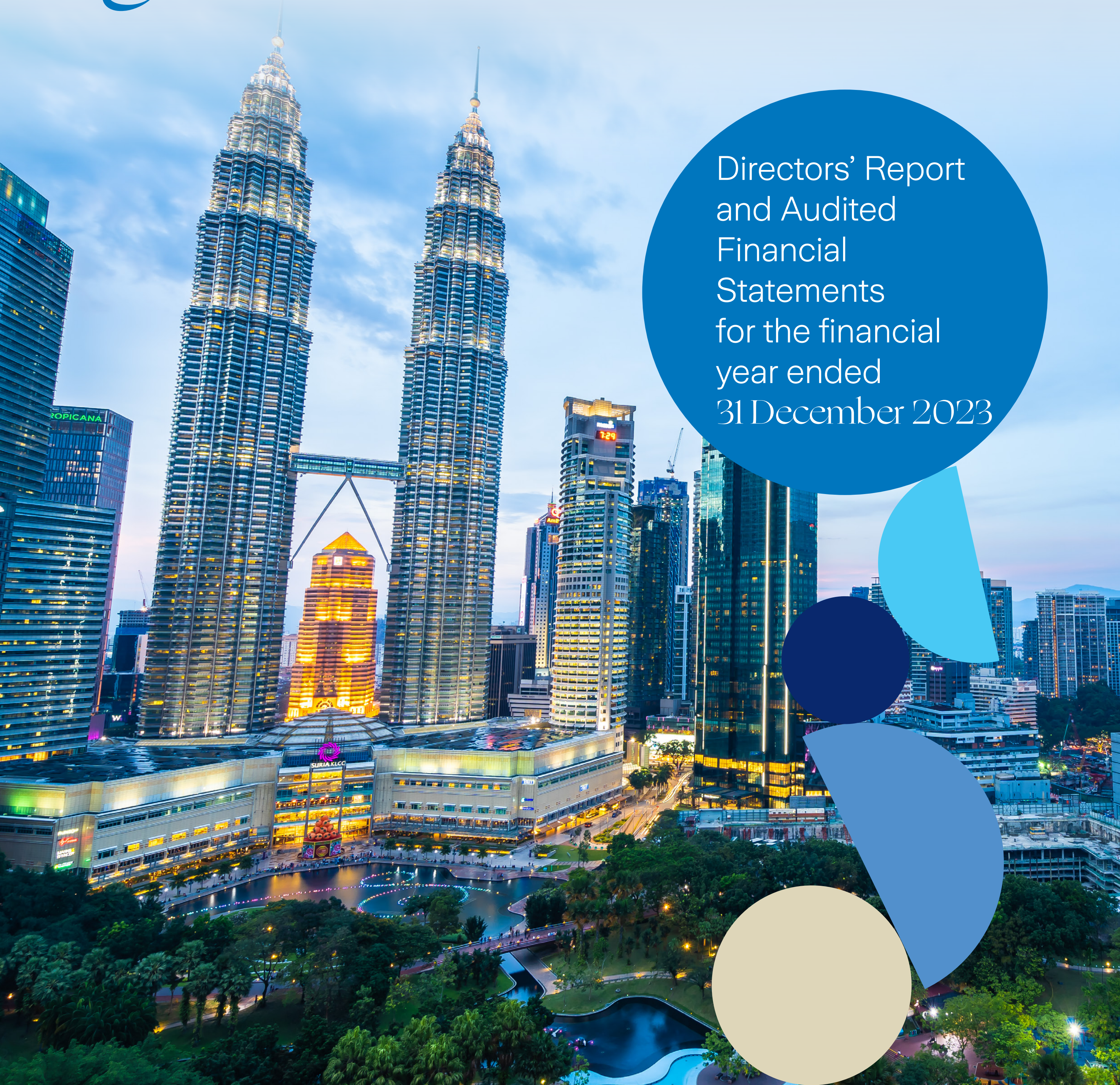
ZURICH

Adapt and grow.



Directors' Report and Audited Financial Statements for the financial year ended 31 December 2023

As the world around us continues to undergo dramatic change, Zurich is focused on responding positively and practically to the social, economic and environmental challenges we all face.

The ability to adapt is essential if we want to grow and thrive, as a business and for our customers, partners and people - now and in the future.

At Zurich, we draw on our heritage, expertise and track record of high performance to see things differently and drive the business forward.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
196801000442 (8029-A)
(Incorporated in Malaysia)

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ZURICH LIFE INSURANCE MALAYSIA BERHAD

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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	Member (Independent Non-Executive Director)
Timothy William Howell	Member (Executive Director)

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 Director, 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 sits as Chairman and Non-Independent Non-Executive Director of Kenanga Investors 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, Malaysia Rubber Board (Lembaga Getah Malaysia) and USains Holding Sdn Bhd. She is also the Chairman of SIRIM Technology Venture Sdn Bhd.

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 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.

Directors' Training

The Directors are encouraged to attend programs and seminars to keep abreast with the latest developments in the industry and marketplace and to enhance the discharge of their duties. The training programs attended by the Directors during the financial year ended 31 December 2023 included areas of leadership, governance, risk management, finance, investment, cybersecurity information technology, sustainability, climate change and insurance-related matters.

CORPORATE GOVERNANCE (CONTINUED)

Board Meetings

The Board is scheduled to meet at least four times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2023, the Board met twelve (12) times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings held during the financial year ended 31 December 2023.

The number of meetings attended by each member of the Board during the financial year ended 31 December 2023 is as follows:

Name of Directors	No. of Attendance
Choy Khai Choon, Chairman	12/12
Donald Joshua Jaganathan	12/12
Onn Kien Hoe	12/12
Datuk Dr Hafsah binti Hashim	12/12
Timothy William Howell	12/12

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"), Sustainability Council and various Senior Management Committees for Life Businesses. 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	Member (Independent Non-Executive Director)

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 2023 the Audit Committee held four (4) 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 2023 is as follows:

Name of Directors	No. of Attendance
Onn Kien Hoe, Chairman	4/4
Choy Khai Choon	4/4
Donald Joshua Jaganathan	4/4
Datuk Dr Hafsah binti Hashim	4/4

During the financial year ended 31 December 2023, 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.

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	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)

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 caliber 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 principal duties and responsibilities of the Nomination and Remuneration Committee as per Terms of Reference approved by Board 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; and
   (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 2023 is as follows:

Name of Directors	No. of Attendance
Datuk Dr Hafsah binti Hashim, Chairperson	9/9
Choy Khai Choon	9/9
Donald Joshua Jaganathan	9/9
Onn Kien Hoe	8/9

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	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; and
    (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 2023 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	4/4

Board Investment Committee

The members of the Board Investment Committee ("BIC") 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	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 2023 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	4/4

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/GL 018-6) 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.

Zurich promotes risk awareness and understanding of controls through communication and training. Risk management and internal control systems are designed at Group level and implemented across Zurich Malaysia. Management is responsible for identifying, evaluating and managing risk, and designing, implementing and maintaining internal controls. Testing effectiveness of relevant internal controls by the second line of defense also forms part of the control life cycle.

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 (i) Life Insurance Risk, (ii) Market Risk, (iii) Credit Risk, (iv) Operational Risk, (v) Strategic, Reputation Risk and Sustainability Risk and (vi) 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, assessment, mitigation, and monitoring process whereby all department heads of the Company are required to assess 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, and regularly monitor risks and actions in relation to identified risks.

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 remuneration 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 claw back 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.

SUSTAINABILITY STATEMENT

The Company is part of the Zurich Group which has the ambition to become one of the world's most environmentally responsible and impactful businesses in the world.

Zurich Group has intensified its focus on the UN Global Business Ambition Pledge to limit global temperature rise to 1.5°C. Zurich Group has been embedding sustainability into every fibre of the Company and has been operating as a carbon-neutral business since 2014. In 2020, Zurich Group has become one of the first large institutional investors to prioritize the goals – rather than the monetary amount. Zurich Group has been recognised as the top performer in the insurance industry by The Dow Jones Sustainability Index ("DJSI"). This acknowledgement is a result of Zurich's significant improvements in all three aspects of the ranking: governance and economic, environment, and social.

Locally, Zurich Malaysia has in place a Sustainability Policy which sets out the governance and operational requirements relating to sustainably risks and initiatives taken by the in-scope entities. Zurich Malaysia, as a part of the Group, is fully dedicated to playing a significant role as an insurance and takaful group, investor, employer, and contributor to society.

Sustainability is embedded in Zurich's governance. Zurich Malaysia adopts transparent risk communication via both bottom-up and top-down approach of reporting to and from the RMSC/Board at respective entities of Zurich Malaysia. The Sustainability Council ("SC") consists of CEOs and senior executives who are direct reports of the CEOs. The SC ensures that Zurich's approach to sustainability is effectively integrated in the way we do business and enables Zurich to live up to its code of conduct and purpose & values.

The SC is supported by Sustainability Teams ("Working Group"), consisting of internal working groups established to drive respective sustainability agenda within the Company. Externally, several regulatory bodies and industry-focused working groups have been established to facilitate knowledge sharing and foster capacity building among industry stakeholders. Within each of these working groups, Zurich employees actively engage in discussions and, when relevant, bring valuable insights and information back to the Company.

Zurich's Sustainability Focus Area and Strategies

In accordance with Zurich Group's Sustainability Framework, Zurich's sustainability ambitions are grouped across three focus areas – Planet, Customers and People with strategies set for each of the focus areas.
The three (3) focus areas are as follows:

1. Planet Sustainability

   Climate change is the most pressing challenge of our time and Zurich is committed to tackling it through best conduct with every means available, as an insurer, an investor and an employer.

   Zurich will focus on achieving net-zero future across its business – underwriting, investments and operations, strengthening the resilience of our business and society in face of climate impacts, while also deepening our understanding of nature related risks and opportunities and use our position as insurer and investor to benefit nature and support customers to do the same.

2. Customer Sustainability

   Our purpose is to support our customers' transformation to a sustainable future across the insurance value chain. We care for what matters to our customers by fostering empathetic relationships & ethical stewardship of customer data and scaling solutions that shall empower our customers and make them feel confident that they are doing their best to protect themselves, their families. their businesses. and our world.

Zurich's Sustainability Focus Area and Strategies (continued)

The three (3) focus areas are as follows: (continued)

2. Customer Sustainability (continued)

   In doing so, we position our positive impact as key differentiator that can educate and support our customers in their journey towards financial resilience.

3. People Sustainability

   As work sustainability is being prioritised, Zurich practices good self-governance by enabling life-long employability for our people, while delivering on customer and societal needs. Committed with a set of principles to prioritise capacity building to support our employees to grow their career and develop new skills while refreshing their existing ones, protect their physical, mental, financial, and social wellbeing as well as embrace diversity, equity, inclusion and belonging ("DEIB"), Zurich continues to grow and aims to create values-aligned working environment.

   These three focus areas are intertwined. Innovative underwriting and claims solutions offer positive results for customers that can also benefit people and planet. Through responsible investment, we can grow the positive impact of our invested assets. Strategic community investment helps build a brighter future for the most vulnerable.

Zurich Community Investments

Community investment is a strategic commitment made by Zurich to foster positive social and economic change within the communities. It goes beyond traditional philanthropy, aiming to create sustainable and lasting impact by addressing the unique needs and aspirations of local communities.

1. Z Zurich Foundation ("ZZF")

   The Z Zurich Foundation is a charitable foundation funded by various members of the Zurich Insurance Group. It is the main vehicle by which Zurich delivers on its global community investment strategy. It aligns with Zurich's sustainability agenda, purpose & values, and culture.

   The Z Zurich Foundation focuses on adapting to climate change, improving mental wellbeing, and enabling social equity. These increasingly urgent and complex issues have far-reaching impacts on individuals, communities, and society as a whole.

2. Global Urban Climate Resilience Program ("UCRP")

   On 1 January, 2023, Z Zurich Foundation launched the Global Urban Climate Resilience Program ("UCRP") in nine countries around the world namely, Australia, Columbia, Ecuador, Italy, Spain, Turkey, the UK, the US and Malaysia. This was built on ZZF's ongoing climate change work with the Zurich Flood Resilience Alliance in rural environments, with the intention to expand into urban spaces. The objective is to build sustainable, resilient communities that can withstand, recover from, and thrive in the face of climate related disasters.

   For Malaysia, we aim to be at the forefront of bringing impactful changes in the adaptation of systems for both Kuala Lumpur and Malacca, with two communities identified in each city ensuring enhanced support for those who are vulnerable to climate change.

SUSTAINABILITY STATEMENT (CONTINUED)

Climate Action

Since 2021, Climate Month has been held in September on an annual basis to increase employees' awareness on the devastating effects of climate change and rally a call to action on combating climate change. Activities are organised to support capacity building and instilling care for the environment and nature.

In 2022, the Company collaborated with Tropical Rainforest Conservation and Research Centre ("TRCRC") to undertake and accelerate conservation efforts to save dipterocarps, an important family of timber trees, from extinction.

The combined efforts of Zurich Malaysia and TRCRC encompass the establishment of two 1.5 hectares Tropical Rainforest Living Collection ("TRLC") Plots housing a nursery for germination of seedlings and hardening the young plants before replanting, in Merisuli, on a gazetted forest reserve in Lahad Datu, Sabah. These plots are critical for the gathering of data and cultivation of endangered, rare, and threatened ("ERT") trees under a controlled environment to prevent their extinction. In addition, 26.8 hectares in Merisuli will be actively reforested with ERT dipterocarps by 2025, expanding TRCRC's existing 224 hectares site in the Ulu Segama-Malua Sustainable Forest Management Project. Zurich Malaysia's support will provide continuity in the maintenance, replanting, census and monitoring work.

Digital Transformation

The 2020 crisis boosted digitalisation and technology use and created a need to build trust in digital society. As digital skills become more important, we need to shape a better digital world with high-quality practices for cyber security and data management. Besides taking care of data in a responsible way as stated in our Data Commitment, the Company wants to help society and customers, to improve cyber security through risk education, prevention and insurance solutions.

With the launch of notification of claims through WhatsApp, the Company is able to deliver an improved service to its customers, where customers are able to get immediate attention on their claims. The Company continues to look for possibility of insuring the transition while encouraging more sustainable lives so that the theme of thriving today means flourishing tomorrow can be achieved.

Decent Work and Economic Growth

Zurich Group decided to enhance sustainability and well-being in our offices worldwide in 2021. This resulted in the launch of a Sustainable Buildings Program and creation of a Sustainability Alignment Generating Exercise ("SAGE") tool. SAGE uses external best practices to evaluate our buildings, both from an environmental and well-being point of view. In 2022, 50 offices globally were assessed including Zurich Malaysia Head Office (i.e. KL Eco City) and Plaza Zurich Kuala Lumpur, both of which now, meet the standards and are certified under SAGE.

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 2023.

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	78,884

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

No dividend was declared or paid since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

SHARE CAPITAL

No new ordinary shares were issued during the financial year.

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	Member (Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datuk Dr Hafsah binti Hashim	Member (Independent Non-Executive Director)
Timothy William Howell	Member (Executive Director)

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 23 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. Please refer to "Directors' Interests" in page 21.

DIRECTORS' REPORT (CONTINUED)

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 RM11,354.81.

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

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 1.1.2023	Granted/ Reinvested dividends	Exercised	At 31.12.2023
Units in Zurich Insurance Group Ltd.				
Direct interest:				
Timothy William Howell	1,138	713	(628)	1,223

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' REPORT (CONTINUED)

DIRECTORS' REMUNERATION

The remuneration in aggregate for Directors of the Company for the financial year is as follows:

	RM'000
Directors' fees	720
Directors' other emoluments	177
	897

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:
- (i) to ensure that there was adequate provision for its insurance liabilities in accordance with the requirements of MFRS 17 *Insurance Contracts*, as issued by the Malaysian Accounting Standards Board ("MASB");
- (ii) 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 there were known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (iii) 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) it necessary to write off any 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.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
196801000442 (8029-A)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

AUDITORS' REMUNERATION

The auditors' remuneration of the Company during the financial year was RM1,151,000.

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 (LLP0022760-LCA & AF 0039) have expressed their willingness to accept re-appointment as auditors. Auditors' remuneration for the year ended 2023 is as disclosed in Note 23.

Signed on behalf of the Board of Directors in accordance with their resolution dated 15 May 2024.

CHOY KHAI CHOON	DONALD JOSHUA JAGANATHAN
DIRECTOR	DIRECTOR

Kuala Lumpur
15 May 2024

ZURICH LIFE INSURANCE MALAYSIA BERHAD
196801000442 (8029-A)
(Incorporated in Malaysia)

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

We, Choy Khai Choon and Donald Joshua Jaganathan, 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 29 to 150 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 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 15 May 2024.

CHOY KHAI CHOON
DIRECTOR

DONALD JOSHUA JAGANATHAN
DIRECTOR

Kuala Lumpur
15 May 2024

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

I, Rafidah Binti 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 29 to 150 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 Binti ABDUL JAMAL

Subscribed and solemnly declared by the abovenamed Rafidah Binti Abdul Jamal at Kuala Lumpur in Malaysia on 15 May 2024.

Before me,

PESURUHJAYA SUMPAH
No : W 538
Nama : Woon Mee Chin
1/1/22 - 31/12/24
MALAYSIA

22A, LORONG ARA KIRI 2
LUCKY GARDEN, BANGSAR
59100 KUALA LUMPUR

EY
Building a better working world

Ernst & Young PLT
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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 2023, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 29 to 150.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, 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, the Corporate Governance and Sustainability statements, 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.

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.

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
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 02937/09/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
15 May 2024

ZURICH LIFE INSURANCE MALAYSIA BERHAD

196801000442 (8029-A)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
ASSETS				
Property, plant and equipment	4	21,252	23,816	27,439
Right-of-use assets	5	13,768	20,579	14,781
Intangible assets	6	101	815	1,952
Investment properties	7	54,950	54,950	57,103
Non-current assets held-for-sale	8	3,950	6,100	16,250
Financial assets at fair value through other comprehensive income ("FVOCI")	9(a)	5,188,253	-	-
Available-for-sale financial assets ("AFS")	9(a)	-	4,955,883	5,048,218
Financial assets at fair value through profit or loss ("FVTPL")	9(b)	2,048,589	1,877,865	2,107,071
Financial assets at amortised cost ("AC")	10	16,983	-	-
Loans and receivable ("LAR")	10	-	17,082	27,184
Reinsurance contract assets	11	34,707	64,315	66,584
Other receivables	12	26,820	23,738	21,629
Tax recoverable		6,993	10,095	12,405
Cash and cash equivalents		207,609	338,196	274,635
Total assets		**7,623,975**	**7,393,434**	**7,675,251**
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES				
Share capital	14	579,000	579,000	579,000
Retained earnings	15(a)	1,001,025	923,587	868,145
Other reserves	15(b)	16,239	(14,802)	(12,244)
Total equity		**1,596,264**	**1,487,785**	**1,434,901**
Insurance contract liabilities	11	5,659,185	5,572,961	5,941,151
Lease liabilities	16	13,632	20,440	15,190
Current tax liabilities		779	924	3,407
Deferred tax liabilities	13	216,633	178,100	170,865
Other liabilities	17	137,482	133,224	109,737
Total liabilities		**6,027,711**	**5,905,649**	**6,240,350**
Total equity, policyholder's funds and liabilities		**7,623,975**	**7,393,434**	**7,675,251**

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD
196801000442 (8029-A)
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000 Restated
Insurance revenue	18	586,065	597,873
Insurance service expense	19	(482,175)	(508,906)
Net (expenses)/income from reinsurance contracts held	20	(27,852)	15,381
Total insurance service results		76,038	104,348
Investment income	21	295,798	294,856
Unrealised gains/(losses) on financial assets		48,873	(133,677)
Realised gains/(losses) on financial assets at:			
- FVTPL		(20,738)	(47,630)
- FVOCI		2,059	7,702
Net fair value gains/(losses) on non financial asset		526	(71)
Impairment loss on financial assets		(2,267)	(44,615)
Investment expenses		(4,211)	(3,596)
Total investment results		320,040	72,969
Insurance finance expenses		(266,245)	(27,205)
Reinsurance finance income		6,438	1,219
Net insurance financial result	22	(259,807)	(25,986)
Fee income		1,943	1,904
Other operating expenses	23	(12,887)	(10,833)
Profit before taxation		125,327	142,402
Tax expense	24	(46,443)	(36,960)
Net profit for the financial year		78,884	105,442
Basic/diluted earnings per share (sen)	26	13.62	18.21

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000 Restated
Net profit for the financial year		78,884	105,442
Other comprehensive income/(loss), net of tax:			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Fair value through other comprehensive income investments:			
Net gains/(losses) on fair value changes		164,254	(85,506)
Realised gains transferred to profit or loss		(2,059)	(7,702)
Deferred tax	13	(10,461)	7,695
		151,734	(85,513)
Change in insurance contract liabilities arising from unrealised net fair value changes		(91,398)	46,872
		60,336	(38,641)
Insurance finance (expenses)/income		(32,562)	37,030
Reinsurance finance income/(expenses)	22	1,057	(947)
Other comprehensive income/(loss) for the financial year		28,831	(2,558)
Total comprehensive income for the financial year		107,715	102,884

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD

196801000442 (8029-A)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Issued and fully paid ordinary shares	Non-distributable			Distributable	
	Share Capital RM'000	Fair value reserves RM'000	Insurance/ reinsurance finance reserves RM'000	Retained earnings Life non-participating fund surplus* RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2022	579,000	30,760	-	472,946	339,776	1,422,482
Impact of initial application of MFRS 17 (Note 2.1(a)(i))	-	-	(43,004)	55,423	-	12,419
At 1 January 2022 (Restated)	579,000	30,760	(43,004)	528,369	339,776	1,434,901
	-	(38,641)	36,083	91,803	13,639	102,884
Net profit for the financial period	-	-	-	91,803	13,639	105,442
Other comprehensive (loss)/income for the financial year	-	(38,641)	36,083	-	-	(2,558)
Dividend declared (Note 25)	-	-	-	-	(50,000)	(50,000)
At 31 December 2022	579,000	(7,881)	(6,921)	620,172	303,415	1,487,785
At 1 January 2023	579,000	(7,881)	-	534,938	303,415	1,409,472
Impact of initial application of MFRS 17 (Note 2.1(a)(i))	-	-	(6,921)	85,234	-	78,313
	579,000	(7,881)	(6,921)	620,172	303,415	1,487,785
Impact of initial application of MFRS 9 (Note 2.1(a)(ii))	-	2,210	-	(2,422)	976	764
At 1 January 2023 (Restated)	579,000	(5,671)	(6,921)	617,750	304,391	1,488,549
	-	60,336	(31,505)	63,003	15,881	107,715
Net profit for the financial period	-	-	-	63,003	15,881	78,884
Other comprehensive income/(loss) for the financial year	-	60,336	(31,505)	-	-	28,831
At 31 December 2023	579,000	54,665	(38,426)	680,753	320,272	1,596,264

*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 2023 (2022: Nil).

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000 Restated
OPERATING ACTIVITIES			
Cash utilised in operating activities	28	(402,927)	(177,829)
Dividend/distribution income received		65,682	72,469
Interest/profit income received		231,854	239,214
Rental (expenses paid)/income received		(1)	981
Income tax paid		(15,597)	(21,952)
Net cash (outflows)/inflows from operating activities		(120,989)	112,883
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment			
Proceeds from disposal of non-current assets held-for-sale		2,676	12,247
Proceeds from disposal of property, plant and equipment		-	170
Purchase of property, plant and equipment	4	(3,313)	(2,349)
Purchase of intangible assets		-	(132)
Net cash (outflows)/inflows from investing activities		(637)	9,936
FINANCING ACTIVITIES			
Payment of lease liabilities	16	(8,961)	(9,258)
Dividend paid	25	-	(50,000)
Net cash outflows from financing activities		(8,961)	(59,258)
Net (decrease)/increase in cash and bank balances		(130,587)	63,561
Cash and bank balances at the beginning of the financial year		338,196	274,635
Cash and bank balances at the end of the financial year		207,609	338,196
Cash and cash equivalents comprise:			
Cash and bank balances		207,609	338,196

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023

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:

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

Principal place of business
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 15 May 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), Financial Services Act, 2013 and the requirements of the Companies Act 2016 in Malaysia.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Insurers ("the RBC Framework") issued by Bank Negara Malaysia ("BNM") as at the date of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- MFRS 17 *Insurance Contracts*
- MFRS 9 *Financial Instruments*
- Amendments to MFRS 17 *Insurance Contracts* - Initial application of MFRS 17 and MFRS 9 - Comparative Information
- Amendments to MFRS 101 *Presentation of Financial Statements* - Reference to Classification of Liabilities as Current or Non-Current
- Amendments to MFRS 101 *Presentation of Financial Statements* - Disclosures of Accounting Policies
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates
- Amendments to MFRS 112 *Income Taxes* – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules

In these financial statements, the Company has applied MFRS 17 and MFRS 9 for the first time. The Company has not early adopted the amendments to standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but which are not yet effective as follows:

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16 *Leases* – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101 *Presentation of Financial Statements* - Non-current Liabilities with Covenants
- Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures* - Supplier Finance Arrangements

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates* - Lack of Exchangeability

Amendments to MFRSs effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10 *Consolidated Financial Statement* and MFRS 128 *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between and Investor and its Associate or Joint Venture

The Company plans to apply the abovementioned amendments to standards when effective.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the applicable accounting standards and amendments to standards or interpretations did not have any material financial impact to the current year and prior year's financial statements of the Company except as mentioned below:

(i) MFRS 17 *Insurance Contracts*

MFRS 17 replaced MFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023. The Company has restated comparative information for 2022 applying the transitional provisions in Appendix C to MFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement

The adoption of MFRS 17 did not change the classification of the Company’s insurance contracts. The Company was previously permitted under MFRS 4 to continue accounting using its previous accounting policies. However, MFRS 17 established specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

In adopting MFRS 17 the Company:

- Identified insurance contracts as those under which the Company accepts significant insurance risk from another party (the contract holders) by agreeing to compensate the contract holder if a specified uncertain future event (the covered event) adversely affects the contract holder.
- Separated specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounted for them in accordance with other standards.
- Divided the insurance and reinsurance contracts into groups it recognised and measured.
- Recognised and measured groups of insurance contracts at:
    - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporated all available information about the fulfilment cash flows in a way that was consistent with observable market information.

  Plus
    - If necessary, recognised an amount representing the unearned profit in the group of contracts (the contractual service margin or CSM).
- Recognised profit from a group of insurance contracts over the period the Company provided insurance coverage, as the Company was released from risk. If a group of contracts was expected to be onerous (i.e., loss-making) over the remaining coverage period, the Company recognised the loss immediately.
- Recognised an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts was recognised. Such asset was derecognised when the insurance acquisition cash flows were included in the measurement of the related group of insurance contracts.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) MFRS 17 *Insurance Contracts* (continued)

Changes to classification and measurement (continued)

Insurance and reinsurance contracts classification are explained in Notes 2.2 (m).

Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregated insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presented separately:

- Portfolios of insurance and reinsurance contracts issued or held that are assets
- Portfolios of insurance and reinsurance contracts issued or held that are liabilities

The groups referred to above are those established at initial recognition in accordance with MFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with previous years. Previously the Company reported the following items:

- Gross earned premiums
- Net earned premiums
- Gross claims incurred
- Net claims incurred

MFRS 17 required instead, separate disclosures of the following:

- insurance revenue
- insurance service expense
- allocation of reinsurance premium
- amount recoverable from reinsurance for incurred claims
- insurance finance income or expense for insurance contracts issued
- reinsurance finance income or expense for reinsurance contracts held

The Company has also provided disaggregated qualitative and quantitative information in the notes to the financial statements about:

- The amounts recognised in its financial statements from insurance contracts; and
- Significant judgements, and changes in those judgements, made when applying the MFRS 17 standard.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) MFRS 17 *Insurance Contracts* (continued)

Transition

The Company determined the transition approach at groups of insurance contracts levels, depending on availability of reasonable and supportable historical information.

On transition date of 1 January 2022, the Company:

- identified, recognised and measured each group of insurance contracts as if MFRS 17 had always been applied.
- identified, recognised and measured assets for insurance acquisition cash flows as if MFRS 17 has always been applied. However no asset recoverability assessment was performed before the transition date. At transition date, an asset recoverability assessment was performed and no impairment loss was identified.
- derecognised any existing balances that would not exist had MFRS 17 always been applied.
- recognised any tax arising from the temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases, as if MFRS 17 had always been applied.
- recognised any resulting net difference thereon in equity.

As it was impracticable to apply a full retrospective approach to insurance contracts and reinsurance contracts, the Company had a choice to apply either the modified retrospective approach or the fair value approach. However, in certain circumstances, the Company could not obtain reasonable and supportable information necessary to apply the modified retrospective approach. In such situation, the fair value approach has been applied.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) MFRS 17 *Insurance Contracts* (continued)

Transition (continued)

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 are eligible for application of the Variable Fee Approach (“VFA"). For non-participating contracts such as term life plans, medical plans and in-force reinsurance contracts held, the General Measurement Model ("GMM") or also known as Building Block Approach (“BBA”) has been applied.

(a) Full retrospective approach ("FRA")

On transition to MFRS 17, the Company has applied the FRA unless impracticable. The Company has applied the FRA on transition to all contracts issued on or after 1 January 2012. The Company applied FRA for the measurement of the CSM for 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.

(b) Fair value approach ("FVA")

The Company has applied the FVA on transition for certain groups of contracts as, prior to transition, it grouped contracts from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply the FRA was impracticable without undue cost or effort. The Company has determined the Contractual Service Margin ("CSM") of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the Company has applied the requirements of MFRS 13 *Fair Value Measurement* .

The FVA is used to estimate the initial CSM for the groups of contracts when the Company was acquired by Zurich Insurance Company Limited ("ZICL") on 31 December 2011. In the subsequent measurement, the groups of contracts accepted prior to the acquisition date and contracts written after the acquisition date was measured using the FRA.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) MFRS 17 *Insurance Contracts* (continued)

Transition (continued)

(b) Fair value approach ("FVA") (continued)

The Company has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the FVA at transition, as it did not have reasonable and supportable information to aggregate groups of insurance contracts into contracts issued within one year.

For the application of the FVA, the Company has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts;
- Determine whether any contracts are direct participating insurance contracts; and
- Identify any discretionary cash flows for insurance contracts without direct participation features.

The discount rate for the group of contracts applying the FVA was determined at the transition date. Therefore, for the measurement of fulfilment cash flows at the date of transition, the locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts within a group, over a 12-month period. The discount rate used for accretion of profit on the CSM is determined using the bottom-up approach at inception.

The discount rate used for measuring the fulfillment cash flows of the insurance contracts acquired under FVA was based on the financial year ended 2011 discount rate. For the insurance contracts acquired that was applying BBA measurement model, the financial year ended 2011 rates were the locked in rate.

The Company has elected to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income, and reset the cumulative amount of insurance finance income or expense recognised in other comprehensive income at the transition date to zero.

The Company used the income approach to fair value the insurane contracts at the transition date.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) MFRS 17 *Insurance Contracts* (continued)

Financial Impact

The impact of transition to MFRS 17 on the relevant balance sheet captions as at 1 January 2022 is as follows:

	MFRS 4 01.01.2022	Reclassification/ Derecognition of MFRS 4 asset and liabilities	Remea-surement effect of MFRS 17	MFRS 17 01.01.2022
	RM'000	RM'000	RM'000	RM'000
Assets				
Loans and receivables	305,166	(277,982)	-	27,184
Reinsurance contract assets	84,553	(94,954)	76,985	66,584
Insurance receivables	31,198	(31,198)	-	-
Equity, Policyholders' Funds and Liabilities				
Retained earnings	812,722	733,945	(678,522)	868,145
Other reserves	30,760	-	(43,004)	(12,244)
Insurance contract liabilities	4,673,472	254,896	1,012,783	5,941,151
Deferred tax liabilities	153,363	231,772	(214,270)	170,865
Other liabilities	109,780	(43)	-	109,737
Insurance payables	1,624,706	(1,624,706)	-	-

	MFRS 4 31.12.2022	Reclassification/ Derecognition of MFRS 4 asset and liabilities	Remea-surement effect of MFRS 17	MFRS 17 31.12.2022
	RM'000	RM'000	RM'000	RM'000
Assets				
Loans and receivables	288,152	(271,070)	-	17,082
Reinsurance contract assets	111,363	(140,231)	93,183	64,315
Insurance receivables	62,306	(62,306)	-	-
Equity, Policyholders' Funds and Liabilities				
Retained earnings	838,353	669,416	(584,182)	923,587
Other reserves	(7,881)	-	(6,921)	(14,802)
Insurance contract liabilities	4,490,016	214,177	868,768	5,572,961
Deferred tax liabilities	161,416	211,395	(194,711)	178,100
Other liabilities	133,264	(40)	-	133,224
Insurance payables	1,568,557	(1,568,557)	-	-

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) MFRS 17 *Insurance Contracts* (continued)

Financial Impact (continued)

The following section sets out the impact of adopting MFRS 17 on the statement of profit or loss for the year ended 31 December 2022.

	As previously stated for the financial year ended 31.12.2022	Classification and measurement*	As restated for the financial year ended 31.12.2022
	RM'000	RM'000	RM'000
Profit before taxation	103,179	39,223	142,402
Net profit for the financial year	75,632	29,810	105,442

* Impact of derecognisation of MFRS 4 and recognition of MFRS 17 liabilities and assets.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) MFRS 17 *Insurance Contracts* (continued)

Financial Impact (continued)

The following table show the nature and amount of the measurement adjustments made to the opening balance sheet:

	Description
Reclassification/Derecognition of MFRS 4 assets and liabilities	The items includes: Policy loans (which were previously reported into investments under loans and receivables) is now part of fulfilment cash flows and netted off against insurance contract liabilities. Insurance receivables, insurance payables, reinsurance contract assets, insurance contract liabilities and other payables were removed on transition and are net off within MFRS 17 equivalents.
Remeasurement effects of MFRS 17	The items includes: *Transition Contractual service margin ("CSM")* CSM is a new liability component that represents the future unearned profits associated with insurance contracts and net gain/loss on reinsurance contracts written which will be released to the profit and loss over the contracts coverage period. *Fulfilment cash flows ("FCF")* The measurement of insurance contract assets/liabilities under MFRS 17 is based on groups of insurance contracts and includes a liability for fulfilling the contract obligations associated with the insurance contract, such as premiums, expenses, and insurance benefits and claims. These are recorded within the FCF component of the insurance contract liabilities, together with the risk adjustment. *Tax effect* New deferred tax were reported, where appropriate, on temporary differences between the new MFRS 17 accounting balances and associated tax bases.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) MFRS 9 *Financial Instruments*

MFRS 9 replaced MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. However, the Company had elected, under the amendments to MFRS 4 to apply the temporary exemption from MFRS 9, by deferring the initial application date of MFRS 9 to align with the initial application date of MFRS 17.

The Company has applied MFRS 9 prospectively from 1 January 2023, without restating prior periods' information. Differences arising from the adoption of MFRS 9 were recognised in retained earnings as of 1 January 2023.

The nature of the changes in accounting policies can be summarised as follows:

To determine their classification and measurement categories, MFRS 9 requires all financial assets to be assessed based on a combination of the entity's business model for managing the assets and the respective instruments' contractual cash flow characteristics.

The MFRS 139 measurement categories for financial assets at fair value through profit or loss ("FVTPL"), available for sale ("AFS"), held-to-maturity ("HTM") and loans and receivables ("LAR") at amortised cost have been replaced by:

- Financial assets at fair value through profit or loss ("FVTPL")
- Debt instruments at fair value through other comprehensive income ("FVOCI"), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Debt instruments at amortised cost

The Company's classification of financial assets is explained in Note 2.2(f). The quantitative impact of applying MFRS 9 as at 1 January 2023 is disclosed on pages 46 and 47.

Changes to the impairment calculation

The adoption of MFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets held at FVOCI or amortised cost by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

MFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVTPL.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) MFRS 9 *Financial Instruments* (continued)

Changes to the impairment calculation (continued)

For debt instruments, the ECL is based on the portion of lifetime ECLs ("LTECL") that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full lifetime ECL.

The Company's debt instruments at FVOCI and amortised cost comprise solely of corporate debt securities that are graded in the top investment category by MARC and RAM therefore, are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL ("12m ECL") basis. The Company does, however, consider if there has been a significant increase in credit risk for a previously assessed low credit risk investment when any contractual payments on these instruments are more than 30 days past due. Where the credit risk of any bond deteriorates, the Company will dispose of all its holdings or trim the position based on a best efforts basis, subject to liquidity, availability, and conditions of the market.

The Company considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. There were no such instances observed in 2023 upon adoption of MFRS 9.

The adoption of the ECL requirements of MFRS 9 resulted in increases in impairment allowances related to the Company's debt instruments of RM9,845,000 due to the application of the ECL method. The increase in allowance was adjusted to retained earnings.

Details of the Company's impairment methodology are disclosed in Note 2.2(k). The quantitative impact of applying MFRS 9 as at 1 January 2023 is disclosed on pages 46 and 47.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) MFRS 9 Financial Instruments (continued)

Transition

The following section sets out the impact of adopting MFRS 9 on the statement of financial position, including the effect of replacing MFRS 139's incurred credit loss calculations with MFRS 9's ECLs.

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2023 is, as follows:

	Before MFRS 9 adjustments RM'000	Reclassi-fication RM'000	Remea-surement ECL RM'000	After MFRS 9 adjustments RM'000
Asset				
Investment				
LAR	17,082	(17,082)	-	-
AC	-	17,082	(2)	17,080
AFS				
- Debt securities	4,674,228	(4,674,228)	-	-
- Equity securities	29,429	(29,429)	-	-
- Unit trusts	252,226	(252,226)	-	-
FVTPL				
- Debt securities	177,059	-	-	177,059
- Equity securities	1,115,951	29,429	-	1,145,380
- Unit trusts	584,855	252,226	-	837,081
FVOCI				
- Debt securities	-	4,674,228	(9,845)	4,664,383

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) MFRS 9 Financial Instruments (continued)

Transition (continued)

	Reserves and retained earnings RM'000
Fair value reserve	
Closing balance under MFRS 139 (31 December 2022)	(7,881)
Reclassification of equity instruments from available-for-sale to fair value through profit and loss	(2,020)
Recognition of expected credit losses under MFRS 9 for debt financial assets at FVOCI	4,200
Deferred tax in relation to MFRS 9 application	30
Opening balance under MFRS 9 (1 January 2023)	(5,671)
Retained earnings	
Closing balance under MFRS 139 (31 December 2022)	838,353
Impact of application of MFRS 17	112,150
Deferred tax in relation to MFRS 17 application	(26,916)
Closing balance under MFRS 139 (31 December 2022) - Restated	923,587
Reclassification of debt instruments from available-for-sale to fair value through profit and loss	2,020
Recognition of MFRS 9 ECLs including those measured at FVOCI	(4,200)
Deferred tax in relation to MFRS 9 application	734
Opening balance under MFRS 9 (1 January 2023)	922,141
Total change in equity due to application of MFRS 17	85,234
Total change in equity due to application of MFRS 9	764

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(b) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise as disclosed in the summary of material accounting policies.

(c) Functional and presentation currency

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

(d) Critical accounting estimates and judgements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material 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. These 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 charged to profit or loss during the financial year in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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. The accounting policy on impairment of non-financial assets is disclosed in Note 2.2(l) to the financial statements.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) Leases

The Company as a lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, the lease and non-lease components are accounted for as a single lease component and payments for both components are included in the measurement of the lease liability.

(i) 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 (iv) below on reassessment of lease liabilities.

(ii) 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) Leases (continued)

The Company as a lessee (continued)

(iii) 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.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) Leases (continued)

The Company as a lessee (continued)

(v) 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.

The Company as a 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.

(c) 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 the establishment of identifiable and unique software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads to prepare the asset for its intended use.

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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(d) 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 annually 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.

(e) 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 transaction rather than through continuing use and a sale is considered highly probable. It is measured at the lower of the carrying amount and fair value less costs of sale.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held-for-sale.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(f) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Classification of financial assets from 1 January 2023

On initial recognition, a financial asset is classified as measured at amortised cost ("AC"), fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

<u>Amortised cost</u>

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

<u>Financial assets at FVOCI - debts securities</u>

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt securities are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(f) Financial assets (continued)

Classification of financial assets from 1 January 2023 (continued)

Financial assets at FVOCI - equity securities

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis. Equity investments designated as not held for trading are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance contract liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company does not assess the business model on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- how the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stressed case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(f) Financial assets (continued)

Classification of financial assets from 1 January 2023 (continued)

Business model assessment (continued)

Change in business model is not expected to be frequent; but should such event take place, it must be:
(i) determined by the Company's senior management as a result of external or internal changes;
(ii) significant to the Company's operations; and
(iii) demonstrable to external parties.

A change in the Company's business model will occur only when the Company begin or cease to perform an activity that is significant to its operations. A change in the objective of the business model must be effected before the reclassification date.

The Solely Payments of Principal and Interest ("SPPI") test

As a second step of its classification process, the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To perform the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(f) Financial assets (continued)

Classification of financial assets before 1 January 2023

The Company classifies its financial assets into the following categories: financial assets 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 fair value through profit or loss (“FVTPL”)

The Company classifies assets acquired for the purpose of selling in the short-term as held-for trading or it is part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Investments held by investment-linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

Financial assets classified as FVTPL are initially recorded at fair value and transaction costs are expense in profit or loss. Subsequent to initial recognition, these financial assets are remeasured at fair value and any gain or loss arising from the change in fair values is recognised in profit or loss. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

(ii) Loans and receivables (“LAR”)

LAR category comprises debt instruments that are not quoted in an active market (including fixed deposits with licensed financial institutions with maturities more than 3 months).

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

(i) <u>Loans</u>

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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(f) Financial assets (continued)

Classification of financial assets before 1 January 2023 (continued)

(ii) Loans and receivables ("LAR") (continued)

(i) Loans (continued)

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.

(ii) Other receivables

Other 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, other receivables are measured at amortised cost, using the effective yield method.

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(f) Financial assets (continued)

Classification of financial assets before 1 January 2023 (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.

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 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 to profit or loss.

(g) Fair value of financial assets

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market prices for assets at the close of business at the reporting date.

For financial assets both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published (closing) prices at the close of business at the reporting date.

For financial instruments where there is no 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, correlation, 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(g) Fair value of financial assets (continued)

The fair value of floating rate, over-night and time deposits with financial institutions is their carrying value. The carrying value is the amount 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.

(h) Recognition of financial assets

All regular way of purchases and sales of financial assets are recognised on trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or market convention.

(i) 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. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that was recognised in other comprehensive income is reclassified to profit or loss.

(j) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(k) Impairment

Impairment of financial assets after 1 January 2023

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Allowance for impairment for insurance and reinsurance receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information, where available.

For other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

<u>Measurement of ECLs</u>

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

<u>Credit-impaired financial assets</u>

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(k) Impairment (continued)

Impairment of financial assets after 1 January 2023 (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Impairment of financial assets before 1 January 2023

The Company assesses at each date of the statement of financial position, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

(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 amount of the loss is recognised 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 the date of the statement of financial position.

To determine whether there is objective evidence that an impairment loss on financial assets carried at amortised cost 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(k) Impairment (continued)

Impairment of financial assets before 1 January 2023 (continued)

(i) Financial assets carried at amortised cost (continued)

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

In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the financial asset below its cost is objective evidence of impairment, resulting in the recognition of an impairment loss.

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 to profit or loss. Reversals of impairment losses 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.

(l) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other non-financial assets 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 purposes of impairment assessment, 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 a 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(m) Insurance and reinsurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance contracts can also transfer financial risk.

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Insurance contracts with direct participation features are insurance contracts that are substantially investment-related service contracts under which the Company promises an investment return based on underlying items; they are contracts for which, at inception:

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

Direct participating contracts issued by the Company are contracts with direct participation features where the Company holds the pool of underlying assets. These contracts are accounted for under VFA measurement model.

The Company also enters into reinsurance contracts to cede insurance risks arising from the life insurance contracts it underwrites. Contracts held by the Company under which it transfers significant insurance risk related to insurance contracts are classified as reinsurance contracts.

(n) Insurance and reinsurance contracts accounting treatment

(i) Separating components from insurance and reinsurance contracts

The Company assesses its life insurance contracts to determine whether they contain distinct components which must be accounted for under another MFRS rather than MFRS 17. After separating any distinct components, an entity must apply MFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include distinct components that require separation.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(i) Separating components from insurance and reinsurance contracts (continued)

Some term life insurance contracts issued by the Company include a surrender option under which the surrender value is paid to the policyholder on maturity or earlier lapse of the contract. These surrender options have been assessed to meet the definition of a non-distinct investment component in MFRS 17. MFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. Investment components which are highly interrelated with the insurance contract of which they form part of the contract are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are recorded outside of profit or loss. The surrender options are considered non distinct investment components as the Company is unable to measure the value of the surrender option component separately from the life insurance portion of the contract.

(ii) Level of aggregation

MFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further split to annual cohorts with contracts that are issued within a calendar year and then divided the groups of contracts based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, in determining the level of aggregation, the Company identifies a contract as the smallest in 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). MFRS 17 also notes that no groups of contracts for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has defined portfolios of insurance contracts issued based on its product lines due to the fact that the products are subject to similar risks and managed together. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business. In determining groups of contracts, the Company has elected to include in the same group of contracts where its ability to set prices or levels of benefits for policyholders with different characteristics is constrained by regulation.

The groups of contracts for which the full retrospective approach and the fair value approach has been adopted on transition include contracts issued more than one year apart. Please refer to the transition approaches applied by the Company in Note 2.1(a)(i).

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(ii) Level of aggregation (continued)

The insurance contracts portfolios are divided into:
- A group of contracts that are onerous at initial recognition;
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- A group of the remaining contracts in the portfolio.

The reinsurance contracts held portfolios are further divided into:
- A group of contracts on which there is a net gain on initial recognition;
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition; and
- A group of the remaining contracts in the portfolio.

(iii) Initial recognition

The Company recognises groups of insurance contracts that it issues from the earliest of the following:
- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date; or
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held:
- If the reinsurance contracts provide proportionate coverage, at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; or
- In all other cases, from the beginning of the coverage period of the first contract in the group.

The reinsurance contracts held by the Company provide proportionate cover. Therefore, the Company does not recognise a proportional reinsurance contract held until at least one underlying direct insurance contract has been recognised. Groups of reinsurance contracts held are recognised when the coverage of the first underlying contract starts.

The Company adds new contracts to the group when they are issued or initiated.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(iv) Onerous groups of contracts

The Company issues some contracts before the coverage period starts and the first premium becomes due. Therefore, the Company has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

If the facts and circumstances indicate that a group is expected to be onerous, a loss component should be recognised in the statement of financial position and the corresponding loss should be recognised in profit or loss accordingly.

(v) Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

Or

- Both of the following criteria are satisfied:
  - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
  - The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

For insurance contracts with renewal periods, the Company assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals are established by the Company by considering all the risks covered for the policyholder by the Company. The Company considers when underwriting equivalent contracts on the renewal dates for the remaining coverage. The Company reassess contract boundary of each group at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA

(i) Insurance contracts – initial measurement

On initial recognition, the Company measures a group of life insurance contracts as the total of:
- Fulfilment cash flows; and
- A CSM representing the unearned profit the Company will recognise as it provides service under the insurance contracts in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:
- Premiums and related cash flows.
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported, expected future claims and surplus to policyholders.
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs.
- Claims handling costs.
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries.
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts.
- Transaction-based taxes.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(i) Insurance contracts – initial measurement (continued)

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by policyholders.
- Other information about the known or estimated characteristics of the insurance contracts.
- Historical data about the Company's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions.
- Current pricing information, when available.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) which are implicitly deferred over the period of the contract.

The Company's CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. The Company measures the CSM on initial recognition at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- Initial recognition of the fulfilment cash flows.
- Derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows.
- Any cash flows arising from the contracts in the group at that date.

For groups of contracts assessed as onerous, the Company has recognised a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the CSM of the group being zero. A loss component has been established by the Company for the liability for remaining coverage for an onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 2.2(n)(vi)(vi)(ii).

The liability for remaining coverage is the Company's obligation to investigate and pay valid claims for insured events that have not yet occurred (i.e., the obligation that relates to the unexpired portion of the coverage period) and at initial recognition, comprises all remaining expected future cash inflows and cash outflows under an insurance contract plus the CSM for that contract.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(ii) Reinsurance contracts held – initial measurement

The liability for incurred claims is the Company's obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses. At initial recognition of a group of contracts, the liability for incurred claims is usually nil as no insured event has occurred.

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes
- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer
- The Company recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, it establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses if the reinsurance contract held was entered before or at the same time as the onerous group of underlying insurance contracts.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. Where only some contracts in the onerous underlying group are covered by the group of reinsurance contracts held, the Company uses a systematic and rational method to determine the portion of losses recognised on the underlying group of insurance contracts to insurance contracts covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Where the Company enters into reinsurance contracts held which provide coverage relating to events that occurred before the purchase of the reinsurance, such cost of reinsurance is recognised in profit or loss on initial recognition.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(iii) Insurance contracts – subsequent measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

Insurance contracts without direct participation features

For a group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group (see Note 2(n)(vi)(vi)(ii)).
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- The changes in fulfilment cash flows relating to future service, except to the extent that:
  - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss.

  Or
  - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage (see Note 2(n)(vi)(vi)(ii)).
- The effect of any currency exchange differences on the CSM.
- The amount recognised as insurance revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period (see Note 3(i)(d)).

The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of profit on the CSM is determined using the bottom-up approach (Note 3(i)(b)) at inception.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(iii) Insurance contracts – subsequent measurement (continued)

Insurance contracts without direct participation features (continued)

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted to CSM.
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM).
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period.
- Changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition (see Note 3(i)(b)).

The Company measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Company comprised the fulfilment cash flows related to past service allocated to the group at that date.

Insurance contracts with direct participation features

Direct participating contracts are contracts under which the Company's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(iii) Insurance contracts – subsequent measurement (continued)

Insurance contracts with direct participation features (continued)

When measuring a group of direct participating contracts, the Company adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Company then adjusts any CSM for changes in the Company's share of the fair value of the underlying items, which relate to future services, as described below.

The carrying amount of the CSM at the end period for direct participating contracts is adjusted for:

- the CSM of any new contracts that are added to the Company in the period;
- the Company's share of the change in the fair value of the underlying items fulfilment cash flows that relate to future services, except to the extent that:
  - the Company has chosen to exclude from the CSM changes in the effect of financial risk on its share of the underlying items;
  - the Company's share of a decrease in the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component;

  Or,
  - the Company's share of an increase in the fair value of the underlying items or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses); and
- the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts with direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items i.e. the effect of financial guarantees.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(iv) Reinsurance contracts – subsequent measurement

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.
- Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not adjust the contractual service margin as they do not relate to future service.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where the Company has established a loss-recovery component, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

A loss-recovery component reverses consistent with reversal of the loss component of underlying groups of contracts issued, even when a reversal of the loss-recovery component is not a change in the fulfilment cash flows of the group of reinsurance contracts held. Reversals of the loss-recovery component that are not changes in the fulfilment cashflows of the group of reinsurance contracts held adjust the CSM.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(v) Insurance Contracts - modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired).
  Or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

(vi) Presentation

The Company has presented separately in the statement of financial position the carrying amount of groups of insurance contracts issued that are assets, groups of insurance contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts are recognised are included in the carrying amount of the related groups of insurance contracts issued.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(vi) Presentation (continued)

The Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into a insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from insurance contracts issued from the expenses or income from reinsurance contracts held.

(i) Insurance revenue

The Company's insurance revenue depicts the provision of coverage and other services arising from a group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any distinct investment components). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The CSM release.
- Amounts related to insurance acquisition cash flows.

For management judgement applied to the amortisation of CSM, please refer to Note 3(i)(d).

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(vi) Presentation (continued)

(ii) Loss components

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service.

The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

(iii) Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:
- The effect of the time value of money and changes in the time value of money.
- The effect of financial risk and changes in financial risk.

The Company defines the Life Insurance Fund as an underlying item. Hence, changes in measurement of a group of insurance contracts caused by changes in the value of the Life Insurance Fund are reflected in insurance finance income or expenses.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(vi) Presentation (continued)

(iii) Insurance finance income and expense (continued)

The Company disaggregates insurance finance income or expenses on insurance contracts issued between profit or loss and OCI. The impact of changes in market profit rates on the value of the life insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing the insurance issued portfolios are predominantly measured at amortised cost or FVOCI.

The Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts, see Note 3(i)(b) for current discount rates.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Company reclassifies the insurance income finance or expense to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

(iv) Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive, income the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(o) Equity instruments

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

Ordinary shares
Ordinary shares are classified as equity.

Dividends
Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

(p) Earnings per share ("EPS")

The Company presents basic EPS data for its ordinary shares.

Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own share held.

(q) 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.

(r) Other financial liabilities

Other financial liabilities 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 is 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 terms, 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(s) 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 the occurrence or non-occurrence of one of more 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.

(t) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(u) Other income recognition

Interest income

Interest income including the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis taking into account the principal outstanding and the effective rate over the period of maturity, when it is determined that such income will accrue to the Company. 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.

Dividend income

Dividend income is recognised as investment income when the right to receive payment is established, which in case of quoted equity securities is the ex-dividend date, unless the dividend clearly represents a recovery of part of the cost of the investment.

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.

(v) Foreign currencies

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

Foreign currency transactions in the Company are initially translated to Ringgit Malaysia at the 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 assets and liabilities are included in profit or loss for the financial year except for differences arising on the translation of items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such items are also recognised directly in other comprehensive income.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(w) 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.

Long-term employee benefits

Long-term employee benefits are benefits that are not expected to be settled wholly before twelve months after the end of the reporting date in which employees render the related services.

The cost of long-term employee benefits is accrued to match the services rendered by employees of the Company using the recognition and measurement bases similar to that for defined contribution plans disclosed as below, except that there measurements of the net defined contribution liability or asset are recognised immediately in profit or loss.

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.

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 policyholders, the central share vehicle transfers those shares directly to the policyholders. 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(w) Employee benefits (continued)

<u>Termination benefits</u>

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:

- when the Company can no longer withdraw the offer of those benefits; and
- when the Company recognises costs for a restructuring 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.

Benefits due more than 12 months after the end of the reporting period are discounted to their present value.

(x) Other financial liabilities and payables

Other financial liabilities and 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 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(y) Fair value measurements

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(z) 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"). In the Ordinary Life Participating fund, the funding is included in the fulfilment cash flow used to measure the insurance liabilities under MFRS 17.

PSP is measured in the fulfilment cash flows at a value discounted for time value of money, which reflects the economic effect of the expected future cash flow, consistent with all the other cash flows measured in fulfilment cash flows. This accounting measurement does not affect the Ordinary Life Participating fund's obligation to repay the nominal amount of funding, nor does it affect or change any rights or obligations of the shareholder's fund.

The funding shall be repaid from future surpluses of the Ordinary Life Participating 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(k) 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

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are critical to the financial statements are as outlined below.

(i) Insurance and reinsurance contracts

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) The methods used to measure insurance contracts

The Company primarily uses deterministic projections to estimate the present value of future cash flows. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Insurance and reinsurance contracts (continued)

(a) The methods used to measure insurance contracts (continued)

The following assumptions were used when estimating future cash flows:

- **Mortality and morbidity rates**

  Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by policyholder gender, underwriting class and contract type.

  An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Company.

- **Expenses**

  Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force contracts and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

  An increase in the expected level of expenses will reduce future expected profits of the Company.

  The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts (such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics).

- **Lapse and surrender rates**

  Lapses relate to the termination of contracts due to non–payment of contributions. Surrenders relate to the voluntary termination of contracts by contractholders. Contract termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, contract duration and sales trends.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Insurance and reinsurance contracts (continued)

(a) The methods used to measure insurance contracts (continued)

- **Lapse and surrender rates (continued)**

  An increase in lapse rates early in the life of the contract would tend to reduce profits of the Company, but later increases are broadly neutral in effect.

(b) Discount rates

Life insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the observable market yields of Government Securities in the currency of the Life insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

The Company adopts a bottom-up approach in which discount rates are based on risk-free yield curve and an adjustment for illiquidity premium.

(a) For risk-free yield curves and Ultimate Forward Rate (“UFR”), references are made in particular to the Bank Negara Malaysia Risk Based Capital Framework (“BNM RBC”) which is also aligned with the approach taken by the International Associations of Insurance Supervisors (“IAIS”) on the design of the global insurance capital standards (“ICS”).

(b) For illiquidity premium, illiquidity buckets (“illiquidity application ratio”) are assigned using an objective scoring system that is based on illiquidity characteristics of products on each portfolio. Market observable illiquidity premium levels are derived every month-end based on a credit-risk adjusted market spread of reference assets of the currency.

The adjustment of illiquidity premium in (b) is added as a layer in addition to the risk-free yield curve in (a) based on the illiquidity application ratio of each portfolio.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Insurance and reinsurance contracts (continued)

(c) Risk adjustment for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the Zurich Group would require for bearing non-financial risk and are allocated to groups of contracts written by the Company reflecting the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from all contracts issued by insurance entities in the Zurich Group, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion. This diversification benefit is then allocated to the each of the respective insurance company. This is defined as the Value at Risk at the specified confidence level of the distribution of the underlying cash flows for the defined insurance and other non-financial risks. The Company applies different shocks at a confidence level specified by Zurich Group and apply diversification to determine the risk adjustment. The confidence level applied are 99.95% (2022: 99.95%). The confidence level applied for reinsurance contracts is 99.95% (2022: 99.95%).

(d) Amortisation of the Contractual Service Margin ("CSM")

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the services provided under the group of insurance contracts in that period. The amount is determined by:

- Identifying the coverage units in the group.
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future.
- Recognising in profit or loss the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of coverage provided by the contracts in the group, which is determined by considering the quantity of the benefits provided and the expected coverage duration. For groups of Life insurance contracts, the quantity of benefit is the contractually agreed sum insured over the duration of the contracts. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts held, the CSM amortisation is similar to the insurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost				
At 1 January 2022	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
Additions	3,164	-	149	3,313
Write-offs	(1,347)	-	-	(1,347)
At 31 December 2023	29,147	400	18,332	47,879
Accumulated depreciation				
At 1 January 2022	16,997	549	11,849	29,395
Charge for the financial year (Note 23)	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
Charge for the financial year (Note 23)	3,969	80	1,828	5,877
Write-offs	(1,347)	-	-	(1,347)
At 31 December 2023	17,467	233	8,927	26,627
Net carrying amount				
At 31 December 2022	12,485	247	11,084	23,816
At 31 December 2023	11,680	167	9,405	21,252

5. RIGHT-OF-USE ASSETS

	2023 RM'000	2022 RM'000
Cost		
At 1 January	61,763	47,838
Additions	-	927
Modification	1,381	12,998
At 31 December	63,144	61,763
Accumulated depreciation		
At 1 January	41,184	33,057
Charge for the financial year (Note 23)	8,458	8,313
Modification	(266)	(186)
At 31 December	49,376	41,184
Net carrying amount		
At 31 December	13,768	20,579

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:

	2023 RM'000	2022 RM'000
Depreciation of right-of-use assets (Note 23)	8,458	8,313
Interest expense on lease liabilities (Note 16)	507	370
Expense related to leases of low-value assets (Note 23)	250	261
Total amount recognised in profit or loss	9,215	8,944

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

6. INTANGIBLE ASSETS

	Computer software RM'000
Cost	
At 1 January 2022	20,704
Additions	132
Write-offs	(5,289)
At 31 December 2022 / 2023	15,547
Accumulated amortisation	
At 1 January 2022	18,752
Amortisation during the financial year (Note 23)	1,269
Write-offs	(5,289)
At 31 December 2022	14,732
Amortisation during the financial year (Note 23)	714
At 31 December 2023	15,446
Net carrying amount	
At 31 December 2022	815
At 31 December 2023	101

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

7. INVESTMENT PROPERTIES

	2023 RM'000	2022 RM'000
At 1 January	54,950	57,103
Fair value losses recorded in statement of profit or loss	-	(3)
Transferred to non-current assets held-for-sale (Note 8)	-	(2,150)
At 31 December	54,950	54,950

The fair values of the investment properties as at 31 December 2023 and 31 December 2022 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 (2022: RM54,950,000) 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 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:

	Term yield %	Reversion %	Allowance %	Reversion RM
31 December 2023				
Office building	6.25 - 7.00	6.75	5.00 - 10.00	1.00
31 December 2022				
Office building	6.25 - 7.00	6.75	5.00 - 10.00	1.00

8. NON-CURRENT ASSETS HELD-FOR-SALE

	2023 RM'000	2022 RM'000
At 1 January	6,100	16,250
Disposal	(2,150)	(12,300)
Transferred from investment properties (Note 7)	-	2,150
At 31 December	3,950	6,100

The Company had one property classified as held-for-sale as at 31 December 2023 (2022 : three properties classified as held-for-sale). The Company has signed a sale and purchase agreement for the disposal of the property and the sales is expected to be completed in 2024.

During the current financial year, the Company has completed the disposal of two properties.

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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

9. FINANCIAL ASSETS AT FVOCI AND FVTPL/AFS

	2023 RM'000	2022 RM'000
(a) FVOCI financial assets/AFS financial assets		
Malaysian Government Securities/ Government Investment Issues	1,431,321	1,139,028
Corporate debt securities		
- Unquoted in Malaysia	3,756,932	3,535,200
Equity securities		
- Unquoted in Malaysia	-	29,429
Unit trusts		
- Quoted in Malaysia	-	252,226
	5,188,253	4,955,883
Current	220,110	464,929
Non-current	4,968,143	4,490,954
	5,188,253	4,955,883
(b) FVTPL financial assets		
Held-for-trading:		
Equity securities		
- Quoted in Malaysia	-	466,898
Unit trusts		
- Quoted in Malaysia	-	185,437
	-	652,335
Designated at FVTPL:		
Malaysian Government Securities/ Government Investment Issues	6,324	6,215
Corporate debt securities		
- Unquoted in Malaysia	175,785	170,844
Equity securities		
- Quoted in Malaysia	965,212	649,053
- Unquoted in Malaysia	30,903	-
Unit trusts		
- Quoted in Malaysia	394,194	2,089
- Quoted outside Malaysia	84,402	74,183
- Unquoted outside Malaysia	391,769	323,146
	2,048,589	1,225,530
	2,048,589	1,877,865
Current	1,875,133	1,706,225
Non-current	173,456	171,640
	2,048,589	1,877,865

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

10. FINANCIAL ASSETS AT AC/LAR

	2023 RM'000	2022 RM'000 Restated
Mortgage loans	53,919	54,016
Allowance for impairment loss	(36,936)	(36,934)
Net loans	16,983	17,082

The carrying amount for 2022 has been restated to exclude policy loans amounting to RM271,070,000 which under MFRS 17 is reported as part of fulfilment cash flows and netted off against insurance contract liabilities.

The estimated fair values of the loans have been established by comparing current market interest rates for similar financial instruments to the rates offered when the loans 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 secured loans and unsecured loans are reasonable approximations of fair value due to the insignificant impact of discounting.

The maturity structure of the financial assets at AC/LAR is as follows:

	2023 RM'000	2022 RM'000 Restated
Receivables within 12 months	15,518	15,384
Receivables after 12 months	1,465	1,698
	16,983	17,082

Included in the total loan portfolio net of allowance for impairment as at 31 December 2023 is several NPL amounting to approximately RM15,344,000 (2022: RM14,907,000). 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% and the recovery process be delayed by a year, there may be a potential shortfall in the net recoverable value of approximately RM2,895,000 (2022: RM2,895,000) for the NPL.

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

	2023 RM'000	2022 RM'000
At 1 January (as previously stated)	36,934	28,939
Effects of adoption of MFRS 9	2	-
At 1 January (as restated)	36,936	28,939
Allowance during the financial year	-	8,436
Write off	-	(441)
At 31 December	36,936	36,934

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES

The breakdown of groups of insurance contracts issued, and reinsurance contract held, that are in an assets position and those in a liabilities position is set out in the table below:

	Assets RM'000	Liabilities RM'000	Net RM'000
31 December 2023			
Insurance contracts issued	-	5,659,185	5,659,185
Reinsurance contracts held	(34,707)	-	(34,707)
Insurance and reinsurance contracts (liabilities)/assets	(34,707)	5,659,185	5,624,478
31 December 2022 (Restated)			
Insurance contracts issued	-	5,572,961	5,572,961
Reinsurance contracts held	(64,315)	-	(64,315)
Insurance and reinsurance contracts (liabilities)/assets	(64,315)	5,572,961	5,508,646
1 January 2022 (Restated)			
Insurance contracts issued	-	5,941,151	5,941,151
Reinsurance contracts held	(66,584)	-	(66,584)
Insurance and reinsurance contracts (liabilities)/assets	(66,584)	5,941,151	5,874,567

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(a) Insurance contracts issued

The roll-forward of the net liabilities for insurance contracts issued, showing the liabilities for remaining coverage and the liabilities for incurred claims, is disclosed in the table below:

	Liabilities for remaining coverage			
	Excluding loss component	Loss component	Liability for incurred claims	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2023				
Insurance contract liabilities	5,213,119	220,974	138,868	5,572,961
Insurance contract assets	-	-	-	-
Net insurance contract liabilities	5,213,119	220,974	138,868	5,572,961
Insurance revenue				
Expected incurred claims and other insurance service results	(453,875)	-	-	(453,875)
Change in risk adjustment for non-financial risk expired	(12,882)	-	-	(12,882)
CSM recognised for service provided	(57,988)	-	-	(57,988)
Recovery of insurance acquisition cashflows	(48,359)	-	-	(48,359)
Other insurance revenue	(12,961)	-	-	(12,961)
	(586,065)	-	-	(586,065)
Insurance service expense				
Incurred claims and other insurance service expenses	-	-	478,800	478,800
Losses on onerous contracts and reversals of those losses	-	(44,984)	-	(44,984)
Amortisation of insurance acquisition cash flows	48,359	-	-	48,359
	48,359	(44,984)	478,800	482,175
Insurance service results	(537,706)	(44,984)	478,800	(103,890)
Insurance finance income	385,871	4,334	-	390,205
Total changes in the statement of profit or loss and other comprehensive income	(151,835)	(40,650)	478,800	286,315
Cash flows				
Premiums and premium tax received	837,640	-	-	837,640
Claims and other insurance service expenses paid	-	-	(1,100,119)	(1,100,119)
Investment components	(610,541)	-	610,541	-
Insurance acquisition cashflows	(67,369)	-	-	(67,369)
Total cash flows	159,730	-	(489,578)	(329,848)
Other movements	129,757	-	-	129,757
Net insurance contract liabilities as at 31 December 2023	5,350,771	180,324	128,090	5,659,185
At 31 December 2023				
Insurance contract liabilities	5,350,771	180,324	128,090	5,659,185
Insurance contract assets	-	-	-	-
Net insurance contract liabilities	5,350,771	180,324	128,090	5,659,185

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(a) Insurance contracts issued (continued)

The roll-forward of the net liabilities for insurance contracts issued, showing the liabilities for remaining coverage and the liabilities for incurred claims, is disclosed in the table below:

	Liabilities for remaining coverage			
	Excluding loss component	**Loss component**	**Liability for incurred claims**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January 2022				
Insurance contract liabilities	5,587,710	194,198	159,243	5,941,151
Insurance contract assets	-	-	-	-
Net insurance contract liabilities	5,587,710	194,198	159,243	5,941,151
Insurance revenue				
Expected incurred claims and other insurance service results	(475,421)	-	-	(475,421)
Change in risk adjustment for non-financial risk expired	(12,935)	-	-	(12,935)
CSM recognised for service provided	(62,237)	-	-	(62,237)
Recovery of insurance acquisition cashflows	(49,491)	-	-	(49,491)
Other insurance revenue	2,211	-	-	2,211
	(597,873)	-	-	(597,873)
Insurance service expense				
Incurred claims and other insurance service expenses	-	-	435,687	435,687
Losses on onerous contracts and reversals of those losses	-	23,728	-	23,728
Amortisation of insurance acquisition cash flows	49,491	-	-	49,491
	49,491	23,728	435,687	508,906
Insurance service results	(548,382)	23,728	435,687	(88,967)
Insurance finance expenses	(59,745)	3,048	-	(56,697)
Total changes in the statement of profit or loss and other comprehensive income	(608,127)	26,776	435,687	(145,664)
Cash flows				
Premiums and premium tax received	857,006	-	-	857,006
Claims and other insurance service expenses paid	-	-	(888,170)	(888,170)
Investment components	(432,108)	-	432,108	-
Insurance acquisition cashflows	(77,832)	-	-	(77,832)
Total cash flows	347,066	-	(456,062)	(108,996)
Other movements	(113,530)	-	-	(113,530)
Net insurance contract liabilities as at 31 December 2022	5,213,119	220,974	138,868	5,572,961
At 31 December 2022				
Insurance contract liabilities	5,213,119	220,974	138,868	5,572,961
Insurance contract assets	-	-	-	-
Net insurance contract liabilities	5,213,119	220,974	138,868	5,572,961

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(b) Reinsurance contracts held

The roll-forward of the net liabilities or assets for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to reinsurers, is disclosed in the table below:

	Assets for remaining coverage			
	Excluding loss-recovery component	**Loss-recovery component**	**Amount recoverable: incurred claims**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January 2023				
Reinsurance contract assets	120,642	(87,431)	(97,526)	(64,315)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract liabilities/(assets)	120,642	(87,431)	(97,526)	(64,315)
Amounts relating to the changes in the assets for remaining coverage	20,054	-	-	20,054
Amounts recoverable from reinsurers	-	-	(22,186)	(22,186)
Recognition of loss-recovery from onerous underlying contracts	-	29,984	-	29,984
Net expenses from reinsurance contract held	20,054	29,984	(22,186)	27,852
Reinsurance finance income	(3,090)	(4,330)	-	(7,420)
Effect of changes in non-performance risk of reinsurers	(75)	-	-	(75)
Total changes in the statement of profit or loss and other comprehensive income	16,889	25,654	(22,186)	20,357
Cash flows				
Premiums and similar expenses paid	(41,098)	-	-	(41,098)
Amounts received from reinsurers	(11,548)	-	61,897	50,349
Total cash flows	(52,646)	-	61,897	9,251
Other movements	(17,289)	-	17,289	-
Net reinsurance contract assets as at 31 December 2023	67,596	(61,777)	(40,526)	(34,707)
At 31 December 2023				
Reinsurance contract assets	67,596	(61,777)	(40,526)	(34,707)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract liabilites/(assets)	67,596	(61,777)	(40,526)	(34,707)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(b) Reinsurance contracts held (continued)

The roll-forward of the net liabilities or assets for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to reinsurers, is disclosed in the table below: (continued)

	Assets for remaining coverage			
	Excluding loss-recovery component	**Loss-recovery component**	**Amount recoverable: incurred claims**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January 2022				
Reinsurance contract assets	24,565	(37,049)	(54,100)	(66,584)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract liablities/(assets)	24,565	(37,049)	(54,100)	(66,584)
Amounts relating to the changes in the assets for remaining coverage	63,013	-	-	63,013
Amounts recoverable from reinsurers	-	-	(29,935)	(29,935)
Recognition of loss-recovery from onerous underlying contracts	-	(48,459)	-	(48,459)
Net (income) from reinsurance contract held	63,013	(48,459)	(29,935)	(15,381)
Reinsurance finance income	1,714	(1,924)	-	(210)
Effect of changes in non-performance risk of reinsurers	(62)	-	-	(62)
Total changes in the statement of profit or loss and other comprehensive income	64,665	(50,383)	(29,935)	(15,653)
Cash flows				
Premiums and similar expenses paid	(24,490)	-	-	(24,490)
Amounts received from reinsurers	40,975	-	1,437	42,412
Total cash flows	16,485	-	1,437	17,922
Other movements	14,926	-	(14,926)	-
Net reinsurance contract assets as at 31 December 2022	120,641	(87,432)	(97,524)	(64,315)
At 31 December 2022				
Reinsurance contract assets	120,641	(87,432)	(97,524)	(64,315)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract liabilities/(assets)	120,641	(87,432)	(97,524)	(64,315)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(c) Insurance contracts issued

The table below presents a roll-forward of the net liabilities for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios of insurance contracts insured in the life insurance unit.

	Estimate of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000
At 1 January 2023				
Insurance contract liabilities	5,087,317	122,041	363,603	5,572,961
Insurance contract assets	-	-	-	-
Net insurance contract liabilities	5,087,317	122,041	363,603	5,572,961
Changes that relate to current services				
Contractual service margin recognised for services provided	-	-	(57,988)	(57,988)
Risk adjustment recognised for the risk expired	-	(12,676)	-	(12,676)
Experience adjustments	20,557	-	1,661	22,218
Changes that relate to future services				
Contracts initially recognised in the period	(83,112)	9,610	73,502	-
Changes in estimates that adjust the contractual service margin	6,158	(1,090)	(7,128)	(2,060)
Changes in estimates that do not adjust the contractual service margin	(23,786)	(2,441)	-	(26,227)
Changes that relate to past services				
Adjustments to liabilities for incurred claims	(27,157)	-	-	(27,157)
Insurance service results	(107,340)	(6,597)	10,047	(103,890)
Insurance finance income	377,371	6,865	5,969	390,205
Total changes in the statement of profit or loss and other comprehensive income	270,031	268	16,016	286,315
Cash flows				
Premiums and premium tax received	837,640	-	-	837,640
Claims and other insurance service expenses paid	(1,100,119)	-	-	(1,100,119)
Insurance acquisition cashflows	(67,369)	-	-	(67,369)
Total cash flows	(329,848)	-	-	(329,848)
Other movements	129,757	-	-	129,757
Net insurance contract liabilities as at 31 December 2023	5,157,257	122,309	379,619	5,659,185

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(c) Insurance contracts issued (continued)

The table below presents a roll-forward of the net liabilities for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios of insurance contracts issued in the life insurance unit. (continued)

	Estimate of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2022				
Insurance contract liabilities	5,401,951	124,856	414,344	5,941,151
Insurance contract assets	-	-	-	-
Net insurance contract liabilities	5,401,951	124,856	414,344	5,941,151
<u>Changes that relate to current services</u>				
Contractual service margin recognised for services provided	-	-	(62,237)	(62,237)
Risk adjustment recognised for the risk expired	-	(14,036)	-	(14,036)
Experience adjustments	(27,207)	-	(6,244)	(33,451)
<u>Changes that relate to future services</u>				
Contracts initially recognised in the period	(78,624)	7,769	70,855	-
Changes in estimates that adjust the contractual service margin	68,471	(2,583)	(59,505)	6,383
Changes in estimates that do not adjust the contractual service margin	41,079	3,890	-	44,969
<u>Changes that relate to past services</u>				
Adjustments to liabilities for incurred claims	(30,595)	-	-	(30,595)
Insurance service results	(26,876)	(4,960)	(57,131)	(88,967)
Insurance finance expenses	(65,232)	2,145	6,390	(56,697)
Total changes in the statement of profit or loss and other comprehensive income	(92,108)	(2,815)	(50,741)	(145,664)
Cash flows				
Premiums and premium tax received	857,006	-	-	857,006
Claims and other insurance service expenses paid	(888,170)	-	-	(888,170)
Insurance acquisition cashflows	(77,832)	-	-	(77,832)
Total cash flows	(108,996)	-	-	(108,996)
Other movements	(113,530)	-	-	(113,530)
Net insurance contract liabilities as at 31 December 2022	5,087,317	122,041	363,603	5,572,961

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(d) Reinsurance contracts held

The table below presents a roll-forward of the net assets for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios of reinsurance contracts held by the life insurance unit.

	Estimate of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2023				
Reinsurance contract assets	(13,962)	(2,528)	(47,825)	(64,315)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract assets	(13,962)	(2,528)	(47,825)	(64,315)
Changes that relate to current services				
Contractual service margin recognised for services provided	-	-	(5,887)	(5,887)
Risk adjustment recognised for the risk expired	-	218	-	218
Experience adjustments	(1,339)	-	-	(1,339)
Changes that relate to future services				
Contracts initially recognised in the period	(4,260)	(520)	4,780	-
Changes in estimates that adjust the contractual service margin	(2,324)	(30)	2,354	-
Changes in the contractual service margin due to recognition of a loss-recovery component from onerous underlying contracts	34,938	(59)	-	34,879
Changes that relate to past services				
Changes in amounts recoverable arising from changes in liability for incurred claims	(19)	-	-	(19)
Net expenses or income	26,996	(391)	1,247	27,852
Reinsurance finance income	(5,108)	176	(2,488)	(7,420)
Effect of changes in non-performance risk of reinsurers	(74)	(1)	-	(75)
Total changes in the statement of profit or loss and other comprehensive income	21,814	(216)	(1,241)	20,357
Cash flows				
Premiums and premium tax received	(41,098)	-	-	(41,098)
Amounts received by reinsurers	50,349	-	-	50,349
Total cash flows	9,251	-	-	9,251
Net reinsurance contract liabilities as at 31 December 2023	17,103	(2,744)	(49,066)	(34,707)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(d) Reinsurance contracts held (continued)

The table below presents a roll-forward of the net assets for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios of reinsurance contracts held by the life insurance unit. (continued)

	Estimate of the present value of future cash flows	**Risk adjustment**	**Contractual service margin**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January 2022				
Reinsurance contract assets	(23,419)	(3,268)	(39,897)	(66,584)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract assets	(23,419)	(3,268)	(39,897)	(66,584)
Changes that relate to current services				
Contractual service margin recognised for services provided		-	(1,042)	(1,042)
Risk adjustment recognised for the risk expired	-	262	-	262
Experience adjustments	(9,944)	-	-	(9,944)
Changes that relate to future services				
Contracts initially recognised in the period	(5,913)	(316)	6,229	-
Changes in estimates that adjust the contractual service margin	10,076	400	(10,476)	-
Changes in the contractual service margin due to recognition of a loss-recovery component from onerous underlying contracts	(5,084)	262	-	(4,822)
Changes that relate to past services				
Changes in amounts recoverable arising from changes in liability for incurred claims	165	-	-	165
Net expenses or income	(10,700)	608	(5,289)	(15,381)
Reinsurance finance income	2,297	132	(2,639)	(210)
Effect of changes in non-performance risk of reinsurers	(62)	-	-	(62)
Total changes in the statement of profit or loss and other comprehensive income	(8,465)	740	(7,928)	(15,653)
Cash flows				
Premiums and premium tax received	(24,490)	-	-	(24,490)
Amounts received from reinsurers	42,412	-	-	42,412
Total cash flows	17,922	-	-	17,922
Net reinsurance contract liabilities as at 31 December 2022	(13,962)	(2,528)	(47,825)	(64,315)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

The impact on the current year results and balance of CSM at the financial year end, due to the use of the FRA at the transition date, for portfolios of insurance contracts issued by the life insurance unit is disclosed in the table below:

	2023	2022
	All other contracts RM'000	All other contracts RM'000
Contractual service margin as at 01 January	363,603	414,344
Change that relate to current service:		
Contractual service margin recognised for service provided	(57,988)	(62,237)
Experience adjustments	1,661	(6,244)
Changes that relate to future services:		
Contracts initially recognised in the period	73,502	70,855
Changes in estimates that adjust the contractual service margin	(7,128)	(59,505)
Insurance service result	10,047	(57,131)
Insurance finance expenses	5,969	6,390
Total changes in the statement of profit or loss and OCI	16,016	(50,741)
Contractual service margin as at 31 December	379,619	363,603

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

The component of new business for portfolios of insurance contracts issued by the life insurance is disclosed in the table below:

	2023		
	Contracts issued		
	Non-onerous	Onerous	Total
	RM'000	RM'000	RM'000
Life insurance contract liabilites			
Estimate of present value of future cash outflows, excluding insurance asquisition cash flows	462,878	-	462,878
Estimate of insurance acquisition cash flows	51,161	-	51,161
Estimate of present value of future cash outflows	514,039	-	514,039
Estimate of present value of future cash inflows	(597,151)	-	(597,151)
Risk adjustment	9,610	-	9,610
CSM	73,502	-	73,502
Losses on onerous contracts at initial recognition	-	-	-

	2022		
	Contracts issued		
	Non-onerous	Onerous	Total
	RM'000	RM'000	RM'000
Life insurance contract liabilites			
Estimate of present value of future cash outflows, excluding insurance asquisition cash flows	484,921	-	484,921
Estimate of insurance acquisition cash flows	51,785	-	51,785
Estimate of present value of future cash outflows	536,706	-	536,706
Estimate of present value of future cash inflows	(615,330)		(615,330)
Risk adjustment	7,769		7,769
CSM	70,855		70,855
Losses on onerous contracts at initial recognition	-	-	-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

12. OTHER RECEIVABLES

	2023 RM'000	2022 RM'000
Outstanding proceeds from disposal of investments	7,116	6,206
Deposits, prepayment and other receivables	20,370	18,235
	27,486	24,441
Allowance for impairment loss	(666)	(703)
	26,820	23,738

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

13. DEFERRED TAXATION

	2023 RM'000	2022 RM'000 Restated
At 1 January (as previously stated)	(151,184)	(153,363)
Effects of adoption of MFRS 9	(895)	-
Effects of adoption of MFRS 17	(26,916)	(17,502)
At 1 January (as restated)	(178,995)	(170,865)
Recognised in:		
Profit or loss (Note 24)	(27,177)	(14,930)
Other comprehensive income	(10,461)	7,695
At 31 December	(216,633)	(178,100)

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:

	2023 RM'000	2022 RM'000 Restated
Deferred tax assets	8,781	18,441
Deferred tax liabilities	(225,414)	(196,541)
	(216,633)	(178,100)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

13. 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:

(i) Deferred tax assets

	Investments and loans RM'000	Investment properties RM'000	Others RM'000	Total RM'000
At 1 January 2023 (as previously stated)	9,885	8,556	-	18,441
Effects of adoption of MFRS 9	(308)	-	-	(308)
At 1 January 2023 (as restated)	9,577	8,556	-	18,133
Recognised in:				
Profit or loss	(8,369)	(1,355)	-	(9,724)
Other comprehensive income	372	-	-	372
At 31 December 2023	1,580	7,201	-	8,781
At 1 January 2022	2,240	8,701	28	10,969
Recognised in:				
Profit or loss	7,874	(145)	(28)	7,701
Other comprehensive income	(229)	-	-	(229)
At 31 December 2022	9,885	8,556	-	18,441

(ii) Deferred tax liabilities

	Property, plant and equipment RM'000	Investments and loans RM'000	Life Non-Participating Fund surplus RM'000	Total RM'000
At 1 January 2023 (as previously stated)	(698)	-	(168,927)	(169,625)
Effects of adoption of MFRS 17	-	-	(26,916)	(26,916)
At 1 January 2023	(698)	-	(195,843)	(196,541)
Effects of adoption of MFRS 9	-	(1,351)	764	(587)
At 1 January 2023 (as restated)	(698)	(1,351)	(195,079)	(197,128)
Recognised in:				
Profit or loss	303	2,139	(19,895)	(17,453)
Other comprehensive income	-	(10,833)	-	(10,833)
At 31 December 2023	(395)	(10,045)	(214,974)	(225,414)
At 1 January 2022 (as previously stated)	(482)	(14,500)	(149,350)	(164,332)
Effects of adoption of MFRS 17	-	-	(17,502)	(17,502)
At 1 January 2022 (as restated)	(482)	(14,500)	(166,852)	(181,834)
Recognised in:				
Profit or loss	(216)	6,576	(28,991)	(22,631)
Other comprehensive income	-	7,924	-	7,924
At 31 December 2022	(698)	-	(195,843)	(196,541)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

14. SHARE CAPITAL

	2023		2022	
	Number of shares '000	Share capital RM'000	Number of shares '000	Share capital RM'000
Issued and fully paid				
At 31 December				
– ordinary shares with no par value	579,000	579,000	579,000	579,000

15. 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 fair value through other comprehensive income (2022: available-for-sale reserve), assets revaluation reserve and insurance finance reserves.

The fair value through other comprehensive income (2022: available-for-sale reserve) of the Company represents the fair value gains or losses of the fair value through other comprehensive income 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.

The insurance finance reserve of the Company represents the cumulative changes to the carrying amount of insurance contracts issued and reinsurance contracts held arising from the effect and changes in the time value of money and financial risk of the life non-participating fund.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

16. LEASE LIABILITIES

	2023 RM'000	2022 RM'000
At 1 January	20,440	15,190
Additions	-	913
Accrued interest (Note 5)	507	370
Lease modification	1,646	13,225
Payment for lease liabilities	(8,961)	(9,258)
At 31 December	13,632	20,440
Repayable within 12 months	7,152	9,107
Repayable after 12 months	6,480	11,333
	13,632	20,440

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

17. OTHER LIABILITIES

	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Investment creditors	1,827	769	1,830
Unclaimed monies	34,174	37,766	28,006
Rental deposits	111	111	360
Accrual for unutilised staff leave	1,420	1,728	1,815
Accrued expenses	43,548	37,352	23,211
Other payables	56,402	55,498	54,515
	137,482	133,224	109,737
Repayable within 12 months	137,461	133,224	109,602
Repayable after 12 months	21	-	135
	137,482	133,224	109,737

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

18. INSURANCE REVENUE

	2023 RM'000	2022 RM'000 Restated
Insurance contracts issued not measured under PAA		
Expected claims and insurance service expenses	453,875	475,421
Change in risk adjustment for non financial risk	12,882	12,935
Amount of CSM recognised in profit or loss	57,988	62,237
Other amount	12,961	(2,211)
Amounts relating to recovery of insurance acquisition cash flows	48,359	49,491
	586,065	597,873

19. INSURANCE SERVICE EXPENSES

	2023 RM'000	2022 RM'000 Restated
Insurance contracts issued not measured under PAA		
Incurred claims and other directly attributable expenses	478,800	435,687
Losses on onerous contracts and reversal of those losses	(44,984)	23,728
Insurance acquisition cash flow amortisation	48,359	49,491
	482,175	508,906

20. NET (EXPENSES)/INCOME FROM REINSURANCE CONTRACTS HELD

	2023 RM'000	2022 RM'000 Restated
Reinsurance (expenses)/income from contracts not measured under PAA		
Expected claims and other expenses recovery incurred	(26,331)	(63,447)
Change in risk adjustment for non financial risk	390	(608)
Amount of CSM recognised in profit or loss	5,887	1,042
Allocation of reinsurance premiums	(20,054)	(63,013)
Amounts recoverable for claims and other expenses incurred	22,186	29,935
Losses on onerous contracts and reversal of those losses	(29,984)	48,459
Amounts recoverable from reinsurers	(7,798)	78,394
Net (expenses)/income from reinsurance contracts held	(27,852)	15,381

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

21. INVESTMENT INCOME

	2023 RM'000	2022 RM'000 Restated
FVTPL financial assets		
Interest/profit income:		
- Malaysian Government Securities/Government Investment Issues	265	273
- Corporate debt securities unquoted in Malaysia	8,612	8,431
Dividend/distribution income:		
- Equity securities quoted in Malaysia	38,309	45,076
- Equity securities unquoted in Malaysia	761	-
- Unit trusts quoted in Malaysia	24,867	11,590
- Unit trusts quoted outside Malaysia	1,142	981
Amortisation of premiums:		
- Malaysian Government Securities/Government Investment Issues	(27)	(27)
- Corporate debt securities unquoted in Malaysia	(543)	(592)
	73,386	65,732
FVOCI financial assets/AFS financial assets		
Interest/profit income:		
- Malaysian Government Securities/Government Investment Issues	53,494	37,610
- Corporate debt securities unquoted in Malaysia	172,008	181,400
Dividend/distribution income:		
- Equity securities unquoted in Malaysia	-	1,354
- Unit trusts quoted in Malaysia	-	14,078
Amortisation of premiums:		
- Malaysian Government Securities/Government Investment Issues	(1,648)	(1,784)
- Corporate debt securities unquoted in Malaysia	(8,426)	(9,391)
	215,428	223,267
Amortised cost/LAR		
Interest/profit income:		
- Mortgage loans	134	69
- Fixed and call deposits	6,914	4,789
	7,048	4,858
Properties		
Gross rental income	3,734	3,691
Less: Rates and maintenance	(3,798)	(2,692)
	(64)	999
	295,798	294,856

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

22. NET INSURANCE FINANCIAL RESULT

	2023 RM'000	2022 RM'000 Restated
Finance expenses/(income) from insurance contracts issued		
Changes in fair value of underlying assets of contracts measured under the VFA	(330,656)	46,724
Interest accreted using current financial assumption	(5,967)	(6,391)
Effect of changes in interest rates and other financial assumption	(53,582)	16,364
	(390,205)	56,697
Represented by:		
Amount recognised in profit and loss	(266,245)	(27,205)
Amount recognised in OCI	(123,960)	83,902
	(390,205)	56,697
Finance income from reinsurance contracts held		
Interest accreted using current financial assumption	2,049	2,157
Effect of changes in interest rates and other financial assumption	5,371	(1,947)
Changes in risk non-performance reinsurer	75	62
	7,495	272
Represented by:		
Amount recognised in profit and loss	6,438	1,219
Amount recognised in OCI	1,057	(947)
	7,495	272
Net insurance financial result	(259,807)	(25,986)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

23. OTHER OPERATING EXPENSES

	2023 RM'000	2022 RM'000 Restated
Realised foreign exchange gain	137	124
Unrealised foreign exchange gain	17,732	21,032
Other income	1,092	758
Other non-attributable expenses	(31,848)	(32,747)
	(12,887)	(10,833)

Details of the expenses incurred by the Company is provided below:

	2023 RM'000	2022 RM'000
Staff costs (including Chief Executive Officer and Executive Director):		
- Salaries and bonus	80,760	75,537
- Staff and retirement benefits contributions	17,417	12,738
Directors' remuneration	897	893
Auditors' remuneration:		
- Statutory audit	504	444
- Other assurance services	605	255
- Regulatory-related services	42	42
Expenses relating to leases of low-value assets (Note 5)	250	261
Depreciation of property, plant and equipment (Note 4)	5,877	5,787
Depreciation of right-of-use assets (Note 5)	8,458	8,313
Amortisation of intangible assets (Note 6)	714	1,269
Agency related expenses	15,983	19,549
Advertising, promotional and entertainment expenses	2,779	3,005
Other miscellaneous expenses	2,489	9,897
Total expenses	136,775	137,990
Represented by expenses recognised in:		
Insurance service expenses	98,732	99,810
Maintenance expenses	77,081	73,567
Acquisition expenses	21,651	26,243
Investment related expenses	6,195	5,433
Other non-attributable expenses	31,848	32,747
	136,775	137,990

23. OTHER OPERATING 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
2023				
Chief Executive Officer				
Khoo Ai Lin	4,796	-	27	4,823
Executive Director				
Timothy Willam Howell	-	-	-	-
Non-Executive Directors				
Choy Khai Choon	40	240	9	289
Donald Joshua Jaganathan	44	160	-	204
Onn Kien Hoe	40	160	-	200
Datuk Dr Hafsah binti Hashim	44	160	-	204
	168	720	9	897
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

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	
	2023	**2022**
Executive Director		
RM0	1	1
Non-Executive Directors:		
RM1 - RM100,000	-	1
RM100,001 – RM200,000	-	1
RM200,001 – RM300,000	4	3

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

24. TAXATION

	2023 RM'000	2022 RM'000
Current tax		
Current financial year	20,797	20,726
(Over)/under provision of taxation in prior financial year	(1,531)	1,304
	19,266	22,030
Deferred tax (Note 13)		
Origination and reversal of temporary differences	27,177	14,930
	46,443	36,960

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:

	2023 RM'000	2022 RM'000 Restated
Profit before taxation	125,327	142,402
Taxation at Malaysian statutory tax rate of 24% (2022:24%)	30,078	34,176
Effect due to different tax rates	(14,178)	(6,584)
Income not subject to tax	(40,017)	(39,868)
Expenses not deductible for tax purposes	60,185	61,540
Tax impact on investment income attributable to policyholders and unitholders	11,906	(13,608)
	47,974	35,656
(Over)/under provision of taxation in prior financial year	(1,531)	1,304
Tax expenses	46,443	36,960

The income tax for the Shareholders' fund is calculated based on the corporate tax rate of 24% (2022: 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% (2022: 8%) of the assessable investment income net of allowable deductions for the financial year.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

25. DIVIDENDS

In the previous year, the Company declared an interim dividend of RM50,000,000 (RM0.086 per share) in respect of the financial year ended 31 December 2022 which was paid on 29 December 2022.

26. 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.

	2023 RM'000	2022 RM'000
Net profit attributable to ordinary equity holders	78,884	105,442
Weighted average number of shares in issue	579,000	579,000
Basic/diluted earnings per share (sen)	13.62	18.21

27. 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.

	2023 RM'000	2022 RM'000
Within 1 year	2,951	3,074
In the 2nd year	2,198	2,753
In the 3rd year	162	2,001
Total undiscounted lease payments	5,311	7,828

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

28. CASH UTILISED IN OPERATING ACTIVITIES

	Note	2023 RM'000	2022 RM'000 Restated
Net profit for the financial year		78,884	105,442
Adjustments:			
Depreciation of property, plant and equipment	4	5,877	5,787
Depreciation of right-of-use assets	5	8,458	8,313
Amortisation of intangible assets	6	714	1,269
Investment income	21	(295,798)	(294,856)
Net fair value (gains)/losses on financial assets		(48,873)	133,677
Realised losses/(gains) on financial assets at:			
- FVTPL		20,738	47,630
- FVOCI		(2,059)	(7,702)
Net fair value (gains)/losses on non financial asset		(526)	71
Impairment loss on financial assets		2,267	44,615
Unrealised foreign exchange gains recorded in profit or loss		(17,732)	(21,032)
Write-back of impairment of other receivables		(36)	-
Interest expenses on lease liabilities	16	507	370
Tax expense		46,443	36,960
Operating cashflows before changes in working capital		(201,136)	60,544
Changes in working capital:			
Decrease in financial assets at FVTPL		156,424	68,012
Increase in financial assets at FVOCI/AFS		(351,072)	(46,865)
Decrease in financial assets at AC/LAR		97	1,666
Decrease/(increase) in reinsurance assets		30,666	(2,808)
Increase in other receivables		(3,715)	(1,482)
Decrease in insurance contract liabilities		(37,736)	(280,156)
Increase in other liabilities		3,545	23,260
Cash utilised in operating activities		(402,927)	(177,829)

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.

29. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationship

The related parties and their relationship with the Company as at 31 December 2023 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 Holdings Malaysia Berhad	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:

	2023 RM'000	2022 RM'000
(Expenses)/income:		
Non-trade		
Immediate holding company		
Dividend declared	-	(50,000)
Reimbursement of expenses	(9,518)	(7,226)
Non-trade		
Subsidiary of ultimate holding company		
Reimbursement of expenses	(517)	(788)
Outsourcing expenses	(5,320)	(4,896)
Fellow subsidiary		
Rental income and deposits	193	239
Cost sharing charges	31,561	26,885
Reimbursement of expenses	22,086	17,181
Actuarial support services	(597)	(490)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

29. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related party balances

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

	2023 RM'000	2022 RM'000
Amount due from related companies		
Other receivables*	6,734	4,789
Amount due to related companies		
Trade payables**	60,120	61,908
Other payables*	8,447	2,808

* 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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Company includes the Directors, Chief Executive Officer, members of the Executive Committee and other key responsible persons of the Company.

	2023 RM'000	2022 RM'000
Salaries and other short-term employee benefits and directors' emoluments	13,444	14,787
Defined contribution retirement benefits	2,011	1,569
Share-based payments/benefits	3,101	3,297
	18,556	19,653
CEO's remuneration (Note 23)	4,823	3,625

The estimated monetary value of benefits provided to the CEO during the financial year by way of usage of the Company's assets was RM27,139 (2022: RM31,150).

30. RISK MANAGEMENT FRAMEWORK

The Company adopts the three lines of defence model approach to governance and enterprise risk management. The Company's risk governance structure and risk reporting requirements 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 risk 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"), Sustainability Council 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 exposures and portfolio composition, and ensure that infrastructure, resources and systems are put in place for effective risk management activities.

Governance and 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.

30. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Capital Management

The Company's capital management policy is to create shareholder value, maintain a strong capital position to enable it to meet its obligation to policyholders, as well as regulatory requirements and make strategic investments for business growth.

The minimum Capital Adequacy Ratio ("CAR") under the RBC Framework for Insurers regulated by BNM is 130% for each insurance entity. The Company complied with the minimum CAR as at 31 December 2023.

The Total Capital Available of the Company as at 31 December 2023 was RM1,998,482,000 (2022: RM1,791,790,000).

The capital structure of the Company as at 31 December 2023, as prescribed under the RBC Framework, is shown below:

	2023 RM'000	2022 RM'000
Tier 1 Capital		
Paid-up share capital	579,000	579,000
Reserves, including retained earnings	1,301,836	1,201,552
	1,880,836	1,780,552
Tier 2 Capital		
Fair value through other comprehensive income reserves	126,138	21,469
Less:		
Deferred tax assets	(8,492)	(10,231)
Total Capital Available	1,998,482	1,791,790

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

31. INSURANCE RISK

The Company accepts insurance risk through its written insurance contracts. The Company writes Life insurance contracts (health, group life, mortgage and investment-linked). Insurance risk is the inherent uncertainty regarding the fluctuations in the timing, frequency and severity of insured events, relative to our expectations at the time of underwriting. It can also refer to fluctuations in the timing and amount of claim settlements. The insurance risk appetite is defined through the review of portfolio size, underwriting criteria, product limits, reinsurance arrangements, underwriting authorities, claims signing authorities, delegation of authorities, pricing adequacy, aggregate risks and loss scenarios.

Reinsurance offers financial protection to insurance companies against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with reinsurance companies are the counterparty risk of reinsurers failing to honor their obligations. The Company monitors the reinsurers' creditworthiness on a regular basis.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks. Medical selection is part of the Company's underwriting procedures, whereby contributions are charged to reflect the health condition and life medical history of the policyholders. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval. Products are reviewed by the Management Committee on periodic basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

Geographically, the Company's risks are concentrated in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

31. INSURANCE RISK (CONTINUED)

The table below sets out the concentration of the Company's net insurance liabilities, by type of insurance contracts issued and reinsurance contracts held:

	Insurance contracts issued RM'000	Re-insurance contracts held RM'000	Net RM'000
31 December 2023			
Annuity	882,735	(10,765)	871,970
Participating	2,715,073	(5,846)	2,709,227
Protection Medical	308,611	(3,002)	305,609
Protection Non Medical	1,035,558	(15,094)	1,020,464
Savings	717,208	-	717,208
	5,659,185	(34,707)	5,624,478
31 December 2022			
Annuity	877,133	(53,667)	823,466
Participating	2,816,532	(2,447)	2,814,085
Protection Medical	254,663	(1,358)	253,305
Protection Non Medical	990,372	(6,843)	983,529
Savings	634,261	-	634,261
	5,572,961	(64,315)	5,508,646

31. INSURANCE RISK (CONTINUED)

Key assumptions

Material judgments are required in determining the liabilities and in the choice of assumptions. Assumptions used 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. Assumptions are further evaluated on a continuous basis in order to arrive at realistic and reasonable valuations.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of the insurance contract liabilities with all other assumptions (as details in Note 3(i)) held constant, showing the impact on gross and net insurance liabilities. The correlation of assumptions will have a significant effect on the sensitivity analysis 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 analysis will also vary according to the current economic assumptions.

	Change in assumptions	Impact on profit before tax gross of reinsurance RM'000 increase/ (decrease)	Impact on profit before tax net of reinsurance RM'000 increase/ (decrease)	Impact on equity gross of reinsurance RM'000 increase/ (decrease)	Impact on equity net of reinsurance RM'000 increase/ (decrease)
31 December 2023					
Mortality/morbidity rate	+10%	(89,199)	(63,509)	(96,674)	(58,273)
Expenses	+10%	(22,608)	(14,475)	(17,036)	(10,520)
Lapse and surrenders rate	+10%	10,541	(4,256)	(5,445)	(5,097)
Discount rate	+1%	52,819	(54)	94,238	90,930
Mortality/morbidity rate	-10%	44,338	46,577	46,620	34,829
Expenses	-10%	21,847	13,772	16,137	9,678
Lapse and surrenders rate	-10%	(11,444)	4,728	5,993	5,605
Discount rate	-1%	(80,505)	537	(115,326)	(111,783)
31 December 2022					
Mortality/morbidity rate	+10%	(98,243)	(95,453)	(102,237)	(87,645)
Expenses	+10%	(27,900)	(23,112)	(19,515)	(16,936)
Lapse and surrenders rate	+10%	10,961	(5,265)	(6,538)	(6,267)
Discount rate	+1%	69,001	(775)	91,314	88,047
Mortality/morbidity rate	-10%	46,612	55,960	44,999	41,291
Expenses	-10%	26,355	21,735	17,742	15,330
Lapse and surrenders rate	-10%	(12,101)	5,806	7,153	6,853
Discount rate	-1%	(82,291)	861	(112,344)	(108,818)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

31. INSURANCE RISK (CONTINUED)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of the insurance contract liabilities with all other assumptions (as details in Note 3(i)) held constant, showing the impact on gross and net insurance liabilities. The correlation of assumptions will have a significant effect on the sensitivity analysis 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 analysis will also vary according to the current economic assumptions. (continued)

		2023		2022	
	Change in assumptions	Impact on CSM before tax gross of reinsurance	Impact on CSM before tax net of reinsurance	Impact on CSM before tax gross of reinsurance	Impact on CSM before tax net of reinsurance
		RM'000 increase/ (decrease)	RM'000 increase/ (decrease)	RM'000 increase/ (decrease)	RM'000 increase/ (decrease)
Mortality/morbidity rate	+10%	(53,223)	(87,506)	(46,819)	(58,868)
Expenses	+10%	(35,251)	(41,489)	(36,385)	(39,640)
Lapse and surrenders rate	+10%	(23,383)	(31,604)	(23,111)	(31,393)
Discount rate	+1%	16,049	6,169	(549)	43,980
Mortality/morbidity rate	-10%	106,051	112,856	106,497	106,672
Expenses	-10%	36,150	42,316	38,159	41,235
Lapse and surrenders rate	-10%	25,139	33,608	24,835	33,416
Discount rate	-1%	(2,050)	(31,673)	(387)	(61,535)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

32. 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Exposure to credit risk

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 RM'000	Unit-Linked Funds RM'000	Total RM'000
31 December 2023				
FVOCI financial assets:				
- Malaysian Government Securities/ Government Investment Issues	9(a)	1,431,321	-	1,431,321
- Corporate debt securities	9(a)	3,756,932	-	3,756,932
FVTPL financial assets:				
- Malaysian Government Securities/ Government Investment Issues	9(b)	-	6,324	6,324
- Corporate debt securities	9(b)	-	175,785	175,785
AC financial assets:				
- Loans	10	16,983	-	16,983
Reinsurance contract assets	11	34,707	-	34,707
Other receivables*		22,267	892	23,159
Cash and bank balances		134,268	73,341	207,609
		5,396,478	256,342	5,652,820
31 December 2022				
AFS financial assets:				
- Malaysian Government Securities/ Government Investment Issues	9(a)	1,139,028	-	1,139,028
- Corporate debt securities	9(a)	3,535,200	-	3,535,200
FVTPL financial assets:				
- Malaysian Government Securities/ Government Investment Issues	9(b)	-	6,215	6,215
- Corporate debt securities	9(b)	-	170,844	170,844
Loans and receivables:				
- Loans	10	17,082	-	17,082
Reinsurance contract assets	11	64,315	-	64,315
Other receivables*		18,268	924	19,192
Cash and bank balances		223,749	114,447	338,196
		4,997,642	292,430	5,290,072

* Excludes prepayments of RM3,661,000 as at 31 December 2023 (2022: RM4,546,000).

32. 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 assets and reinsurance contract 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 Guaranteed RM'000	(AAA to BBB) RM'000	(BB to C) RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2023								
FVOCI financial assets:								
- Malaysian Government Securities/ Government Investment Issues	1,431,321	-	-	-	-	-	-	1,431,321
- Corporate debt securities	782,106	2,909,904	28,280	-	-	-	36,642	3,756,932
FVTPL financial assets:								
- Malaysian Government Securities/ Government Investment Issues	-	-	-	-	6,324	-	-	6,324
- Corporate debt securities	-	-	-	-	175,785	-	-	175,785
AC financial assets:								
- Loans	-	-	-	1,639	-	1,184	14,160	16,983
Reinsurance contract assets	-	28,242	-	6,465	-	-	-	34,707
Other receivables*	-	-	-	22,269	890	-	-	23,159
Cash and cash equivalents	-	134,268	-	-	73,341	-	-	207,609
	2,213,427	3,072,414	28,280	30,373	256,340	1,184	50,802	5,652,820

* Excludes prepayments of RM3,661,000 as at 31 December 2023 (2022: RM4,546,000).

32. 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 assets and reinsurance contract 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 Guaranteed RM'000	(AAA to BBB) RM'000	(BB to C) 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	-	-	-	2,175	-	747	14,160	17,082
Reinsurance contract assets	-	61,905	-	2,410	-	-	-	64,315
Other receivables*	-	-	-	18,268	924	-	-	19,192
Cash and cash equivalents	-	223,749	-	-	114,447	-	-	338,196
	1,793,187	3,130,053	-	22,853	292,430	747	50,802	5,290,072

* Excludes prepayments of RM3,661,000 as at 31 December 2023 (2022: RM4,546,000).

32. 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 assets and reinsurance contract 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 Guaranteed RM'000	AAA to AA RM'000	A1 to A3 RM'000	BBB1 to BBB3 RM'000	BB and below RM'000	Not Rated RM'000	Unit-Linked Funds RM'000	Impaired RM'000	Total RM'000
31 December 2023									
FVOCI financial assets:									
- Malaysian Government Securities/ Government Investment Issues	1,431,321	-	-	-	-	-	-	-	1,431,321
- Corporate debt securities	782,106	2,893,279	16,625	-	28,280	-	-	36,642	3,756,932
FVTPL financial assets:									
- Malaysian Government Securities/ Government Investment Issues	-	-	-	-	-	-	6,324	-	6,324
- Corporate debt securities	-	-	-	-	-	-	175,785	-	175,785
AC financial assets:									
- Loans	-	-	-	-	-	2,823	-	14,160	16,983
Reinsurance contract assets	-	26,641	1,601	-	-	6,465	-		34,707
Other receivables*	-	-	-	-	-	22,269	890	-	23,159
Cash and cash equivalents	-	134,268	-	-	-	-	73,341	-	207,609
	2,213,427	3,054,188	18,226	-	28,280	31,557	256,340	50,802	5,652,820

* Excludes prepayments of RM3,661,000 as at 31 December 2023 (2022: RM4,546,000).

32. 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 assets and reinsurance contract 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 Guaranteed RM'000	AAA to AA RM'000	A1 to A3 RM'000	BBB1 to BBB3 RM'000	BB and below RM'000	Not Rated RM'000	Unit-Linked Funds RM'000	Impaired 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	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	-	-	-	-	-	2,922	-	14,160	17,082
Reinsurance contract assets	-	61,291	614	-	-	2,410	-	-	64,315
Other receivables*	-	-	-	-	-	18,268	924	-	19,192
Cash and cash equivalents	-	223,749	-	-	-	-	114,447	-	338,196
	1,793,187	3,022,635	67,608	39,810	-	23,600	292,430	50,802	5,290,072

* Excludes prepayments of RM3,661,000 as at 31 December 2023 (2022: RM4,546,000).

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment assessment

The Company's ECL assessment and measurement method is set out below.

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near-default.
- The counterparty having past due liabilities to public creditors or employees.
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/ protection.
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

To-date, there is two (2022: two) occurrences of rating default event where one of the corporate debt securities was defaulted since the financial year ended 31 December 2013. The bondholders are pursuing recovery actions through negotiations and taking legal actions against the issuers.

No credit exposure limits were exceeded during the financial year.

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

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12months ECL ("12m ECL"). Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%.

In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial assets subject to impairment assessment

Debt instruments measured at FVOCI

The table below shows the fair value of the Company's debt instruments measured at FVOCI (2022: Available-for-sale) by credit risk, based on the Company's internal credit rating system.

	2023		
	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000
Internal rating grade			
Investment grade	4,552,960	147,229	4,700,189
Non-investment grade	364,622	86,800	451,422
Impaired	-	36,642	36,642
Total gross amount	4,917,582	270,671	5,188,253
ECL	(4,094)	(8,018)	(12,112)

An analysis of changes in the fair value and the corresponding ECLs of financial assets are as follows:

	2023		
	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000
Fair value			
At 1 January	4,535,101	139,127	4,674,228
New assets originated or purchased	956,185	21,992	978,177
Assets derecognised or matured	(598,751)	(28,353)	(627,104)
Accrued interest capitalised	2,500	(441)	2,059
Change in fair value	160,242	1,346	161,588
Amortisation/interest adjustment	(2,519)	1,824	(695)
Movement between 12months ECL and lifetime ECL	(135,176)	135,176	-
At 31 December	4,917,582	270,671	5,188,253

	2023		
	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000
ECL			
At 1 January	(2,789)	(7,056)	(9,845)
New assets originated or purchased	(623)	(525)	(1,148)
Assets derecognised or matured (excluding write-offs)	690	1,395	2,085
Unwinding of discount	(1,582)	(1,622)	(3,204)
Movement between 12 months ECL and lifetime ECL	210	(210)	-
At 31 December	(4,094)	(8,018)	(12,112)

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Loans measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk of loans based on the Company's internal credit rating system and year-end credit risk classification. The amounts presented are gross of impairment allowances.

	2023		
	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000
Internal rating grade			
Not rated	1,641	-	1,641
Past due but not impaired	1,184	-	1,184
Impaired	-	51,094	51,094
Total gross amount	2,825	51,094	53,919
ECL	(2)	(36,934)	(36,936)

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Loans measured at amortised cost (continued)

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	2023		
	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000
Gross carrying amount			
At 1 January	2,924	51,094	54,018
Assets derecognised or matured (excluding write-offs)	(43)	-	(43)
Amortisation/interest adjustment	(56)	-	(56)
At 31 December	2,825	51,094	53,919

			2023
	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000
ECL			
At 1 January	(2)	(36,934)	(36,936)
Assets derecognised or matured (excluding write-offs)	-	-	-
Unwind of discount	-	-	-
Movement between 12months ECL and lifetime ECL	-	-	-
At 31 December	(2)	(36,934)	(36,936)

Comparatives for the year ended 31 December 2022 are not presented as the Company adopted MFRS 9 from 1 January 2023 as disclosed in the Note 2.1(a)(ii).

32. FINANCIAL RISK (CONTINUED)

Credit 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. cts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

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.

32. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

The following table summarises the maturity profile of financial assets of the Company based on remaining undiscounted contractual cash flows, including interest receivable.

	Carrying Value	Up to a year	1 - 5 years	> 5 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2023						
Financial assets						
FVOCI financial assets	5,188,253	445,544	1,878,968	5,182,181	-	7,506,693
FVTPL financial assets	2,048,589	17,223	81,607	134,009	1,866,480	2,099,319
AC financial assets	16,983	15,518	525	940	-	16,983
Reinsurance contract assets	34,707	34,707	-	-	-	34,707
Other receivables*	23,159	23,159	-	-	-	23,159
Cash and cash equivalents	207,609	207,609	-	-	-	207,609
	7,519,300	743,760	1,961,100	5,317,130	1,866,480	9,888,470
Financial Liabilities						
Insurance contract liabilities	5,659,185	84,907	410,815	3,735,310	1,428,153	5,659,185
Lease liabilities	13,632	7,705	6,707	-	-	14,412
Other liabilities	137,482	137,461	21	-	-	137,482
	5,810,299	230,073	417,543	3,735,310	1,428,153	5,811,079

* Excludes prepayments of RM3,661,000 as at 31 December 2023 (2022: RM4,546,000).

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023

32. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

The following table summarises the maturity profile of financial assets of the Company based on remaining undiscounted contractual cash flows, including interest receivable.(continued)

	Carrying Value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
31 December 2022 (Restated)						
Financial assets						
AFS financial assets	4,955,883	397,193	1,852,955	4,762,205	281,655	7,294,008
FVTPL financial assets	1,877,865	14,159	80,566	143,180	1,700,806	1,938,711
Loans and receivables	17,082	15,384	692	1,006	-	17,082
Reinsurance contract assets	64,315	64,315	-	-	-	64,315
Other receivables*	19,192	19,192	-	-	-	19,192
Cash and cash equivalents	338,196	338,196	-	-	-	338,196
	7,272,533	848,439	1,934,213	4,906,391	1,982,461	9,671,504
Financial Liabilities						
Insurance contract liabilities	5,572,961	88,734	481,925	3,664,544	1,337,758	5,572,961
Lease liabilities	20,440	9,040	12,388	339	-	21,767
Other liabilities	133,224	133,224	-	-	-	133,224
	5,726,625	230,998	494,313	3,664,883	1,337,758	5,727,952

* Excludes prepayments of RM3,661,000 as at 31 December 2023 (2022: RM4,546,000).

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

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

	Current* RM'000	Non-current RM'000	Unit-Linked Funds RM'000	Total RM'000
31 December 2023				
Property, plant and equipment	-	21,252	-	21,252
Right-of-use assets	-	13,768	-	13,768
Intangible assets	-	101	-	101
Investment properties	-	54,950	-	54,950
Non-current assets held-for-sale	-	3,950	-	3,950
Financial assets at FVOCI	220,110	4,968,143	-	5,188,253
Financial assets at FVTPL	684,050	-	1,364,539	2,048,589
Financial assets at amortised cost	15,518	1,465	-	16,983
Reinsurance contract assets	34,707	-	-	34,707
Other receivables **	22,267	-	892	23,159
Tax recoverable	6,254	-	739	6,993
Cash and cash equivalents	134,268	-	73,341	207,609
	1,117,174	5,063,629	1,439,511	7,620,314
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 at AFS	464,929	4,490,954	-	4,955,883
Financial assets at FVTPL	652,334	-	1,225,531	1,877,865
Loans and receivables	15,384	1,698	-	17,082
Reinsurance contract assets	64,315	-	-	64,315
Other receivables **	18,268	-	924	19,192
Tax recoverable	10,095	-	-	10,095
Cash and cash equivalents	223,749	-	114,447	338,196
	1,449,074	4,598,912	1,340,902	7,388,888

* Expected recovery or settlement within 12 months from the date of the statement of financial position.
** Excludes prepayments of RM3,661,000 as at 31 December 2023 (2022: RM4,546,000).

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of exposures i.e. foreign exchange rates (currency risk), market interest rate/profit yield risk and market prices (price risk).

The Company manages market risk through setting of investment policy and asset allocation, approving portfolio limit structures 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 fee earned by the Company 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, insurance contract assets and / or liabilities 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 currency 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 Risk

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 FVOCI 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Market Risk (continued)

Interest Rate Risk (continued)

The Company's exposure to interest rate risk sensitive insurance and reinsurance contracts and debt instruments are, as follows:

	2023 RM'000	2022 RM'000
Insurance contract assets		
Insurance contract assets	-	-
Reinsurance contract assets held	(34,707)	(64,315)
	(34,707)	(64,315)
Insurance contract liabilities		
Insurance contract liabilities	5,659,185	5,572,961
Reinsurance contract liabilities held	-	-
	5,659,185	5,572,961
Financial assets		
Debt instruments at FVTPL	182,109	177,059
Debt instruments at FVOCI/AFS	5,188,253	4,674,228
	5,370,362	4,851,287

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact of profit before tax (due to changes in fair value of fixed and floating rate/yield financial instruments) and equity (that reflects adjustments to profit before tax and re-valuing fixed rate/yield FVOCI 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 on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on equity*		Impact on insurance contract liabilities*	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
	<--(Decrease)/Increase-->		<--(Decrease)/Increase-->	
Change in variables:				
<u>Interest rate</u>				
+ 100 basis point – loss	(128,565)	(113,907)	(207,200)	(176,750)
- 100 basis point – gain	176,794	150,025	270,808	240,424

** Impact on equity/insurance contract liabilities reflects adjustments for tax, when applicable.*

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Market Risk (continued)

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.

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 FVOCI 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 liabilities***	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
	<--(Decrease)/Increase-->		<--(Decrease)/Increase-->	
Change in variables:				
<u>FTSE Bursa Malaysia</u>				
FBM KLCI + 15% - gain	13,574	12,463	138,121	175,005
FBM KLCI – 15% - loss	(13,574)	(12,463)	(138,121)	(175,005)
<u>Change in NAV</u>				
NAV + 15%	-	-	72,221	60,555
NAV -15%	-	-	(72,221)	(60,555)

** Impact on equity/insurance contract liabilities reflects adjustments for tax, when applicable.*

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

33. OPERATIONAL RISK

Operational risk arises from inadequate or failed internal processes, people and system or from external events. 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. 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.

34. COMPLIANCE RISK

The company has developed internal policies and procedures (for example, Trade and Economic Sanctions Local Standard, Introduction of New Products Framework, Outsourcing Framework, etc.) to align with the laws and guidelines issued by Zurich Group Compliance and the local regulatory authorities.

35. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK

Strategic Risk

Strategic risk refers to the unintended risk that can emerge as a by-product of planning or executing Zurich Malaysia's strategy.

Strategic risks can arise from:
- Inadequate risk-reward assessment of strategic plans.
- Improper execution of strategic plans.
- Unexpected changes to underlying assumptions, including those about the external environment.

Zurich Malaysia works to manage risks associated with strategic business decisions through the risk assessment processes and tools, including the Total Risk Profiling™ process. As part of Zurich Malaysia's annual assessment of strategic risks, the senior management assesses potential risk from both external and internal factors, looking at current year and beyond. The senior management defines actions to respond as appropriate and reviews changes to the key risks and the status of their actions at least quarterly.

35. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)

Reputation Risk

Reputation risk is the risk that an act or omission by the Company or any of its employees could result in a reputational damage or loss of trust in Zurich Malaysia among any of its stakeholders. It includes potential negative publicity regarding Zurich Malaysia's business practices.

Zurich Malaysia aims to preserve its reputation by:

- Adhering to applicable laws and regulations.
- Following the core values and principles of Zurich Malaysia's code of conduct that promotes integrity and good business practice.
- Living up to its sustainability commitments.

Zurich Malaysia centrally manages certain aspects of the risk of reputation, for example, communications through functions with the appropriate expertise. Potential risks to Zurich Malaysia's reputation are included in its risk assessment processes and tools, including the Total Risk Profiling™ process.

Sustainability Risk

Sustainability risk is the risk to Zurich Group's brand and reputation resulting from not responsibly taking environmental, social and governance issues into account throughout the business and for not seeking to create sustainable value for all stakeholders.

Sustainability means doing business today in a way that safeguards the future of our Company and our society. Sustainability risks and opportunities emanate both from the effects that environmental, social and governance ("ESG") challenges have on the Company, as well as from how the Company handles its positive or negative impact on ESG issues. To protect against financial and reputation impacts, both perspectives are included in the identification and assessment of sustainability issues.

Climate change, as one of the most complex risks facing society today, is intergenerational and interdependent. As an insurer, the Company faces risks from climate change and shall discloses its climate risk in line with the recommendation of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD") and BNM's Policy Document on Climate Risk Management and Disclosures.

Sustainability topics associated with ESG challenges are also becoming more complex and interconnected as a result of these trends, insurers are increasingly becoming agents of change and playing a more impactful role in addressing sustainability risk.

The Company works with its customers and investee companies to support responsible and sustainable business practices while promoting best practices managing ESG risks. The Company has policies in place that define the sustainability positions for which Zurich has no investment appetite, where this is also applicable locally. Zurich continuously works to develop relevant products and services that help solve the most pressing societal and environmental issues of today.

35. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)

Sustainability risk approach

To support the Company's businesses in applying its purposes and values, as well as mitigating reputation risk impacts, the Company has established a systematic and integrated approach to identify, assess and recommend actions on potential risks and opportunity areas from a sustainability perspective across all the Company's activities, in particular for operations and investment management.

This is a three-steps process:

- Issue identification: Identify relevant issues to be considered within the risk assessment process by monitoring channels such as media, social media, information from non-governmental organisation and Zurich's business.
- Risk assessment: Assess issues related to public commitments, the role of takaful underwriting, market exposure and materiality. The Chief Executive Officer approves position statements, recommended business actions, and reputational management decisions.
- Implementation: Implement mitigating actions, including managing reputational impacts locally in the business. Mobilise expert support available across the Company and escalate as necessary, according to governance procedures.

Zurich applies these steps across portfolios based on stated thresholds and verified data. Wherever possible, Zurich engages and works together with relevant stakeholders on the margins of Zurich's thresholds to ensure responsible and sustainable business practices.

Clear roles and responsibilities, starting with the Board of Directors of the Company and management, support effective oversight and actions with respect to climate change and other sustainability risks.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

36. FAIR VALUE INFORMATION

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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

36. FAIR VALUE INFORMATION (CONTINUED)

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 2023				
Financial assets at FVOCI				
- Malaysian Government Securities/ Government Investment Issues	-	1,431,321	-	1,431,321
- Corporate debt securities	-	3,720,290	36,642	3,756,932
Financial assets at FVTPL				
- Malaysian Government Securities/ Government Investment Issues	-	6,324	-	6,324
- Corporate debt securities	-	175,243	542	175,785
- Equity securities	965,212	-	30,903	996,115
- Unit trusts	870,365	-	-	870,365
Non-financial assets				
Investment properties	-	-	54,950	54,950
Non-current assets held-for-sale	-	3,950	-	3,950
	1,835,577	5,337,128	123,037	7,295,742
31 December 2022				
Financial assets at AFS				
- Malaysian Government Securities/ Government Investment Issues	-	1,139,028	-	1,139,028
- Corporate debt securities		3,498,558	36,642	3,535,200
- Equity securities	-	-	29,429	29,429
- Unit trusts	252,226	-	-	252,226
Financial assets at FVTPL				
- Malaysian Government Securities/ Government Investment Issues	-	6,215	-	6,215
- Corporate debt securities	-	170,302	542	170,844
- 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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONTINUED)

36. FAIR VALUE INFORMATION (CONTINUED)

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:

	FVOCI	FVTPL	Amortised Cost	Investment Properties
	RM'000	RM'000	RM'000	RM'000
At 1 January 2023	66,071	542	14,907	54,950
Reclassification with adoption of MFRS 9	(29,429)	29,429	-	-
At 1 January 2023 (as restated)	36,642	29,971	14,907	54,950
Addition	-	-	468	-
Disposals	-	-	(31)	-
Fair value changes				
- Charged to statement of profit or loss	-	1,474	-	-
At 31 December 2023	36,642	31,445	15,344	54,950
At 1 January 2022	56,542	558	23,330	57,103
Addition	-	-	75	-
Disposals	(658)	-	(45)	-
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

37. COMPARATIVES

Certain comparative amounts have been reclassified to conform to the current year's presentation. As disclosed in Note 2.1(a) of financial effects due to the adoption of MFRS 17 *Insurance Contracts* , certain comparative amount have been prepared and presented in accordance with the transition provisions of MFRS 17, as disclosed in the statements of changes in equity and Note 2.1(a), which for adoption impacts of MFRS 17.

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