150 years | ZURICH

Shape your future

Reports And Statutory Financial Statements 2022

At Zurich, we want to create a brighter future together to benefit people and planet. This could mean pursuing net-zero to safeguard the Earth, our only home. It could mean preparing for the effects of climate change and building resilience. For others, it means using the latest technology available to actively manage medical conditions or track fitness to avoid ill-health now or in the future.

We're working with partners big and small to find solutions to the most pressing societal and environmental problems. And we're making sure we look after all our stakeholders, from investors to customers to employees. By working together, you have the ability to

shape your future.

Company No.
196801000442 (8029-A)

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CONTENTS **PAGES**

ZURICH LIFE INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

CORPORATE GOVERNANCE

Introduction

Zurich Life Insurance Malaysia Berhad ("the Company") is committed to effective corporate governance for the benefit of its shareholders, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability.

The Board of Directors ("the Board") is satisfied that the Company has complied with all prescriptive requirements of and adopts the Corporate Governance policy document issued by Bank Negara Malaysia ("BNM"). The Board has continued its commitment in ensuring that the highest principles and best practices in corporate governance are practised as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Company.

Roles and responsibilities of the Board

The Board is responsible for the overall governance of the Company by providing guidance, including setting the directions in terms of the Company's corporate objectives and business strategies, 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 and reporting procedures.

Composition of the Board

The composition of the Board since the date of the last report is as follows:

Choy Khai Choon	Chairman (Non-Independent Non-Executive Director)*
Donald Joshua Jaganathan	Member (Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datuk Dr Hafsah binti Hashim (Appointed on 1 September 2022)	Member (Independent Non-Executive Director)
Timothy William Howell	Member (Executive Director)
Datin Joan Hoi Lai Ping (Retired on 17 September 2022)	Member (Independent Non-Executive Director)

** Mr Choy had been redesignated from Independent Non-Executive Director to Non-Independent Non-Executive Director of the Company effective 17 September 2022 following the approval obtained from BNM vide its letter dated 31 May 2022.*

The Board comprises five Directors with skills and experience in a diverse range of business, financial, technical and public service background. The Board is represented by one Non-Independent Non-Executive Directors, three Independent Non-Executive Directors and one Executive Director. The roles and activities of the Chairman and the Chief Executive Officer are distinct and separate. The Company sets the tenure limit of its independent directors to maximum of nine years.

The appointments to the Board were approved by BNM. All appointments and reappointments of Board members are subject to evaluation and review by the Nomination and Remuneration Committee and approved by the Board before the applications are submitted to BNM for approval.

CORPORATE GOVERNANCE (CONTINUED)

Profile of Directors

Choy Khai Choon
Malaysian, Male
Non-Independent Non-Executive Director/Chairman
Member of Audit Committee
Member of Board Investment Committee
Member of Risk Management and Sustainability Committee
Member of Nomination and Remuneration Committee

Mr Choy Khai Choon ("Mr Choy") was appointed as an Independent Non-Executive Director and Chairman of the Company on 17 September 2013 and 13 October 2018 respectively. Mr Choy was subsequently redesignated as Non-Independent Non-Executive Director and Chairman of the Company on 17 September 2022. Mr Choy is a member of the Audit Committee, Board Investment Committee, Risk Management and Sustainability Committee, and Nomination and Remuneration Committee of the Company.

Mr Choy graduated with a Bachelor of Commerce degree from The University of New South Wales, Australia and holds a Master in Business Administration (MBA) from Oklahoma City University, USA. He is a Member of the Malaysian Institute of Accountants and a Fellow of the Australian Certified Public Accountants.

Mr Choy served as the President and Chief Executive Officer ("CEO") of Cagamas Berhad from year 2006 to 2012 and was appointed director of Cagamas MBS Berhad, Cagamas SME Berhad, BNM Sukuk Berhad, Cagamas HKMC Berhad and Cagamas SRP Berhad.

Prior to joining Cagamas Berhad, Mr Choy held key positions in leading financial institutions in the areas of financial management, strategic planning and business development. Key roles held include serving as Regional Finance/Planning Director of Aviva Insurance Asia, CEO of Morley Fund Management Ltd, Aviva Insurance Group, Singapore and Senior General Manager, Group Head of RHB Berhad.

Mr Choy is currently the Non-Independent Non-Executive Director and Chairman of Zurich General Insurance Malaysia Berhad. Mr Choy is also an Independent Director of Hap Seng Plantations Holdings Berhad, MSM Malaysia Holding Berhad and Asian Banking School Sdn Berhad. Mr Choy is, additionally, the Non-Independent Non-Executive Director of Kenanga Investment Bank Berhad. He also sits on the Board of Bond & Sukuk Information Platform Sdn Bhd, a wholly owned subsidiary of the Securities Commission. Mr Choy is also Member of Labuan Financial Services Authority.

CORPORATE GOVERNANCE (CONTINUED)

Profile of Directors (continued)

Donald Joshua Jaganathan
Malaysian, Male
Independent Non-Executive Director
Chairman of Risk Management and Sustainability Committee
Chairman of Board Investment Committee
Member of Audit Committee
Member of Nomination and Remuneration Committee

Mr Donald Joshua Jaganathan ("Mr Donald") was appointed as Independent Non-Executive Director of the Company on 1 November 2020. Mr Donald is the Chairman of Risk Management and Sustainability Committee and Board Investment Committee of the Company. He is also a member of Audit Committee and Nomination and Remuneration Committee of the Company.

Mr Donald holds a Bachelor of Accounting (Hons) from the University of Malaya and is a Member of the Malaysian Institute of Accountants. He also holds a Master in Business Administration from the Cranfield School of Management, United Kingdom and is an alumnus of the Advanced Management Program, Harvard Business School.

Mr Donald is a Fellow Chartered Banker and serves as a Council Member of the Asian Institute of Chartered Bankers and the Chairman of its Education Committee. He is also a member of the Board of Directors of the Asian Banking School and the Chairman of its Talent Development Committee. He also serves as members of Board of Directors of RHB Bank Berhad and RHB Insurance Berhad.

Mr Donald has had a fulfilling career with Bank Negara Malaysia ("BNM") for 36 years, rising to the rank of Assistant Governor, with key responsibilities over the financial stability function, including oversight of BNM's Financial Stability Report. His work experience included leadership and management oversight over the supervision and regulation of the banking and insurance industry in Malaysia, training and development activities with the banking and insurance institutes, and serving as country representative in international supervisory bodies.

Mr Donald also held previous positions as the Chairman of the Board of Directors of Payments Network Malaysia Sdn Bhd, Chairman of the Board Executive Committee of the Malaysian Insurance Institute, Council Member of the Malaysian Institute of Accountants and Member of the Malaysian Financial Reporting Foundation.

CORPORATE GOVERNANCE (CONTINUED)

Profile of Directors (continued)

Onn Kien Hoe
Malaysian, Male
Independent Non-Executive Director
Chairman of Audit Committee
Member of Risk Management and Sustainability Committee
Member of Board Investment Committee
Member of Nomination and Remuneration Committee

Mr Onn Kien Hoe ("Mr Onn") was appointed as an Independent Non-Executive Director of the Company on 1 July 2021. Mr Onn is the Chairman of the Audit Committee of the Company. He is also a member of Risk Management and Sustainability Committee, Board Investment Committee and the Nomination and Remuneration Committee of the Company.

Mr Onn completed his professional qualification with the Association of Chartered Certified Accountants (U.K.) in 1988 and has been in the accounting profession since then. He is also a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Kampuchea Institute of Certified Public Accountants and Auditors.

Mr Onn is a partner with Crowe Malaysia PLT, an internationally affiliated accounting firm. His role includes acting as the Co-Head of the Corporate Advisory Division of Crowe Malaysia. He is also a Director in Crowe (KH) Co., Ltd, where he is also responsible for the operations of Crowe in Cambodia.

Mr Onn has extensive experience in the disciplines of audit, advisory and insolvency. He has participated in cross border transactions including mergers and acquisitions, listing, reverse takeovers, due diligence reviews and valuation assignments. His cross-border experience involves transactions on international stock exchanges including London, Hong Kong, Singapore, Australia, Cambodia and Malaysia.

Mr Onn has served as an examiner for the Malaysian Institute of Certified Public Accountants, a member of the Interpretation Committee of the Malaysian Accounting Standards Board and a member of the General Committee of Malaysian International Chamber of Commerce and Industry.

Mr Onn currently sits on the Board of Sern Kou Resources Berhad and several private limited companies.

CORPORATE GOVERNANCE (CONTINUED)

Profile of Directors (continued)

Datuk Dr Hafsah binti Hashim
Malaysian, Female
Independent Non-Executive Director
Chairperson of Nomination and Remuneration Committee
Member of Audit Committee
Member of Risk Management and Sustainability Committee
Member of Board Investment Committee

Datuk Dr Hafsah binti Hashim ("Datuk Dr Hafsah") was appointed as Independent Non-Executive Director of the Company on 1 September 2022. Datuk Dr Hafsah is the Chairperson of the Nomination and Remuneration Committee. She is also a member of the Audit Committee, Board Investment Committee and Risk Management and Sustainability Committee of the Company.

Datuk Dr Hafsah obtained her Bachelor in Applied Science from Science University of Malaysia in 1982 and Masters in Business Administration from Aston University, United Kingdom in 1996.

Datuk Dr Hafsah has vast experience in public sector administration and has served in several ministries including Ministry of International Trade and Industry ("MITI"), Ministry of Agriculture and Ministry of Primary Industries. She also served as the Chief Executive Officer of SME Corporation Malaysia for nearly 14 years. In total, she served the Government of Malaysia for 36 years and 2 months before retiring on 15 August 2018.

On the international front, Datuk Dr Hafsah is appointed as the Monsha'at International Advisory Board Committee of Small and Medium Enterprise General Authority ("SMEA") of the Kingdom of Saudi Arabia from 1 November 2017 until 1 November 2019.

Datuk Dr Hafsah currently sits on the Board of Directors of among others, Zurich Takaful Malaysia Berhad, SIRIM Berhad, Malaysia Rubber Board (Lembaga Getah Malaysia) and USains Holding Sdn Bhd. She is also the Chairman of Arab-Malaysia Chamber of Commerce Berhad, SIRIM Technology Venture Sdn Bhd and Serunai Commerce Sdn Bhd. In addition, Datuk Dr Hafsah assumes an Advisory role to the Board of Bank Islam, Malaysia.

CORPORATE GOVERNANCE (CONTINUED)

Profile of Directors (continued)

Timothy William Howell
Australian, Male
Executive Director

Mr Timothy William Howell ("Mr Tim Howell") was appointed as an Executive Director of the Company on 1 November 2021.

Mr Tim Howell is a Fellow of the Institute of Actuaries of Australia and holds Bachelor of Commerce (Actuarial Studies) and Bachelor of Science (Computer Science). He is also a graduate from the Australian Institute of Company Directors.

Mr Tim Howell has more than 17 years' experience in the financial services sector, of which more than 10 years are with Zurich in finance, actuarial and proposition leadership positions. In November 2019, Mr Tim Howell assumed the position as Head of Finance / Chief Financial Officer ("CFO"), Asia Pacific ("APAC"). In his current role, Mr Tim Howell is accountable for delivering the financial performance of the APAC region and is focused on supporting the APAC Business Units to achieve their strategic and financial objectives.

From June 2017 until November 2019, Mr Tim Howell was Head of Zurich Propositions for Zurich Financial Services Australia (Life & Investments) with responsibility for developing retail risk and investment customer propositions. During this time the proposition function saw strong success with substantial market share growth, innovative digital projects delivered and a clear focus on customer solutions.

Mr Tim Howell's previous roles with Zurich included Chief Life Actuary from 2015 to 2017 with responsibility to lead the actuarial function including actuarial reserves and reporting (including Financial Condition Report), capital management, pricing and product actuarial advice, actuarial systems and reinsurance management. He was also the Director of Actuarial Service Centre Asia Pacific ("ASCAP") and was based in Malaysia from 2012 to 2015 with responsibility for building, developing and leading a team of actuarial professionals to support the life actuarial reporting for business units across the Asia Pacific region. Based on his previous working experiences in Malaysia, he would be acquainted with the local working environment.

Before joining Zurich, Mr Tim Howell was with Ernst & Young, Tower Australia Ltd (currently known as TAL) and Commonwealth Securities Ltd in actuarial and analyst roles.

Mr Tim Howell is also serves as a Board Member for Zurich Group entities, namely, Zurich General Insurance Malaysia Berhad, Zurich Services (Hong Kong) Limited, Cover-More Group Limited, Zurich Travel Solutions Pty Limited; and Zurich Life Insurance Japan Company Ltd.

Mr Tim Howell reports to the Board of the Company and the Regional CEO, APAC, Ms Tulsi Naidu.

Directors' Training

The Directors are encouraged to attend programmes and seminars to keep abreast with the latest developments in the industry and marketplace and to enhance the discharge of their duties. The training programmes attended by the Directors during the financial year ended 31 December 2022 included areas of leadership, governance, risk management, finance, investment, insurance related matters and information technology.

CORPORATE GOVERNANCE (CONTINUED)

Board Meetings

The Board is scheduled to meet at least six times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2022, the Board met eleven (11) times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings held during the financial year ended 31 December 2022.

The number of meetings attended by each member of the Board during the financial year ended 31 December 2022 is as follows:

Name of Directors	No. of Attendance
Choy Khai Choon, Chairman	11/11
Donald Joshua Jaganathan	11/11
Onn Kien Hoe	11/11
Timothy William Howell	11/11
Datuk Dr Hafsah binti Hashim (Appointed on 1 September 2022)	2/2
Datin Joan Hoi Lai Ping (Retired on 17 September 2022)	9/9

Board Committees

The Board has established numbers of Board Committees and Senior Management Committees.

Each Committee operates within defined terms of reference. Board Committees are the Audit Committee, the Nomination and Remuneration Committee, the Risk Management and Sustainability Committee and the Board Investment Committee. Senior Management Committees include the Asset Liability Management and Investment Committee (“ALMIC”), the Human Resource Committee (“HRC”), the Information Technology Steering Committee (“ITSC”), Business Continuity Management (“BCM”), the Risk and Control Committee (“RCC”), the Occupational Safety and Health Committee (“OSHC”) and various Senior Management Committees for Life. The Board Committees are chaired by an Independent Non-Executive Director, while the Senior Management Committees are chaired by the CEO or a member of senior management team.

Audit Committee

The members of the Audit Committee are as follows:

Onn Kien Hoe	Chairman (Independent Non-Executive Director)
Choy Khai Choon	Member (Non-Independent Non-Executive Director)
Donald Joshua Jaganathan	Member (Independent Non-Executive Director)
Datuk Dr Hafsah binti Hashim (Appointed on 17 September 2022)	Member (Independent Non-Executive Director)
Datin Joan Hoi Lai Ping (Retired on 17 September 2022)	Member (Independent Non-Executive Director)

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

Audit Committee (continued)

The principal objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company. The Audit Committee meets regularly with senior management, the internal auditors and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

The Audit Committee functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of Audit Committee are:

(i) To approve internal auditors' audit plan, review the adequacy of the scope, functions, resources and competency and that it has the necessary authority to carry out its work;
(ii) To review the results of internal audit process and ensure that appropriate actions are taken on the recommendations given by the internal auditors;
(iii) To consider the appointment and removal of the external auditors, the audit fee and any question of resignation or dismissal;
(iv) To discuss with the external auditors before the audit commences, the nature and scope of audit;
(v) To provide assurance that the financial information presented by management is relevant, reliable and timely;
(vi) To review the Compliance Policy and oversee its implementation, establish the Compliance function, review and evaluation the effectiveness of the overall management of compliance risk;
(vii) To oversee compliance with relevant laws and regulations and observance of a proper code of conduct; and
(viii) To determine the quality, adequacy and effectiveness of the Company's internal control environment.

The Audit Committee meets at least once every quarter, or more frequently as circumstances dictate. During the financial year ended 31 December 2022 the Audit Committee held seven meetings with senior management, internal auditors, and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

The number of meetings attended by each member of the Audit Committee during the financial year ended 31 December 2022 is as follows:

Name of Directors	No. of Attendance
Onn Kien Hoe, Chairman	7/7
Choy Khai Choon	7/7
Donald Joshua Jaganathan	7/7
Datuk Dr Hafsah binti Hashim	2/2
Datin Joan Hoi Lai Ping (Retired on 17 September 2022)	5/5

During the financial year ended 31 December 2022, apart from reviewing the quarterly results and annual financial statements, the Audit Committee also approved the annual internal audit plan. The plan is developed to cover key operational areas, financial activities and information systems and regulatory compliance audit that are significant to the overall performance of the Company on a cyclical basis.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

Audit Committee (continued)

The Internal Audit Department also conducts audits on an ad-hoc basis based on special requests either by the Board of Directors or the senior management. It also works closely with the external auditors to resolve any internal control issues raised by them and assists in ensuring appropriate management-based actions are taken. The Audit Committee receives regular reports from the Head of the Internal Audit Department on the audit results.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are as follows:

Datuk Dr Hafsah binti Hashim (Appointed as Chairperson on 17 September 2022)	Chairperson (Independent Non-Executive Director)
Choy Khai Choon	Member (Non-Independent Non-Executive Director)
Donald Joshua Jaganathan	Member (Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datin Joan Hoi Lai Ping (Retired on 17 September 2022)	Member (Independent Non-Executive Director)

The Nomination and Remuneration Committee is made up of a majority of Independent Non-Executive Directors. In considering the right candidate for appointment to the Board, the Nomination and Remuneration Committee takes into account the required mix of skills, experience and other core competencies that are necessary to enable the Company to achieve its corporate objectives and fulfil its fiduciary responsibilities. The Nomination and Remuneration Committee is also responsible for the annual review of the effectiveness of the Board and individual Directors.

The principal duties and responsibilities of the Nomination and Remuneration Committee as per Terms of Reference approved by Board are:

(i) To develop and recommend a formal, clear and transparent remuneration policy and framework for fixing the remuneration for Directors, CEO and key senior officers (including the expatriates, if any) of the Company. The remuneration policy and practices shall:
   - (a) be documented and approved by the Board of the Company and be subject to periodic Board review, including when material changes are made to the remuneration policy;
   - (b) reflect the experience and level of responsibility borne by individual Directors, the CEO and key senior officers (including the expatriates, if any);
   - (c) be sufficient to attract and retain Directors, CEO and key senior officers (including the expatriates, if any) of calibre needed to manage the Company successfully; and
   - (d) be balanced against the need to ensure that the funds of the Company are not used to subsidies excessive remuneration packages.

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

Nomination and Remuneration Committee (continued)

The Nomination and Remuneration Committee functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of Nomination and Remuneration Committee are: (continued)

(ii) To recommend specific remuneration packages for Directors, CEO and key senior officers (including the expatriates, if any) of the Company. The remuneration packages shall:
- (a) be based on an objective consideration and approved by the Board;
- (b) take due consideration of the assessment of the Regional/Group Remuneration Team on the effectiveness, level of contribution such as effort and time spent and responsibilities of the Directors, the CEO and key senior officers (including the expatriates, if any) in discharging their duties for the benefits of the Company and of the Group;
- (c) not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
- (d) be competitive and does not induce excessive risk-taking and is consistent with the Company's culture, objective, risk appetite and long term strategy.

(iii) To ensure that the remuneration for individuals within the Company be aligned with prudent risk-taking and appropriately adjusted for risks. The remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that:
- (a) the remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement;
- (b) the size of the bonus pool is linked to the overall performance of the Company;
- (c) incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Company;
- (d) bonuses are not guaranteed, except in the context of sign-on bonuses;
- (e) for members of senior management and other material risk takers:
  - i. a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business-unit and institution-wide measures that adequately assess performance; and
  - ii. the variable portion of remuneration increases along with the individual's level of accountability.

(iv) To undertake and perform such other matters/activities according to the application requirements in the guidelines from Bank Negara Malaysia and/or as the Board think fit.

The number of meetings attended by each member of the Nomination and Remuneration Committee during the financial year ended 31 December 2022 is as follows:

Name of Directors	No. of Attendance
Datuk Dr Hafsah binti Hashim, Chairperson	2/2
Choy Khai Choon	8/8
Donald Joshua Jaganathan	8/8
Onn Kien Hoe	8/8
Datin Joan Hoi Lai Ping (Retired on 17 September 2022)	5/5

In the opinion of the Nomination and Remuneration Committee, the Board has a balanced mix of skills and experience required for the businesses of the Company.

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

Risk Management and Sustainability Committee

The members of the Risk Management and Sustainability Committee ("RMSC") are as follows:

Donald Joshua Jaganathan	Chairman (Independent Non-Executive Director)
Choy Khai Choon	Member (Non-Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datuk Dr Hafsah binti Hashim (Appointed as Member on 17 September 2022)	Member (Independent Non-Executive Director)
Datin Joan Hoi Lai Ping (Retired on 17 September 2022)	Member (Independent Non-Executive Director)

The RMSC is made up of Non-Executive Directors. It reviews the risk factors of the Company to ensure risks at all levels are managed effectively. It also formulates risk management policies, action plans and evaluates the adequacy of overall risk management policies and procedures.

The RMSC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of RMSC are as follows:

(i) To review and recommend risk management strategies, policies and risk tolerance to the Board for approval;
(ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks;
(iii) To ensure that there are adequate infrastructure, resources and systems in place for an effective risk management;
(iv) To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities;
(v) To provide oversight over technology-related matters which include review of technology-related frameworks, review and recommendation of technology risk appetite, risk tolerances for technology related events, ensure key performance indicators and forward looking risk indicators are in place, adequacy of IT and cybersecurity strategic plans, effective implementation of sound and robust technology risk management framework ("TRMF") and cyber resilience framework ("CRF") and ensure that risk assessments undertaken in relation to material technology application submitted to BNM are robust and comprehensive; and
(vi) To provide oversight over sustainability-related matters which include:
    (a) review of the Company's sustainability strategy and objectives;
    (b) review of the Company's approach and conduct concerning sustainability, assessing progress against agreed actions at least annually;
    (c) review of legislative and regulatory developments and reporting requirements relating to sustainability;
    (d) review of the proposal to the Board for approval targets on environmental, social and corporate governance ("ESG") matters which have a material impact on business strategy, underwriting or business performance.

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

Risk Management and Sustainability Committee (continued)

The number of meetings attended by each member of the RMSC during the financial year ended 31 December 2022 is as follows:

Name of Directors	No. of Attendance
Donald Joshua Jaganathan, Chairman	4/4
Choy Khai Choon	4/4
Onn Kien Hoe	4/4
Datuk Dr Hafsah binti Hashim	1/1
Datin Joan Hoi Lai Ping (Retired on 17 September 2022)	3/3

Board Investment Committee

The members of the Board Investment Committee ("BIC") are as follows:

Donald Joshua Jaganathan (Appointed as Chairperson on 17 September 2022)	Chairperson (Independent Non-Executive Director)
Choy Khai Choon	Member (Non-Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datuk Dr Hafsah binti Hashim (Appointed as Member on 17 September 2022)	Member (Independent Non-Executive Director)
Datin Joan Hoi Lai Ping (Retired on 17 September 2022)	Member (Independent Non-Executive Director)

The BIC consists of at least three members, the majority of whom shall be Independent Non-Executive Directors.

The BIC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of BIC are as follows:

(i) To ensure proper investment of insurance funds, the Company must put in place an investment and risk management policy that is in line with the risk appetite set by the Board of the Company. The investment and risk management policy should be approved and reviewed regularly by the Board and cover overall investment strategy and proper risk management systems, including monitoring and control mechanisms. In this respect, the Committee is required to review:

(a) The Company's ALMIC recommendations for the following:

- changes to Investment Strategy Policy Statement (includes Strategic Asset Allocation);
- changes to ALMIC Charter; and
- changes to Delegated Authority for Investments.

(b) The ALMIC meeting approvals and main discussion topics; and

(c) Compliance to Risk Appetite Statement and relevant investment guidelines based on the economic performance.

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

Board Investment Committee (continued)

The number of meetings attended by each member of the BIC during the financial year ended 31 December 2022 is as follows:

Name of Directors	No. of Attendance
Donald Joshua Jaganathan, Chairman	3/3
Choy Khai Choon	3/3
Onn Kien Hoe	3/3
Datuk Dr Hafsah binti Hashim	-
Datin Joan Lai Hoi Ping (Retired on 17 September 2022)	3/3

Management accountability

The Company has an organisation structure showing all reporting lines as well as clearly documented job description for all management and executive employees. The officers of the Company have knowledge of their respective authority and operating limits, which are documented in the Company's Internal Control Procedures.

The human resource procedures of the Company provide for the setting of goals and training of each staff. The Company conducts formal appraisals for each staff on an annual basis.

The Company has established procedures to avoid and to deal with any conflict of interest situation. None of the Directors and senior management of the Company have, in any circumstances, conflict of interest referred to in Part B, paragraph 14 of BNM Guidelines on Corporate Governance, and paragraph 58 of the Financial Services Act 2013 ("FSA").

The Board has approved a communication policy that is applicable to all levels of staff of the Company.

Corporate independence

The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL018-6) in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, the Board's prior approval for the transaction has also been obtained. All material related party transactions have been disclosed in the financial statements.

CORPORATE GOVERNANCE (CONTINUED)

Internal controls

The responsibility of maintaining a system of internal controls rests with the Board. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as safeguarding the assets of the Company and stakeholders' interest.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action where necessary, is taken in a timely manner. The internal audit function reports directly to the Board through the Audit Committee, and its findings and recommendations are communicated to the senior management and all levels of staff concerned. The Chief Internal Auditor has unrestricted access to the Chairman and members of the Audit Committee, and the internal audit function performs their duties within the ambit of the Audit Charter approved by the Audit Committee and the Board.

The ITSC is responsible for establishing effective information technology and information systems plans, authorising information technology ("IT") related expenditure based on authority limits, and monitoring the progress of approved projects. The Company has increased the security controls for the IT systems, and has put in place business resumption and contingency plans to ensure continued operations of mission critical functions. The requirements of BNM's Policy Document on Risk Management in Technology (RMiT) (BNM/RH/PD 028-98) and Policy Document on Business Continuity Management (BNM/RH/GL/013-3) have been complied.

CORPORATE GOVERNANCE (CONTINUED)

Risk management

RMSC meets regularly, at least every quarter in a financial year, to review risk management reports of the Company. The RMSC has categorised risks into six (6) risk types affecting the Company namely Life Insurance Risk, Market Risk, Credit Risk, Operational Risk, Strategic and Reputation Risk and Capital Management and Liquidity Risk.

The Company has established, within its risk management framework, a structural approach to enterprise-wide risk management. The process involves risk identification and assessment process whereby all department heads of the Company are required to assess their operations and identify risks affecting their operations, identify existing controls in place to mitigate those risks and the probability of the risks occurring and its impact severity.

Public accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. All staff and agents of the Company are required to comply with the Code of Ethics and Conduct.

Financial reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Company. Reports on the financial condition and performance of the Company are reviewed at the Board, Executive Committee and Management Committee meetings. Financial statements and reports are lodged with the regulatory and supervisory authorities, and annual financial statements prepared in accordance with applicable regulations and approved accounting standards are audited.

Remuneration Policy

The Company's remuneration policy is based on Zurich Insurance Group Limited ("ZIGL") remuneration philosophy. The Company operates a balanced and effectively managed remuneration system, which is aligned with risk considerations and provides for competitive total remuneration opportunities to attract, retain, motivate and reward employees to deliver outstanding performance.

The remuneration system is also an important element of the risk management framework and is designed to not encourage inappropriate risk taking through effective governance and a clearly defined performance management process which supports the overall business strategy and plans. Aligned with the Company's corporate governance standards, there are separate responsibilities for the business planning and performance management process and for the implementation of the remuneration system.

The Board reviews and approves the"remu'eration rules regularly, at least once a year, and amends them, as necessary, from time to time. The Board may approve amendments to the remuneration architecture in general or to the applicable plans including exceptions to the short-term incentive plan and/or long-term incentive plan target amounts, to the performance criteria, vesting and/or performance periods and related retention periods.

With respect to the regular review and the oversight of the implementation of the Zurich's Remuneration Rules ("ZRR") issued by the Group, the Board is supported by the Nomination and Remuneration Committee and respective monitoring process as stated in the ZRR.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Policy (continued)

The guiding principles of the remuneration philosophy as set out in the ZRR are as follows:

- The remuneration architecture is simple, transparent and can be put into practice.
- Remuneration is tied to long-term results for individuals who have a material impact on the Company's risk profile.
- The structure and level of total remuneration are aligned with the Company's risk policies and risk-taking capacity.
- A high performance culture is promoted by differentiating total remuneration based on the relative performance of business and individuals.
- Expected performance is clearly defined through a structured system of performance management and this is used as the basis for remuneration decision.
- Variable remuneration awards are linked to key performance factors which include the performance of the Company, business units, functions, as well as individual achievements.
- The Company's Short Term Incentive Plan ("STIP") and Long Term Incentive Plan ("LTIP") used for variable remuneration, are linked to appropriate performance criteria and the overall expenditure on variable pay is considered in connection with its long term economic performance.
- The structure of the LTIP links remuneration with the future development of performance and risk by including features for deferred remuneration.
- Employees are provided with a range of benefits based on local market policies, taking into account the ZIGL's risk capacity on pension funding and investments.

Total remuneration and its composition may be influenced by factors such as scope and complexity of the role, level of responsibility, risk exposure, business performance and affordability, individual performance, internal equity, and legal requirements.

Total remuneration can include elements of base salary and variable remuneration.

- Base salary is the fixed pay for the role performed, determined by the scope and complexity of the role and is reviewed regularly. Overall base salary structures are positioned to manage salaries around the relevant market medians. Key factors to be taken into account are the individual's overall experience and performance.
- The variable remuneration architecture is aligned with the achievement of the key financial objective and the execution of the business strategy, risk management framework and operational plans, via short-term and long-term incentive plans. The plan designs are reviewed regularly by the Nomination and Remuneration Committee and the Board. The incentive plans are discretionary and can be terminated, modified, changed or revised, at any time, except for previously awarded grants. A clawback framework is in place, however, for members of the Executive Committee to allow for recovery, forfeiture and/or clawback, subject to specific conditions. Malus conditions are also in place to reduce or eliminate awards applicable to all STIP and LTIP participants.
- Variable remuneration is structured such that, on average, there is a higher weighting towards the longer term sustainable performance for the most senior employees of the Company, including the individuals with the most impact on the Company's risk profile for the key takers. This ensures that a significant portion of the variable pay for the senior group is deferred to promote the risk awareness of the participants and to encourage the participants to operate the business in a sustainable manner.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of the principal activities during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	75,632

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The dividends paid or declared since the end of the previous financial year were as follows:

	RM'000
Interim single tier gross dividend for the financial year ended 31 December 2022, paid on 29 December 2022	50,000

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

SHARE CAPITAL

No new ordinary shares were issued during the financial year.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

Directors who served since the date of the last report to the date of this report or who were appointed or resigned during the financial year are as follow:

Name of Directors	Designation
Choy Khai Choon	Chairman, Non-Independent Non-Executive Director*
Donald Joshua Jaganathan	Independent Non-Executive Director
Onn Kien Hoe	Independent Non-Executive Director
Datuk Dr Hafsah binti Hashim (Appointed on 1 September 2022)	Independent Non-Executive Director
Timothy William Howell	Executive Director
Datin Joan Hoi Lai Ping (Retired on 17 September 2022)	Independent Non-Executive Director

Note:
**Mr Choy had been redesignated from Independent Non-Executive Director to Non-Independent Non-Executive Director of the Company effective 17 September 2022 following the approval obtained from BNM vide its letter dated 31 May 2022.*

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as disclosed in Note 25 to the financial statements) by reason of a contract made by the Company or a related corporation with a 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.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects 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.

INSURANCE AND INDEMNITY COST

The Company, through its ultimate holding corporation, Zurich Insurance Group Ltd. ("ZIGL") has maintained a Directors' and Officers' Liability Insurance ("the Group's D&O Insurance") on a group basis up to an aggregate limit of USD350 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office in the Company. The Company has also placed a Directors' and Officers' Liability Insurance with a local insurer up to the deductible amount under the Group's D&O Insurance. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

The total amount paid and payable for indemnity insurance effected for the Directors of the Company for the financial year amounted to RM12,546.99.

There was no indemnity given to, or insurance effected for, the auditors of the Company during and at the end financial year.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, particulars of interests of a Director who held office at the end of the financial year in shares of a related corporation are as follows:

	Number deferred/restricted/performance share units				
	At 1.1.2022	Granted/ Reinvested dividends	Exercised	Cancelled	At 31.12.2022
Units in Zurich Insurance Group Ltd.					
Direct interest:					
Timothy William Howell	938	686	(486)	-	1,138

Zurich Insurance Group Ltd. ("ZIGL") the holding company of Zurich Insurance Company Ltd. ("ZICL") which in turn is the immediate holding company of the Company, has designed a Group Long Term Incentive Plan ("the Plan") for the Group's most senior executives for the accomplishment of key Group performance measures. Participants are granted performance-based target shares under the Plan with the vesting of these target grants subject to specific performance achievements over a three-year period.

These performance-based target shares provide the holders with the right to purchase common stock of ZIGL at an exercise price set at the market price of common shares on the Swiss Stock Exchange on the day prior to the date of grant.

Other than the above, none of the other Directors in office at the end of the financial year held any interests in shares in, or debentures of, the Company or its related corporations during the financial year.

By virtue of the above Director's interests in the shares of the ultimate holding company, he is deemed to have an interest in the shares of the Company to the extent that the ultimate holding company has interest.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 25 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 25 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance 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; and
(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
(ii) the values attributed to the current assets in the financial statements of the Company misleading.

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

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

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
(ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e)(ii) and (f)(i), contingent and other liabilities do not include liabilities arising from insurance contracts underwritten in the ordinary course of business of the Company.

(g) Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital (“RBC”) Framework for insurers issued by BNM.

DIRECTORS' REPORT (CONTINUED)

IMMEDIATE AND ULTIMATE HOLDING CORPORATIONS

The Directors regard ZICL as the immediate holding corporation and ZIGL as the ultimate holding corporation. Both corporations are incorporated in Switzerland.

AUDITORS

The auditors, Ernst & Young PLT have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 March 2023.

CHOY KHAI CHOON
DIRECTOR

ONN KIEN HOE
DIRECTOR

Kuala Lumpur
27 March 2023

Company No.
196801000442 (8029-A)

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Choy Khai Choon and Onn Kien Hoe, being two of the Directors of the Company do hearby state that, in the opinion of the Directors, the financial statements set out on pages 27 to 128 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 March 2023.

CHOY KHAI CHOON
DIRECTOR

ONN KIEN HOE
DIRECTOR

Kuala Lumpur
27 March 2023

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Rafidah Abdul Jamal, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements set out on pages 27 to 128 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

RAFIDAH ABDUL JAMAL

Subscribed and solemnly declared by the abovenamed Rafidah Abdul Jamal at Kuala Lumpur in Malaysia on 27 March 2023.

Before me,

PESURUHJAYA SUMPAH
W 465
KAPT (B) JASNI BIN YUSOFF
01 JAN 2023 - 31 DIS 2023
MALAYSIA

COMMISSIONER FOR OATHS

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut
50350 Kuala Lumpur.
Tel: 019-6680745

EY
Building a better working world

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

196801000442 (8029-A)

Independent auditors' report to the member of Zurich Life Insurance Malaysia Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zurich Life Insurance Malaysia Berhad, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 27 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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

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.

Building a better working world

196801000442 (8029-A)

Independent auditors' report to the member of Zurich Life Insurance Malaysia Berhad (cont'd.)

Information other than the financial statements and auditors' report thereon (cont'd.)

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 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
Zurich Life Insurance Malaysia Berhad (cont'd.)**

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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:

- 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.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

- 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.

EY
Building a better working world

196801000442 (8029-A)

Independent auditors' report to the member of Zurich Life Insurance Malaysia Berhad (cont'd.)

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 02937/09/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
27 March 2023

ZURICH LIFE INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	31.12.2022 RM'000	31.12.2021 RM'000
ASSETS			
Property, plant and equipment	4	23,816	27,439
Right-of-use assets	5	20,579	14,781
Intangible assets	6	815	1,952
Investment properties	7	54,950	57,103
Non-current assets held-for-sale	8	6,100	16,250
Investments	9	7,121,900	7,460,455
Available-for-sale financial assets		4,955,883	5,048,218
Financial assets at fair value through profit or loss		1,877,865	2,107,071
Loans and receivables	10	288,152	305,166
Reinsurance assets	11	111,363	84,553
Insurance receivables	12	62,306	31,198
Other receivables	13	23,738	21,629
Tax recoverable		10,095	12,405
Deferred tax assets	14	10,232	9,152
Cash and bank balances		338,196	274,635
Total assets		7,784,090	8,011,552
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	15	579,000	579,000
Retained earnings	16(a)	838,354	812,722
Other reserves	16(b)	(7,881)	30,760
Total equity		1,409,473	1,422,482
Insurance contract liabilities	17	4,490,016	4,673,472
Deferred tax liabilities	14	161,416	162,515
Lease liabilities	18	20,440	15,190
Other liabilities	19	133,264	109,780
Insurance payables	20	1,568,557	1,624,706
Current tax liabilities		924	3,407
Total liabilities		6,374,617	6,589,070
Total equity, policyholders' funds and liabilities		7,784,090	8,011,552

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Gross earned premiums		854,318	865,379
Premiums ceded to reinsurers		(28,519)	(29,621)
Net earned premiums		825,799	835,758
Investment income	21	311,284	309,473
Realised gains and losses	22	(39,291)	(49,861)
Fair value gains and losses	23	(179,000)	(15,144)
Fee and commission income	24(a)	6,370	5,583
Other revenue		99,363	250,051
Total revenue		925,162	1,085,809
Gross benefits and claims paid		(785,172)	(682,141)
Claims ceded to reinsurers		36,068	20,214
Gross change to contract liabilities		136,584	(73,826)
Change in contract liabilities ceded to reinsurers		26,810	29,914
Net claims		(585,710)	(705,839)
Fee and commission expenses	24(b)	(134,600)	(126,731)
Management expenses	25	(120,478)	(118,857)
Other operating income and expenses - net	26	19,175	7,811
Other expenses		(235,903)	(237,777)
Operating profit		103,549	142,193
Finance cost		(370)	(619)
Profit before taxation		103,179	141,574
Taxation	27	(27,547)	(64,000)
Net profit for the financial year		75,632	77,574
Basic/diluted earnings per share (sen)	29	13.06	13.40

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Net profit for the financial year		75,632	77,574
Other comprehensive loss:			
Items that may not be subsequently reclassified to profit or loss :			
Deferred tax on revaluation surplus of property upon disposal		-	3,534
Change in insurance contract liabilities	17	-	(1,197)
Other comprehensive income for the financial year		-	2,337
Items that may be subsequently reclassified to profit or loss :			
Fair value change on available-for-sale financial assets, net of deferred tax:			
Gross fair value change arising during the financial year		(85,506)	(237,825)
Transferred to statement of profit or loss upon disposal	22	(7,702)	(12,891)
Deferred tax	14	7,695	18,583
Net fair value changes		(85,513)	(232,133)
Change in insurance contract liabilities arising from net fair value changes	17	46,872	136,548
Other comprehensive loss for the financial year, net of tax		(38,641)	(95,585)
Total comprehensive income/(loss) for the financial year		36,991	(15,674)

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Issued and fully paid ordinary shares	Non-distributable		Retained earnings			
	Share capital	Available-for-sale fair value reserve	Asset revaluation reserve	Non-Distributable Non-Par unallocated surplus[1]	Distributable retained earnings	Total retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	579,000	30,760	-	472,946	339,776	812,722	1,422,482
Net profit for the financial year	-	-	-	61,992	13,640	75,632	75,632
Other comprehensive loss for the financial year	-	(38,641)	-	-	-	-	(38,641)
Dividend declared (Note 28)	-	-	-		(50,000)	(50,000)	(50,000)
At 31 December 2022	579,000	(7,881)	-	534,938	303,416	838,354	1,409,473
At 1 January 2021	579,000	126,345	11,128	347,045	374,638	721,683	1,438,156
Net profit/(loss) for the financial year	-	-	-	120,308	(42,734)	77,574	77,574
Realisation of revaluation reserve upon disposal	-	-	(13,465)	5,593	7,872	13,465	-
Other comprehensive (loss)/income for the financial year	-	(95,585)	2,337	-	-	-	(93,248)
At 31 December 2021	579,000	30,760	-	472,946	339,776	812,722	1,422,482

In accordance with the Financial Services Act (FSA), 2013, the unallocated surplus of the Non-Participating ("Non-Par") fund is only available for distribution to the shareholder upon approval by the Appointed Actuary. There was no transfer from Non-Par fund unallocated surplus for the financial year ended 31 December 2022 (2021: Nil).

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
OPERATING ACTIVITIES			
Cash utilised in operating activities	30	(194,257)	(388,425)
Dividend/distribution income received		72,469	70,904
Interest/profit income received		255,642	245,712
Rental income on investment properties received		3,673	4,415
Property maintenance expenses paid		(2,692)	(5,607)
Income tax paid		(21,952)	(19,955)
Net cash inflows/(outflows) from operating activities		112,883	(92,956)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		170	-
Proceeds from disposal of non-current assets held-for-sale		12,247	118,091
Purchase of property, plant and equipment	4	(2,349)	(5,693)
Purchase of intangible assets	6	(132)	(329)
Net cash inflows from investing activities		9,936	112,069
FINANCING ACTIVITIES			
Payment of lease liabilities	18	(9,258)	(10,016)
Dividend paid to Shareholder	28	(50,000)	-
Net cash outflows from financing activities		(59,258)	(10,016)
Net increase in cash and bank balances		63,561	9,097
Cash and bank balances at the beginning of the financial year		274,635	265,538
Cash and bank balances at the end of the financial year		338,196	274,635
Cash and bank balances comprise:			
Cash and bank balances		338,196	274,635

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2022

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is an unquoted public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company are as follows:

<u>Registered office</u>

Level 25, Mercu 3
No.3 Jalan Bangsar
KL Eco City
59200 Kuala Lumpur

<u>Principal place of business</u>

Level 23A, Mercu 3
No.3 Jalan Bangsar
KL Eco City
59200 Kuala Lumpur

The Company is engaged principally in the underwriting of life insurance business, including investment-linked and annuity business. There have been no significant changes in the nature of these principal activities during the financial year.

The Directors regard Zurich Insurance Company Ltd. ("ZICL") as the immediate holding company and Zurich Insurance Group Ltd ("ZIGL") as the ultimate holding company. Both companies are incorporated in Switzerland.

ZIGL is listed on the SIX Swiss Exchange and produces financial statements available for public use.

The financial statements were authorised for issue by the Board in accordance with a resolution of the Directors on 27 March 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

2.1 Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act 2016 in Malaysia.

The Company has met the minimum capital requirements as prescribed by the RBC as at the date of the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM"), and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

Standards, amendments to published standards and interpretations

(i) Amendments to published standards that are applicable and effective to the Company

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new pronouncements as follows:

Description	**Effective for annual financial periods beginning on or after**
• Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 – 2020)	1 January 2022
• Amendments to MFRS 16 Leases (Annual Improvements to MFRS Standards 2018 – 2020)	1 January 2022
• Amendments to MFRS 116 Property, Plant and Equipment (Reference to Property, Plant and Equipment – Proceeds before Intended Use)	1 January 2022
• Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Reference to Onerous Contracts - Cost of Fulfilling a Contract)	1 January 2022
• Amendments to MFRS 3 Business Combinations (Reference to the Conceptual Framework)	1 January 2022
• Amendments to MFRS 9 Financial Instruments (Annual Improvements to MFRS Standards 2018 – 2020)	1 January 2022

The amendments listed above did not have any impact on the financial statements including amounts recognised in prior periods and the current financial year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards, amendments to published standards and interpretations (continued)

(ii) Standards and Amendments to published standards that are issued but not yet effective

The followings are Standards, and Amendments to Standards issued by the Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these Standards and Amendments to Standards, if applicable, when they become effective.

Description	**Effective for annual financial periods beginning on or after**
• Amendments to MFRS 101 Presentation of Financial Statements (Reference to Classification of Liabilities as Current of Non-current)	1 January 2023
• Amendments to MFRS 101 Presentation of Financial Statements (Disclosure of Accounting Policies)	1 January 2023
• MFRS 17 Insurance Contracts	1 January 2023
• Amendments to MFRS 17 Insurance Contracts Initial Application of MFRS 17 And MFRS 9 – Comparative Information	1 January 2023
• Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
• Amendments to MFRS 112 Income Taxes – Deferred Tax Related to Assets and Liabilities arising from Single Transaction	1 January 2023
• Amendments to MFRS 101 Presentation of FInancial Statements - Non-current Liabilities with Covenants	1 January 2024
• Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Sale or Contribution of Assets between an Investor and its Assoviate or Joint Venture	Deferred

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards, amendments to published standards and interpretations (continued)

(ii) Standards and Amendments to published standards that are issued but not yet effective (continued)

The Directors expect that the adoption of the above new pronouncements will have no material impact on the financial statements in the period of initial application except as discussed below:

- MFRS 17 "Insurance Contracts" and its Amendments

  MFRS 17 "Insurance Contracts" and its Amendments has become effective on 1 January 2023. The Company will be applying MFRS 17 for the first time in the current financial year ending 31 December 2023. Accordingly, it will restate comparative information for the financial year ended 31 December 2022, including the opening balance as at 1 January 2022, by applying the transition requirements of MFRS 17.

  The Company determined the transition approach at groups of insurance contracts levels, depending on availability of reasonable and supportable historical information. The Company will apply a retrospective transition approach and expects that most groups of insurance contracts will follow either a full retrospective approach or fair value approach.

  The Company has assessed that a significant portion of its life insurance liabilities (including unit-linked insurance liabilities, annuity contracts and certain life insurance contracts with policyholder participation qualify as direct participating contracts under MFRS 17 and eligible for the application of Variable Fee Approach ("VFA"). The optional exemption from the annual cohort requirement for such contracts is not applicable to the Company. For non-participating contracts such as term life plans, medical plans and in-force reinsurance contracts held the General Measurement Model or also known as Building Block Approach ("BBA") will be applied.

  The Company applies full retrospective approach ("FRA") for the measurement of the Contractual Service Margin ("CSM") for all the groups of contracts at transition on 1 January 2023. The CSM is based on initial assumptions when groups of contracts were incepted and rolled forward to the date of transition as if MFRS 17 had always been applied. The fair value approach is used to estimate the initial CSM for the groups of contracts when the Company was acquired by ZICL on 1 October 2011. For subsequent measurement, the groups of contracts accepted prior to the acquisition date and contracts written after the acquisition date will apply the FRA.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards, amendments to published standards and interpretations (continued)

(ii) Standards and Amendments to published standards and interpretations that are issued but not yet effective (continued)

- MFRS 17 "Insurance Contracts" and its amendments (continued)

  As a result of the application of MFRS 17, the Company expects shareholders' equity to be affected by the classification of risk adjustment and CSM as liabilities, partially offset by other adjustments. MFRS 17 will result in a change to the accounting policies for insurance contract liabilities of the Company and is likely to have significant impact on the total profit and total equity of the Company together with the overall presentation and disclosures in the Company's financial statements for the financial year ending 31 December 2023.

  MFRS 17 will also significantly change how insurance and reinsurance contracts are presented and disclosed in the Company's financial statements. Under MFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables will no longer be presented separately. Any assets or liabilities from cash flows arising before the recognition of the related groups of contracts will also be presented in the same line item as the related portfolios of contracts.

  Under MFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into an insurance service result, comprising of insurance revenue and insurance service expenses; and insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately. There will be clear delineation of investment related results in profit or loss.

  MFRS 17 also requires extensive new disclosures on amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying MFRS 17. There will also be expanded disclosures about the nature and extent of risk from insurance and reinsurance contracts.

  The Company adopted MFRS 17 on 1 January 2023 and will be fully compliant with the requirements of the standards.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards, amendments to published standards and interpretations (continued)

(ii) Standards and Amendments to published standards that are issued but not yet effective (continued)

- MFRS 9 “Financial Instruments” and its amendments

  MFRS 9 has become effective for the Company on 1 Janurary 2023. MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets:

  - Amortised cost (“AC”)
  - Fair value through profit or loss ("FVTPL")
  - Fair value through other comprehensive income ("FVOCI")

  The Company’s predominance ratio reflecting the share of liabilities connected to insurance compared to total liabilities has consistently exceeded 90 percent. Due to the strong interaction between underlying assets held and the measurement of insurance contracts, the Company has used the option to defer the full implementation of MFRS 9 until MFRS 17 “Insurance Contracts” became effective on 1 January 2023 in accordance with the Amendments to MFRS 4 “Extension of the Temporary Exemption from Applying MFRS 9”.

  The basis of classification depends on the Company'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. 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 financial liabilities, the standard retains most of the MFRS 139 requirements. MFRS 9 also introduces an expected credit loss (“ECL”) 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.

  Upon adoption on 1 January 2023, the Company has classified and measured all its quoted and unquoted equity securities, as well as unit trusts at FVTPL. Its holding in debt securities has been classified as FVOCI. There will be no significant changes to the Company’s accounting for financial liabilities as it largely retains the MFRS 139 requirements. All the financial liabilities will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9. For the year ended 31 December 2022 and 31 December 2021, the effects from adopting MFRS 9 are disclosed in Note 36 which shows the fair value and carrying value of financial assets separately between financial assets with contractual cash flows that are solely payments of principal and interest (“SPPI”) and other financial assets. Other financial assets consist of assets with contractual cash flows that are not SPPI and assets measured at fair value through profit or loss under MFRS 139. The Company adopted MFRS 9 on 1 January 2023 without restating prior periods’ information and recognising any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application, in opening retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material to the financial statements.

(a) Property, plant and equipment and depreciation

Property, plant and equipment are initially stated at cost less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial year in which they are incurred.

Property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives. The expected useful lives of the assets are as follows:

Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	10 years
Renovation	10 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each date of the statement of financial position.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.2(g) to the financial statements on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) 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.

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 reassesses 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. See accounting policy below on reassessment of 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.

The ROU assets are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurements of the lease liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) 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 the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

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 finance cost in the statement of profit or loss.

Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

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 IT equipment, printing and photocopy machines. The Company has elected not to recognise ROU assets and lease liabilities for leases of low-value assets and short-term leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Leases (continued)

(i) Accounting by lessee (continued)

Rent concession

The Company elects to account for a Covid-19 related rent concession that meets all of the following conditions in the same way as they would if they were not lease modification:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2020; and
- there is no substantive change to other terms and conditions of the lease.

The Company accounts for such Covid-19 related rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The Company presents the impacts of rent concessions within profit or loss.

If a rent concession results from a lease modification, the Company accounts for the rent concession as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

If a rent concession does not result from a lease modification, the Company accounts for the rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

(ii) Accounting by lessor

The Company classifies all leases for which it is a lessor as operating leases, as each of these leases does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset.

Lease payments from operating leases are recognised as income on a straight line basis over the lease term and are reported as rental income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Investment properties

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both. Such properties are measured initially at its cost, including related transaction costs and borrowing costs if the investment properties meet the definition of qualifying asset.

After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are assessed monthly for offers to purchase received, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially different from the fair values. All gains or losses arising from a change in fair value of investment properties are recognised in profit or loss.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the financial year in which they arise.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an owner-occupied property becomes an investment property, the fair value changes of the property upon the reclassification are recognised in an equity reserve. Increases are recognised directly in equity, unless there was an impairment loss recognised for the same property in prior years and a portion of the increase is recognised in profit or loss to the extent of that impairment loss. Decreases are recognised in profit or loss for any decrease in excess of the amount included in the revaluation surplus for that property.

(d) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable software systems controlled by the Company, which do not form an integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of three years.

Computer software in progress is not amortised until the asset is ready for its intended use. In the interim, it is reviewed for impairment at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Investments and other financial assets

The Company classifies its financial assets into the following categories: financial assets measured at fair value through profit or loss (“FVTPL”), loans and receivables (“LAR”) and available-for-sale (“AFS”) financial assets. The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition.

(i) Financial assets measured at FVTPL

The Company classifies investments acquired for the purpose of selling in the short-term as held-for-trading, as FVTPL. Derivatives are also classified as held-for-trading unless they are designated as hedges.

Investments held by investment-linked funds are designated at FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

These investments are initially recorded at fair value and transaction costs are expensed in profit or loss. Subsequent to initial recognition, these assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

(ii) LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market but do not include insurance receivables. These assets are initially recognised at fair value. All transaction costs directly attributable to the acquisition are also included in the cost of the asset. After initial measurement, LAR are measured at amortised cost, using the effective yield method, less allowance for impairment.

Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, as well as through the amortisation process.

Refer to Note 2.2(i) to the financial statements for further details on the accounting policy on loans.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Investments and other financial assets (continued)

(iii) AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other assets categories. These investments are initially recognised at fair value. After initial measurement, AFS financial assets are remeasured at fair value.

Fair value gains and losses of monetary and non-monetary financial assets are reported in the statement of comprehensive income and reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired, except for the life insurance contracts with discretionary participating features, where such fair value gains or losses are reported as a separate component of insurance contract liabilities. Fair value gains and losses of monetary instruments denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the instrument and other changes in the carrying amount of the instrument. The translation differences on monetary instruments are recognised in profit or loss; translation differences on non-monetary instruments are reported in the statement of comprehensive income and shown as a separate component of equity except for the life insurance contract with discretionary participating features ("DPF"), where such fair value gains or losses are reported as a separate component of insurance contract liabilities until the investment is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred through the statement of comprehensive income or from insurance contract liabilities to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published (closing) price on the date of the statement of financial position.

For investments in unit and real estate investment trusts, fair value is determined by reference to published (closing) price.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate, over-night and time deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest/profit. The fair value of fixed interest/yield-bearing deposits is measured using estimated discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to profit or loss immediately. A subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment of financial assets

The Company assesses at each date of the statement of financial position, whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recorded in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at date of the statement of financial position.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity through the statement of comprehensive income or from insurance contract liabilities to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Loans

Loans are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of loan is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amounts and the present value of estimated future cash flows discounted at the effective interest rates. This includes interest that is suspended and/or recognised to the extent of the recoverable amount.

The amount of specific allowance also takes into account the collateral value and recoverable amount of interest due, which may be discounted to reflect the impact of the recovery process which is estimated to be between one to five years, depending on default condition of the loan, type of collateral and whether under litigation. The amount of the allowance is recognised in profit or loss.

Where the collateral is property, the net realisable value of the property is determined by using its fair value which is based on open market value by independent property valuers, adjusted if necessary, for any difference in the nature, location or condition of the specific asset, while for shares, it is based on the last transacted price. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets, adjusted if necessary, for any difference in nature, location or condition of specific asset or discounted cash flow projections.

Loans are classified as non-performing when repayments or interests are in arrears for more than six months from the first day of default or after maturity date.

(j) Insurance receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers 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 2.2(h) to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(k) to the financial statements, have been met.

(k) Financial instrument - Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred, and the Company has also transferred substantially all risks and rewards of ownership.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Equity instruments

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributed to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

(m) Product classification

The Company issues contracts that transfer insurance risk or financial risk or both.

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

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the 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 an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Product classification (continued)

Under the terms of the contracts, surpluses in the DPF fund can be distributed on a 90/10 basis to the policyholders and the shareholders respectively. The Company has the 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.

Under the RBC Framework for Insurers, statutory liabilities are calculated based on the Gross Premium Valuation (“GPV”) method which takes into consideration not only the guaranteed but also the discretionary benefits in the case of participating products and the underlying assumptions are based on the Company’s actual experience.

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

When insurance contracts contain both a financial risk component and a significant insurance risk component, and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

The Company defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. Based on this definition, all policy contracts issued by the Company are considered insurance contracts as at the date of the statement of financial position.

(n) Reinsurance

The Company cedes insurance risk in the normal course of business for most 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 and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the 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 reinsurers. The impairment loss is recorded in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(n) Reinsurance (continued)

Gains or losses on buying reinsurance are recognised in profit or loss immediately at the date of purchase and are not amortised.

The Company also assumes reinsurance risk in the normal course of business for life insurance when applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the 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 yield method when accrued.

(o) Life insurance underwriting results

The surplus transferable from the life participating fund to profit or loss is based on the surplus determined by an annual actuarial valuation of the long-term insurance contract liabilities to the policyholders.

<u>Premium income</u>

Premium income includes premium recognised in the life fund and the investment-linked fund. Premium income of the life fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date, and subsequent premium is recognised when due.

At the end of the financial year, all due premiums are accounted to the extent that they can be reliably measured.

Premium income of the investment-linked fund includes creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance underwriting results (continued)

Reinsurance premiums

Gross reinsurance premiums 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.

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, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to profit or loss in the financial year in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Insurance contract liabilities

(i) Life 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. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The 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 valuation basis, including the determination of the appropriate risk discount rate, is in accordance with Part D of the RBC Framework and Appendix VII: Valuation Basis for Life Insurance Liabilities of the RBC Framework, and any related circulars issued by BNM relevant to the guidelines.

The liability in respect of DPF insurance contract is taken as the higher of the guaranteed benefit liabilities loaded with provision of risk margin for adverse deviation or the total benefit liabilities at the contract level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the liabilities shall be the higher of the current accumulated amount (as declared to the policy owners), or the sum of the current accumulated amount and liabilities calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits that originate from margins of adverse deviations on run-off contracts are recognised in profit or loss over the life of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Insurance contract liabilities (continued)

(ii) Surplus in the life insurance contracts

Surpluses with the DPF fund 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 policyholders and shareholders which are determined by an actuarial valuation of the long term liabilities to the policyholders at the date of the statement of financial position and is made in accordance with the provision of the FSA and related regulations by the Company's Appointed Actuary.

Unallocated surplus of DPF insurance contracts where the amounts of surplus are yet to be allocated or distributed by the Company's Appointed Actuary to either policyholders or shareholders by the end of the financial year, are classified as part of life insurance contract liabilities.

(iii) AFS fair value adjustment

Where unrealised gains or losses arise on AFS financial assets of the life participating fund, the adjustment to the insurance contract liabilities equal to the effect that the realisation of those gains or losses at the end of the reporting years would have on those liabilities which is recognised directly in the other comprehensive income.

(iv) Asset revaluation surplus adjustment

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. Upon disposal, any surplus previously recorded is transferred to surplus with the DPF fund; the transfer is not made through profit or loss.

(v) Net asset value attributable to unitholders

The unit liability of investment-linked contract 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Other revenue recognition

Interest income

Interest income is recognised on an accrual basis using the effective yield method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the investment and continues unwinding the discount as interest income.

Other interest income including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis that takes into account the effective yield of the assets.

Dividend income

Dividend income is recognised as investment income when the Company's right to receive payment is established.

Rental income

Rental income on owner-occupied and investment properties is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessee is recognised as a reduction of rental income over the lease term on a straight line basis.

Lease rental income net of payment of lease rental expenses made under operating lease of the same properties is recognised on straight-line basis over the lease term.

Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost, and are recorded on occurrence of the sale transaction.

Fees and commission income

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.

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)

2.2 Summary of significant accounting policies (continued)

(r) Foreign currencies

The financial statements are presented in Ringgit Malaysia which is also the functional currency of the Company.

Foreign currency transactions in the Company are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated to Ringgit Malaysia at exchange rates prevailing at the date of the statement of financial position. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss.

(s) Income taxes

Income taxes on the profit or loss for the financial year comprises current and deferred tax.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered or paid to the tax authorities. The tax rates used to compute the amount are those that are enacted or substantively enacted at the date of the statement of financial position.

Current tax expense is determined according to the tax laws of the jurisdiction in which the Company operates and includes all taxes based upon the taxable profits. The tax expense is based on the method prescribed under the Income Tax Act 1967 for life and general insurance businesses. Current tax is recognised in profit or loss.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each date of the statement of financial position and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax is recognised as income or an expense and included in profit or loss for the financial year, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity or directly in the insurance contract liabilities, in which case the deferred tax is also recognised in other comprehensive income or directly in equity or directly in the insurance contract liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(t) Provisions

Provisions are recognised when the Company has a present obligation, either legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost expense.

(u) Employee benefits

Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions or variable contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to the employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF"). Once the contributions have been paid, the Company has no further payment obligations.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognises termination benefits at the earlier of the following dates:
(a) when the Company can no longer withdraw the offer of those benefits; and
(b) when the Company recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

Share-based long-term incentive plan

The ultimate holding corporation, Zurich Insurance Group Ltd ("ZIGL"), operates a global long term incentive plan wherein performance-based target shares administered by a central shareholding vehicle are granted to eligible directors and senior executives of the ZIGL and its subsidiary companies ("ZIGL Group") based on the financial and performance criteria and such conditions as it may deem fit. The Company purchases the right to shares from this holding vehicle for Malaysian senior executives who participate in the plan. When shares vest with the participants, the central share vehicle transfers those shares directly to the participants. The Company does not bear any exchange or price risk in relation to payments for these rights to shares.

The cost of this equity-settled share-based compensation for the Company (being the fair value at grant date) is recognised in the statement of profit and loss over the vesting period of the grant.

(v) 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 payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

A financial liability and an insurance payable are derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(w) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(x) Cash and bank balances

Cash and bank balances comprise cash on hand, and deposits held at call with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

(y) Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale when their carrying amounts are recovered principally through a sale rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Operating Officer who makes strategic decisions. The Company's principal operations are organised into Life insurance and Shareholders' segments as disclosed in Note 41 to the financial statements.

(aa) Funding under the Par Stabilisation Plan ("PSP")

Any deficit in the Ordinary Life Participating fund will be made good via an interest-free funding under the PSP, granted by the Shareholder's fund to the Ordinary Life Participating fund ("Par Fund"). The funding shall be repaid from future surpluses of the Par Fund.

PSP funding is accounted for as receivable and payable in the financial statements of the Shareholder's Fund and Par Fund respectively and is stated at cost. At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount, as set out in Note 2.2(h) to the financial statements on impairment of financial assets.

The amount payable to Shareholder's Fund in the Par fund is stated at cost.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Valuation of life insurance contract liabilities

The liability for life insurance contracts is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates, and discount rates. The Company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

Discount rate for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian Government Security ("MGS"). In the case of the total benefits liabilities of participating policies, the discount rate is based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund.

(ii) Impairment assessment on non-performing loans

Judgement is applied in determining the amount that may be recovered from long outstanding non-performing loans via the disposal of collaterals pledged to those loans.

The actual amounts that will be recovered from these non-performing loans are largely dependent on the values that those collaterals can fetch should foreclosure take place or if the borrowers agree to settlements with the Company, and lastly the time taken to complete the recovery of these loans. Valuations of collaterals are reviewed by an independent valuer every three years or earlier if the carrying values of the collaterals are materially different from the fair values, and the impairment assessment is done monthly.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below. (continued)

(iii) Assumptions applied for MFRS 16 *Leases*

<u>Determination of incremental borrowing rate</u>

The lease liabilities are measured at the present value of the remaining lease payments over the lease term, discounted using the Company's incremental borrowing rate as the rate implicit in the lease is generally not readily determinable.

<u>Extension and termination options</u>

Any options to extend or terminate a lease that the Company is reasonably certain to exercise are included in the lease term. The ROU asset is initially recognised at an amount equal to the lease liability adjusted for lease prepayments made or lease incentives received, initial direct costs and any estimated costs to dismantle or restore the leased asset.

The lease term will be considered to extend beyond the non-cancellable period if the lessee has an extension option that is considered to be reasonably certain to exercise, or an termination option that is considered to be reasonably certain not to exercise.

The Company has several lease contracts that include extension and termination options. The Company has included the renewal period as part of the lease term as the Company is reasonably certain to exercise the option to extend the lease. The Company considers all relevant facts and circumstances that create an economic incentive to exercise or not to exercise the option including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

4. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fittings and office equipment	Motor vehicles	Renovation	Total
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 January 2021	27,860	661	22,774	51,295
Additions	4,049	400	1,244	5,693
Write-offs	-	-	(154)	(154)
At 31 December 2021	31,909	1,061	23,864	56,834
Additions	1,466	-	883	2,349
Write-offs	(6,045)	(156)	(6,564)	(12,765)
Disposals	-	(505)	-	(505)
At 31 December 2022	27,330	400	18,183	45,913
Accumulated depreciation				
At 1 January 2021	13,466	375	10,249	24,090
Charge for the financial year (Note 25)	3,531	174	1,754	5,459
Write-offs	-	-	(154)	(154)
At 31 December 2021	16,997	549	11,849	29,395
Charge for the financial year (Note 25)	3,893	80	1,814	5,787
Write-offs	(6,045)	(156)	(6,564)	(12,765)
Disposals	-	(320)	-	(320)
At 31 December 2022	14,845	153	7,099	22,097
Net carrying amount				
At 31 December 2021	14,912	512	12,015	27,439
At 31 December 2022	12,485	247	11,084	23,816

5. RIGHT-OF-USE ASSETS

	2022	2021
	RM'000	RM'000
Cost		
At 1 January	47,838	54,673
Additions	927	-
Modification	12,998	(6,835)
At 31 December	61,763	47,838
Accumulated depreciation		
At 1 January	33,057	26,578
Charge for the financial year (Note 25)	8,313	9,400
Modification	(186)	(2,921)
At 31 December	41,184	33,057
Net carrying amount		
At 31 December	20,579	14,781

The Company also has certain leases of equipment with low value. The Company applies the 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognised in profit or loss**:**

	2022	2021
	RM'000	RM'000
Depreciation of right-of-use assets (Note 25)	8,313	9,400
Interest expense on lease liabilities	370	619
Expense related to leases of low-value assets (Note 25)	261	586
Total amount recognized in profit or loss	8,944	10,605

6. INTANGIBLE ASSETS

	Computer software
	RM'000
Cost	
At 1 January 2021	20,375
Additions	329
At 31 December 2021	20,704
Additions	132
Write-offs	(5,289)
At 31 December 2022	15,547
Accumulated amortisation	
At 1 January 2021	17,417
Amortisation during the financial year (Note 25)	1,335
At 31 December 2021	18,752
Amortisation during the financial year (Note 25)	1,269
Write offs	(5,289)
At 31 December 2022	14,732
Net carrying amount	
At 31 December 2021	1,952
At 31 December 2022	815

7. INVESTMENT PROPERTIES

	2022 RM'000	2021 RM'000
At 1 January	57,103	74,510
Fair value losses recorded in statement of profit or loss (Note 23)	(3)	(1,350)
Transferred to non-current assets held-for-sale (Note 8)	(2,150)	(16,057)
At 31 December	54,950	57,103

The fair values of the investment properties as at 31 December 2022 and 31 December 2021 were determined by external independent valuers, or by management based on market or income approaches by reference to valuations performed by external independent valuers where considered appropriate. Fair value changes are recorded in profit or loss.

Rental income and the rates and maintenance expenses in respect of investment properties are disclosed in Note 21 to the financial statements.

The titles to certain investment properties amounting to RM54,950,000 (2021: RM56,910,000) are in the process of being transferred to the Company. Risks, rewards and effective titles to these investment properties have been passed to the Company upon unconditional completion of the acquisition of those properties.

Fair value is determined through various valuation techniques using Level 3 inputs (defined as unobservable inputs for asset or liability) in the fair value hierarchy of MFRS 13 Fair Value Measurement. Changes in fair value are recognised in the statement of profit or loss during the reporting period in which they are reviewed.

The Level 3 inputs or unobservable inputs include:

- Term yield - the expected rental that the investment properties are expected to achieve and are derived from the current passing rental, including revision upon renewal of tenancies during the financial year;
- Reversion yield - the expected rental that the investment properties are expected to achieve upon expiry of term rental;
- Allowance for void - refers to allowance provided for vacancy periods; and
- Price per square foot ("psf") - estimated price psf for which a property should exchange on the date of valuation between a willing buyer and a willing seller.

7. INVESTMENT PROPERTIES (CONTINUED)

The fair value measurements using Level 3 inputs are as follows:

	Valuation technique	Fair value	Term yield	Reversion yield	Allowance for void	Reversion outgoing	Price per sq foot
		RM'000	%	%	%	RM psf/month	RM/psf
31 December 2022							
Office building	Investment method	54,950	6.25-7.00	6.75	5.00-10.00	1.00	-
31 December 2021							
Office building	Investment method	54,950	6.25-7.00	6.75	5.00-10.00	1.00	-
Others	Comparison method	2,153	-	-	-	-	94.64-243.06
		57,103					

8. NON-CURRENT ASSETS HELD-FOR-SALE

	2022	2021
	RM'000	RM'000
At 1 January	16,250	117,132
Disposal	(12,300)	(116,939)
Transferred from investment properties (Note 7)	2,150	16,057
At 31 December	6,100	16,250

The Company had three properties classified as held-for-sale as at 31 December 2022 (2021 : two properties classified as held-for-sale). The Company has signed a sale and purchase agreement for the disposal of the three properties and the sales are expected to be completed in 2023.

During the current financial year, the Company has completed the disposal of one property.

The Company has performed a valuation exercise to determine the need for any impairment losses to be recognised to reflect the fair value of the properties.

9. INVESTMENTS

	31.12.2022 RM'000	31.12.2021 RM'000
Malaysian Government Securities/ Government Investment Issues	1,145,243	707,353
Corporate debt securities	3,706,044	4,239,661
Equity securities	1,145,380	1,344,413
Unit trusts	837,081	863,862
Loans	288,152	305,166
	7,121,900	7,460,455

The Company's financial investments are summaried by measurement categories as follows:

	31.12.2022 RM'000	31.12.2021 RM'000
Available-for-sale ("AFS") financial assets	4,955,883	5,048,218
Fair value through profit or loss ("FVTPL") financial assets	1,877,865	2,107,071
Loans and receivables ("LAR") (Note 10)	288,152	305,166
	7,121,900	7,460,455

Investments that mature after 12 months:

	31.12.2022 RM'000	31.12.2021 RM'000
AFS financial assets	4,490,954	4,463,666
FVTPL financial assets	171,640	174,146
LAR (Note 10)	1,698	3,115
	4,664,292	4,640,927

9. INVESTMENTS (CONTINUED)

	31.12.2022 RM'000	31.12.2021 RM'000
(a) AFS financial assets		
Malaysian Government Securities/Government Investment Issues	1,139,028	699,264
Corporate debt securities		
- Unquoted in Malaysia	3,535,200	4,071,656
Equity securities		
- Unquoted in Malaysia	29,429	19,044
Unit trusts		
- Quoted in Malaysia	252,226	258,254
	4,955,883	5,048,218
(b) FVTPL financial assets		
Held-for-trading:		
Equity securities		
- Quoted in Malaysia	466,898	590,793
Unit trusts		
- Quoted in Malaysia	185,437	219,042
	652,335	809,835
Designated at FVTPL:		
Malaysian Government Securities/Government Investment Issues	6,215	8,089
Corporate debt securities		
- Unquoted in Malaysia	170,844	168,005
Equity securities		
- Quoted in Malaysia	649,053	734,576
Unit trusts		
- Quoted in Malaysia	2,089	2,075
- Quoted outside Malaysia	74,183	72,402
- Unquoted outside Malaysia	323,146	312,089
	1,225,530	1,297,236
	1,877,865	2,107,071

9. INVESTMENTS (CONTINUED)

(c) Carrying value of financial instruments

The movements in the Company's financial assets (excluding loans and receivables) are summarised in the table below by measurement category.

	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2021	5,159,930	2,037,226	7,197,156
Purchases	667,794	773,946	1,441,740
Disposals (sale and redemptions)	(483,023)	(742,848)	(1,225,871)
Fair value losses recorded in:			
Statement of profit or loss (Note 23)	-	31,506	31,506
Other comprehensive income	(250,716)	-	(250,716)
Movement in impairment allowance (Note 23)	(41,064)	-	(41,064)
Amortisation/interest movement	(4,703)	(591)	(5,294)
Foreign exchange	-	7,832	7,832
At 31 December 2021	5,048,218	2,107,071	7,155,289
Purchases	1,103,820	348,737	1,452,557
Disposals (sale and redemptions)	(1,049,251)	(463,673)	(1,512,924)
Fair value gains recorded in:			
Statement of profit or loss (Note 23)	-	(134,383)	(134,383)
Other comprehensive income	(93,208)	-	(93,208)
Movement in impairment allowance (Note 23)	(36,178)	-	(36,178)
Amortisation/interest movement	(17,518)	(919)	(18,437)
Foreign exchange	-	21,032	21,032
At 31 December 2022	4,955,883	1,877,865	6,833,748

The fair value hierarchy of investments is disclosed in Note 36 to the financial statements.

10. LOANS AND RECEIVABLES

	31.12.2022 RM'000	31.12.2021 RM'000
Loans arising from:		
Policy loans	271,070	277,987
Mortgage loans	54,016	55,714
Unsecured loans	-	404
	325,086	334,105
Allowance for impairment	(36,934)	(28,939)
Net loans (Note 8)	288,152	305,166

The estimated fair values of the loans and receivables have been established by comparing current market interest rates for similar financial instruments to the rates offered when the loans and receivables were first recognised together with appropriate market credit adjustments except for loans which are non-performing ("NPL"), where it is reported at estimated recoverable fair value.The carrying value of the policy loans, secured loans and unsecured loans are reasonable approximations of fair value due to the insignificant impact of discounting.

The maturity structure of the loans and receivables is as follows:

	31.12.2022 RM'000	31.12.2021 RM'000
Receivables within 12 months	286,454	302,051
Receivables after 12 months	1,698	3,115
	288,152	305,166

Included in the total loan portfolio net of allowance for impairment as at 31 December 2022 is several NPL amounting to approximately RM14,907,000 (2021: RM23,330,000). The NPL was collateralised by properties as pledged by the borrowers. The Company has assessed the value of the collaterals or agreed settlement plans and has made appropriate allowances for impairment where appropriate. Should the market value or adjusted value of the collaterals deviate by 10% or the recovery process be delayed by a year, there may be a potential shortfall in the net recoverable value of approximately RM2,895,000 (2021: RM1,250,000) for the NPL.

A reconciliation of the allowance for impairment for NPL are as follows:

	2022 RM'000	2021 RM'000
At 1 January	28,939	24,703
Allowance during the financial year (Note 23)	8,436	4,236
Write off	(441)	-
At 31 December	36,934	28,939

11. REINSURANCE ASSETS

	31.12.2022 RM'000	31.12.2021 RM'000
Reinsurers' share of insurance contract liabilities (Note 17)	111,363	84,553

12. INSURANCE RECEIVABLES

	31.12.2022 RM'000	31.12.2021 RM'000
Due premiums including agents/brokers balances	25,563	25,889
Due from reinsurers	38,449	6,611
	64,012	32,500
Allowance for impairment	(1,706)	(1,302)
	62,306	31,198

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances.

13. OTHER RECEIVABLES

	31.12.2022 RM'000	31.12.2021 RM'000
Outstanding proceeds from disposal of investments	6,206	6,648
Deposits, prepayments and other receivables	18,235	15,684
	24,441	22,332
Allowance for impairment	(703)	(703)
	23,738	21,629

The carrying amount of the other receivable (excluding prepayments) disclosed above is the approximate fair values at the date of the statement of financial position due to their short-term maturity.

14. DEFERRED TAXATION

	2022 RM'000	2021 RM'000
At 1 January	(153,363)	(124,027)
Recognised in:		
Income statement	(5,516)	(51,453)
Other comprehensive income	7,695	22,117
At 31 December	(151,184)	(153,363)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Net deferred tax assets shown on the statement of financial position have been determined after considering appropriate offsetting as follows:

	2022 RM'000	2021 RM'000
Deferred tax assets	18,441	10,969
Deferred tax liabilities	(169,625)	(164,332)
	(151,184)	(153,363)

The components and movements of deferred tax assets and liabilities of the Company during the financial year prior to offsetting are as follows:

(i) Deferred tax assets

	Investments and loans RM'000	Investment properties RM'000	Others RM'000	Total RM'000
2022				
At 1 January 2022	2,240	8,701	28	10,969
Recognised in:				
Income statement	7,874	(145)	(28)	7,701
Other comprehensive income	(229)	-	-	(229)
At 31 December 2022	9,885	8,556	-	18,441
2021				
At 1 January 2021	-	25,471	28	25,499
Recognised in:				
Income statement	757	(18,414)	-	(17,657)
Other comprehensive income	1,483	1,644	-	3,127
At 31 December 2021	2,240	8,701	28	10,969

14. DEFERRED TAXATION (CONTINUED)

The components and movements of deferred tax assets and liabilities of the Company during the financial year prior to offsetting are as follows: (continued)

(ii) Deferred tax liabitlies

	Property, plant and equipment RM'000	Investments and loans RM'000	Investment properties RM'000	Life Non-Participating Fund Surplus RM'000	Total RM'000
2022					
At 1 January 2022	(482)	(14,500)	-	(149,350)	(164,332)
Recognised in:					
Income statement	(216)	6,576	-	(19,577)	(13,217)
Other comprehensive income	-	7,924	-	-	7,924
At 31 December 2022	(698)	-	-	(168,927)	(169,625)
2021					
At 1 January 2021	(382)	(37,661)	(1,890)	(109,593)	(149,526)
Recognised in:					
Income statement	(100)	6,061	-	(39,757)	(33,796)
Other comprehensive income	-	17,100	1,890	-	18,990
At 31 December 2021	(482)	(14,500)	-	(149,350)	(164,332)

15. SHARE CAPITAL

	2022		2021	
	Number of shares	Share capital	Number of shares	Share capital
	'000	RM'000	'000	RM'000
Issued and fully paid				
At 31 December				
– ordinary shares with no par value	579,000	579,000	579,000	579,000

16. RESERVES

(a) Retained earnings

In accordance with Section 83 of the FSA, the life non-participating unallocated surplus is only available for distribution to the shareholders upon approval/recommendation by the Appointed Actuary.

Pursuant to the single tier system, any dividends distributed by the Company from the distributable retained earnings will be exempted from tax in the hands of the shareholder. The Company shall not be required to deduct tax on dividend paid, credited or distributed to the shareholder.

The Company may distribute single tier exempt dividends to its shareholder out of its retained earnings. 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. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

(b) Other reserves

Other reserves consist of available-for-sale reserve and assets revaluation reserve.

The available-for-sale reserve of the Company represents the fair value gains or losses of the available-for-sale financial assets, net of deferred tax, of the life non-participating and shareholder's funds.

The assets revaluation reserve represents the fair value difference arising upon the reclassification of self-occupied properties which are carried at cost less accumulated depreciation and accumulated impairment loss, to investment properties. Upon disposal, any surplus previously recorded is transferred to retained earnings; the transfer is not made through profit or loss.

17. INSURANCE CONTRACT LIABILITIES

	Gross RM'000	Re-insurance RM'000	Net RM'000
31.12.2022			
Liability for future policyholders' benefits	3,172,208	(98,202)	3,074,006
Net asset value attributable to unitholders	1,337,758	-	1,337,758
Actuarial liabilities	4,509,966	(98,202)	4,411,764
Claims liabilities	125,133	(13,161)	111,972
	4,635,099	(111,363)	4,523,736
Life Participating Fund			
- Unallocated deficit	(189,800)	-	(189,800)
- Available-for-sale reserve	37,508	-	37,508
- Asset revaluation reserve	7,209	-	7,209
	4,490,016	(111,363)	4,378,653
31.12.2021			
Liability for future policyholders' benefits	3,219,724	(61,800)	3,157,924
Net asset value attributable to unitholders	1,362,762	-	1,362,762
Actuarial liabilities	4,582,486	(61,800)	4,520,686
Claims liabilities	135,695	(22,753)	112,942
	4,718,181	(84,553)	4,633,628
Life Participating Fund			
- Unallocated deficit	(136,298)	-	(136,298)
- Available-for-sale reserve	84,380	-	84,380
- Asset revaluation reserve	7,209	-	7,209
	4,673,472	(84,553)	4,588,919

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

* The Life Participating Fund consists of the Ordinary Life Participating Fund ("Par Fund") and the Annuity Participating Fund. The unallocated deficits in the Ordinary Life Participating Fund, as disclosed in the previous page, is being funded via a loan from the Shareholder's Fund, made in accordance with the Par Stabilisation Plan ("the Plan"). The Plan requires the shareholder to make good any unallocated deficits via a loan to the Par Fund, the amount of which is determined after considering unallocated deficits of the Par Fund, net of any available-for-sale and asset revaluation reserves. Based on the Plan, the Par Fund will make repayment of the loan to the Shareholder's Fund out of any future surpluses arising from the fund.

Disclosed below are the net deficits in the Par Fund at the respective financial year ends and the related loan provided by the Shareholder's Fund. The loan is recognized as a balance payable to the Shareholder's Fund in the Par Fund and correspondingly, as a balance receivable from the Par Fund in the Shareholder's Fund. Both these amounts are eliminated in deriving the Company's Statement of Financial Position:

	31.12.2022	31.12.2021
	RM'000	RM'000
Ordinary Life Participating Fund:		
- Unallocated deficit	(174,435)	(107,093)
- Available-for-sale reserve	29,351	62,382
	(145,084)	(44,711)
Funding via Par Stabilisation Plan	145,084	44,711
	-	-

Movement of the Par Stabilisation Plan during the financial year is as follows:

	2022	2021
	RM'000	RM'000
At 1 January	44,711	239,659
Additional funding of deficit to/(repayment from surpluses of) the Par fund	100,373	(147,901)
	145,084	91,758
Less : Write-off *	-	(47,047)
At 31 December	145,084	44,711

* The amount written-off is not recoverable by the Shareholder's Fund and is recognized as part of Insurance Contract Liabilities.

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			
	With DPF	**Without DPF**	**Total**	**With DPF**	**Without DPF**	**Total**	**Net**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Actuarial liabilities							
At 1 January 2021	2,567,903	2,288,345	4,856,248	(27,037)	(17,757)	(44,794)	4,811,454
Benefits and claims experience variation	(24,667)	21,413	(3,254)	(18,021)	1,015	(17,006)	(20,260)
Change due to valuation basis:							
Model enhancement	(247,135)	1,337	(245,798)	-	-	-	(245,798)
Yield movement	(47,626)	(102,671)	(150,297)	-	-	-	(150,297)
Assumption changes	8,631	14,787	23,418	-	-	-	23,418
Increase in net asset value attributable to unitholders	-	102,169	102,169	-	-	-	102,169
At 31 December 2021	2,257,106	2,325,380	4,582,486	(45,058)	(16,742)	(61,800)	4,520,686
Benefits and claims experience variation	(81,174)	36,808	(44,366)	(39,261)	2,859	(36,402)	(80,768)
Change due to valuation basis:							
Model enhancement	-	682	682	-	-	-	682
Yield movement	-	(38,212)	(38,212)	-	-	-	(38,212)
Assumption changes	44,807	(10,427)	34,380	-	-	-	34,380
Decrease in net asset value attributable to unitholders	-	(25,004)	(25,004)	-	-	-	(25,004)
At 31 December 2022	2,220,739	2,289,227	4,509,966	(84,319)	(13,883)	(98,202)	4,411,764

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Claims liabilities							
At 1 January 2021	53,352	65,056	118,408	(1,578)	(8,267)	(9,845)	108,563
Movement in claim provisions	(6,755)	24,042	17,287	391	(13,299)	(12,908)	4,379
At 31 December 2021	46,597	89,098	135,695	(1,187)	(21,566)	(22,753)	112,942
Movement in claim provisions	(8,111)	(2,451)	(10,562)	552	9,040	9,592	(970)
At 31 December 2022	38,486	86,647	125,133	(635)	(12,526)	(13,161)	111,972

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

			2022			2021
	With DPF	Without DPF*	Total	With DPF	Without DPF*	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Unallocated (deficit)/surplus						
At 1 January	(136,298)	472,946	336,648	(481,576)	347,045	(134,531)
Premium received	110,943	714,856	825,799	124,456	711,302	835,758
Payment due to death, surrenders, benefits and claims	(322,241)	(426,863)	(749,104)	(273,972)	(387,955)	(661,927)
Net investment income	114,541	(45,506)	69,035	138,097	83,060	221,157
Management expenses and commissions	(34,674)	(190,257)	(224,931)	13,229	(189,670)	(176,441)
Change in life insurance fund actuarial liabilities	44,478	38,604	83,082	317,551	(61,077)	256,474
Change in claims liabilities ceded to reinsurers	38,708	(11,898)	26,810	17,629	12,285	29,914
Tax expense	(5,257)	(16,944)	(22,201)	(6,690)	(47,637)	(54,327)
Asset revaluation reserve	-	-	-	14,978	5,593	20,571
Net (deficit)/surplus for the financial year	(53,502)	61,992	8,490	345,278	125,901	471,179
At 31 December	(189,800)	534,938	345,138	(136,298)	472,946	336,648

* The unallocated surplus of the Life Non-Participating fund and its movements is reported under non-distributable retained earnings in the statement of changes in equity.

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Reserves movement for the Life Participating fund is as follows:

	2022 RM'000	2021 RM'000
Available-for-sale reserve		
At 1 January	84,380	220,928
Fair value change on available-for-sale financial assets, net of tax:		
- Gross fair value change	(49,744)	(144,062)
- Deferred tax	2,872	7,514
	(46,872)	(136,548)
At 31 December	37,508	84,380

	2022 RM'000	2021 RM'000
Asset revaluation reserve		
At 1 January	7,209	20,990
Fair value change, net of tax:		
- Gross fair value transferred to unallocated surplus upon disposal	-	(14,978)
- Deferred taxation	-	1,197
	7,209	(13,781)
At 31 December	7,209	7,209

18. LEASE LIABILITIES

	31.12.2022 RM'000	31.12.2021 RM'000
At 1 January	15,190	28,616
Additions	913	-
Accrued interest	370	619
Lease modification	13,225	(3,984)
Rent concessions	-	(45)
Payment for lease liabilities	(9,258)	(10,016)
At 31 December	20,440	15,190
Repayable within 12 months	9,107	8,168
Repayable after 12 months	11,333	7,022
	20,440	15,190

The Company has applied the practical expedient to all rent concessions that meet the conditions of the Amendments to MFRS 16.

The amount recognised in the Company's profit or loss to reflect changes in lease payments that arise from rent concessions to which the Company has applied the practical expedient is nil (2021: RM45,000). The lease liabilities have correspondingly reduced by RM45,000 in 2021.

19. OTHER LIABILITIES

	31.12.2022 RM'000	31.12.2021 RM'000
Investment creditors	769	1,830
Unclaimed monies	37,766	28,007
Rental deposits	111	360
Accrual for unutilised staff leave	1,728	1,815
Accrued expenses	35,624	23,211
Other payables	57,266	54,557
	133,264	109,780
Repayable within 12 months	133,264	109,645
Repayable after 12 months	-	135
	133,264	109,780

The carrying amount of the other liabilities disclosed above approximate fair values at the date of the statement of financial position due to their short-term maturity.

20. INSURANCE PAYABLES

	31.12.2022 RM'000	31.12.2021 RM'000
Due to agents and intermediaries	56,221	59,599
Due to reinsurers and cedants	1,705	1,320
Cash payments/cash dividends payable to life policyholders	1,375,099	1,468,024
Accrued interest on cash payments/cash dividends payable to life policyholders	42,853	44,847
Reinsurance deposits	78,779	38,458
Premium deposits	13,900	12,458
	1,568,557	1,624,706

The carrying amount of the financial liabitliies disclosed above is the approximate fair values at the date of the statement of financial position due to their short-term maturity.

21. INVESTMENT INCOME

	2022	2021
	RM'000	RM'000
FVTPL financial assets		
Interest/profit income:		
- Malaysian Government Securities/Government Investment Issues	273	342
- corporate debt securities unquoted in Malaysia	8,431	8,682
Dividend/distribution income:		
- equity securities quoted in Malaysia	45,076	50,485
- unit trusts quoted in Malaysia	11,590	9,199
- unit trusts quoted outside Malaysia	981	883
Amortisation of premiums:		
- Malaysian Government Securities/Government Investment Issues	(27)	(27)
- corporate debt securities unquoted in Malaysia	(592)	(487)
	65,732	69,077
AFS financial assets		
Interest/profit income:		
- Malaysian Government Securities/Government Investment Issues	37,610	26,817
- corporate debt securities unquoted in Malaysia	181,400	191,124
Dividend/distribution income:		
- equity securities unquoted in Malaysia	1,354	462
- unit trusts quoted in Malaysia	14,078	9,282
Amortisation of premiums:		
- Malaysian Government Securities/Government Investment Issues	(1,784)	(1,060)
- corporate debt securities unquoted in Malaysia	(9,391)	(5,797)
	223,267	220,828
Loans and receivables		
Interest/profit income:		
- policy loans	16,428	16,664
- mortgage loans	69	249
- fixed and call deposits	4,789	3,831
	21,286	20,744
Properties		
Gross rental income	3,691	4,431
Less: Rates and maintenance	(2,692)	(5,607)
	999	(1,176)
	311,284	309,473

22. REALISED GAINS AND LOSSES

	2022	2021
	RM'000	RM'000
FVTPL financial assets		
Realised gains:		
- corporate debt securities unquoted in Malaysia	10	-
- equity securities quoted in Malaysia	11,315	30,529
- equity securities unquoted in Malaysia	443	46
- unit trusts quoted in Malaysia	678	-
- unit trusts unquoted outside Malaysia	-	2,964
Realised losses:		
- Malaysian Government Securities/Government Investment Issues	(13)	(93)
- corporate debt securities unquoted in Malaysia	(929)	(739)
- equity securities quoted in Malaysia	(57,376)	(95,820)
- unit trust quoted in Malaysia	(492)	(776)
- unit trust quoted outside Malaysia	(503)	-
- unit trust unquoted outside Malaysia	(58)	(15)
	(46,925)	(63,904)
AFS financial assets		
Realised gains:		
- Malaysian Government Securities/Government Investment Issues	311	2,970
- corporate debt securities unquoted in Malaysia	14,530	11,025
- unit trusts quoted in Malaysia	183	148
Realised losses:		
- Malaysian Government Securities/Government Investment Issues	(1,552)	(384)
- corporate debt securities unquoted in Malaysia	(4,239)	(22)
- unit trust quoted in Malaysia	(1,531)	(846)
	7,702	12,891
Non-financial assets		
Realised gains:		
- Non-current assets held-for-sale	-	1,152
Realised losses:		
- Non-current assets held-for-sale	(53)	-
- Property, plant and equipment	(15)	-
	(68)	1,152
	(39,291)	(49,861)

23. FAIR VALUE GAINS AND LOSSES

	2022	2021
	RM'000	RM'000
FVTPL financial assets:		
Net fair value (losses)/gains		
- Malaysian Government Securities/Government Investment Issues	(139)	(426)
- corporate debt securities unquoted in Malaysia	(5,690)	(9,563)
- equity securities quoted in Malaysia	(61,794)	29,559
- unit trusts quoted in Malaysia	(1,263)	(12,700)
- unit trusts quoted outside Malaysia	(7,681)	6,689
- unit trusts unquoted outside Malaysia	(57,816)	17,947
	(134,383)	31,506
Non-financial assets:		
Net fair value losses		
- Investment properties (Note 7)	(3)	(1,350)
AFS financial assets:		
Allowance for impairment losses (Note 9)	(36,178)	(41,064)
Loans and receivables:		
Allowance of impairment losses (Note 10)	(8,436)	(4,236)
	(179,000)	(15,144)

24. FEES AND COMMISSION

	2022	2021
	RM'000	RM'000
(a) Fee and commission income		
Policy administration and investment management services	2,517	2,586
Surrender charges and other contract fees	223	270
Reinsurance commission income	3,630	2,727
	6,370	5,583
(b) Fee and commission expenses		
Gross commission expenses	134,600	126,731

25. MANAGEMENT EXPENSES

	2022	2021
	RM'000	**RM'000**
Staff costs (including Chief Executive Officer and Executive Director):		
- salaries and bonus	75,537	81,068
- staff and retirement benefits contributions	12,738	14,846
	88,275	95,914
Directors' remuneration	893	860
Auditors' remuneration:		
- Statutory audit	444	425
- Other assurance services	255	-
- Regulatory-related services	42	40
Expenses relating to leases of low-value assets (Note 5)	261	586
Depreciation of property, plant and equipment (Note 4)	5,787	5,459
Depreciation of right-of-use assets (Note 5)	8,313	9,400
Amortisation of intangible assets (Note 6)	1,269	1,335
Allowance/(write-back) of impairment of insurance receivables	404	(70)
Allowance of impairment of other receivables	-	157
Training expenses	1,878	1,219
Repairs and maintenance expenses	1,768	1,909
Information technology expenses	4,693	3,775
Advertising, promotional and entertainment expenses	3,005	2,863
Motor vehicle and travelling expenses	2,486	2,309
Printing and stationery expenses	407	223
Postage, courier and telephone charges	1,386	1,449
Management fees	3,260	1,606
Other expenses	23,511	23,624
Less: Shared service costs recovered from related parties	(27,859)	(34,226)
	32,203	22,943
	120,478	118,857

25. MANAGEMENT EXPENSES (CONTINUED)

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

	Other emoluments RM'000	Fees RM'000	Benefits-in-kind RM'000	Total RM'000
2022				
Chief Executive Officer				
Khoo Ai Lin	3,594	-	31	3,625
Executive Director				
Timothy Willam Howell	-	-	-	-
Non-Executive Directors				
Choy Khai Choon	39	240	-	279
Datin Joan Hoi Lai Ping	35	114	-	149
Donald Joshua Jaganathan	41	160	-	201
Onn Kien Hoe	42	160	-	202
Datuk Dr Hafsah binti Hashim	9	53	-	62
	166	727	-	893
2021				
Chief Executive Officer				
Khoo Ai Lin	2,215	-	29	2,244
Executive Director				
Stephen James Clark	7,257	-	18	7,275
Non-Executive Directors				
Choy Khai Choon	44	240	-	284
Datin Joan Hoi Lai Ping	52	160	-	212
Hasnah binti Omar	15	40	-	55
Donald Joshua Jaganathan	47	160	-	207
Onn Kien Hoe	22	80	-	102
	180	680	-	860

25. MANAGEMENT EXPENSES (CONTINUED)

The number of Executive and Non-Executive Directors whose total remuneration received or receivable during the financial year fall within the following bands are analysed as follows:

	Number of Directors	
	2022	**2021**
Executive Director:		
RM0	1	-
RM7,000,001 – RM8,000,000	-	1
Non-Executive Directors:		
RM1 - RM100,000	1	1
RM100,001 – RM200,000	1	1
RM200,001 – RM300,000	3	3

26. OTHER OPERATING INCOME/(EXPENSES) – NET

	2022	**2021**
	RM'000	**RM'000**
Realised foreign exchange (loss)/gains	(60)	1,540
Unrealised foreign exchange gains	21,032	7,832
Other miscellaneous expenses	(1,797)	(1,561)
	19,175	7,811

27. TAXATION

	Life fund	Share-holder's fund	Total
	RM'000	**RM'000**	**RM'000**
2022			
Current tax	17,624	4,407	22,031
Deferred tax (Note 14)	4,577	939	5,516
Tax expenses	22,201	5,346	27,547
Current tax			
Current financial year	16,999	3,728	20,727
Under provision in prior financial years	625	679	1,304
	17,624	4,407	22,031
Deferred tax			
Origination and reversal of temporary differences	4,577	939	5,516
	22,201	5,346	27,547
2021			
Current tax	13,674	(1,127)	12,547
Deferred tax (Note 14)	40,653	10,800	51,453
Tax expenses	54,327	9,673	64,000
Current tax			
Current financial year	10,875	(736)	10,139
Under/(over) provision in prior financial years	2,799	(391)	2,408
	13,674	(1,127)	12,547
Deferred tax			
Origination and reversal of temporary differences	40,653	10,800	51,453
	54,327	9,673	64,000

27. TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate of the Company is as follows:

	2022 RM'000	2021 RM'000
Profit before taxation	103,179	141,574
Taxation at Malaysian statutory tax rate of 24% (2021:24%)	24,763	33,978
Effect due to different tax rates	(6,584)	(8,965)
Income not subject to tax	(127,027)	(123,013)
Expenses not deductible for tax purposes	136,891	154,486
Tax impact on investment income attributable to policyholders and unitholders	(1,800)	5,106
	26,243	61,592
Under provision of tax in prior financial years	1,304	2,408
Tax expenses	27,547	64,000

The income tax for the Shareholders' fund is calculated based on the corporate tax rate of 24% (2021: 24%) of the estimated assessable profit for the financial year. The income tax for the Life fund is calculated based on the tax rate of 8% (2021: 8%) of the assessable investment income net of allowable deductions for the financial year.

28. DIVIDENDS

The Company has declared interim dividend of RM50,000,000 in respect of the financial year ended 31 December 2022 which was paid on 29 December 2022.

The Directors have not recommended the payment of any final dividend for the current financial year.

29. EARNINGS PER SHARE

The basic earnings per ordinary share has been calculated by dividing the net profit or loss for the financial year attributable to equity holders of the Company over the weighted average number of shares of the Company in issue during the financial year.

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the date of the statement of financial position.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

	2022 RM'000	2021 RM'000
Net profit attributable to ordinary equity holders	75,632	77,574
Weighted average number of shares in issue	579,000	579,000
Basic/diluted earnings per share (sen)	13.06	13.40

30. CASH FLOWS

	Note	2022 RM'000	2021 RM'000
Net profit for the financial year		75,632	77,574
Adjustments:			
Depreciation of property, plant and equipment	4	5,787	5,459
Depreciation of right-of-use assets	5	8,313	9,400
Amortisation of intangible assets	6	1,269	1,335
Rent concessions	18	-	(45)
Investment income	21	(311,284)	(309,473)
Allowance of impairment of other receivable	25	-	157
Realised losses recorded in profit or loss	22	39,291	49,861
Fair value losses recorded in profit or loss	23	179,000	15,144
Unrealised foreign exchange gains recorded in profit or loss	26	(21,032)	(7,832)
Allowance for/(write-back of) of impairment of insurance receivables	25	404	(70)
Interest expenses on lease liabilities	18	370	619
Tax expense	27	27,547	64,000
Operating cashflows before changes in working capital		5,297	(93,871)
Changes in working capital:			
Decrease/(increase) in financial assets at fair value through profit or loss		68,012	(95,002)
Increase in available-for-sale financial assets		(46,865)	(171,880)
Decrease/(increase) in loans and receivables		8,578	(2,263)
Increase in reinsurance assets		(26,810)	(29,914)
(Increase)/decrease in insurance receivables		(31,512)	6,838
(Increase)/decrease in other receivables		(1,482)	3,308
(Decrease)/increase in insurance contract liabilities		(136,584)	73,825
Increase/(decrease) in other liabilities		23,258	(2,116)
Decrease in insurance payables		(56,149)	(77,350)
Cash utilised in operating activities		(194,257)	(388,425)

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

31. CAPITAL AND OTHER COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

	31.12.2022 RM'000	31.12.2021 RM'000
Authorised and contracted for:		
- investment properties	-	409

32. OPERATING LEASES

The Company leases out its investment property. The Company classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	31.12.2022 RM'000	31.12.2021 RM'000
Within 1 year	3,074	1,822
In the 2nd year	2,753	409
In the 3rd year	2,001	26
Total undiscounted lease payments	7,828	2,257

33. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationship

The related parties and their relationship with the Company as at 31 December 2022 are as follows:

Name of company	Relationship
Zurich Insurance Group Limited ("ZIGL")	Ultimate holding company
Zurich Insurance Company Ltd. ("ZICL")	Immediate holding company
Zurich Financial Services Australia Limited	Subsidiary of ZICL
Zurich Services (Hong Kong) Limited	Subsidiary of ZICL
Zurich International Life Limited	Subsidiary of ZICL
Zurich Insurance Company Ltd., Hong Kong	Subsidiary of ZICL
PT Zurich Topas Life	Subsidiary of ZICL
Zurich Insurance Company Ltd., Singapore Branch	Branch office of ZICL
Zurich General Insurance Malaysia Berhad	Fellow subsidiary
Zurich General Takaful Malaysia Berhad	Fellow subsidiary
Zurich Takaful Malaysia Berhad	Fellow subsidiary
Zurich Shared Services Malaysia Sdn. Bhd.	Fellow subsidiary
Zurich Services Malaysia Sdn. Bhd.	Fellow subsidiary

(b) Related party transactions

In the normal course of business, the Company undertakes various transactions with other companies deemed related by virtue of being subsidiary and associated companies of ZIGL, collectively known as ZIGL Group, at agreed terms and prices.

The significant related party transactions during the financial year with related parties are as follows:

	2022 **RM'000**	**2021** **RM'000**
(Expenses)/income:		
Non-trade		
Immediate holding company		
Dividend declared	(50,000)	-
Reimbursement of expenses	(7,226)	(6,365)
Non-trade		
Subsidiary of ultimate holding company		
Reimbursement of expenses	(788)	(4,946)
Outsourcing expenses	(4,896)	(3,736)
Fellow subsidiary		
Rental income and deposits	239	373
Cost sharing charges	26,885	33,070
Reimbursement of expenses	17,181	24,809
Actuarial support services	(490)	(602)

33. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related party balances

The significant outstanding balances of the Company with its related parties are as follows:

	31.12.2022 RM'000	31.12.2021 RM'000
Amount due from related companies		
Other receivables*	4,789	3,433
Amount due to related companies		
Trade payables**	61,908	37,842
Other payables*	2,808	2,584

* These balances are unsecured, interest-free and repayable in the short-term.
** This balance is unsecured, interest-free and payable in accordance with the relevant insurance contracts.

(d) Key management personnel

The key management personnel received remuneration for services rendered during the current and previous financial years, whilst an Executive Director received remuneration in the previous year. The total compensation paid to the Company's key management personnel as well as fees and allowances paid to the Executive Director were as follows:

	2022 RM'000	2021 RM'000
Salaries and other short-term employee benefits and directors' emoluments	14,787	15,116
Defined contribution retirement benefits	1,569	3,739
Share-based payments/benefits	3,297	3,333
	19,653	22,188
Included in key management personnel is the CEO's remuneration/Directors' emoluments (Note 25)	3,625	9,519

The estimated monetary value of benefits provided to CEO during the financial year by way of usage of the Company's assets was RM 31,150 (2021: RM29,000).

34. RISK MANAGEMENT FRAMEWORK

Risk Governance Structure

The Company adopts three line of defense model approach to governance and enterprise risk management. The Company's risk governance structure and risk reporting requirement are incorporated in the Company's Risk Management Framework. The Framework explains the underlying approach and defines an on-going and consistent process for identifying, analysing, evaluating, treating, monitoring and reporting significant risks faced by the business units, divisions, stakeholders and ultimately, the Company. It also outlines the key aspects of the risks management process and identifies the main reporting procedures.

The adoption of the Framework is the responsibility of the Board with some of the responsibilities delegated to the Risk Management and Sustainability Committee including oversight over technology-related matters and sustainability related matters. The Company has established senior management committees which act as a platform for two-way communication between the Management and the Board. The Committees are the Asset Liability Management and Investment Committee ("ALMIC"), Human Resource Committee ("HRC"), Information Technology Steering Committee ("ITSC"), Business Continuity Management ("BCM"), Risk and Control Committee ("RCC"), Occupational Safety and Health Committee ("OSHC") and the various Senior Management Committees for Life Businesses. All these committees are chaired by the Chief Executive Officer or a member of the senior management team.

They are responsible to oversee the development and assess the effectiveness of risk management policies, review risk exposure and portfolio composition, and ensure that infrastructure, resources and systems are put in place for effective risk management activities.

Regulatory Framework

The Company is required to comply with the FSA and BNM Regulations, as applicable.

The Company is also required to comply with all Zurich Group's policies and standards. If there is any conflict with the local laws or regulations, the local laws and regulations have priority while the stricter rules will apply where possible.

34. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Capital Management

The Company's capital management policy is to create shareholders value, maintain a strong capital position with sufficient buffer to meet policyholders' obligations, regulatory requirements, and make strategic investments for business growth.

The minimum Capital Adequacy Ratio ("CAR") under the RBC Framework regulated by BNM is 130% for each insurance entity. The Company complied with the minimum CAR as at 31 December 2022 and 31 December 2021.

The regulated capital of the Company as at 31 December 2022 comprised Total Capital Available of RM1,791,790,000 (2021: RM1,880,351,000).

The capital structure of the Company as at 31 December 2022, as approved by BNM under the RBC Framework, is shown below:

	31.12.2022 RM'000	31.12.2021 RM'000
Tier 1 Capital		
Paid-up share capital	579,000	579,000
Reserves, including retained earnings	1,201,552	1,217,361
	1,780,552	1,796,361
Tier 2 Capital		
Available-for-sale reserve	21,469	93,142
Less:		
Deferred tax assets	(10,231)	(9,152)
Total Capital Available	1,791,790	1,880,351

35. INSURANCE RISK

The risk underlying any insurance contract is the likelihood of the insured event occurring and the uncertainty in the amount of the resulting claims. This risk is random and therefore unpredictable.

For a portfolio of insurance contracts, the principal risk that the Company faces is that claims and benefit payments exceed the amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits will vary from year to year from the level established using statistical estimation techniques.

Life Insurance Contracts

Life insurance contracts offered by the Company include whole life, term assurance, endowments, annuity contracts, investment-linked contracts, and medical and health riders. The Company currently does not offer any investment contracts with DPF.

The main risks that the Company is exposed to are the following:

- Mortality risk – risk of loss arising due to policyholders' death experience being worse than expected
- Morbidity risk – risk of loss arising due to policyholders' health experience being worse than expected
- Investment return/Interest rate risk – risk of loss arising from actual returns being lower than expected
- Expense risk – risk of loss arising from expense experience being higher than expected
- Lapse risk – risk of loss arising due to policyholders' surrender experience deviate from that expected

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is broadly achieved through diversification across industry sectors and geography, use of medical screening to ensure that pricing reflects policyholders' health condition and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims procedures.

35. INSURANCE RISK (CONTINUED)

Life Insurance Contracts (continued)

The table below shows the concentration of the liabilities for actuarial liabilities by type of contract:

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2022							
Life Contracts:							
Whole life	1,215,172	96,630	1,311,802	-	-	-	1,311,802
Endowment	95,727	658,714	754,441	-	-	-	754,441
Term-Mortgage	-	52,835	52,835	-	-	-	52,835
Term-Others	115,799	77,572	193,371	-	-	-	193,371
Term-Medical & Health	-	38,557	38,557	-	-	-	38,557
Term-Other plans	-	905	905	-	-	-	905
Term-Others	-	26,256	26,256	(4,560)	(13,883)	(18,443)	7,813
Annuity Contracts:							
Immediate annuities	363	-	363	-	-	-	363
Deferred annuities	809,344	-	809,344	-	-	-	809,344
Others	(15,666)	-	(15,666)	(79,759)	-	(79,759)	(95,425)
Unitholders' Investment Linked Products	-	1,337,758	1,337,758	-	-	-	1,337,758
	2,220,739	2,289,227	4,509,966	(84,319)	(13,883)	(98,202)	4,411,764

As all of the business is derived from Malaysia, the entire life insurance liabilities are in Malaysia.

35. INSURANCE RISK (CONTINUED)

Life Insurance Contracts (continued)

The table below shows the concentration of the liabilities for future policyholders' benefits by type of contract:

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2021							
Life Contracts:							
Whole life	1,182,133	86,866	1,268,999	-	-	-	1,268,999
Endowment	152,424	644,333	796,757	-	-	-	796,757
Term-Mortgage	-	56,655	56,655	-	-	-	56,655
Term-Others	127,716	99,979	227,695	-	-	-	227,695
Term-Medical & Health	-	47,765	47,765	-	-	-	47,765
Term-Other plans	-	764	764	-	-	-	764
Term-Others	-	26,256	26,256	(6,209)	(16,742)	(22,951)	3,305
Annuity Contracts:							
Immediate annuities	376	-	376	-	-	-	376
Deferred annuities	806,084	-	806,084	-	-	-	806,084
Others	(11,627)	-	(11,627)	(38,849)	-	(38,849)	(50,476)
Unitholders' Investment Linked Products	-	1,362,762	1,362,762	-	-	-	1,362,762
	2,257,106	2,325,380	4,582,486	(45,058)	(16,742)	(61,800)	4,520,686

As all of the business is derived from Malaysia, the entire life insurance liabilities are in Malaysia.

35. INSURANCE RISK (CONTINUED)

Life Insurance Contracts (continued)

Key Assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Assumptions and prudent estimates are determined at the date of valuation, and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The table below shows the key underlying assumptions used for valuation of life insurance contract liabilities:

Assumptions	Description
Valuation Method	Gross Premium Valuation For Life Participating fund, liabilities taken as the higher value derived below: (i) Total benefits (i.e. guaranteed and non-guaranteed benefits cash flows) with best estimates assumptions and discounted by Fund Based Yield, or (ii) Guaranteed benefits cash flows with best estimates plus provision for risk of adverse deviation (“PRAD”) assumptions and discounted by Malaysia Government Bond yields (as outlined below). For Life Non-Participating business, only value from (ii) is taken.
Interest Rate	Malaysia Government bond yields determined based on the following: (i) For cash flows with duration less than 15 years, Malaysia Government Bond zero coupon spot yields of matching duration. (ii) For cash flows with duration 15 years or more, Malaysia Government Bond zero coupon spot yields of 15 years to maturity. Data source: Malaysia Government Bond zero coupon spot yield from Bond Pricing Agency Malaysia Sdn. Bhd.
Mortality, Disability, Dread disease, Expense, Lapse and Surrenders	Best estimate and PRAD assumptions are determined based on internal experience studies, with due regard to significant recent experience. These assumptions reflect the Company’s long term view of future experience that is expected to emerge. Data source: Internal experience studies.

35. INSURANCE RISK (CONTINUED)

Life Insurance Contracts (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in assumptions	**Impact on gross life insurance contract liabilities**	**Impact on net life insurance contract liabilities**	**Impact on profit before tax**	**Impact on equity**
	%	**RM'000**	**RM'000**	**RM'000**	**RM'000**
		<-Increase/(decrease)->		<-(Decrease)/increase->	
31 December 2022					
Mortality/morbidity	+10	59,058	71,639	(71,639)	(54,445)
Mortality/morbidity	-10	(60,316)	(74,117)	74,117	56,329
Expenses	+10	40,044	37,437	(37,437)	(28,452)
Lapse and surrender rates	+10	(13,233)	3,341	(3,341)	(2,539)
Lapse and surrender rates	-10	15,079	(3,210)	3,210	2,439
Investment return	+1	(160,840)	(114,562)	114,562	87,067
Investment return	-1	222,315	138,450	(138,450)	(105,222)
Discount rate	+1	(117,630)	(117,630)	117,630	89,399
Discount rate	-1	173,897	143,169	(143,169)	(108,808)
31 December 2021					
Mortality/morbidity	+10	53,946	65,423	(65,423)	(49,721)
Mortality/morbidity	-10	(54,862)	(67,452)	67,452	51,264
Expenses	+10	39,108	36,450	(36,450)	(27,702)
Lapse and surrender rates	+10	(13,503)	3,683	(3,683)	(2,799)
Lapse and surrender rates	-10	15,344	(3,821)	3,821	2,904
Investment return	+1	(127,736)	(107,904)	91,759	69,737
Investment return	-1	212,612	128,988	(128,988)	(98,031)
Discount rate	+1	(117,054)	(117,054)	117,054	88,961
Discount rate	-1	202,869	142,327	(142,327)	(108,169)

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

36. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and fair value hierarchy

The Company classifies fair value measurement using a fair value hierarchy that reflects the significant of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted market price

Included in the quoted price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - Valuation Techniques - Market observable input

Financial instruments in this category are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. It includes financial instruments for which pricing is obtained via pricing services, but where prices have not been determined in an active market, instruments with fair values based on broker quotes and discounted cash flows, the price of the most recent transactions may be used provided that there has not been a significant change in economic circumstances since the time of the transaction, or if the conditions have changed, that price should be adjusted to reflect the change in conditions by reference to current prices for similar financial instruments and investment in structured products with fair values obtained via investment bankers and/or fund managers.

Level 3 - Valuation Techniques - Unobservable input

Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Example of main asset classes in this category are unquoted equity securities, un-rated securities, investment properties, non-performing loans and debt securities from organisations in default. Valuation techniques of these portfolios are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data and judgments. The judgement applied in valuing the non-performing loans is explained in Note 3(ii) to the financial statements.

36. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value

The following tables show the Company's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2022				
AFS financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	1,139,028	-	1,139,028
- Corporate debt securities	-	3,498,558	36,642	3,535,200
- Unquoted equity securities	-	-	29,429	29,429
- Unit trusts	252,226	-	-	252,226
FVTPL financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	6,215	-	6,215
- Corporate debt securities	-	170,302	542	170,844
- Quoted equity securities	1,115,951	-	-	1,115,951
- Unit trusts	584,855	-	-	584,855
Non-financial assets				
- Investment properties	-	-	54,950	54,950
- Non-current assets held-for-sale	-	6,100	-	6,100
	1,953,032	4,820,203	121,563	6,894,798

36. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Company's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy: (continued)

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2021				
AFS financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	699,264	-	699,264
- Corporate debt securities	-	4,034,158	37,498	4,071,656
- Unquoted equity securities	-	-	19,044	19,044
- Unit trusts	258,254	-	-	258,254
FVTPL financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	8,089	-	8,089
- Corporate debt securities	-	167,447	558	168,005
- Quoted equity securities	1,325,369	-	-	1,325,369
- Unit trusts	605,608	-	-	605,608
Non-financial assets				
- Investment properties	-	-	57,103	57,103
- Non-current assets held-for-sale	-	16,250	-	16,250
	2,189,231	4,925,208	114,203	7,228,642

36. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair value measurements using valuation techniques based on unobservable input (level 3)

The following table show the changes in level 3 items for recurring fair value measurements:

	AFS	FVTPL	LAR	Investment properties	Non-current assets held-for-sale
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	56,542	558	23,330	57,103	-
Addition	-	-	75	-	-
Disposals	(658)	-	(45)	-	-
Transfer (to)/from	-	-	-	(2,150)	2,150
Transfer to Level 2	-	-	-	-	(2,150)
Interest adjustment	(856)	(16)	(14)	-	-
Fair value changes					
- Charged to statement of profit or loss	658	-	(8,439)	(3)	-
- Charged to other comprehensive income	10,385	-	-	-	-
At 31 December 2022	66,071	542	14,907	54,950	-
At 1 January 2021	16,677	-	27,762	74,510	193
Addition	36,641	542	12	-	-
Disposals	-	-	(45)	-	-
Transfer (to)/from	-	-	-	(16,057)	16,057
Transfer to Level 2	-	-	-	-	(16,250)
Interest adjustment	856	16	-	-	-
Reclassified to performing loan	-	-	(163)	-	-
Fair value changes					
- Charged to statement of profit or loss	-	-	(4,236)	(1,350)	-
- Charged to other comprehensive income	2,368	-	-	-	-
At 31 December 2021	56,542	558	23,330	57,103	-

* The Company transferred the fair value of non-current assets held for sale from Level 3 into Level 2 as the fair value was determined using the price of most recent completed transactions. The details are disclosed in Note 8 to the financial statements.

37. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangement and similar arrangement are as follows:

	Gross amount recognised as financial assets/ liabilities	Gross amount offset in the statement of financial position	Amount presented in the statement of financial position
	RM'000	RM'000	RM'000
31 December 2022			
Financial assets:			
Insurance receivables	86,335	(24,029)	62,306
Financial liabilities:			
Insurance payables	1,592,586	(24,029)	1,568,557
31 December 2021			
Financial assets:			
Insurance receivables	30,168	1,030	31,198
Financial liabilities:			
Insurance payables	1,623,676	1,030	1,624,706

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2022 (2021: RM Nil).

38. FINANCIAL RISK

The Company is exposed to a range of financial risks through its assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that in the long term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk, and market risk which comprise of currency risk, interest rate/profit yield risk and price risk.

The Company manages these positions within an Asset Liability Management ("ALM") framework that has been developed to achieve long term investment returns in excess its obligations under insurance contracts. The key principle of the framework is to match assets to the liabilities by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained and monitored.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other classes of financial assets and liabilities not directly associated with insurance liabilities. The note below explains how financial risks are managed using the categories utilised in the Company's ALM framework. In particular, the ALM framework requires the management of interest rate risk, equity price risk, credit risk and liquidity risk at both business line level and company-wide basis. The following notes are in relation to the Company's management disclosure with respect to credit risk, liquidity risk, interest rate risk, and price risk.

Credit Risk

The Company has exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company is mainly exposed to credit risk through (i) investment in cash and private debt securities, (ii) corporate/individuals and mortgage lending activities, and (iii) exposure to counterparty's reinsurance contracts. For investments in private debt securities, a downgrade of credit rating or widening of credit spread may also incur financial loss.

Minimum credit quality applies to investments in private debt securities/bonds with a minimum rating of A-/A2 (at the date of investment) provided by Malaysian Rating Corporation Berhad ("MARC") and Rating Agency Malaysia Berhad ("RAM"), respectively. The Company however intends to maintain an average rating of AA in the overall bond portfolio under current investment strategy and objectives. The Company does not solely depend on the rating report provided but also depends on publicly available issuer information together with in-house analysis based on information provided by the borrower/issuer, peer group comparisons, industry comparisons and other quantitative tools.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company issues unit-linked investment policies. In the unit-linked business, the holders of these contract bear the investment risks on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on unit-linked financial assets.

Debtor recoverability and risk concentration monitoring are part of credit risk management which is reviewed regularly. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation. Allowance of impairment/specific provision is made on those securities/loans (or part of remaining amount) where the level of security has been impaired. Refer to Note 10 to the financial statements for more details on assessment and disclosure of credit risk on loan borrowers.

38. FINANCIAL RISK (CONTINUED)

Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	Note	Life Insurance and Shareholder's Funds	Unit-Linked Funds	Total
		RM'000	RM'000	RM'000
31 December 2022				
AFS financial assets:	9(a)			
- Malaysian Government Securities/Government Investment Issues		1,139,028	-	1,139,028
- Corporate debt securities		3,535,200	-	3,535,200
FVTPL financial assets:	9(b)			
- Malaysian Government Securities/Government Investment Issues		-	6,215	6,215
- Corporate debt securities		-	170,844	170,844
Loans and receivables:	10			
- Loans		288,152	-	288,152
Reinsurance assets	11	111,363	-	111,363
Insurance receivables	12	62,306	-	62,306
Other Receivables	13	6,100	106	6,206
Cash and bank balances		223,749	114,447	338,196
		5,365,898	291,612	5,657,510
31 December 2021				
AFS financial assets:	9(a)			
- Malaysian Government Securities/Government Investment Issues		699,264	-	699,264
- Corporate debt securities		4,071,656	-	4,071,656
FVTPL financial assets:	9(b)			
- Malaysian Government Securities/Government Investment Issues		-	8,089	8,089
- Corporate debt securities		-	168,005	168,005
Loans and receivables:	10			
- Loans		305,166	-	305,166
Reinsurance assets	11	84,553	-	84,553
Insurance receivables	12	31,198	-	31,198
Other receivables	13	6,558	90	6,648
Cash and bank balances		195,074	79,561	274,635
		5,393,469	255,745	5,649,214

38. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating

The table below provides information regarding the credit risk exposure of the Company by classifying financial and insurance assets according to the Company's credit rating of counterparties.

	Neither past-due nor impaired							
	Investment grade		Non-investment grade	Not rated	Unit-Linked Funds	Past due but not impaired	Impaired	Total
	Government Guarantee	(AAA to BBB)	(BB to C)					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2022								
AFS financial assets:								
- Malaysian Government Securities/ Government Investment Issues	1,139,028	-	-	-	-	-	-	1,139,028
- Corporate debt securities	654,159	2,844,399	-	-	-	-	36,642	3,535,200
FVTPL financial assets:								
- Malaysian Government Securities/ Government Investment Issues	-	-	-	-	6,215	-	-	6,215
- Corporate debt securities	-	-	-	-	170,844	-	-	170,844
Loans and receivables:								
- Loans	-	-	-	273,245	-	747	14,160	288,152
Reinsurance assets	-	79,760	-	-	-	-	31,603	111,363
Insurance receivables	-	-	-	-	-	23,419	38,887	62,306
Other receivables	-	-	-	6,100	106	-	-	6,206
Cash and bank balances	-	223,749	-	-	114,447	-	-	338,196
	1,793,187	3,147,908	-	279,345	291,612	24,166	121,292	5,657,510

38. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying financial and insurance assets according to the Company's credit rating of counterparties. (continued)

	Neither past-due nor impaired							
	Investment grade		Non-investment grade	Not rated	Unit-Linked Funds	Past due but not impaired	Impaired	Total
	Government Guarantee	(AAA to BBB)	(BB to C)					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2021								
AFS financial assets:								
- Malaysian Government Securities/ Government Investment Issues	699,264	-	-	-	-	-	-	699,264
- Corporate debt securities	753,329	3,279,886	943	-	-	-	37,498	4,071,656
FVTPL financial assets:								
- Malaysian Government Securities/ Government Investment Issues	-	-	-	-	8,089	-	-	8,089
- Corporate debt securities	-	-	-	-	168,005	-	-	168,005
Loans and receivables:								
- Loans	-	-	-	281,943	-	660	22,563	305,166
Reinsurance assets	-	38,849	-	-	-	-	45,704	84,553
Insurance receivables	-	-	-	-	-	22,253	8,945	31,198
Other receivables	-	-	-	6,558	90	-	-	6,648
Cash and bank balances	-	195,074	-	-	79,561	-	-	274,635
	1,452,593	3,513,809	943	288,501	255,745	22,913	114,710	5,649,214

38. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying financial and insurance assets according to the RAM and MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	Government Guarantee	AAA to AA	A1 to A3	BBB1 to BBB3	BB and below	Not rated	Unit-Linked Funds	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2022									
AFS financial assets:									
- Malaysian Government Securities/Government Investment Issues	1,139,028	-	-	-	-	-	-	-	1,139,028
- Corporate debt securities	654,159	2,737,595	66,994	39,810	-	-	-	36,642	3,535,200
FVTPL financial assets:									
- Malaysian Government Securities/Government Investment Issues	-	-	-	-	-	-	6,215	-	6,215
- Corporate debt securities	-	-	-	-	-	-	170,844	-	170,844
Loans and receivables:									
- Loans	-	-	-	-	-	273,992	-	14,160	288,152
Reinsurance assets	-	79,760	-	-	-	-	-	31,603	111,363
Insurance receivables	-	-	-	-	-	23,419	-	38,887	62,306
Other receivables	-	-	-	-	-	6,100	106	-	6,206
Cash and bank balances	-	223,749	-	-	-	-	114,447	-	338,196
	1,793,187	3,041,104	66,994	39,810	-	303,511	291,612	121,292	5,657,510

38. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying financial and insurance assets according to the RAM and MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade. (continued)

	Government Guarantee	AAA to AA	A1 to A3	BBB1 to BBB3	BB and below	Not rated	Unit-Linked Funds	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2021									
AFS financial assets:									
- Malaysian Government Securities/Government Investment Issues	699,264	-	-	-	-	-	-	-	699,264
- Corporate debt securities	753,329	3,176,054	103,832	-	943	-	-	37,498	4,071,656
FVTPL financial assets:									
- Malaysian Government Securities/Government Investment Issues	-	-	-	-	-	-	8,089	-	8,089
- Corporate debt securities	-	-	-	-	-	-	168,005	-	168,005
Loans and receivables:									
- Loans	-	-	-	-	-	282,603	-	22,563	305,166
Reinsurance assets	-	38,849	-	-	-	-	-	45,704	84,553
Insurance receivables	-	-	-	-	-	22,253	-	8,945	31,198
Other receivables	-	-	-	-	-	6,558	90	-	6,648
Cash and bank balances	-	195,074	-	-	-	-	79,561	-	274,635
	1,452,593	3,409,977	103,832	-	943	311,414	255,745	114,710	5,649,214

38. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The credit risk analysis for the unit-linked business was not provided as the Company has no direct exposure to any credit risk in those assets.

To-date, there are two (2021: two) occurrences of rating default events, where one of the corporate debt securities was defaulted since the financial year ended 2013. No credit exposure limits were exceeded during the financial year.

The bondholders are pursuing recovery actions through negotiations and taking legal actions against the issuers for the remaining two (2) corporate debt securities.

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Aged Analysis of Financial Assets Past Due But Not Impaired

	Up to 3 months	3 months to 6 months	7 months to 12 months	>12 months	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2022					
Loans and receivables	-	-	30	717	747
Insurance receivables	23,419	-	-	-	23,419
	23,419	-	30	717	24,166
31 December 2021					
Loans and receivables	-	-	-	660	660
Insurance receivables	22,253	-	-	-	22,253
	22,253	-	-	660	22,913

38. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impaired Financial Assets (continued)

For assets to be classified as "past-due and impaired", indicators of objective evidence of impairment are contractual payments in arrears for more than three (3) months for insurance receivables and other receivables; and more than six (6) months for loans and receivables. In addition, full impairment were made on insurance receivables exhibiting objective evidence of impairment such as outstanding debts exceeding twelve months, outstanding debts with terminated status, closed accounts, commuted, winding-up under legal action, accounts written or those served letter of demand. This applies similarly to reinsurance assets, particularly reinsurance recoverable on outstanding claims. No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for loans and receivables, insurance receivables and other receivables in separate allowance for impairment loss accounts.

A reconciliation of the allowance for impairment loss is as follows:

	Loans and receivables	Insurance receivables	Other receivables	Re-insurance assets	Corporate debt securities	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	24,703	1,372	546	6	14,025	40,652
Allowance for the financial year	4,236	(70)	157	7	41,064	45,394
At 31 December 2021	28,939	1,302	703	13	55,089	86,046
Allowance for the financial year	8,436	404	-	(6)	-	8,834
Write off	(441)	-	-	-	-	(441)
Redemption for the year	-	-	-	-	(658)	(658)
At 31 December 2022	36,934	1,706	703	7	54,431	93,781

38. FINANCIAL RISK (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations when due. This situation arises when the Company is unable to convert its financial assets into cash when needed. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored, and an adequate cushion in the form of cash and very liquid investments are maintained at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in life insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

38. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile

The table below summarises the maturity profile of the Company's financial and insurance assets and liabilities based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contract liabilities, maturity profiles are determined based on estimated timing of discounted net cash outflows from the recognised insurance liabilities. The insurance contract liabilities below are gross of reinsurance (no reinsurance credit is taken into account). Unit-linked liabilities are repayable or transferrable 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. Products which have no maturity benefits such as term assurance and yearly renewable plans are excluded as these carry no maturity values. Products with no maturity dates are annuity and whole life plans. Unearned premiums have been excluded from the analysis as they are not contractual obligations.

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2022								
Financial Assets:								
AFS financial assets	4,955,883	397,193	918,143	934,812	3,178,706	1,583,499	281,655	7,294,008
FVTPL financial assets	1,877,865	14,159	40,009	40,557	142,825	355	1,700,806	1,938,711
Loans and receivables	288,152	286,453	375	318	1,006	-	-	288,152
Reinsurance assets	111,363	111,363	-	-	-	-	-	111,363
Insurance receivables	62,306	62,306	-	-	-	-	-	62,306
Other receivables*	19,192	19,192	-	-	-	-	-	19,192
Cash and bank balances	338,196	338,196	-	-	-	-	-	338,196
	7,652,957	1,228,862	958,527	975,687	3,322,537	1,583,854	1,982,461	10,051,928
Financial Liabilities:								
Insurance contract liabilities	4,214,414	1,480,685	52,606	46,564	179,698	409,970	2,044,891	4,214,414
Lease liabilities	20,440	9,040	11,526	862	339	-	-	21,767
Other liabilities	133,264	133,264	-	-	-	-	-	133,264
Insurance payables	1,568,557	1,568,557	-	-	-	-	-	1,568,557
	5,936,675	3,191,546	64,132	47,426	180,037	409,970	2,044,891	5,938,002

* Exclude prepayments of RM 4,546,000 as at 31 December 2022 (2021: RM 4,684,000).

38. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2021								
Financial Assets:								
AFS financial assets	5,048,218	511,470	1,086,312	910,676	3,086,448	755,944	277,298	6,628,148
FVTPL financial assets	2,107,071	10,514	28,602	34,129	160,516	6,248	1,930,977	2,170,986
Loans and receivables	305,166	302,051	693	631	1,791	-	-	305,166
Reinsurance assets	84,553	84,553	-	-	-	-	-	84,553
Insurance receivables	31,198	31,198	-	-	-	-	-	31,198
Other receivables*	16,945	16,945	-	-	-	-	-	16,945
Cash and bank balances	274,635	274,635	-	-	-	-	-	274,635
	7,867,786	1,231,366	1,115,607	945,436	3,248,755	762,192	2,208,275	9,511,631
Financial Liabilities:								
Insurance contract liabilities	4,260,377	1,553,317	59,519	44,047	158,742	429,443	2,015,309	4,260,377
Lease liabilities	15,190	8,528	5,871	718	709	-	-	15,826
Other liabilities	109,780	109,644	136	-	-	-	-	109,780
Insurance payables	1,624,706	1,624,706	-	-	-	-	-	1,624,706
	6,010,053	3,296,195	65,526	44,765	159,451	429,443	2,015,309	6,010,689

* Exclude prepayments of RM 4,546,000 as at 31 December 2022 (2021: RM 4,684,000).

38. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

The table below summarises the current/non-current classification of assets:

	Current*	Non-current	Unit-Linked Funds	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2022				
Property, plant and equipment	-	23,816	-	23,816
Right-of-use assets	-	20,579	-	20,579
Intangible assets	-	815	-	815
Investment properties	-	54,950	-	54,950
Non-current assets held-for-sale	-	6,100	-	6,100
Financial assets:				
- AFS	464,929	4,490,954		4,955,883
- FVTPL	652,334	-	1,225,531	1,877,865
- LAR	286,453	1,699	-	288,152
Reinsurance assets	111,363	-	-	111,363
Insurance receivables	62,306	-	-	62,306
Other receivables	22,814	-	924	23,738
Tax recoverable	10,095	-	-	10,095
Deferred tax assets	10,232	-	-	10,232
Cash and bank balances	223,749	-	114,447	338,196
	1,844,275	4,598,913	1,340,902	7,784,090
31 December 2021				
Property, plant and equipment	-	27,439	-	27,439
Right-of-use assets	-	14,781	-	14,781
Intangible assets	-	1,952	-	1,952
Investment properties	-	57,103	-	57,103
Non-current assets held-for-sale	16,250	-	-	16,250
Financial assets:				
- AFS	584,552	4,463,666		5,048,218
- FVTPL	809,835	-	1,297,236	2,107,071
- LAR	302,051	3,115	-	305,166
Reinsurance assets	84,553	-	-	84,553
Insurance receivables	31,198	-	-	31,198
Other receivables	21,207	-	422	21,629
Tax recoverable	12,405	-	-	12,405
Deferred tax assets	9,152	-	-	9,152
Cash and bank balances	195,074	-	79,561	274,635
	2,066,277	4,568,056	1,377,219	8,011,552

* Expected recovery or settlement within 12 months from the date of the statement of financial position.

38. FINANCIAL RISK (CONTINUED)

Market Risk

Market risk is the risk of loss in the Company investment's valuation due to adverse changes or volatility of prices in economic and financial markets. Market risk comprises three (3) types of risk i.e. currency risk, interest rates/profit yields risk and price risk.

The Company manages market risk through setting of investment policy and asset allocation, approving portfolio limit structure and risk management methodologies, approving hedging, and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework.

The Company also issues unit-linked investment policies in a number of its products. In unit-linked business, the policyholders bear the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Company's exposure to market risk on this business is limited to the extent of income arising from asset management charges based on the value of the assets in the funds.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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 FSA and hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities. Thus, the main exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

The Company's main 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 exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

Interest Rate Risks

Interest rate risk is part of market risk as any adverse movements in interest rates may affect the Company investment's fair valuation and reinvestment issues to the Company. ALMIC actively monitors such developments as well as discuss changes in maturity profiles of the assets and liabilities to minimise overall mismatch as given the long duration of policy liabilities and the uncertainty of cash flows, it is not possible to hold assets that will perfectly match the policy liabilities.

The Company has no significant concentration of interest rate/profit yield risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact of equity (that reflects adjustments to profit before tax and re-valuing fixed rate/yield AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield risk but to demonstrate the impact due to changes in variables, variables had to be changed in an individual basis. It should be noted that movements in these variables are non-linear.

38. FINANCIAL RISK (CONTINUED)

Market Risk (continued)

Interest Rate Risks (continued)

	Impact on equity*		Impact on insurance contract liabities*	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
	<----(Decrease)/Increase---->		<----(Decrease)/Increase---->	
Change in variables:				
Interest rate				
+ 100 basis point – loss	(113,907)	(117,028)	(176,750)	(135,724)
- 100 basis point – gain	150,025	154,152	240,424	166,625

* Impact reflects adjustments for tax, where applicable.

The above impact on equity arose from the investments in fixed income securities which are classified as AFS financial assets. The impact arising from changes in interest rate risk to FVTPL fixed income securities of the investment-linked funds are retained in the insurance contract liabilities, and hence there is no impact on profit before tax.

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

Price Risk

Equity price risk is the risk that the 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/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The equity investment portfolio of the Company is exposed to movements in equity markets. The Company monitors its equity price risk through regular stress testing. In addition, the Company monitors and manages the equity exposure against investment guidelines set and agreed by ALMIC. These investment guidelines include monitoring the equity exposure against benchmark set and single security exposure of the portfolio against the limits set. The Company uses historical stock betas, index levels and equity prices, and estimates the volatility and correlation of each of these share prices and index levels to calculate the gains and losses that could occur over a period of time, given a certain index level.

The Company may use derivative financial instruments as a means of hedging against the impact of negative market movements on the value of assets in the portfolio so as to reduce and eliminate risks. The Company's policy is to trade in derivatives only to hedge existing financial market risk and not for the purpose of speculation.

38. FINANCIAL RISK (CONTINUED)

Market Risk (continued)

Price Risk (continued)

In respect of risk associated with the use of derivative financial instruments, price risk is controlled through the settling of exposure limits, which are subjected to detailed monitoring and review.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in profit or loss) and equity (that reflects adjustments to profit before tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

In respect of risk associated with the use of derivative financial instruments, price risk is controlled through the settling of exposure limits, which are subjected to detailed monitoring and review.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in profit or loss) and equity (that reflects adjustments to profit before tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on equity*		**Impact on insurance contract liabities***	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
	<----(Decrease)/Increase---->		<----(Decrease)/Increase---->	
Change in variables:				
<u>FTSE Bursa Malaysia</u>				
FBM KLCI + 15% - gain	12,396	8,410	176,778	200,326
FBM KLCI – 15% - loss	(12,530)	(35,675)	(157,643)	(169,563)
<u>Change in NAV</u>				
NAV + 15%	-	-	60,555	55,931
NAV -15%	-	-	(60,555)	(55,931)

The potential impacts arising from other market indices are deemed insignificant as the Company's holdings in equity securities listed in other bourses are not material.

* Impact reflects adjustments for tax, where applicable.

The above impact on equity arose from the investments in equities which are classified as AFS financial assets. The impact arising from changes in price risk to FVTPL equities of the DPF fund and investment-linked funds are retained in the insurance contract liabilities, and hence there is no impact on profit before tax.

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

39. OPERATIONAL RISK

Operational risk arises from inadequate or failed performance of business functions or internal processes. Exposure to this risk can cause deficiencies or breakdowns in internal controls or processes, technology and external events such as interruption of business operations due to a breakdown of IT systems, cybersecurity incident, landslide or flood.

The Company has developed comprehensive Standard Operating Procedures ("SOP") to enable all relevant departments to implement measures, to monitor and control the risk in order to avoid or reduce future losses. The Risk Management Department is assigned to facilitate the relevant departments in identifying and evaluating their operational risks and control weaknesses via structured risk assessment process.

40. COMPLIANCE RISK

Compliance risk is the risk arising from violations of, or non-conformance with business principles, internal policies and procedures, related laws, rules and regulations issued by regulatory bodies (i.e. BNM, Life Insurance Association of Malaysia ("LIAM"), Perbadanan Insurans Deposit Malaysia ("PIDM") governing the insurance industry, products and activities.

Consequently, the exposure to this risk can damage the Company's reputation, lead to legal or regulatory sanctions and /or financial loss.

The Legal Department and Compliance Department are assigned to look into all compliance aspects in observing the regulatory requirements prescribed by the regulators (i.e. BNM, LIAM, PIDM). The Company has developed internal policies and procedures (e.g. Anti-Money Laundering Framework, Introduction of New Products Framework, Outsourcing Framework) to align with the laws and guidelines issued by the authorities.

41. INSURANCE FUNDS

The Company's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products for different markets. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company's principal operations are organised into Life insurance and Shareholders' segments.

The Life insurance business offers a wide range of participating and non-participating whole life, term assurance, endowments, medical and health riders, annuity products as well as investment-linked products.

The businesses written for Life insurance are all Malaysian businesses.

41. INSURANCE FUNDS (CONTINUED)

STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2022

	Life Fund RM'000	Share-holders' Fund RM'000	Total RM'000
ASSETS			
Property, plant and equipment	23,816	-	23,816
Right-of-use assets	20,579	-	20,579
Intangible assets	815	-	815
Investment properties	33,000	21,950	54,950
Non-current assets held-for-sale	6,100	-	6,100
Investments	6,532,232	589,668	7,121,900
AFS	4,366,215	589,668	4,955,883
FVTPL	1,877,865	-	1,877,865
LAR	288,152	-	288,152
Reinsurance assets	111,363	-	111,363
Insurance receivables	62,306	-	62,306
Other receivables	23,296	442	23,738
Tax recoverable	2,699	7,396	10,095
Deferred tax assets	-	10,232	10,232
Cash and bank balances	329,322	8,874	338,196
Total assets	7,145,528	638,562	7,784,090
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	-	579,000	579,000
Retained earnings	534,938	303,416	838,354
Other reserves	(3,514)	(4,367)	(7,881)
Total equity	531,424	878,049	1,409,473
Insurance contract liabilities	4,490,016	-	4,490,016
Deferred tax liabilities	161,416	-	161,416
Lease liabilities	20,440	-	20,440
Other liabilities	131,514	1,750	133,264
Insurance payables	1,568,557	-	1,568,557
Current tax liabilities	924	-	924
Total liabilities	6,372,867	1,750	6,374,617
Total equity, policyholders' funds and liabilities	6,904,291	879,799	7,784,090
Inter-fund balances	96,153	(96,153)	-
Inter-fund loan	145,084	(145,084)	-

41. INSURANCE FUNDS (CONTINUED)

STATEMENT OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2021

	Life Fund RM'000 Restated	Shareholders' Fund RM'000 Restated	Total RM'000 Restated
ASSETS			
Property, plant and equipment	27,439	-	27,439
Right-of-use assets	14,781	-	14,781
Intangible assets	1,952	-	1,952
Investment properties	35,153	21,950	57,103
Non-current assets held-for-sale	16,250	-	16,250
Investments	6,690,749	769,706	7,460,455
AFS	4,278,512	769,706	5,048,218
FVTPL	2,107,071	-	2,107,071
LAR	305,166	-	305,166
Reinsurance assets	84,553	-	84,553
Insurance receivables	31,198	-	31,198
Other receivables	21,149	480	21,629
Tax recoverable	4,308	8,097	12,405
Deferred tax assets	-	9,152	9,152
Cash and bank balances	264,895	9,740	274,635
Total assets	7,192,427	819,125	8,011,552
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	-	579,000	579,000
Retained earnings	472,946	339,776	812,722
Other reserves	28,737	2,023	30,760
Total equity	501,683	920,799	1,422,482
Insurance contract liabilities	4,673,472	-	4,673,472
Deferred tax liabilities	162,515	-	162,515
Lease liabilities	15,190	-	15,190
Other liabilities	106,457	3,323	109,780
Insurance payables	1,624,706	-	1,624,706
Current tax liabilities	3,407	-	3,407
Total liabilities	6,585,747	3,323	6,589,070
Total equity, policyholders' funds and liabilities	7,087,430	924,122	8,011,552
Inter-fund balances	60,286	(60,286)	-
Inter-fund loan	44,711	(44,711)	-

41. INSURANCE FUNDS (CONTINUED)

STATEMENT OF PROFIT OR LOSS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Life Fund	Share-holders' Fund	Total
	RM'000	RM'000	RM'000
Gross earned premiums	854,318	-	854,318
Premiums ceded to reinsurers	(28,519)	-	(28,519)
Net earned premiums	825,799	-	825,799
Investment income	286,203	25,081	311,284
Realised gains and losses	(38,168)	(1,123)	(39,291)
Fair value gains and losses	(179,000)	-	(179,000)
Fee and commission income	6,370	-	6,370
Other revenue	75,405	23,958	99,363
Total revenue	901,204	23,958	925,162
Gross benefits and claims paid	(785,172)	-	(785,172)
Claims ceded to reinsurers	36,068	-	36,068
Gross change to contract liabilities	136,584	-	136,584
Change in contract liabilities ceded to reinsurers	26,810	-	26,810
Net claims	(585,710)	-	(585,710)
Fee and commission expenses	(134,600)	-	(134,600)
Management expenses	(118,137)	(2,341)	(120,478)
Other operating income/(expenses) – net	21,806	(2,631)	19,175
Other expenses	(230,931)	(4,972)	(235,903)
Operating profit	84,563	18,986	103,549
Finance cost	(370)	-	(370)
Profit before taxation	84,193	18,986	103,179
Taxation	(22,201)	(5,346)	(27,547)
Net profit for the financial year	61,992	13,640	75,632

41. INSURANCE FUNDS (CONTINUED)

STATEMENT OF PROFIT OR LOSS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Life Fund	Share-holders' Fund	Total
	RM'000	RM'000	RM'000
Gross earned premiums	865,379	-	865,379
Premiums ceded to reinsurers	(29,621)	-	(29,621)
Net earned premiums	835,758	-	835,758
Investment income	286,335	23,138	309,473
Realised gains and losses	(51,426)	1,565	(49,861)
Fair value gains and losses	(13,752)	(1,392)	(15,144)
Fee and commission income	5,583	-	5,583
Other revenue	226,740	23,311	250,051
Total revenue	1,062,498	23,311	1,085,809
Gross benefits and claims paid	(682,141)	-	(682,141)
Claims ceded to reinsurers	20,214	-	20,214
Gross change to contract liabilities	(73,826)	-	(73,826)
Change in contract liabilities ceded to reinsurers	29,914	-	29,914
Net claims	(705,839)	-	(705,839)
Fee and commission expenses	(126,731)	-	(126,731)
Management expenses	(112,018)	(6,839)	(118,857)
Other operating expenses – net	57,344	(49,533)	7,811
Other expenses	(181,405)	(56,372)	(237,777)
Operating (loss)/profit	175,254	(33,061)	142,193
Finance cost	(619)	-	(619)
Profit before taxation	174,635	(33,061)	141,574
Taxation	(54,327)	(9,673)	(64,000)
Net profit/(loss) for the financial year	120,308	(42,734)	77,574

41. INSURANCE FUNDS (CONTINUED)

INVESTMENT-LINKED FUND
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	31.12.2022 RM'000	31.12.2021 RM'000
Assets		
Investments		
FVTPL	1,225,531	1,297,236
Other receivables	924	422
Cash and bank balances	114,447	79,561
Total assets	1,340,902	1,377,219
Liabilities		
Deferred tax liabilities	2,279	11,321
Other liabilities	1,238	1,321
Current tax liabilities	921	1,950
Total liabilities	4,438	14,592
Inter-fund balances	(1,294)	(135)
Net asset value attributable to unitholders (Note 17)	1,337,758	1,362,762

INVESTMENT-LINKED FUND
STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	2022 RM'000	2021 RM'000
Investment income	36,488	41,104
Realised gains and losses	(23,948)	(37,472)
Fair value gains and losses	(117,023)	17,964
	(104,483)	21,596
Fee and commission expenses	(14,974)	(14,453)
Management expenses	(50)	(46)
Other operating expenses – net	21,014	9,201
Profit before taxation	(98,493)	16,298
Taxation	7,468	(2,026)
Net (loss)/profit for the financial year	(91,025)	14,272

41. INSURANCE FUNDS (CONTINUED)

INFORMATION ON CASH FLOWS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Life Fund	Share-holders' Fund	Total
	RM'000	**RM'000**	**RM'000**
2022			
Cash flows from:			
Operating activities	63,749	49,134	112,883
Investing activities	9,936	-	9,936
Financing activities	(9,258)	(50,000)	(59,258)
Net increase/(decrease) in cash and bank balances	64,427	(866)	63,561
Cash and bank balances:			
At beginning of the financial year	264,895	9,740	274,635
At end of the financial year	329,322	8,874	338,196
2021			
Cash flows from:			
Operating activities	(62,584)	(30,372)	(92,956)
Investing activities	76,628	35,441	112,069
Financing activities	(10,016)	-	(10,016)
Net increase in cash and bank balances	4,028	5,069	9,097
Cash and bank balances:			
At beginning of the financial year	260,867	4,671	265,538
At end of the financial year	264,895	9,740	274,635

42. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS

The Company has applied the temporary exemption from the adoption of MFRS 9 "Financial Instruments" from 1 January 2018 to no later than 1 January 2023.

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents 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").

The following table presents 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	Change in fair value	Result of cash flows characteristics
	RM'000	RM'000	RM'000
31 December 2022			
AFS financial assets:			
- Malaysian Government Securities/ Government Investment Issues	1,139,028	8,600	SPPI
- Corporate debt securities	3,535,200	(148,179)	SPPI
- Equity securities	29,429	10,385	Non-SPPI
- Unit trusts	252,226	35,987	Non-SPPI
FVTPL financial assets:			
- Malaysian Government Securities/ Government Investment Issues	6,215	(139)	SPPI
- Corporate debt securities	170,844	(5,690)	SPPI
- Equity securities	1,115,951	(61,794)	Non-SPPI
- Unit trusts	584,855	(66,760)	Non-SPPI
Loans and receivables	288,152	(8,436)	SPPI
Other receivable excluding prepayments	19,192	-	SPPI
Cash and bank balances	338,196	-	SPPI
31 December 2021			
AFS financial assets:			
- Malaysian Government Securities/ Government Investment Issues	699,264	(37,512)	SPPI
- Corporate debt securities	4,071,656	(201,550)	SPPI
- Equity securities	19,044	2,368	Non-SPPI
- Unit trusts	258,254	(14,022)	Non-SPPI
FVTPL financial assets:			
- Malaysian Government Securities/ Government Investment Issues	8,089	(426)	SPPI
- Corporate debt securities	168,005	(9,563)	SPPI
- Equity securities	1,325,369	29,559	Non-SPPI
- Unit trusts	605,608	11,936	Non-SPPI
Loans and receivables	305,166	(4,236)	SPPI
Other receivable excluding prepayments	16,945	-	SPPI
Cash and bank balances	274,635	-	SPPI

Zurich Life Insurance Malaysia Berhad
Registration No. 196801000442 (8029-A)
Level 23A, Mercu 3,
No. 3, Jalan Bangsar, KL Eco City,
59200 Kuala Lumpur, Malaysia
Tel: 03-2109 6000 Fax: 03-2109 6888
Call Centre: 1-300-888-622
www.zurich.com.my