14,744)	(2,865)	(17,609)	-	-	-	(17,609)
- Others		174	1,414	1,588	-	(187)	(187)	1,401
Net asset value attributable to unitholders	36	-	1,530	1,530	-	-	-	1,530

Registration No. 198301008983 (104248-X)

13. Insurance contract liabilities (continued)

	Note	Gross With DPF RM'000	Gross Without DPF RM'000	Gross Total RM'000	Reinsurance With DPF RM'000	Reinsurance Without DPF RM'000	Reinsurance Total RM'000	Net RM'000
Hedging reserve		(7,837)	-	(7,837)	-	-	-	(7,837)
Available-for-sale fair value reserve	6	(90,091)	-	(90,091)	-	-	-	(90,091)
Revaluation reserve		-	-	-	-	-	-	-
Unallocated surplus		54,566	-	54,566	-	-	-	54,566
Deferred tax effects:								
- Hedging reserve	27	627	-	627	-	-	-	627
- Available-for-sale fair value reserve	27	7,207	-	7,207	-	-	-	7,207
At 31 December 2022		3,868,337	10,345,205	14,213,542	(2,628)	(118,049)	(120,677)	14,092,865

13. Insurance contract liabilities (continued)

	Note	Gross With DPF RM'000	Gross Without DPF RM'000	Gross Total RM'000	Reinsurance With DPF RM'000	Reinsurance Without DPF RM'000	Reinsurance Total RM'000	Net RM'000
At 1 January 2021		4,259,603	7,892,873	12,152,476	(1,013)	(67,107)	(68,120)	12,084,356
Premiums received	20	94,073	3,164,934	3,259,007	(6,810)	(135,499)	(142,309)	3,116,698
Liabilities paid for death, maturities, surrenders, benefits and claims		(264,785)	(1,117,804)	(1,382,589)	4,227	106,071	110,298	(1,272,291)
Movements in benefits and claims liabilities		40,063	108,500	148,563	(387)	(37,389)	(37,776)	110,787
Benefits and claims experience variation		10,464	(107,562)	(97,098)	(3,630)	2,681	(949)	(98,047)
Fees deducted		(9,837)	(739,479)	(749,316)	4,828	7,202	12,030	(737,286)
Expected interest on reserve/net investment income attributable to Universal Life Fund		138,944	15,136	154,080	(10)	(303)	(313)	153,767
Adjustments due to changes in assumptions								
- Discount rate		(2,583)	(68,348)	(70,931)	-	1,238	1,238	(69,693)
- Expenses		1,074	414	1,488	-	-	-	1,488
- Asset share		(102,951)	-	(102,951)	-	-	-	(102,951)
- Mortality/Morbidity		(8,107)	(20,263)	(28,370)	-	6,341	6,341	(22,029)
- Critical illness		-	(182)	(182)	-	-	-	(182)
- Lapse/Surrender		(12)	120	108	-	-	-	108
- Others		2,554	2,124	4,678	-	(120)	(120)	4,558
Net asset value attributable to unitholders	36	-	47,445	47,445	-	-	-	47,445

13. Insurance contract liabilities (continued)

		Gross			Reinsurance			
	Note	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
Hedging reserve		(9,039)	-	(9,039)	-	-	-	(9,039)
Available-for-sale fair value reserve	6	(132,303)	-	(132,303)	-	-	-	(132,303)
Revaluation reserve		-	-	-	-	-	-	-
Unallocated surplus		53,086	-	53,086	-	-	-	53,086
Deferred tax effects:								
- Hedging reserve	27	723	-	723	-	-	-	723
- Available-for-sale fair value reserve	27	10,585	-	10,585	-	-	-	10,585
At 31 December 2021		4,081,552	9,177,908	13,259,460	(2,795)	(116,885)	(119,680)	13,139,780

14. Deferred tax assets/(liabilities)

14.1 Recognised deferred tax assets and liabilities are attributable to the following:

	Asset		Liabilities		Net	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	-	-	(543)	(479)	(543)	(479)
Unallocated surplus	-	-	(396,625)	(360,160)	(396,625)	(360,160)
Hedging reserve	-	-	-	(627)	-	(627)
Available-for-sale fair value reserve	-	-	(12,871)	(21,155)	(12,871)	(21,155)
Fair value movement recognised in profit or loss	25,151	1,435	-	-	25,151	1,435
Revaluation reserve	-	-	(776)	(776)	(776)	(776)
Net amortisation	2,349	1,108	-	-	2,349	1,108
Net liabilities	27,500	2,543	(410,815)	(383,197)	(383,315)	(380,654)

14. Deferred tax assets/(liabilities) (continued)

14.2 Movement in temporary differences during the year

	At 1 January 2021 RM'000	Recognised in profit or loss (Note 27) RM'000	Recognised in other compre-hensive income ("OCI") (Note 27) RM'000	Recognised in insurance contract liabilities through OCI (Note 13) RM'000	At 31 December 2021/ 1 January 2022 RM'000	Recognised in profit or loss (Note 27) RM'000	Recognised in other compre-hensive income ("OCI") (Note 27) RM'000	Recognised in insurance contract liabilities through OCI (Note 13) RM'000	At 31 December 2022 RM'000
Property, plant and equipment	(296)	(183)	-	-	(479)	(64)	-	-	(543)
Unallocated surplus	(337,048)	(23,112)	-	-	(360,160)	(36,465)	-	-	(396,625)
Hedging reserve	(1,350)	-	-	723	(627)	-	-	627	-
Available-for-sale fair value reserve	(34,079)	-	2,339	10,585	(21,155)	-	1,077	7,207	(12,871)
Fair value movement recognised in profit or loss	(29,159)	30,594	-	-	1,435	23,716	-	-	25,151
Revaluation reserve	(776)	-	-	-	(776)	-	-	-	(776)
Net (accretion) /amortisation	(762)	1,870	-	-	1,108	1,241	-	-	2,349
Net tax (liabilities)/ assets	(403,470)	9,169	2,339	11,308	(380,654)	(11,572)	1,077	7,834	(383,315)

15. Derivative financial assets/(liabilities)

	Nominal value RM'000	Assets RM'000	Liabilities RM'000
2022			
Derivatives held for trading at fair value through profit or loss			
- Collateralised interest rate swap	400,000	16,590	-
- Cross currency swap	98,740	2,406	(1,293)
Derivatives used for hedging			
- Forward purchase agreements	-	-	-
	498,740	18,996	(1,293)
2021			
Derivatives held for trading at fair value through profit or loss			
- Collateralised interest rate swap	400,000	35,642	-
- Cross currency swap	98,740	2,037	(1,641)
Derivatives used for hedging			
- Forward purchase agreements	60,000	7,837	-
	558,740	45,516	(1,641)

The Company 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 Company 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:

	>6 to 12 months RM'000	>1 to 5 years RM'000
As at 31.12.2022		
Cash inflows (assets)	-	-
Cash outflows (liabilities)	-	-
	-	-
As at 31.12.2021		
Cash inflows (assets)	-	-
Cash outflows (liabilities)	56,824	-
	56,824	-

16. Lease liabilities

	2022 RM'000	2021 RM'000
Non-current	1,627	4,376
Current	3,949	4,737
	5,576	9,113

17. Insurance payables

	Note	2022 RM'000	2021 RM'000
Current			
Due to reinsurers and cedants		107,391	144,319
Due to agents, brokers and co-insurers balances		182,750	146,723
Due to a related company	17.1	37,558	26,117
		327,699	317,159

17.1 Amounts due to a related company

The amounts due to a related company is unsecured and payable in accordance with normal trade terms.

17.2 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 (2021: Nil).

18. Other payables and accruals

	Note	2022 RM'000	2021 RM'000
Current			
Premium received in advance		121,244	123,222
Premium deposits		50,237	53,172
Cash collateral payables		11,198	40,191
Outstanding purchase of investment securities		6,188	10,347
Other payables and accrued expenses		166,713	132,226
Due to immediate holding company	18.1	70,251	1,715
Due to related companies	18.1	15,260	12,892
		441,091	373,765

18.1 Amounts due to immediate holding company and related companies

The amounts due to immediate holding company and related companies are unsecured, interest free and repayable on demand. Included in the amount due to immediate holding company mainly due to dividend declared by the Company, refer Note 28.

19. Operating revenue

	Note	2022 RM'000	2021 RM'000
Gross earned premiums	20	3,366,877	3,259,007
Investment income	21	645,445	574,493
		4,012,322	3,833,500

20. Net earned premiums

	Note	2022 RM'000	2021 RM'000
Gross earned premiums	19	3,366,877	3,259,007
Premiums ceded to reinsurers	13	(104,801)	(142,309)
Net earned premiums		3,262,076	3,116,698

21. Investment income

	Note	2022 RM'000	2021 RM'000
Available-for-sale financial assets			
Interest income from:			
- Malaysian government securities		46,026	45,651
- Malaysian government guaranteed bonds		48,113	46,581
- Unquoted bonds of corporations in Malaysia		7,159	5,084
Dividend income from:			
- Quoted equity securities of corporations in Malaysia		31,489	30,481
- Unquoted equity securities of corporations in Malaysia		1,244	292
- Unquoted unit trusts in Malaysia		504	317
Accretion of discounts	6	874	769
Amortisation of premiums	6	(1,184)	(1,303)
Loans and receivables			
Interest income from:			
- Policy loans		477	594
- Automatic premium loans		4,883	5,295
Interest income from licensed financial institutions:			
- Fixed and call deposits		28,645	25,232

21. Investment income (continued)

	Note	2022 RM'000	2021 RM'000
Fair value through profit or loss – Held for trading			
Interest income from:			
- Malaysian government securities		83,456	34,704
- Malaysian government guaranteed bonds		37,621	67,801
- Unquoted bonds of corporations in Malaysia		77,053	67,709
Dividend income from:			
- Quoted equity securities of corporations in Malaysia		86,619	71,085
- Quoted equity securities outside Malaysia		1,461	74
- Quoted unit trusts in Malaysia		6,523	584
Interest expense to financial institutions			
- Cash collateral		(357)	(889)
Accretion of discounts	6	1,507	1,423
Amortisation of premiums	6	(5,769)	(4,648)
Fair value through profit or loss – Designated upon initial recognition financial assets			
Interest income from:			
- Malaysian government securities		71,758	21,136
- Malaysian government guaranteed bonds		21,502	60,282
- Unquoted bonds of corporations in Malaysia		91,479	87,128
- Unquoted bonds of corporations outside Malaysia		4,041	4,213
Interest income from licensed financial institutions:			
- Structured deposits		-	51
- Cross currency swap		850	1,408
- Collateralised forward starting interest rate swap		9,331	11,119
Accretion of discounts	6	800	1,166
Amortisation of premiums	6	(10,660)	(8,846)
		645,445	574,493
		Note 19	Note 19

22. Realised gains and losses

	2022 RM'000	2021 RM'000
Realised loss on disposal of property, plant and equipment	(2)	-
Realised gains on disposal of investments in debt and equity securities:		
Malaysian government securities	344	721
Malaysian government guaranteed bonds	-	5,593
Quoted equity securities of corporations in Malaysia	134,654	191,092
Quoted equity securities of corporations outside Malaysia	13,606	8,631
Quoted unit trusts in Malaysia	65	566
Unquoted unit trusts outside Malaysia	41	227
Unquoted bonds of corporations in Malaysia	1,288	2,550
Realised losses on disposal of investments in debt and equity securities:		
Malaysian government securities	(1,486)	-
Malaysian government guaranteed bonds	-	(8,409)
Quoted equity securities of corporations in Malaysia	(91,720)	(142,548)
Quoted equity securities of corporations outside Malaysia	(4,434)	(3,301)
Quoted unit trust in Malaysia	-	(119)
Unquoted unit trusts outside Malaysia	(627)	(15)
Unquoted bonds of corporations in Malaysia	(8)	-
	51,723	54,988
Total net realised gains	51,721	54,988

23. Fair value gains and losses

	Note	2022 RM'000	2021 RM'000
Held for trading financial assets	6	(212,872)	(187,209)
Designated upon initial recognition financial assets	6	(117,205)	(173,729)
Derivatives		(18,840)	(28,685)
Total fair value loss on financial assets at FVTPL		(348,917)	(389,623)
Impairment loss on AFS financial assets	6	(29,819)	(41,134)
Total fair value net loss		(378,736)	(430,757)

24. Net benefits and claims

	2022 RM'000	2021 RM'000
Gross benefits and claims paid	(1,763,851)	(1,382,828)
Claims ceded to reinsurers	82,613	110,298
Net claims paid	(1,681,238)	(1,272,530)
Gross change in contract liabilities	(870,285)	(1,088,455)
Change in contract liabilities ceded to reinsurers	8,088	13,784
	(2,543,435)	(2,347,201)

25. Management expenses

	Note	2022 RM'000	2021 RM'000
Advertising and marketing expenses		15,195	13,162
Impairment loss on receivables		655	1,249
Amortisation of intangible assets	5	10,128	7,984
Auditors' remuneration:			
- statutory audit fees		394	354
- other audit related fees		1,191	91
Bank charges		15,158	16,066
Depreciation on property, plant and equipment	3	5,659	4,938
Depreciation of right-of-use assets	4	5,531	5,527
Employee benefits expense	25(a)	128,838	124,726
Executive director's remuneration	25(b)	1,772	-
Non-executive directors' fee and other emoluments	25(b)	643	635
Lease expense on low-value assets		194	102
Short-term lease expenses		31	-
Other expenses		101,341	97,214
		286,730	272,048

	2022 RM'000	2021 RM'000
(a) Employee benefits expense		
Wages and salaries	70,146	63,339
Social security contributions	570	519
Contributions to Employees' Provident Fund	13,066	12,773
Other benefits	45,056	48,095
	128,838	124,726

25. Management expenses (continued)

(b) Key management personnel compensation

	2022 RM'000	2021 RM'000
Executive director/Chief Executive Officer:		
Salaries and other emoluments	878	-
Bonus	894	-
	1,772	-
Estimated monetary value of benefits-in-kind	96	
	1,868	-
Non-executive directors:		
Fees	442	430
Other emoluments	201	205
	643	635
Other key management personnel:		
Short-term employee benefits	7,077	7,100

Other key management personnel comprise persons other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

The remuneration of CEO of the Company who is also the Executive Director of the Company, including benefits-in-kind, amounted to RM1,868,000 (2021: nil).

(c) The details of remuneration received by the CEO during the year are as follows:

	2022 RM'000	2021 RM'000
Salaries	1,205	993
Bonus	1,104	1,161
Contribution to Employee's Provident Fund	166	-
Estimated monetary value of benefits-in-kind	118	310
Other emoluments	658	1,647
	3,251	4,111
Amount included in employee benefits expense	3,133	3,801

25. Management expenses (continued)

(d) The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

	Salaries RM'000	Bonus RM'000	Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
2022						
Chief Executive Officer						
Ong Eng Chow	945	210	-	206	22	1,383
Executive Director/Chief Executive Officer						
Joseph Kumar Gross	260	894	-	618	96	1,868
Non-Executive Directors of the Company						
Goh Ching Yin	-	-	120	162	-	282
Peter Ho Kok Wai	-	-	120	15	-	135
Lim Fen Nee	-	-	120	15	-	135
Foo Chee It	-	-	20	3	-	23
Dato' Dr. Kantha A/L Rasalingam	-	-	62	6	-	68
Total Non-Executive Directors of the Company	-	-	442	201	-	643
Total remuneration of Directors of the Company	260	894	442	819	96	2,511

25. Management expenses (continued)

(d) The total remuneration (including benefits-in-kind) of the Chief Executive Officers and Directors are as follows (continued):

	Salaries RM'000	Bonus RM'000	Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
2021						
Chief Executive Officer						
Joseph Kumar Gross	993	1,161	-	1,647	310	4,111
Non-Executive Directors of the Company						
Goh Ching Yin	-	-	120	162	-	282
Peter Ho Kok Wai	-	-	120	17	-	137
Lim Fen Nee	-	-	70	9	-	79
Dato' Dr. Kantha A/L Rasalingam	-	-	120	17	-	137
Total remuneration of Directors of the Company	-	-	430	205	-	635

26. Interest expense

	2022 RM'000	2021 RM'000
Interest expense on:		
Lease liabilities	252	423
	252	423

27. Tax expense

	2022 RM'000	2021 RM'000
(a) Recognised in profit or loss		
Current tax expense		
Current year	64,320	55,673
(Over)/under provision in prior years	(1,888)	1,213
	62,432	56,886
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	11,572	(9,169)
Total tax expense	74,004	47,717
Tax expenses attributable to shareholders	62,831	40,874
Tax expenses attributable to participating fund and unitholders	11,173	6,843
	74,004	47,717

The income tax provided for in the Life fund for the current and previous financial years is in respect of investment income which is taxed at a tax rate of 8% (2021: 8%) applicable for life insurance business and 24% (2021: 24%) on income other than investment income which is taxed under Section 60(8) of the Income Tax Act, 1967.

For the Shareholders' fund, the corporate tax rate is at 24% (2021: 24%). Consequently, deferred tax assets and liabilities of Shareholders' fund are measured using this tax rate. The tax expense of respective funds are disclosed in Note 36 – Insurance funds.

27. Tax expense (continued)

(b) Reconciliation of tax expense

	2022 RM'000	2021 RM'000
Profit before tax	249,722	197,166
Tax at Malaysian tax rate of 24 % (2021: 24%)	59,933	47,320
Tax rate differential of 16 % (2021: 16%) in respect of Life fund	10,757	1,774
Tax rate differential due to Cukai Makmur (Note 27(e))	1,023	-
Section 110B tax set off	(5,675)	(3,583)
Income not subject to tax	(269,837)	(264,111)
Non-deductible expenses	279,691	265,104
(Over)/under provision in prior years	(1,888)	1,213
Total tax expense	74,004	47,717

(c) Deferred tax recognised directly in other comprehensive income

	2022 RM'000	2021 RM'000
Available-for-sale fair value reserve		
At 1 January	417	2,756
Net loss arising from change in fair value	(1,077)	(2,339)
At 31 December	(660)	417
Revaluation reserve		
At 1 January	223	223
Net gain arising from revaluation	-	-
At 31 December	223	223

27. Tax expense (continued)

(d) Deferred tax recognised in insurance contract liabilities

	Note	2022 RM'000	2021 RM'000
Available-for-sale fair value reserve			
At 1 January		20,738	31,323
Net loss arising from change in fair value	13	(7,207)	(10,585)
At 31 December		13,531	20,738
Revaluation reserve			
At 1 January		553	553
Net gain arising from revaluation	13	-	-
At 31 December		553	553
Hedging reserve			
At 1 January		627	1,350
Net loss arising from change in fair value	13	(627)	(723)
At 31 December		-	627

(e) Changes in taxation

Cukai Makmur ("Prosperity tax")

In December 2021, the government enacted a change in the national income tax rate for year of assessment ("YA") 2022 via the introduction of "Cukai Makmur" - a special one-off tax to be imposed on non-Micro, Small and Medium Enterprises (non-MSMEs) companies which generate high profits during the pandemic.

Accordingly, the applicable tax rates of the Company for YA 2022 are as follows:
- Chargeable income for the first RM100 million: 24%;
- Portion of chargeable income in excess of RM100 million: 33%

28. Dividends

Dividend declared by the Company as appropriation of profits is as follows:

	Sen per share (single tier)	Total amount RM'000	Date of payment
2022			
Interim 2022 ordinary	28.5	67,431	19 January 2023

29. Operating leases

Leases as lessor

The future undiscounted lease payments to be received are as follows:

	2022 RM'000	2021 RM'000
Less than one year	802	203
Between 1 and 2 years	442	181
Between 2 and 3 years	33	50
	1,277	434

30. Capital commitments

	2022 RM'000	2021 RM'000
Property, plant and equipment		
Contracted but not provided for	6,161	2,567
Software development		
Contracted but not provided for	1,515	238

31. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if 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 Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and entity that provides key management personnel services to the Company. The key management personnel include all the Directors of the Company, and certain members of Senior Management Committee of the Company. There were no significant transactions with the Company during the financial year other than key management personnel compensation as disclosed in Note 25.

The related parties of, and their relationship with the Company are as follows:

Related Parties	Relationship
Allianz SE, Munich ("Allianz SE")	Ultimate holding company
Allianz Malaysia Berhad ("AMB")	Immediate holding company
Allianz General Insurance Company (Malaysia) Berhad	Related company of ALIM
Allianz SE Insurance Management Asia Pacific	Related company of ALIM
Allianz Technology SE	Related company of ALIM
Allianz Investment Management SE	Related company of ALIM
Allianz Investment Management Singapore Pte Ltd	Related company of ALIM
Allianz Global Investors Singapore Limited	Related company of ALIM
Allianz Global Investors Asia Pacific Limited	Related company of ALIM
PT Asuransi Allianz Life Indonesia	Related company of ALIM
Allianz Digital Health GMBH	Related company of ALIM
Allianz Technology (Thailand) Corporation Limited	Related company of ALIM
Rapidpro Consulting Sdn Bhd	Company connected to the Director of AMB

31. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company, other than key management personnel compensation (see Note 25), are as follows:

Transactions	Amount transacted for the year ended 31 December 2022 RM'000	Amount transacted for the year ended 31 December 2021 RM'000
Ultimate holding company		
Payment of reinsurance premium ceded, net of commission income	(4,214)	(3,049)
Payment of personnel expenses	(795)	(1,266)
Payment of business building and regional investment costs	(1,822)	(2,666)
Payment of global marketing expenses	(1,770)	(1,301)
Reversal/(Payment) of fees for sharing of Global Procurement (excluding IT) services and support	9	(129)
Reversal/(Payment) of personnel expenses	1,522	(4,198)
(Payment)/Reversal for support of design and development of Global Digital Factory	(42)	1
Reversal/(Payment) for the development of Allianz One Finance Programme	3	(96)
Reversal/(Payment) for IT security services	3	(267)
Reversal/(Payment) of fee for cyber insurance services	34	(35)
Payment of fee for HRT run services	(615)	(195)
Payment for Employee Share Participation Programs related admin costs	(26)	(17)
Payment of fees for implementation of Azeus Convene Meeting Management Software	(39)	-
Payment of GHR IT Licenses & Maintenance	(22)	-
Payment of usage of finance application & workplace devices by COC	(112)	-
Payment of sharing of cost of the implementation of SAP Success Factors system	(368)	-
Payment of sharing of cost to support Group Data Analytics	(128)	-
Payment of support the development and improvement of Technical Excellence	(194)	-
Payment of services of Strategic Workforce Planning project	(28)	-
Payment of HR IT Licenses & Maintenance	(10)	-

31. Related parties (continued)

Significant related party transactions (continued)

	Amount transacted for the year ended 31 December 2022 RM'000	Amount transacted for the year ended 31 December 2021 RM'000
Immediate holding company		
Rental income	104	104
Sharing of personnel costs and department expenses	(10,037)	(10,904)
Payment for life actuarial modeling services	(373)	(356)
Payment of fees for SAP Master Data Management support services	(44)	(24)
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(87,877)	(116,569)
Payment of insurance premium	(266)	(229)
Payment of motor insurance premium	(238)	(239)
Payment of investment and redemption of funds (including fund management fees)	(98,028)	(143,653)
Investment advisory fees	(1,533)	(2,047)
Payment of performance attribution analysis expenses	(44)	-
Payment of other expenses	(1,228)	(231)
Rental expenses	(1,404)	(2,423)
Rental income	537	545
Reversal of intranet portal network cost	-	68
Reimbursement of sharing of common expenses	1,264	5,968
Payment of asset and investment manager database expenses	(412)	(789)
Payment of expenses of HR database platform and recruitment solution	(81)	(28)
Payment of annual maintenance and support fees for software system	(4,190)	(558)
Reversal for Actuarial support centre services	-	102
Payment of IT security services	(88)	(8)
Payment of Allianz Virtual Client, Windows Distributor File System and Data Center Consolidation	(2,366)	(1,823)
Payment of fee to develop a suite of digital health tools	(1,280)	(1,188)
Payment of fee for sharing of Group Intranet Access	-	(492)
Payment of fee for sharing of Group Directory International	-	(568)
Payment for purchasing of various software licences	(32)	(83)
Payment of fees for IT system application services	-	(4,938)

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31. Related parties (continued)

Significant related party transactions (continued)

Related companies* (continued)	Amount transacted for the year ended 31 December 2022 RM'000	Amount transacted for the year ended 31December 2022 RM'000
Payment of fees for the implementation of a software intelligence platform	(327)	-
Payment of fees for usage of Google Analytics	(574)	-
Payment of fees for the purchase of ServiceNow implementation services	(158)	-
Payment of fees by for the usage of Public Cloud Service	(445)	-
Payment of OneMarketing set up cost	(15)	-
Payment of Hybrid Cloud Services	(494)	-
Payment for Allianz Virtual Client for shared remote app and license pack base	(65)	-
Related party – Company connected with CEO of the immediate holding company		
Payment of training and other fees	(233)	(318)

* Related companies are companies within the Allianz SE group.

Significant related party balances related to the above transactions are disclosed in Notes 8, 9, 17 and 18.

32. Risk management framework

As a provider of insurance services, the Company considers risk management to be one of its core competencies. It is an integral part of the Company's business process. In order to protect its assets, the Company 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 the Company's risk strategy and limit structure. Close monitoring and reporting allows the Company to detect deviations from its risk tolerance limit at an early stage.

The Allianz risk management covers 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 Company'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 the delegated limits and authorities.

(c) Risk strategy and risk appetite
The Company'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 Company's overall risk bearing capacity. The risk-return profile is managed through integration of risk appetite and capital needs indecision making processes. This also keeps risk strategy and business objectives consistent with each other and allows the Company 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 Company's internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

32. Risk management framework (continued)

Risk governance structure

The Board assumes ultimate responsibility over the effectiveness of the Company'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 their oversight function effectively.

RMC bears the overall responsibility for effective risk identification, measurement, monitoring and control functions of the Company. RMC also oversees the Senior Management's activities in managing the key risk areas of the Company 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 AMB Group of companies ("AMB 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 and as a platform for two way communications between the management and the RMC on matters of the AMB 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 Company and provides pre-emptive recommendations to ensure timely action is taken in managing and mitigating the identified risks.

Risk Governance in Asset and Liability Management ("ALM")

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 the management of various risks including liquidity risk, interest rate risk and market risk.

32. Risk management framework (continued)

Risk Governance in Asset and Liability Management ("ALM") (continued)

The Asset Liability Management ("ALM") process is subjected to external and internal constraints.

- External constraints include supervisory and legislative requirements, market condition, as well as the interests and expectations of policyholders and other stakeholders. For instance, one of the major constraints is the liquidity of the assets and liabilities which may compromise the ability to price, measure and hedge exposures.
- Internal constraints include asset allocation and environmental, social and governance ("ESG") integration framework, which limits reflect the Company's management philosophy and professional judgement (although this may also be influenced by external constraints).

Governance and regulatory framework

The Company is required to comply with the requirements of the Financial Services Act, 2013, relevant regulations and guidelines imposed by BNM, as well as including the relevant guidelines from Life Insurance Association of Malaysia ("LIAM").

The Company 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.

33. Insurance risk

Insurance risk (also known as underwriting risk) includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in the legal or economic conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Company seeks to minimise insurance risk through a formalised reinsurance arrangement with an appropriate mix and spread 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.

33. Insurance risk (continued)

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. Insurance risks for insurance contracts are reflected in the actuarial liabilities.

The table below shows the actuarial liabilities by type of contract (with and without DPF).

	Gross			Reinsurance			
	With DPF RM'000	**Without DPF RM'000**	**Total RM'000**	**With DPF RM'000**	**Without DPF RM'000**	**Total RM'000**	**Net RM'000**
2022							
Whole life	2,157,546	1,836,090	3,993,636	-	795	795	3,994,431
Endowment	483,222	3,616,205	4,099,427	-	-	-	4,099,427
Mortgage	-	43,646	43,646	-	(21,536)	(21,536)	22,110
Riders and others	730,053	991,247	1,721,300	(1,743)	(38,476)	(40,219)	1,681,081
Total	3,370,821	6,487,188	9,858,009	(1,743)	(59,217)	(60,960)	9,797,049
			Note 13			**Note 13**	**Note 13**
2021							
Whole life	2,299,116	1,726,619	4,025,735	-	907	907	4,026,642
Endowment	576,595	3,279,774	3,856,369	-	-	-	3,856,369
Mortgage	-	46,147	46,147	-	(23,474)	(23,474)	22,673
Riders and others	720,151	875,587	1,595,738	(1,635)	(28,670)	(30,305)	1,565,433
Total	3,595,862	5,928,127	9,523,989	(1,635)	(51,237)	(52,872)	9,471,117
			Note 13			**Note 13**	**Note 13**

As all of the business is derived from Malaysia, the entire actuarial liabilities are in Malaysia. There is no insurance contract issued by the Company during the current and previous financial years.

33. Insurance risk (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 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.

  The Company can adjust 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 reviewed annually to reflect inflation due to 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 compared to actual expense that the Company 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.

33. Insurance risk (continued)

Key assumptions (continued)

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows (continued):

- Persistency

  Experience study on persistency (lapse, surrender, premium holiday, partial withdrawal) is carried out on 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, the Company has assumed a long term gross rate of return of 4.00% - 6.00% per annum (2021: 3.75% - 5.75% per annum). The long term gross rate of return is derived based on a basket of strategic asset allocations. The Company 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 with the Company's framework.

  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 based on zero-coupon spot yields of MGS with matching duration. Risk-free discount rate for durations of 15 years or more is based on zero-coupon spot yields of MGS with 15 years term to maturity. Duration in this context is referring to 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 2022 has taken into account the COVID-19 impact.

33. Insurance risk (continued)

Key assumptions (continued)

The assumptions that have significant effects on the gross actuarial liabilities and reinsurance assets are listed below.

	Mortality and morbidity rates		Lapse and surrender rates		Discount rate	
	2022[2]	2021[1]	2022	2021	2022	2021
	%	%	%	%	%	%
Type of business						
With fixed and guaranteed terms and with DPF contracts						
Life insurance	60-100	60-100	3.0-20	3.0-20	4.00-6.00	3.75-5.75
Without DPF contracts						
Life insurance	70-130	70-130	3.0-70	3.0-70	MGS spot yield	MGS spot yield

[1] Industry mortality and morbidity experience tables that were observed in Malaysia between year 1999 and 2003 or the respective reinsurance risk rates.
[2] Industry mortality and morbidity experience tables that were observed in Malaysia between year 2011 and 2015 or the respective reinsurance risk rates.

33. Insurance risk (continued)

Sensitivities

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit after tax. Sensitivities testing on individual assumptions are meaningful to analyse the magnitude of reserve changes for each assumption. However, it should be studied with care as it does not capture the possible correlation effect when all assumptions are being stressed simultaneously. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in assumptions	Impact on Profit after tax RM'000	Impact on Gross liabilities* RM'000	Impact on Net liabilities* RM'000
Life insurance contracts				
2022				
Mortality and morbidity rates	+5%	(2,996)	6,912	5,500
Discount rate	-0.5%	(12,019)	57,834	57,291
Expenses	+10%	(5,629)	9,358	9,358
Lapse and surrender rates	-10%	1,088	3,583	3,687
2021				
Mortality and morbidity rates	+5%	(2,337)	6,847	5,333
Discount rate	-0.5%	(10,667)	65,774	65,180
Expenses	+10%	(4,618)	9,763	9,763
Lapse and surrender rates	-10%	831	5,843	5,977

The method used and key assumptions made for deriving sensitivity information did not change from the previous year.

33. Insurance risk (continued)

Sensitivities (continued)

The above illustration is only prepared for "what if" adverse scenario, with the key assumptions applied towards 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.

34. Financial risks

Exposure to credit, liquidity and market (currency risk, interest rate risk, equity price risk) arises in the normal course of the Company's business. The Company is guided by its risk management framework as well as policies and guidelines from the ultimate holding company, Allianz SE which sets out its general risk management philosophy. Through financial risk management, business strategies are evaluated to ensure alignment with the Company's risk appetite and tolerance.

34.1 Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations or due to the non-performance of instruments (i.e. payment overdue). The Company's exposure to credit risk arises principally from the reinsurance, insurance receivables and the investment/placement in fixed income instruments and bank balances. Financial loss may materialise when the counterparty failed to meet payment obligations for various reasons.

The Company 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 or offshore reinsurers, and if the Company has to place overseas, only counterparties that have a credit rating that is acceptable based on Allianz Guidelines for Reinsurance Security are used.

The Company's Investment Mandate imposes limits by issuer/counterparty and by credit ratings for investments in corporate fixed income securities (all securities that entails credit risks, e.g. credit facilities, bank deposits of longer than 1-year, certificates of deposits, notes, etc.); and these limits are reviewed at least on annual basis. Active monitoring of the exposure against those limits are in place and reporting to RMWC, RMC and IC on a quarterly basis.

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position.

	Insurance and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
2022			
LAR			
Other loans	77,243	-	77,243
Fixed and call deposits	525	875	1,400
AFS financial investments			
Malaysian government securities	1,011,841	-	1,011,841
Malaysian government guaranteed bonds	1,046,213	-	1,046,213
Unquoted bonds of corporations in Malaysia	80,782	-	80,782
FVTPL - HFT financial investments			
Malaysian government securities	1,887,383	278,246	2,165,629
Malaysian government guaranteed bonds	901,117	19,508	920,625
Unquoted bonds of corporations in Malaysia	1,342,456	554,151	1,896,607

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

	Insurance and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
2022 (continued)			
FVTPL - DUIR financial investments			
Malaysian government securities	2,037,662	-	2,037,662
Malaysian government guaranteed bonds	529,240	-	529,240
Unquoted bonds of corporations in Malaysia	2,069,549	-	2,069,549
Unquoted bonds of corporations outside Malaysia	100,446	-	100,446

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

2022 (continued)	Insurance and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
Derivatives financial assets			
Collateralised interest rate swap	16,590	-	16,590
Forward purchase agreements	-	-	-
Cross currency swap	2,406	-	2,406
Reinsurance assets	120,677	-	120,677
Insurance receivables	70,214	-	70,214
Other receivables and deposits	33,138	40,960	74,098
Cash and cash equivalents	1,054,148	608,751	1,662,899
	12,381,630	1,502,491	13,884,121

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

	Insurance and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
2021			
LAR			
Other loans	84,258	-	84,258
Fixed and call deposits	156,801	67,179	223,980
AFS financial investments			
Malaysian government securities	1,053,490	-	1,053,490
Malaysian government guaranteed bonds	1,023,701	-	1,023,701
Unquoted bonds of corporations in Malaysia	95,291	-	95,291
FVTPL - HFT financial investments			
Malaysian government securities	1,707,880	218,969	1,926,849
Malaysian government guaranteed bonds	859,553	20,044	879,597
Unquoted bonds of corporations in Malaysia	1,088,030	509,305	1,597,335

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

	Insurance and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
2021 (continued)			
FVTPL - DUIR financial investments			
Malaysian government securities	1,714,484	-	1,714,484
Malaysian government guaranteed bonds	538,354	-	538,354
Unquoted bonds of corporations in Malaysia	2,085,636	-	2,085,636
Unquoted bonds of corporations outside Malaysia	104,561	-	104,561

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

2021 (continued)	**Insurance and Shareholders' funds RM'000**	**Investment-linked funds RM'000**	**Total RM'000**
Derivatives financial assets			
Collateralised interest rate swap	35,642	-	35,642
Forward purchase agreements	7,837	-	7,837
Cross currency swap	2,037	-	2,037
Reinsurance assets	119,680	-	119,680
Insurance receivables	65,369	-	65,369
Other receivables and deposits	58,416	9,197	67,613
Cash and cash equivalents	846,290	263,126	1,109,416
	11,647,310	1,087,820	12,735,130

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure by credit rating

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 non-investment grade. Assets which are not rated by rating agencies are classified as non-rated.

	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
2022									
LAR									
Other loans	-	-	-	-	-	77,243	-	-	77,243
Fixed and call deposits	328	197	-	-	-	-	875	-	1,400
AFS financial investments									
Malaysian government securities	-	-	-	-	-	1,011,841	-	-	1,011,841
Malaysian government guaranteed bonds	-	-	-	-	-	1,046,213	-	-	1,046,213
Unquoted bonds of corporations in Malaysia	36,643	44,139	-	-	-	-	-	-	80,782

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	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
2022									
FVTPL – HFT financial investments									
Malaysian government securities	-	-	-	-	-	1,887,383	278,246	-	2,165,629
Malaysian government guaranteed bonds	-	-	-	-	-	901,117	19,508	-	920,625
Unquoted bonds of corporations in Malaysia	711,976	630,480	-	-	-	-	554,151	-	1,896,607

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	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
2022 (continued)									
FVTPL - DUIR financial investments									
Malaysian government securities	-	-	-	-	-	2,037,662	-	-	2,037,662
Malaysian government guaranteed bonds	-	-	-	-	-	529,240	-	-	529,240
Unquoted bonds of corporations in Malaysia	1,096,702	967,630	-	-	-	5,217	-	-	2,069,549
Unquoted bonds of corporations outside Malaysia	-	-	7,671	51,645	-	41,130	-	-	100,446

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	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
2022 (continued)									
Derivatives financial assets									
Collateralised interest rate swap	16,590	-	-	-	-	-	-	-	16,590
Forward purchase agreements	-	-	-	-	-	-	-	-	-
Cross currency swap	2,406	-	-	-	-	-	-	-	2,406
Reinsurance assets	-	113,209	2,428	-	-	5,040	-	-	120,677
Insurance receivable	-	-	-	-	-	61,239	-	8,975	70,214
Other receivables and deposits	-	-	-	-	-	33,138	40,960	-	74,098
Cash and cash equivalents	674,987	372,342	6,612	-	-	207	608,751	-	1,662,899
	2,539,632	2,127,997	16,711	51,645	-	7,636,670	1,502,491	8,975	13,884,121

[#] Net of balances which are past due and impaired of RM3,557,000 which has been fully provided for (See Note 34.1 (ii)).

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	← 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**
2021									
LAR									
Other loans	-	-	-	-	-	84,258	-	-	84,258
Fixed and call deposits	53	156,748	-	-	-	-	67,179	-	223,980
AFS financial investments									
Malaysian government securities	-	-	-	-	-	1,053,490	-	-	1,053,490
Malaysian government guaranteed bonds	-	-	-	-	-	1,023,701	-	-	1,023,701
Unquoted bonds of corporations in Malaysia	44,877	50,414	-	-	-	-	-	-	95,291

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	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
2021									
FVTPL – HFT financial investments									
Malaysian government securities	-	-	-	-	-	1,707,880	218,969	-	1,926,849
Malaysian government guaranteed bonds	-	-	-	-	-	859,553	20,044	-	879,597
Unquoted bonds of corporations in Malaysia	557,187	528,814	-	-	-	2,029	509,305	-	1,597,335

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	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
2021 (continued)									
FVTPL - DUIR financial investments									
Malaysian government securities	-	-	-	-	-	1,714,484	-	-	1,714,484
Malaysian government guaranteed bonds	-	-	-	-	-	538,354	-	-	538,354
Unquoted bonds of corporations in Malaysia	1,045,362	985,158	-	5,182	-	49,934	-	-	2,085,636
Unquoted bonds of corporations outside Malaysia	-	-	7,891	54,756	-	41,914	-	-	104,561

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	← 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
2021 (continued)									
Derivatives financial assets									
Collateralised interest rate swap	35,642	-	-	-	-	-	-	-	35,642
Forward purchase agreements	7,837	-	-	-	-	-	-	-	7,837
Cross currency swap	2,037	-	-	-	-	-	-	-	2,037
Reinsurance assets	-	112,333	2,629	-	-	4,718	-	-	119,680
Insurance receivable	-	-	-	-	-	59,747	-	5,622#	65,369
Other receivables and deposits	-	-	-	-	-	58,416	9,197	-	67,613
Cash and cash equivalents	394,129	450,069	1,704	-	-	388	263,126	-	1,109,416
	2,087,124	2,283,536	12,224	59,938	-	7,198,866	1,087,820	5,622	12,735,130

Net of balances which are past due and impaired of RM2,902,000 which has been fully provided for (See Note 34.1 (ii)).

34. Financial risks (continued)

34.1 Credit risk (continued)

Credit risk analysis on the financial assets are not provided for the investment-linked funds. This is due to the fact that, in investment-linked funds, 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

Ageing analysis of financial assets past-due but not impaired

The Company maintains an ageing analysis in respect of insurance receivables only. The ageing of insurance receivables that are past-due as at the reporting date but not impaired is as follows:

Insurance receivables

	1 to 90 days RM'000	91 to 180 days RM'000	Investment-linked funds RM'000	Total RM'000
2022	8,975	-	-	8,975
2021	5,622	-	-	5,622

34. Financial risks (continued)

34.1 Credit risk (continued)

(ii) Past-due and impaired financial assets

At 31 December 2022, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM3,557,000 (2021: RM2,902,000) and other receivables of RM796,000 (2021: RM796,000). No collateral is held as security for any past-due or impaired financial assets. The Company records impairment allowance for insurance receivables and other receivables in separate allowance for impairment accounts. A reconciliation of the allowance for impairment loss for the aforesaid insurance receivables and other receivables are as follows:

	Insurance receivables		**Other receivables**	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At 1 January	2,902	2,449	796	-
Impairment loss recognised	655	453	-	796
At 31 December	3,557	2,902	796	796
	Note 8	**Note 8**	**Note 9**	**Note 9**

34. Financial risks (continued)

34.2 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 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 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 Company include to ensure that its assets and liabilities are adequately matched and drawing down of funds to meet claim payments should the claim events exceed a certain amount as provided for in the reinsurance contracts.

Maturity profiles

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on remaining undiscounted contractual obligations, including interest/profit payable.

For insurance contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Investment-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

34. Financial risks (continued)

34.2 Liquidity risk (continued)

Maturity profiles (continued)

Non-derivative financial liabilities

	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
2022								
Insurance contract liabilities								
With DPF	3,868,337	1,490,246	488,125	343,521	1,377,072	2,381,398	6,992	6,087,354
Without DPF	10,345,205	10,023,918	49,597	46,769	227,563	102,378	-	10,450,225
Lease liabilities	5,576	3,651	1,097	-	-	-	-	4,748
Insurance payables	327,699	327,699	-	-	-	-	-	327,699
Other payables and accruals*	319,847	319,847	-	-	-	-	-	319,847
Total liabilities	14,866,664	12,165,361	538,819	390,290	1,604,635	2,483,776	6,992	17,189,873

* Other payables and accruals exclude premium received in advance (see Note 18).

34. Financial risks (continued)

34.2 Liquidity risk (continued)

Maturity profiles (continued)

Derivative financial liabilities

The table below analyses the Company'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
2022							
Derivatives held for trading							
Cross currency swaps	-	-	(1,293)	-	-	-	(1,293)
Derivatives used for hedging							
Forward purchase agreements							
- Cash inflows	-	-	-	-	-	-	-
- Cash outflows	-	-	-	-	-	-	-
Net cash outflows	-	-	(1,293)	-	-	-	(1,293)

34. Financial risks (continued)

34.2 Liquidity risk (continued)

Maturity profiles (continued)

Non-derivative financial liabilities (continued)

	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
2021								
Insurance contract liabilities								
With DPF	4,081,552	1,407,309	591,460	377,676	1,448,111	2,721,852	6,992	6,553,400
Without DPF	9,177,908	8,832,358	76,045	45,502	215,082	115,296	-	9,284,283
Lease liabilities	9,113	4,964	4,458	-	-	-	-	9,422
Insurance payables	317,159	317,159	-	-	-	-	-	317,159
Other payables and accruals*	250,543	250,543	-	-	-	-	-	250,543
Total liabilities	13,836,275	10,812,333	671,963	423,178	1,663,193	2,837,148	6,992	16,414,807

* Other payables and accruals exclude premium received in advance (see Note 18).

34. Financial risks (continued)

34.2 Liquidity risk (continued)

Maturity profiles (continued)

Derivative financial liabilities (continued)

The table below analyses the Company'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
2021							
Derivatives held for trading							
Cross currency swaps	-	-	(1,641)	-	-	-	(1,641)
Derivatives used for hedging							
Forward purchase agreements							
- Cash inflows	-	-	-	-	-	-	
- Cash outflows	(56,824)	-	-	-	-	-	(56,824)
Net cash outflows	(56,824)	-	(1,641)	-	-	-	(58,465)

34. Financial risks (continued)

34.3 Market risk

Market risk is the risk of loss arising due to changes in market prices or parameters influencing market prices, and in particular the resultant interest rate guarantee risks from asset liability management or from changes to the participations. This includes changes in market prices due to a worsening of market liquidity. Market risk comprises 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 Company.
- Investment Committee would make recommendations after balancing competing and legitimate objective of various stakeholders.
- The Investment Policy and Mandate which formulated the single counterparty limits, company limits and sector limits are in place. Compliance to such limits is monitored monthly and reported to RMWC, RMC and IC on a quarterly basis.
- Stress testing is performed as and when needed.
- Stop loss policy is in place.

The Company 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 Company’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.

34. Financial risks (continued)

34.3 Market risk (continued)

34.3.1 Currency risk

Currency risk is the risk arising from the fluctuation of foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia (RM), and its exposure to foreign exchange risk arises principally with respect to the funds invested in foreign financial instruments, involving US Dollar (USD), Singapore Dollar (SGD), Thai Baht (THB) and Indonesian Rupiah (IDR). As the Company's business is conducted primarily in Malaysia, the Company'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 Company'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 Company has no significant concentration of foreign currency risk. All currency risk in investment-linked funds is borne by policyholders.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

2022 **Financial assets**	**Life fund** **RM'000**	**Investment-linked funds** **RM'000**
Denominated in		
USD	98,980	207,539
SGD	-	148,631
THB	-	6,107
IDR	-	19,340

34. Financial risks (continued)

34.3 Market risk (continued)

34.3.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

2021 **Financial assets**	**Life fund** **RM'000**	**Investment-linked funds** **RM'000**
Denominated in		
USD	102,924	149,714
SGD	-	20,903
THB	-	11,963
IDR	-	37,789

Currency risk sensitivity analysis

It is estimated that a 10% (2021:10%) 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.

	Impact on insurance contract liabilities **2022** **RM'000**	**Impact on insurance contract liabilities** **2021** **RM'000**
Denominated in		
USD	(30,652)	(25,264)
SGD	(14,863)	(2,090)
THB	(611)	(1,196)
IDR	(1,934)	(3,779)

It is estimated that a 10% (2021:10%) weakening of the Ringgit Malaysia (RM) against the above currencies at the end of the reporting period would have equal but opposite effect on the above currencies to the amount shown above, on the basis that all variables remained constant.

The method used for deriving sensitivity information and significant variables did not change from previous year.

Only Life Participating fund and investment-linked funds invested in foreign financial instruments.

34. Financial risks (continued)

34.3 Market risk (continued)

34.3.2 Interest rate risk

The Company is affected by changes in market interest rate due to the change in interest rates that 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.

	Change in variables	Impact on profit after tax RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
2022				
Interest rate	+100 basis points	(143,432)	(113,736)	(497,047)
Interest rate	-100 basis points	153,898	121,962	559,486
2021				
Interest rate	+100 basis points	(137,492)	(110,432)	(508,565)
Interest rate	-100 basis points	148,227	118,972	577,224

34. Financial risks (continued)

34.3 Market risk (continued)

34.3.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis (continued)

The impact on profit after tax would be dependent on whether the interest rate risk resides in Shareholders' fund, Life Non-Participating insurance fund, Life Participating insurance fund or investment-linked funds. Where the interest rate risk resides in Shareholders' fund and Life Non-Participating fund, the profit after tax and equity of the Company will be impacted. In respect of Life Participating fund and investment-linked funds, impact arising from changes in interest rate risk will affect the insurance contract liabilities. It should be noted that movements in these variables are non-linear.

* The 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 adjustments to policyholders' bonuses for the participating insurance 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.

34. Financial risks (continued)

34.3 Market risk (continued)

34.3.3 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 interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument of its issuer or factors affecting similar financial instruments traded in the market.

The Company'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 with respect to investment securities not held for the account of the investment-linked business.

The Company's equity price risk policy requires it to prioritise capital preservation besides setting limits on overall portfolio, single security and sector holdings. The Company complies with BNM stipulated limits during the financial year and has no significant concentration of equity price risk.

Equity price risk sensitivity analysis

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit 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.

		2022			2021		
	Changes in variable	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%	-	-	(256,211)	-	-	(269,970)
Market value	+10%	-	-	256,211	-	-	269,970

34. Financial risks (continued)

34.3 Market risk (continued)

34.3.3 Equity price risk (continued)

Equity price risk sensitivity analysis (continued)

The impact on profit after tax would be dependent on whether the equity price risk resides in Shareholders' fund, Life Non-Participating insurance fund, Life Participating insurance fund or investment-linked funds. Where the equity price risk resides in Shareholders' fund and Life Non-Participating fund, the profit after tax and equity of the Company will be impacted. In respect of life participating fund and investment-linked funds, impact arising from changes in equity price risk will affect the insurance contract liabilities.

* The 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 adjustments to policyholders' bonuses for the participating insurance 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.

34. Financial risks (continued)

34.4 Fair value of financial instruments

The Company's basis in estimation of fair values for financial instruments is as follows:

- The fair values of 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, unquoted bonds of corporations in and outside Malaysia are based on the indicative market prices provided by its custodian bank;

- The fair values of unquoted unit trusts in and outside Malaysia are based on the net asset values of the unit trusts as at the date of the statements of assets and liabilities obtained from fund managers;

- The carrying amount of policy loans, mortgage loans, automatic premium loans, fixed and call deposits approximate their fair values; and

34. Financial risks (continued)

34.4 Fair value of financial instruments (continued)

- The carrying amounts of cash and cash equivalents, insurance receivables, other receivables and deposits (current), insurance payables and other payables (current) 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, unquoted bonds of corporations in and outside Malaysia are based on the indicative market prices provided by its 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 Company's investment in unquoted equity securities of corporations in Malaysia due to lack of comparable quoted market prices and inability to estimate fair value without incurring excessive costs.

34. Financial risks (continued)

34.4 Fair value of financial instruments (continued)

34.4.1 Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value					
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
2022						
Financial assets						
Malaysian government securities	-	5,215,132	-	5,215,132	5,215,132	5,215,132
Malaysian government guaranteed bonds	-	2,496,078	-	2,496,078	2,496,078	2,496,078
Quoted equity securities of corporations in Malaysia	2,558,921	-	-	2,558,921	2,558,921	2,558,921
Quoted equity securities of corporations outside Malaysia	155,513	-	-	155,513	155,513	155,513
Unquoted bonds of corporations in Malaysia	-	4,046,938	-	4,046,938	4,046,938	4,046,938

34. Financial risks (continued)

34.4 Fair value of financial instruments (continued)

34.4.1 Fair value information (continued)

	Fair value of financial instruments carried at fair value					
	Level 1	**Level 2**	**Level 3**	**Total**	**Total fair value**	**Carrying amount**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2022						
Financial assets (continued)						
Unquoted bonds of corporations outside Malaysia	-	100,446	-	100,446	100,446	100,446
Quoted unit trusts in Malaysia	70,463	-	-	70,463	70,463	70,463
Unquoted unit trusts in Malaysia	-	40,760	-	40,760	40,760	40,760
Unquoted unit trusts outside Malaysia	-	226,104	-	226,104	226,104	226,104
Collateralised interest rate swap	-	16,590	-	16,590	16,590	16,590
Cross currency swap	-	2,406	-	2,406	2,406	2,406
	2,784,897	12,144,454	-	14,929,351	14,929,351	14,929,351

34. Financial risks (continued)

34.4 Fair value of financial instruments (continued)

34.4.1 Fair value information (continued)

	Fair value of financial instruments carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2022						
Financial liabilities						
Cross currency swap	-	1,293	-	1,293	-	1,293
Lease liabilities	-	-	-	-	5,576	5,576
	-	1,293	-	1,293	5,576	6,869

34. Financial risks (continued)

34.4 Fair value of financial instruments (continued)

34.4.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position (continued).

	Fair value of financial instruments carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2021						
Financial assets						
Malaysian government securities	-	4,694,823	-	4,694,823	4,694,823	4,694,823
Malaysian government guaranteed bonds	-	2,441,652	-	2,441,652	2,441,652	2,441,652
Quoted equity securities of corporations in Malaysia	2,823,578	-	-	2,823,578	2,823,578	2,823,578
Quoted equity securities of corporations outside Malaysia	49,850	-	-	49,850	49,850	49,850
Unquoted bonds of corporations in Malaysia	-	3,778,262	-	3,778,262	3,778,262	3,778,262

34. Financial risks (continued)

34.4 Fair value of financial instruments (continued)

34.4.1 Fair value information (continued)

	Fair value of financial instruments carried at fair value					
	Level 1	**Level 2**	**Level 3**	**Total**	**Total fair value**	**Carrying amount**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2021						
Financial assets (continued)						
Unquoted bonds of corporations outside Malaysia	-	104,561	-	104,561	104,561	104,561
Quoted unit trusts in Malaysia	61,032	-	-	61,032	61,032	61,032
Unquoted unit trusts in Malaysia	-	39,216	-	39,216	39,216	39,216
Unquoted unit trusts outside Malaysia	-	170,520	-	170,520	170,520	170,520
Collateralised interest rate swap	-	35,642	-	35,642	35,642	35,642
Forward purchase agreements	-	7,837	-	7,837	7,837	7,837
Cross currency swap	-	2,037	-	2,037	2,037	2,037
	2,934,460	11,274,550	-	14,209,010	14,209,010	14,209,010

34. Financial risks (continued)

34.4 Fair value of financial instruments (continued)

34.4.1 Fair value information (continued)

	Fair value of financial instruments carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2021						
Financial liabilities						
Cross currency swap	-	1,641	-	1,641	1,641	1,641
Lease liabilities	-	-	-	-	9,113	9,113
	-	1,641	-	1,641	10,754	10,754

35. Capital management

Regulatory capital requirements

Under 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 will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The Company has been in compliance with the said requirement by maintaining a CAR that is in excess of minimum requirement.

The total capital available of the Company as at 31 December 2022, as prescribed under the RBC Framework is provided below:

	Note	2022 RM'000	2021 RM'000
Tier 1 Capital			
Paid up share capital	11	236,600	236,600
Reserves, including retained earnings		2,269,362	2,097,600
		2,505,962	2,334,200
Tier 2 Capital			
Revaluation reserve		9,883	9,883
Available-for-sale reserve		153,624	239,944
Other reserve		-	7,211
		163,507	257,038
Amount deducted from capital		(122,148)	(41,442)
Total capital available		2,547,321	2,549,796

36. Insurance funds

The Company's activities are organised by funds and segregated into Life and Shareholders' funds in accordance with the Financial Services Act, 2013.

The Company's statement of financial position and statement of profit or loss have been further analysed by funds.

The life insurance business offers a wide range of participating and non-participating Whole life, Term assurance, Endowment, as well as investment-linked products.

Statement of financial position by funds as at 31 December

	Shareholders' fund		Life fund		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets						
Property, plant and equipment	-	-	30,432	27,977	30,432	27,977
Right-of-use assets	-	-	15,204	18,645	15,204	18,645
Intangible assets	86,226	9,089	7,846	9,084	94,072	18,173
Investments	183,181	225,445	14,807,964	14,248,434	14,991,145	14,473,879
Derivative financial assets	-	-	18,996	45,516	18,996	45,516
Reinsurance assets	-	-	120,677	119,680	120,677	119,680
Insurance receivables	-	-	70,214	65,369	70,214	65,369
Other receivables, deposits and prepayments*	126,828	111,038	54,125	41,482	74,098	67,613
Current tax assets	-	-	-	-	-	-
Cash and cash equivalents	69,212	59,005	1,593,687	1,050,411	1,662,899	1,109,416
	465,447	404,577	16,719,145	15,626,598	17,077,737	15,946,268

36. Insurance funds (continued)

Statement of financial position by funds as at 31 December (continued)

	Shareholders' fund		Life fund		Total	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total equity	327,489	346,314	1,368,294	1,244,618	1,695,783	1,590,932
Total policyholders' funds and liabilities						
Insurance contract liabilities	-	-	14,213,542	13,259,460	14,213,542	13,259,460
Deferred tax liabilities	(871)	3,033	384,186	377,621	383,315	380,654
Derivative financial liabilities	-	-	1,293	1,641	1,293	1,641
Lease liabilities	-	-	5,576	9,113	5,576	9,113
Insurance payables	27,964	26,082	299,735	291,077	327,699	317,159
Other payables and accruals*	87,180	12,283	460,766	446,389	441,091	373,765
Current tax liabilities	23,685	16,865	(14,247)	(3,321)	9,438	13,544
	137,958	58,263	15,350,851	14,381,980	15,381,954	14,355,336
Total equity, policyholders' funds and liabilities	465,447	404,577	16,719,145	15,626,598	17,077,737	15,946,268

* Included herein are inter-fund balances that are eliminated in presenting the Company's total balances.

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36. Insurance funds (continued)

Statement of profit or loss by funds for the year ended 31 December

	Shareholders' fund		Life fund		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating revenue	11,427	10,216	4,000,895	3,823,284	4,012,322	3,833,500
Gross earned premiums	-	-	3,366,877	3,259,007	3,366,877	3,259,007
Premiums ceded to reinsurers	-	-	(104,801)	(142,309)	(104,801)	(142,309)
Net earned premiums	-	-	3,262,076	3,116,698	3,262,076	3,116,698
Investment income	11,427	10,216	634,018	564,277	645,445	574,493
Realised gains and losses	(1,443)	(532)	53,164	55,520	51,721	54,988
Fair value gains and losses	(284)	-	(378,452)	(430,757)	(378,736)	(430,757)
Fee and commission income	-	-	184	12,030	184	12,030
Other operating income	1,616	1,361	71,356	40,771	72,972	42,132
Other income	11,316	11,045	380,270	241,841	391,586	252,886
Gross benefits and claims paid	(5,613)	(239)	(1,758,238)	(1,382,589)	(1,763,851)	(1,382,828)
Claims ceded to reinsurers	-	-	82,613	110,298	82,613	110,298
Gross change in contract liabilities	-	-	(870,285)	(1,088,455)	(870,285)	(1,088,455)
Change in contract liabilities ceded to reinsurers	-	-	8,088	13,784	8,088	13,784
Net benefits and claims	(5,613)	(239)	(2,537,822)	(2,346,962)	(2,543,435)	(2,347,201)
Fee and commission expense	(7,919)	(11,656)	(489,018)	(494,766)	(496,937)	(506,422)
Management expenses	(12,211)	(17,498)	(274,519)	(254,550)	(286,730)	(272,048)
Interest expenses	-	-	(252)	(423)	(252)	(423)
Other operating expenses	(20,482)	(2,677)	(56,104)	(43,647)	(76,586)	(46,324)
Other expenses	(40,612)	(31,831)	(819,893)	(793,386)	(860,505)	(825,217)

36. Insurance funds (continued)

Statement of profit or loss by funds for the year ended 31 December (continued)

	Shareholders' fund		Life fund		Total	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Transfer	106,901	84,836	(106,901)	(84,836)	-	-
Profit/Surplus before tax	71,992	63,811	177,730	133,355	249,722	197,166
Tax expense (Note 27)	(19,985)	(18,560)	(54,019)	(29,157)	(74,004)	(47,717)
Net profit after tax	52,007	42,251	123,711	104,198	175,718	149,449

Information on cash flows by funds for the year ended 31 December

	Shareholders' fund		Life fund		Total	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from/(used in):						
Operating activities	102,592	23,555	559,931	285,023	662,523	308,578
Investing activities	(92,385)	-	(11,028)	(11,881)	(103,413)	(11,881)
Financing activities	-	-	(5,627)	(5,460)	(5,627)	(5,460)
Net increase in cash and cash equivalents	10,207	23,555	543,276	267,682	553,483	291,237
At beginning of year	59,005	35,450	1,050,411	782,729	1,109,416	818,179
At end of year	69,212	59,005	1,593,687	1,050,411	1,662,899	1,109,416

36. Insurance funds (continued)

Investment-linked funds statement of assets and liabilities as at 31 December

	2022 RM'000	2021 RM'000
Assets		
Financial investments	2,555,445	2,456,268
Other receivables	40,960	9,197
Cash and cash equivalents	608,751	263,126
Total assets	3,205,156	2,728,591
Liabilities		
Deferred tax assets	(8,552)	(1,042)
Other payables	5,322	3,176
Benefits and claims liabilities	4,035	3,805
Current tax liabilities	-	-
Total liabilities	805	5,939
Net asset value of funds (Note 13)	3,204,351	2,722,652

36. Insurance funds (continued)

Investment-linked funds statement of income and expenditure for the year ended 31 December

	Note	2022 RM'000	2021 RM'000
Investment income		110,674	81,224
Realised gains		17,338	29,854
Fair value losses		(108,559)	(30,646)
Other operating income		21,099	1,662
		40,552	82,094
Management expenses		-	-
Other operating expenses		(41,034)	(32,920)
(Loss)/profit before tax		(482)	49,174
Tax income/(expense)		2,012	(1,729)
Net profit for the year	13	1,530	47,445

37. Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018.

The Company 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 Company 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 Company:

(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 Company's business activity is predominantly insurance as the liabilities connected with the Company's insurance businesses made up of more than 90% of the Company's total liabilities. Hence, the Company 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.

37. Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* (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 Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

Fair value as at 31 December 2022	**Financial assets with SPPI cash flows RM'000**	**All other financial assets RM'000**	**Total* RM'000**
Investments (Note 6)	2,140,236	12,773,666	14,913,902
Malaysian government securities and government guaranteed bonds	2,058,054	5,653,156	7,711,210
Unquoted bonds of corporations	80,782	4,066,602	4,147,384
Quoted equity securities and unit trusts	-	2,784,897	2,784,897
Unquoted equity securities and unit trusts	-	269,011	269,011
Fixed and call deposits with licensed banks	1,400	-	1,400
Derivative financial assets	-	18,996	18,996
Other receivables and deposits	74,098	-	74,098
Cash and cash equivalents	1,662,899	-	1,662,899
Total financial assets	3,877,233	12,792,662	16,669,895

37. Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* (continued)

Fair value as at 31 December 2021	**Financial assets with SPPI cash flows RM'000**	**All other financial assets RM'000**	**Total* RM'000**
Investments (Note 6)	2,396,462	11,993,159	14,389,621
Malaysian government securities and government guaranteed bonds	2,077,191	5,059,284	7,136,475
Unquoted bonds of corporations	95,291	3,787,532	3,882,823
Quoted equity securities and unit trusts	-	2,934,460	2,934,460
Unquoted equity securities and unit trusts	-	211,883	211,883
Fixed and call deposits with licensed banks	223,980	-	223,980
Derivative financial assets	-	45,516	45,516
Other receivables and deposits	67,613	-	67,613
Cash and cash equivalents	1,109,416	-	1,109,416
Total financial assets	3,573,491	12,038,675	15,612,166

* Insurance receivables, reinsurance assets, policy loans and automatic premium loans 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.

37. Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* (continued)

Changes in fair value during the year	**Financial assets with SPPI cash flows RM'000**	**All other financial assets RM'000**	**Total RM'000**
2022			
Investments			
Malaysian government securities and government guaranteed bonds	(60,710)	(127,126)	(187,836)
Unquoted bonds of corporations	(2,380)	(115,072)	(117,452)
Quoted equity securities and unit trusts	-	(63,973)	(63,973)
Unquoted equity securities and unit trusts	-	(55,420)	(55,420)
Government guaranteed loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	(26,677)	(26,677)
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
Total financial assets	(63,090)	(388,268)	(451,358)
2021			
Investments			
Malaysian government securities and government guaranteed bonds	(134,998)	(228,152)	(363,150)
Unquoted bonds of corporations	(4,218)	(146,200)	(150,418)
Quoted equity securities and unit trusts	-	14,428	14,428
Unquoted equity securities and uni trusts	-	(4,596)	(4,596)
Structured deposits	-	722	722
Government guaranteed loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	(37,724)	(37,724)
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
Total financial assets	(139,216)	(401,522)	(540,738)

37. Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* (continued)

Financial assets with SPPI cash flows *

Gross carrying amounts under MFRS 139 by credit risk rating grades	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Total RM'000
2022								
Investments								
Malaysian government securities and government guaranteed bonds	-	-	-	-	-	2,058,054	-	2,058,054
Unquoted bonds of corporations	36,643	44,139	-	-	-	-	-	80,782
Government guaranteed loans	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-
Fixed and call deposits with licensed banks	328	197	-	-	-	-	875	1,400
Other receivables and deposits	-	-	-	-	-	33,138	40,960	74,098
Cash and cash equivalents	674,987	372,342	6,612	-	-	207	608,751	1,662,899
	711,958	416,678	6,612	-	-	2,091,399	650,586	3,877,233

37. Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* (continued)

Financial assets with SPPI cash flows *

Gross carrying amounts under MFRS 139 by credit risk rating grades	**AAA RM'000**	**AA RM'000**	**A RM'000**	**BBB RM'000**	**Non-investment grade RM'000**	**Non-rated RM'000**	**Investment-linked funds RM'000**	**Total RM'000**
2021								
Investments								
Malaysian government securities and government guaranteed bonds	-	-	-	-	-	2,077,191	-	2,077,191
Unquoted bonds of corporations	44,878	50,413	-	-	-	-	-	95,291
Government guaranteed loans	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-
Fixed and call deposits with licensed banks	54	156,747	-	-	-	-	67,179	223,980
Other receivables and deposits	-	-	-	-	-	58,416	9,197	67,613
Cash and cash equivalents	394,129	450,069	1,704	-	-	388	263,126	1,109,416
	439,061	657,229	1,704	-	-	2,135,995	339,502	3,573,491

* Credit risk of these financial assets is considered low for the purpose of MFRS 9.

Allianz Life Insurance Malaysia Berhad

Registration No. 198301008983 (104248-X)
(Incorporated in Malaysia)

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 40 to 188 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 Company as of 31 December 2022 and of its 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

……………………………………………………………

Ong Eng Chow
Director

Kuala Lumpur

Date: 23 February 2023

Allianz Life Insurance Malaysia Berhad

Registration No. 198301008983 (104248-X)
(Incorporated in Malaysia)

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Giulio Slavich**, the officer primarily responsible for the financial management of Allianz Life Insurance Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 40 to 188 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 Giulio Slavich, at Kuala Lumpur in the Federal Territory on 23 February 2023.

Giulio Slavich

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)
Registration No. 198301008983 (104248-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Allianz Life Insurance Malaysia Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its 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 Company, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 188.

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 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.

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, but does not include the financial statements of the Company and our auditors' report thereon.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 198301008983 (104248-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our opinion on the financial statements 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 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 Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing 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 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 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 MEMBER OF ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
(CONTINUED)
(Incorporated in Malaysia)
Registration No. 198301008983 (104248-X)

REPORT ON 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 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 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 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 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 Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
(CONTINUED)
(Incorporated in Malaysia)
Registration No. 198301008983 (104248-X)

OTHER MATTERS

This report is made solely to the member 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	WONG HUI CHERN
LLP0014401-LCA & AF 1146	03252/05/2024 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
23 February 2023