ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2023

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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 principally engaged in the underwriting of life insurance and investment-linked businesses.

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

RESULTS

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Net profit for the financial year	234,654	133,107

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, other than those arising from the adoption of MFRS 17 *Insurance Contracts* , as disclosed in Note 2.5.

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2022 was as follows:

	RM'000
In respect of financial year ended 31 December 2022, final dividend of:	
- 278 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	278,000

The final dividend was declared on 20 April 2023 and paid on 2 May 2023.

MAYBANK GROUP EMPLOYEES' SHARE GRANT PLAN ("ESGP") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE GRANT PLAN ("CESGP")

The existing ESGP (“ESGP2018”) is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting ("EGM") held on 6 April 2017 and was implemented on 14 December 2018 for a period of seven (7) years from the effective date. A total of five (5) awards have been made under the ESGP2018 from 2018 to 2022. Three (3) out of the five (5) awards made have been vested to eligible employees in 2021 to 2023 whilst balance of the two (2) awards will vest in 2024 and 2025 respectively. The last tranche of the ESGP Award (i.e. fifth ESGP Award) under the existing plan was made in September 2022 and will vest in 2025. Starting from 2023, there will be no additional new awards to be issued to staff under the ESGP2018.

As continuation of the existing employees’ share grant plan, the shareholders at EGM held on 3 May 2023 has approved for the establishment of a new ESGP plan (“ESGP2023”). This plan will run concurrently with ESGP2018 until its expiration. The ESGP2023 was implemented on 20 September 2023 for eligible talents and senior management. The features of the ESGP2023 are similar to the ESGP2018 with the exception being the plan period i.e. 10 years vs ESGP2018 of 7 years. The first award under the ESGP2023 was made in September 2023 will vest in 2026 subject to fulfilment of the ESGP vesting conditions as well as meeting the performance criteria at the Maybank Group and individual levels.

Both ESGP2018 and ESGP2023 are administered by the Nomination and Remuneration Committee of the Board ("NRC").

The ESGP consists of two (2) types of performance-based awards: Employees' Share Grant Plan ("ESGP Shares") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group NRC.

The ESGP Shares is a form of Restricted Share Units ("RSU") and the NRC may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executives, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and the NRC may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

The maximum number of ordinary shares in Malayan Banking Berhad ("Maybank") available under the ESGP should not exceed 3.5% of the total number of issued and paid-up capital of Maybank at any point of time during the duration of the ESGP schemes.

DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Mohd Najib Bin Abdullah (Chairman)
Mr. Glenn John Williams (Vice Chairman) [appointed w.e.f. 1 November 2023]
Mr. Philippe Pol Arthur Latour (Vice Chairman) [resigned w.e.f. 1 November 2023]
Mr. Frank Johan Gerard Van Kempen
Mr. Wong Pakshong Kat Jeong Colin Stewart
Dr. Ariffin Bin Datuk Yahaya
Puan Norazilla Binti Md Tahir [resigned w.e.f. 1 May 2023]

Pursuant to Article 101 of the Company's Constituition, the Directors appointed under the Provision of the Constitution shall not be subjected to retirement by rotation under Section 205 of the Companies Act, 2016.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than arising from the Maybank Group ESGP.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The Directors' benefits are as follows:

	RM'000
Fees	700
Other emoluments	130
	830

DIRECTORS' INDEMNITY

The Maybank group maintains on a group basis, a Directors' and Officers' Liability Insurance ("D&O") against any legal liability incurred by the Directors in the discharge of their duties while holding office for the Company. The Directors shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Indemnity given to or insurance effected for any directors during the year is RM1.25 million (2022: RM1.21 million).

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings kept by the Company under Section 59 of the Companies Act 2016, the interests of Directors in office at the end of the financial year in shares of the ultimate holding company, Maybank during the financial year were as follows:

	Number of Ordinary Shares			
	As at 1 January 2023	Issued pursuant to DRP*	Acquired 2023	As at 31 December 2023
Ultimate Holding Company				
Indirect interest:				
Mr. Wong Pakshong Kat Jeong Colin Stewart[1]	34,253	-	-	34,253

*DRP = Dividend Reinvestment Plan

[1] Shares in Maybank held by spouse

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance as disclosed from pages 7 to 23.

FINANCIAL HOLDING COMPANY

The financial holding company is Maybank Ageas Holdings Berhad ("MAHB").

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

The Directors regard MAHB, a company incorporated in Malaysia, as the Company's immediate holding company and Etiqa International Holdings Sdn. Bhd. ("EIHSB") and Maybank, companies incorporated in Malaysia, as the penultimate and ultimate holding companies respectively.

OTHER STATUTORY INFORMATION

(a) Before the Statements of Financial Position and Income Statements of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values 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.

OTHER STATUTORY INFORMATION (CONTD.)

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

  (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen that 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 the 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 liability or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) 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) above, contingent liabilities or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

SIGNIFICANT EVENTS

There were no significant events during the financial year that require disclosure in the financial statements.

SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial year that would require disclosure or adjustment in the financial statements.

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AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	RM'000
Ernst & Young PLT	1,496

Signed on behalf of the Board in accordance with a resolution of the Directors dated 18 APR 2024

DATUK MOHD NAJIB BIN ABDULLAH

MR. WONG PAKSHONG KAT JEONG
COLIN STEWART

CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

The Board of Directors (“the Board”) of Etiqa Life Insurance Berhad (“the Company”), a wholly-owned subsidiary of Maybank Ageas Holdings Berhad, the immediate holding company (“MAHB”) and its subsidiaries (collectively referred to as “the Group”), acknowledges the importance of a robust and sound Corporate Governance (“CG”) Framework in promoting integrity and transparency throughout the Group. Amidst an increasing challenging operating environment and the impact of the COVID-19 pandemic, the Board continuously strives to refine the Company’s CG practices and processes in ensuring high standards of transparency, integrity and honesty.

The Company’s CG Framework is based on the following statutory provisions, best practices and policies:-

(i) Companies Act, 2016; and
(ii) Policy on CG issued by Bank Negara Malaysia on 3 August 2016 ("BNM CG Policy").

Disclosures in this section are pursuant to Paragraph 22 of the BNM CG Policy.

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT

(a) Board Composition

As at 31 December 2023, the Board consists of five (5) Directors, comprising of:

(i) Two (2) Non-Independent Non-Executive Directors ("NINED"); and
(ii) Three (3) Independent Non-Executive Directors ("INED").

The composition of the Board meets the requirement of having a majority of independent directors and common directors remain in the minority as set out in the BNM CG Policy. None of the INED had exceeded their respective nine-year tenure pursuant to the MAHB Group’s Policy on Tenure of Directorship which limits the tenure of an INED to a cumulative period of nine (9) years. Datuk Mohd Najib Bin Abdullah, an INED, is the Chairman of the Board, and the two (2) NINEDs are nominees of Ageas Insurance International N.V. (“Ageas”), a shareholder of MAHB.

The Board is committed to ensuring diversity and inclusiveness in its composition and decision-making process. The Company also embraces the proposition that having a diverse Board would have a positive, value-added impact on the Company. In this regard, the Board considers diversity from a number of different aspects, including gender, age, cultural and educational background, nationality, professional experience, skills, knowledge and length of service.

The Board meets at least once on a bi-monthly basis, and the meeting dates are scheduled in advance (before the commencement of each financial year) to enable the Directors to plan ahead. When required, the Board will meet on an ad hoc basis to consider urgent matters. All Directors attended more than 75% of Board meetings held during the financial year.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(a) Board Composition (contd.)

The composition of the Board and the attendance of the Directors at meetings held during the financial year are as follows:

Members of the Board	Designation	Number of Board Meetings attended	%
Datuk Mohd Najib Bin Abdullah *(Chairman)*	INED	11/11	100
Mr. Glenn John Williams *(Vice Chairman)*	NINED[1]	2/2	100
Mr. Philippe Pol Arthur Latour *(Vice Chairman)*	NINED[2]	7/9	77
Mr. Frank Johan Gerard Van Kempen	NINED	10/11	91
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	11/11	100
Puan Norazilla Binti Md Tahir	INED[3]	5/5	100
Dr. Ariffin Bin Datuk Yahaya	INED	10/11	91

[1] *Appointed as NINED and Vice Chairman of the Company w.e.f 1 November 2023.*

[2] *Resigned as NINED and Vice Chairman of the Company w.e.f 1 November 2023.*

[3] *Resigned as an INED of the Company w.e.f. 1 May 2023.*

Profile of Directors

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorship within the Group
Datuk Mohd Najib Bin Abdullah Independent Non-Executive Director Chairman 63 years of age Malaysian	Banking & Insurance	• Director of Maybank Ageas Holdings Berhad • Chairman of Etiqa General Insurance Berhad
Mr. Glenn John Williams Non-Independent Non-Executive Director Vice-Chairman 55 years of age British	Insurance	Nil

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(a) Board Composition (contd.)

Profile of Directors (contd.)

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorship within the Group
Mr. Frank Johan Gerard Van Kempen Non-Independent Non-Executive Director 56 years of age Dutch	Insurance	• Director of Etiqa General Insurance Berhad • Director of Etiqa Insurance Pte Ltd (incorporated in Singapore) • Director of Etiqa Offshore Insurance (L) Ltd (incorporated in F.T. Labuan) (Resigned w.e.f. 9 October 2023)
Mr. Wong Pakshong Kat Jeong Colin Stewart Independent Non-Executive Director 64 years of age Singaporean	Insurance	• Director of Etiqa Family Takaful Berhad
Dr Ariffin Bin Datuk Yahaya Independent Non-Executive Director 59 years of age Malaysian	Economics and Computer Science	Nil

Detailed profile of each Director is available on the Group's corporate website (www.etiqa.com.my). Directors' interests in shares and share options in the ultimate holding company, Malayan Banking Berhad ("MBB" or "Maybank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2023 ("FYE 2023").

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(b) Roles and Responsibilities of the Board

The business and affairs of the Company are managed under the direction and oversight of the Board, which also has the responsibility to periodically review and approve the overall strategies, business, organisation and significant policies of the Company. The Board also sets the core values, adopts proper standards to ensure that the Company operates with integrity and complies with the relevant rules and regulations.

The roles and responsibilities of the Board are set out in the Company's Board Charter and the Terms of Reference of the Board which are available on the Group's corporate website (www.etiqa.com.my).

(c) Board Committees Composition and Roles & Responsibilities

The Company leverages on the Group Board Committees at MAHB, which MAHB Board had established to assist the Board in carrying out effective oversight of the operations and business affairs of the Company, namely:

(i) Nomination and Remuneration Committee;
(ii) Audit Committee of the Board;
(iii) Risk Management Committee; and
(iv) Investment Committee.

(i) Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") consists of a majority of INEDs and is chaired by an INED.

The primary objective of the NRC is to support the Board of the Group in discharging their duties and responsibilities in the appointments, removals, composition, performance evaluation and development, fit and proper assessments concerning the Board, Chief Executive Officers ("CEOs"), Shariah Committee members[1], Senior Officers[2] and Company Secretary of the Group. In addition, the NRC oversees the design and operation of the remuneration system, and periodically reviews the appropriate remuneration of the Board, CEOs, Shariah Committee members[1] and Senior Officers[2] of the Group.

The NRC also establishes a formal and transparent procedure for the nomination and appointment of Directors, CEOs, Shariah Committee members[1], Senior Officers[2] and Company Secretary of the Group.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(i) Nomination and Remuneration Committee (contd.)

The Board via the NRC assesses the independence of INEDs prior to their appointments and re-appointments, as part of the annual Fit and Proper Assessment exercise. Pursuant to the NRC's recommendation based on the assessment undertaken for the financial year, the Board is satisfied that all the INEDs of the Company have met the independence criteria, as set out in BNM CG Policy as well as MAHB Group's Policy on Directors' Independence. Once in every three (3) years, the NRC would engage an external consultant to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board, Board Committees, and individual Directors.

The NRC plays a major role in the recruitment and selection process of potential candidates, which includes procuring from time to time the curriculum vitae of prospective candidates discreetly to ensure that the Board always have a steady pool of talent whenever there is a need for the appointment of Directors. This is not only to ensure continuity in meeting its long term goals but also to ensure the knowledge, experience and skillset of the Board members, both individually and collectively, are well suited to meet the demands of the ever-changing landscape of the insurance industry.

In addition, the NRC is also responsible to implement a formal and transparent procedure for developing a remuneration framework for Directors, CEOs, Shariah Committee members[1], Senior Officers[2] and Other Material Risk Takers of the Group; and also to ensure the compensation is competitive and consistent with the Group's culture, objectives and strategy as well as the industry standards.

The roles and responsibilities of the NRC are as detailed in its Terms of Reference, which is available on the Group's corporate website (www.etiqa.com.my).

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[1] *The word 'Shariah Committee' shall refer to the Group Shariah Committee which reports to Etiqa Family Takaful Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB.*

[2] *The word 'Senior Officers' shall refer to Senior Officers of MAHB Group which includes the following: (i) Senior Management Committee and Senior Management Team members (including Principal Officer of Labuan entities); (ii) Direct reports to the CEOs (where (iii) Chief Compliance Officer; (iv) Chief Internal Auditor; and (v) Appointed Actuary, as in Paragraph 5.2 of the Fit and Proper Criteria Policy Document, or such revisions by Bank Negara Malaysia ("BNM") from time to time.*

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(i) Nomination and Remuneration Committee (contd.)

The composition of the NRC and the attendance of its members at meetings held during the financial year are as follows:

Members of NRC	Designation	Number of NRC Meetings attended	%
Puan Fauziah Binti Hisham *(Chairperson)*	INED[1]	9/9	100
Datuk Mohd Najib Bin Abdullah	INED	9/9	100
Dato' Majid Bin Mohamad	INED[2]	9/9	100
Ms. Daniela Adaggi	NINED[3]	9/9	100

[1] *INED of MAHB.*

[2] *INED of MAHB, Chairman of Etiqa Family Takaful Berhad, Etiqa General Takaful Berhad, Etiqa Offshore Insurance (L) Ltd and Etiqa Life International (L) Ltd (incorporated in F.T. Labuan), wholly-owned subsidiaries of MAHB.*

[3] *NINED of Etiqa General Insurance Berhad, a wholly-owned subsidiary of MAHB*

(ii) Audit Committee of the Board

The Audit Committee of the Board ("ACB") consists of a majority of INEDs and is chaired by an INED.

ACB supports the Board in ensuring reliable and transparent financial reporting processes, oversees and monitors the effectiveness of the internal and external audit functions, reviews related-party transactions and conflicts of interest situations, access the suitability, objectivity and independence of the Group's appointed external auditors and independently assess the integrity of organisational wide management practices through the review of audit findings raised by the internal auditors, external auditors and/or regulators, ensuring that corrective actions, where necessary, are resolved in a timely manner to ensure the Group's operations run in an effective and efficient manner as well as to safeguard Group's assets and stakeholders' interests.

The roles and responsibilities of the ACB are set out in its Terms of Reference which is available on the Group's corporate website (www.etiqa.com.my).

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(ii) Audit Committee of the Board (contd.)

The composition of the ACB and the attendance of its members at meetings held during the financial year are as follows:

Members of ACB	Designation	Number of ACB Meetings attended	%
Mr. Wong Shu Yoon *(Interim Chairman)*	INED[1]	9/9	100
Puan Norazilla Binti Md Tahir	INED[2]	4/4	100
Mr. Gary Lee Crist	NINED[3]	8/9	89
Cik Serina Binti Abdul Samad	INED[4]	9/9	100
Prof. Dr. Azman Bin Mohd Noor	INED[5]	9/9	100

[1] *Appointed as an Interim Chairman of the ACB w.e.f. 1 May 2023 and INED of Etiqa General Takaful Berhad, Etiqa Offshore Insurance (L) Ltd and Etiqa Life International (L) Ltd (incorporated in F.T. Labuan), wholly-owned subsidiaries of MAHB.*

[2] *Resigned as INED of the Company, and ipso facto, ceased as Chairperson of the ACB w.e.f. 1 May 2023.*

[3] *NINED of MAHB.*

[4] *INED of Etiqa General Insurance Berhad, a wholly-owned subsidiary of MAHB.*

[5] *INED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB.*

(iii) Risk Management Committee

The Risk Management Committee ("RMC") consists of a majority of INEDs and is chaired by an INED.

RMC assists the Board in risk management by upholding the principles set out in the Enterprise Risk Management Framework and ensuring that the risk exposures and outcomes affecting the Group are effectively managed and addressed by the Board. More specifically, the RMC is responsible for reviewing, endorsing or/and approving policies and frameworks to identify, monitor, manage and control material risks impacting the Group under the key risk categories of financial, insurance, operational and enterprise risks.

The roles and responsibilities of the RMC are set out in its Terms of Reference which is available on the Group's corporate website (www.etiqa.com.my).

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(iii) Risk Management Committee (contd.)

The composition of the RMC and the attendance of its members at meetings held during the financial year are as follows:

Members of RMC	Designation	Number of RMC Meetings attended	%
En. Mohd Din Bin Merican *(Chairman)*	INED[1]	8/8	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	8/8	100
Mr. Emmanuel Gerard C. Van Grimbergen	NINED[2]	N/A	N/A
Mr. Antonio Cano	NINED[3]	8/8	100
Encik Mohamad Shukor Bin Ibrahim	INED[4]	8/8	100
Prof. Datin Dr. Rusni Binti Hassan	INED[5]	7/8	88
Mr. Tan Kwang Kherng	INED[6]	8/8	100

[1] *INED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB.*
[2] *Appointed as NINED of MAHB and a member of the RMC w.e.f. 1 January 2024.*
[3] *Resigned as NINED of MAHB and ceased as a member of the RMC w.e.f. 1 January 2024.*
[4] *INED of Etiqa General Insurance Berhad, a wholly-owned subsidiary of MAHB.*
[5] *INED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.*
[6] *INED of Etiqa General Insurance Berhad, a wholly-owned subsidiary of MAHB.*

(iv) Investment Committee

The Investment Committee (“IC”) consists of a majority of INEDs and is chaired by an ED.

The Board established the IC as a governance body to oversee investment related activities within the Group.

The roles and responsibilities of the IC are set out in its Terms of Reference which is available on the Group’s corporate website (www.etiqa.com.my).

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(iv) Investment Committee (contd.)

The composition of the IC and the attendance of its members at meetings held during the financial year are as follows:

Members of IC	Designation	Number of IC Meetings attended	%
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican *(Chairman)*	ED[1]	5/5	100
Mr. Philippe Pol Arthur Latour	NINED[2]	3/4	75
Datuk Mohd Najib Bin Abdullah	INED	5/5	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	5/5	100
Ajay Kumar Garg	NINED[3]	0/1	-

[1] ED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.

[2] Resigned as a NINED of Etiqa Life Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB and ipso facto, ceased as a member of the IC w.e.f. 1 November 2023.

[3] Appointed as NINED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB and a member of the IC w.e.f. 1 November 2023.

(d) Directors' Training

The Board acknowledges the importance of continuing education for its Directors to ensure they are well equipped with the necessary skills and knowledge to perform their duties and meet the challenges facing the Board.

During the financial year, the Board members have attended various training programmes and workshops on issues relevant to the Group, including key training programmes for new Directors, namely the Induction Programme, Financial Institutions Directors' Education ("FIDE") and In-house training programme by international speakers and Senior Management Committee members/Head of Departments.

(i) <u>Induction Programme</u>

A comprehensive induction programme has also been established and coordinated by the Company Secretary to ease new Directors into their new role and to assist them in their understanding of the Group's business strategy and operational matters. New Directors are required to attend the programme as soon as possible after they have been appointed. The programme includes intensive one-on-one session with the Senior Management Committee members/Head of Departments, wherein new Directors would be briefed and brought up to speed on the challenges and issues faced by the Group.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(d) Directors' Training (contd.)

(ii) Training Attended by Directors

The Board continues to assess the training needs of its Directors and identify key areas of focus for training programmes vide continuous feedback after the In-house training programme and the Board Effectiveness Evaluation assessment conducted for each financial year.

Trainings attended by the Directors during the financial year were as follows:

Training attended by Directors	DN[1]	GW[2]	FVK[3]	WPC[4]	AY[5]
A. In-house Training					
1. Etiqa: Capital Management Training by Mr Ajay Garg, Ageas Group Director Capital Management, Treasury & FCG	√		√	√	
2. Etiqa: Director's Training Program Module 3 on Risk Management by Madam Luisa Evaristo, Chief Risk Officer, MAHB	√			√	
3. Etiqa: Director's Training Program Module 2 on ESG Approaches in Reinsurance Market by Swiss Re Malaysia, Swiss Re Asia Pte. Ltd. and Aon Reinsurance Malaysia Limited	√			√	
4. Etiqa: Directors' Training Program Module 2 on ESG : Sustainability Transition – Innovation as Change Drivers by Dr. Khoh Soo Beng and Institute of Corporate Directors Malaysia (ICDM)	√		√		
5. Etiqa: Directors' Training Program Module 2 on Cyber Security Management : Cyber Security in Generative AI by Ms Chelsea Kiew Siao May, Chief Information Security Officer, MAHB			√	√	√
6. Etiqa: Directors' Training Program Module 3 on Compliance: Anti-Bribery & Corruption Practices in Malaysia by Y.M. Tunku Farik Bin Tunku Ismail from Messrs. Azim, Tunku Farik & Wong & Guardians of Finance: Navigating AMLA 2001 for Insurers and Takaful by Encik Bahari Yeow Tien Hong from Messrs. Rosli Dahlan Saravana Partnership	√		√	√	
7. Etiqa: Directors' Training Program Module 2 on ESG as a Value Driver for Financial Institutions: Understanding Impact of Climate Change by Ms. Phang Oy Cheng, KPMG				√	
8. Etiqa : Directors' Training Program Module 2 on Digital Transformation/Innovation : Unlock The Growth Potential of Insurance by Boston Consulting Group ("BCG")	√			√	
9. Etiqa: Etiqa Risk Landscape Workshop for MAHB FY2023	√		√		
10. Maybank : Invest Malaysia 2023 by Maybank / Bursa Malaysia	√				
11. Maybank: Agile Thinking Training by BCG				√	
12. Ageas : Partnership Days	√				
13. Ageas: Reinsurance Training, Impact 24 Session			√		
14. Ageas: Mandatory Compliance Training in Phishing, Ransomware & Security Awareness			√		
15. Ageas: Deep Dive: Introduction to IFRS 17/9			√		
16. Ageas: IFRS17 Learning		√			
17. Ageas Asia Services Limited: IFRS17 training		√			
18. Ageas Asia Services Limited: Qliksense Demo		√			
19. Ageas Asia Services Limited : IFRS17 training for the Asia region		√			
20. Ageas Asia Services Limited: The Digital Road Show on your Learning Journey!		√			
21. Ageas Asia Services Limited: Introduction to IFRS 17/9		√			
22. Ageas Asia Services Limited: Employee Engagement Manager's Dashboard Training		√			
23. Ageas Group Training: Executive Mentoring Masterclass		√			
24. Ageas Asia Services Limited: System Demo on uploading External Training		√			
25. Etiqa : MAHB Group Directors' Onboarding Session		√			

ETIQA LIFE INSURANCE BERHAD
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CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(d) Directors' Training (contd.)

(ii) Training Attended by Directors (contd.)

Training attended by Directors	DN[1]	GW[2]	FVK[3]	WPC[4]	AY[5]
B. External Training					
1. Climate Finance Training Series: Deconstructing COP28 and the Role for Financial Services by Dubai International Financial Centre Academy	√				
2. JC3 Upskilling Sustainability Training Series 4 – Social Sustainability Towards A Just Transition by Asian Institute of Chartered Bankers	√				
3. Ernst & Young: Global Insurance Outlook Webcast Asia-Pacific Session	√				
4. Diversity, Equity and Inclusion Conversation by 30% Club Malaysia	√				
5. LESA 2023 Leadership For Enterprise Sustainability Asia by Asia School of Business	√			√	
6. The Future of Competitive Strategy: Unleashing the Power of Data and Digital Ecosystems by Mohan Subramaniam, International Institution for Management Development ("IMD") Business School	√				
7. Ethical Finance ASEAN 2023 : Financing Transition by Global Ethical Finance Initiative & AICB	√				
8. Board Oversight of Climate Risks and Opportunities by Prof Mak Yuen Teen & Dr Khoo Guan Seng	√				
9. Together Initiative by IMD Alumni Community	√				
10. Future – Proofing Your Organisation by IMD	√				
11. Risk, Resilience and Recovery: Lessons From the Global Banking Crisis by Asian Institute of Chartered Bankers	√				
12. Luxury Forum 2050 C-Suite Talk: "How can luxury harness technology to craft a more sustainable future?" by Marie-Calire Daveu of Kering and Jan Huckfeldt of Climeworks	√				
13. Book Club Webinar "You and AI" by IMD Alumni Community	√				
14. Pandemic Risk Lesson Learned Working Party by International Actuarial Association				√	
15. IBF Masterclass with Vertical Institute: Digital Marketing Frameworks for the Financial Services Industry by Institute of Banking and Finance				√	
16. Creating Transformative Change in your Organisation by Institute and Faculty of Actuaries				√	
17. Machine Learning & Experience analysis by Institute and Faculty of Actuaries				√	
18. "How will IFRS 17 Impact the Actuarial Industry Post Implementation?" by Institute and Faculty of Actuaries				√	
19. IFRS 17 Disclosures by Institute and Faculty of Actuaries				√	
20. Singapore Actuarial Conference by Singapore Actuarial Society				√	
21. Professional Skills Training by Institute and Faculty of Actuaries				√	
22. Demystifying Enterprise Risk Management by Institute and Faculty of Actuaries				√	
23. Detecting Moneylaundering in International Financial Centres by Institute of Banking and Finance				√	
24. Adapting to change: Navigating the evolving landscape of insurance in the post-pandemic era by Actuarial Society Hong Kong			√		
25. 2023 Health & Ageing Conference in Shanghai by The Geneva Association in cooperation with Taiping Group			√		
26. EY Hong Kong: IFRS17/9 Coaching		√			
27. EY Hong Kong: IFRS17 Training		√			

1 DN - Datuk Mohd Najib Bin Abdullah
2 GW - Mr. Glenn John Williams
3 FVK - Mr. Frank Johan Gerard Van Kempen
4 WPC - Mr. Wong Pakshong Kat Jeong Colin Stewart
5 AY – Dr. Ariffin Bin Datuk Yahaya

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(3) INTERNAL CONTROL FRAMEWORK

The Board exercises overall responsibility on the Company's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing risk. The Company has established internal controls which cover all levels of personnel and business processes to ensure the Company’s operations run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholders’ interests. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action, where necessary, is taken in a timely manner. As a custodian of public funds, the Company’s dealings with the public are always conducted fairly honestly and professionally.

(4) REMUNERATION - QUALITATIVE DISCLOSURES

(a) Board Performance

In line with good corporate governance, the Board via NRC has set out its intention to periodically review the remuneration of NEDs as per Maybank’s Remuneration Policy for Directors.

The Board believes that one area that the Board needs to focus on in order to remain effective in discharging its duties and responsibilities is the setting of a fair and competitive remuneration package which commensurates with the level of expertise, skills, commitment and responsibilities undertaken, with being a director of a financial institution.

The remuneration package of NEDs consists of the following:

Fees and meeting allowances – Directors’ fees and meeting allowances for NEDs are based on a fixed sum as determined by the NRC and Board, and subsequently approved by the shareholder.

(b) Senior Management Appointment and Performance

The NRC recommends and assesses the nominee for the position of CEO and re-appointment of CEO as well as oversees the appointment and succession planning of Senior Management.

The NRC is responsible to oversee the performance evaluation of CEO and Senior Management.

The NRC is also responsible to ensure all Key Responsible Persons ("KRPs") fulfil the fit and proper requirements, in line with the Fit and Proper Policy for KRPs.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES

(a) Non-Executive Directors' Remuneration

The Non-Executive Directors' Remuneration for the financial year are as follows:

Remuneration	Per Annum (RM)
(i) **Fees**	
Board:	
- Chairman	180,000
- Member	120,000
Committee:	
- Chairman	32,500
- Member	28,000
(ii) **Meeting Allowance**	
per meeting attended	2,000

(b) Disclosure of Directors' and CEO's Remuneration

The details of Directors' and CEO's Remuneration for FYE 2023 are disclosed in the Notes 31 and 32 to the Company's Financial Statements.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(c) Remuneration Policy in respect of Officers of the Company

Maybank Group's total rewards management remains core to our remuneration approach and practices and is strongly aligned with our business and people strategies to deliver long-term sustainable returns to our shareholders, customers and other stakeholders. It is a strategic human capital sustainability component of the integrated Talent Management Framework, which enables differentiated rewards for talent retention and attraction by providing the right remuneration, benefits and career development/progression opportunities at the right time for our people to achieve personal and professional aspirations. At the same time, it ensures we are positioned to increase staff engagement, drive positive outcomes and deliver exponential business results responsibly.

This upholds our M25+ purposes to be "a values-driven platform, powered by a bionic workforce that humanises financial services". By focusing on the right compensation, benefits and development support, we inspire our employees to achieve their personal and professional aspirations which, in turn, improves employee productivity and engagement.

Our Total Rewards Framework is firmly anchored in the principles of pay for performance and affordability, ensuring that our talented workforce is rewarded in a manner that is equitable, reasonable and in line with relevant indices within each respective country.

We continue to accelerate our Environmental, Social and Governance (ESG) and sustainability commitments by incorporating ESG in various aspects of our total rewards management through proper governance, performance measurement standards and prudent risk management considerations. Governed by sound principles, our remuneration policies and practices are reviewed periodically to ensure alignment with regulatory requirements and to reinforce a high-performance culture.

COMPONENTS OF REMUNERATION

A well-rounded Total Rewards Framework is adopted which encompasses three integral pillars: total compensation, benefits & well-being, and development & career opportunities.

i) Total Compensation

The Compensation Policy ensures that our employees are paid in line with prevailing market standards. Our differentiated compensation levels are kept competitive through annual salary reviews, variable bonuses and long-term incentive plans (for eligible senior management and above) to retain, motivate and reward our talents.

Our holistic approach to total compensation is structured around two core elements: fixed pay and variable pay, the latter consisting of variable bonuses and long-term incentive awards. This dynamic framework is designed to reflect targeted pay mix levels, intricately calibrated to align with the long-term performance goals and objectives of the organisation while simultaneously motivating and rewarding our employees in a manner that befits their outstanding efforts and achievements.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(c) Remuneration Policy in respect of Officers of the Company (contd.)

i) Total Compensation (contd.)

<table>
<tr><th rowspan="2">Fixed Pay</th><th colspan="2">Variable Pay</th></tr>
<tr><th>Variable Bonus</th><th>Long-Term Incentive Award</th></tr>
<tr><td rowspan="2">• Attract and retain talents by providing competitive and equitable pay.
• Reviewed annually using a holistic approach through internal and external benchmarking against relevant peers/locations, taking into consideration market dynamics, differences in individual responsibilities, functions/roles, performance level, skillsets as well as competency level.</td><td>• Reinforce a pay-for-performance culture and adherence to Maybank Group's Core Values, TIGER.
• Variable cash award design that is aligned with the risk management and long-term performance goals of the Group through our deferral and clawback policies.
• Based on the overall performance of the Group, business/corporate function and individual.
• Premised on the Balanced Scorecard (BSC) approach (comprising financial and non-financial KPIs) that is tailored to drive desired behaviours and performance levels in creating long-term shareholder value.</td><td>• A significant component of senior management's total compensation with the intent to drive sustainable, longer-term risk management and to meet the Group's M25 strategy.</td></tr>
<tr><td colspan="2">Deferral Policy: Any variable bonus in excess of certain thresholds will be deferred over a period of time. A deferred variable bonus will lapse immediately upon termination of employment (including resignation) except in the event of ill health, disability, redundancy, retirement or death.

Clawback Provision: The Board has the right to make adjustments or clawbacks to any variable bonus or long-term incentive award if deemed appropriate based on risk management issues, financial misstatement, fraud, gross negligence or wilful misconduct.</td></tr>
</table>

ii) Benefits & Well-being

Employee benefits are integral to our total rewards management, dovetailing seamlessly with our commitment to ESG values and our M25+ strategic objectives. The comprehensive benefits programme is designed to offer financial security, healthcare coverage, paid time off, employee loans at preferential rates, and other perks and benefits that facilitate work-life balance. We regularly review these offerings, ensuring they remain competitive and aligned with industry standards amid the ever-evolving business landscape.

Our approach is holistic, intertwining sustainability principles with the well-being of our employees. This is to cater to our employees' physical, mental and emotional well-being, as well as their financial, social and career needs, underscoring our dedication to fostering a supportive and well-rounded work environment.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(c) Remuneration Policy in respect of Officers of the Company (contd.)

iii) Development & Career Opportunities

In line with our commitment to fostering a robust learning culture, we continue to deploy best-in-class learning and development programmes that are flexible and tailored to nurture our employees across all levels. These programmes are designed to offer flexibility and customisation, ensuring that they remain relevant for the long term, enhance our competitive edge, and promote sustained growth.

Long-term Incentive Plan ("LTIP") – Employees' Share Grant Plan ("ESGP")

The existing ESGP was rolled out in December 2018 and will expire in 2025. A total of five awards have been made under the existing ESGP from 2018 to 2022. Three out of these five awards have been vested to eligible employees in 2021 to 2023 while the two remaining awards will vest in 2024 and 2025 respectively. The last (i.e. fifth) tranche of the ESGP Award under the existing plan was made in September 2022 and will vest in 2025. Starting from 2023, no additional awards will be issued to our staff under the existing ESGP.

To maintain our commitment to rewarding sustainable performance and ensure the continuity of our LTIP from 2023 onwards, we introduced a new scheme on 20 September 2023 for eligible talents and senior management. The new ESGP is valid for 10 years and will expire in 2033. The first award under the new ESGP, made in September 2023, will vest in 2026 subject to fulfilment of the vesting conditions as well as the performance criteria at the Maybank Group and individual levels.

Corporate Governance – Remuneration Practices

We maintain strong corporate governance practices with remuneration policies and practices that comply with all statutory and regulatory requirements, and are strengthened by sound risk management and controls, ensuring remuneration practices are carried out responsibly.

The Group has strong internal governance on the performance and remuneration of control functions which are measured and assessed independently of the business units to avoid any conflict of interest. The remuneration of employees in control functions is predominantly fixed to reflect the nature of their responsibilities. Annual reviews of their compensation are benchmarked internally and against the market to ensure they are competitive.

Based on sound performance management principles, our key performance indicators ("KPIs") and objective and key results ("OKR") continue to focus on outcomes and are aligned with our business plans. Each of the senior officers carries risk, governance and compliance goals in his/her individual scorecards which are cascaded accordingly. The right KPI and OKR setting continues to shape our organisational culture while driving risk and compliance agendas effectively. Inputs from control functions and board committees are incorporated into the respective functional areas and individual performance results.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(d) Senior Officers and Other Material Risk Takers ("OMRT")

The remuneration of Senior Officers and OMRTs are reviewed annually and submitted to the Nomination and Remuneration Committee for recommendation to the Board for approval.

Senior officer is defined as performing a senior management function whose primary or significant responsibility is for the management and performance of significant business activities and includes those who assume primary or significant responsibility for key control functions.

Other Material Risk Taker ("OMRT") is defined as:

(i) an officer who is a member of senior management of the Company and who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on its risk profile; or

(ii) among the most highly remunerated officers in the Company.

The remuneration of senior officers and OMRTs in FY2023 are summarised in the table below:

Total value of remuneration awards for the financial year (RM'000)	Senior Officers^		OMRT	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration				
Cash-based	5,034 (13 headcount)	-	-	-
Shares and share-linked instruments	-	-	-	-
Others	-	-	-	-
Variable remuneration				
Cash-based	1,126 (13 headcount)	-	-	-
Shares and share-linked instruments	517 (8 headcount) ^	Refer to note below*	-	-
Others	-	-	-	-
Definition	Senior Officers are defined as Chief Executive Officer (CEO); Direct Reports to the CEO; Chief Compliance Officer and Appointed Actuary.		OMRTs are defined as employees who can materially commit or control significant amounts of a financial institution's resources or whose actions are likely to have a significant impact on its risk profile or those among the most highly remunerated officers.	

Notes:

* In FY2023, a total of 156,000 of Maybank shares (based on On Target performance levels) under Maybank Group ESGP were awarded to 10 senior officers. The number of ESGP/CESGP units to be vested/paid by 2026 would be conditional upon the said employees fulfilling the vesting/payment criteria.

^ A total of 58,500 units of ESGP/CESGP granted in September 2020 have vested to 8 Senior Officers in September 2023. ESGP values are based on statutory guidelines for taxable gains calculation and CESGP value is based on volume weighted average market price (VWAMP) for the five market days immediately preceding the CESGP vesting date.

ETIQA LIFE INSURANCE BERHAD
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(Incorporated in Malaysia)

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

We, Datuk Mohd Najib Bin Abdullah and Mr. Wong Pakshong Kat Jeong Colin Stewart, being two of the Directors of Etiqa Life Insurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 29 to 211 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of the results and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 APR 2024

DATUK MOHD NAJIB BIN ABDULLAH

MR. WONG PAKSHONG KAT
JEONG COLIN STEWART

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

I, Lee Hin Sze, being the officer primarily responsible for the financial management of Etiqa Life Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 29 to 211 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.

Subscribed and solemnly declared by
the abovenamed LEE HIN SZE
at Kuala Lumpur in Wilayah Persekutuan
on 18 APR 2024

LEE HIN SZE
(MIA 15432)
Chief Financial Officer

Before me,

PESURUHJAYA SUMPAH
No. PJS: W 904
ROSLI BIN SAAD
1.2.2022 - 31.12.2024
MALAYSIA

Commissioner for Oaths

50A-1, Jalan Kemuja
Bangsar Utama,
59000 Kuala Lumpur

Building a better working world

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Independent auditors' report to the member of
Etiqa Life Insurance Berhad
201701025113 (1239279-P)
(Incorporated in Malaysia)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiqa Life Insurance Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2023 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 29 to 211.

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 opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and the Corporate Governance disclosures, but does not include the financial statements of the Company and our auditors' report thereon.

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

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

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of 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 for these financial statements.

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

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 skepticism 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 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.

Building a better working world

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

Other Matters

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

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

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

Kuala Lumpur, Malaysia
18 April 2024

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	31.12.2023	31.12.2022 (Restated)	01.01.2022 (Restated)
		RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	3	26,443	29,222	32,875
Investment properties	4	1,006,410	980,395	971,170
Prepaid land lease payments	5	888	737	763
Right-of-use assets ("ROU")	6	61	98	53
Intangible assets	7	42,203	45,251	48,730
Investments	8	12,105,679	11,389,920	11,513,272
Financing receivables	10	24,745	23,713	22,775
Reinsurance contract assets	11	71,477	93,608	77,720
Other assets	13	153,975	138,829	137,062
Derivative assets	14	181	508	-
Current tax assets		-	-	11,555
Cash and bank balances		43,607	25,629	47,196
Total Assets		13,475,669	12,727,910	12,863,171
Equity				
Share capital	16	100,000	100,000	100,000
Reserves	17	1,594,550	1,615,917	1,676,593
Total Equity		1,694,550	1,715,917	1,776,593
Liabilities				
Reinsurance contract liabilities	11	-	-	23
Insurance contract liabilities	12	10,988,535	10,363,741	10,372,812
Derivative liabilities	14	2,904	-	2,192
Deferred tax liabilities, net	15	399,739	346,173	388,941
Other liabilities	18	360,389	280,521	306,128
Current tax liabilities		29,552	21,558	16,482
Total Liabilities		11,781,119	11,011,993	11,086,578
Total Equity and Liabilities		13,475,669	12,727,910	12,863,171

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

ETIQA LIFE INSURANCE BERHAD
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INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Insurance revenue	19	541,776	513,392
Insurance service expenses	20	(348,052)	(341,871)
Net (expenses)/income from reinsurance contracts held	21	(26,453)	95
Insurance service result		167,271	171,616
Interest revenue from financial assets not measured at Fair Value through Profit or Loss ("FVTPL")	22	85,388	75,140
Net fair value gains/(losses) on financial assets measured at FVTPL	23	574,443	(558,514)
Net fair value (losses)/gains on derecognition of financial assets measured at Fair Value through Other Comprehensive Income ("FVOCI")	24	(2,799)	805
Other investment income	25	486,869	444,613
Net impairment loss on financial assets	26	(156)	(60)
Net foreign exchange income	27	51,911	23,942
Net investment income		1,195,656	(14,074)
Finance (expenses)/income from insurance contracts issued	28	(996,764)	9,946
Finance income from reinsurance contracts held	29	5,394	1,274
Net insurance financial result		(991,370)	11,220
Other income	30	5,748	3,993
Other expenses	31	(9,967)	(12,452)
Net other expenses		(4,219)	(8,459)
Profit before taxation attributable to policyholders		367,338	160,303
Tax (expense)/credit attributable to policyholders	33	(88,084)	9,400
Profit before taxation		279,254	169,703
Tax expense	34	(44,600)	(36,596)
Net profit for the financial year		234,654	133,107
Basic and diluted earnings per share (sen)	35	234.65	133.11

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

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

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

	Note	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Net profit for the financial year		234,654	133,107
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to income statement:			
Net fair value gains/(losses) on investments in debt securities measured at FVOCI		75,413	(43,411)
Net fair value gains/(losses) on derecognition of financial assets measured at FVOCI	24	2,799	(805)
Tax effect relating to these items	34	(8,635)	4,356
		69,577	(39,860)
Finance (expenses)/income from insurance contracts issued	28	(55,034)	24,852
Tax effect relating to these items	34	2,822	(1,193)
		(52,212)	23,659
Items that will not be subsequently reclassified to income statement:			
Change in fair value of equity securities at FVOCI		4,660	(7,464)
Tax effect relating to these items	34	(46)	932
		4,614	(6,532)
Other comprehensive income/(loss) for the financial year, net of tax		21,979	(22,733)
Total comprehensive income for the financial year		256,633	110,374

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

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

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

			<-------- Non-distributable -------->			Retained Earnings			
	Note	**Share Capital RM'000**	**FVOCI Reserve RM'000**	**Insurance/ Reinsurance Finance Reserve RM'000**	**Revaluation Reserve RM'000**	**Non-Distributable Life Fund Surplus RM'000**	**Distributable Retained Profits RM'000**	**Sub-total Retained Profits RM'000**	**Total Equity RM'000**
At 1 January 2023, as previously stated		100,000	(23,749)	-	54,465	937,379	481,526	1,418,905	1,549,621
- Effects of adopting MFRS 17	2.5	-	(9,622)	(11,421)	24,431	165,605	(2,697)	162,908	166,296
At 1 January 2023, as restated		100,000	(33,371)	(11,421)	78,896	1,102,984	478,829	1,581,813	1,715,917
Net profit for the financial year		-	-	-	-	210,031	24,623	234,654	234,654
Other comprehensive income/(loss) for the financial year		-	74,191	(52,212)	-	-	-	-	21,979
Total comprehensive income/(loss)		-	74,191	(52,212)	-	210,031	24,623	234,654	256,633
Transfer from life fund surplus upon recommendation by Appointed Actuary[1]		-	-	-	-	(212,814)	212,814	-	-
Reclassification upon disposal of equity securities		-	4,652	-	-	(4,457)	(195)	(4,652)	-
Dividend on ordinary shares	36	-	-	-	-	-	(278,000)	(278,000)	(278,000)
At 31 December 2023		100,000	45,472	(63,633)	78,896	1,095,744	438,071	1,533,815	1,694,550

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		<-------- Non-distributable -------->				Retained Earnings			
	Note	Share Capital RM'000	FVOCI Reserve RM'000	Insurance/ Reinsurance Finance Reserve RM'000	Revaluation Reserve RM'000	Non-Distributable Life Fund Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Profits RM'000	Total Equity RM'000
At 1 January 2022, as previously stated		100,000	(1,475)	-	54,465	909,101	511,124	1,420,225	1,573,215
- Effects of adopting MFRS 17	2.5	-	3,678	(35,080)	24,431	217,979	(7,630)	210,349	203,378
At 1 January 2022, as restated		100,000	2,203	(35,080)	78,896	1,127,080	503,494	1,630,574	1,776,593
Net profit for the financial year		-	-	-	-	122,640	10,467	133,107	133,107
Other comprehensive (loss)/income for the financial year		-	(46,392)	23,659	-	-	-	-	(22,733)
Total comprehensive (loss)/income		-	(46,392)	23,659	-	122,640	10,467	133,107	110,374
Transfer from life fund surplus upon recommendation by Appointed Actuary[1]		-	-	-	-	(136,396)	136,396	-	-
Reclassification upon disposal of equity securities		-	10,818	-	-	(10,340)	(478)	(10,818)	-
Dividend on ordinary shares	36	-	-	-	-	-	(171,050)	(171,050)	(171,050)
At 31 December 2022		100,000	(33,371)	(11,421)	78,896	1,102,984	478,829	1,581,813	1,715,917

[1] In accordance with the Financial Services Act 2013 in Malaysia the unallocated surplus of the Life fund is only available for distribution to the shareholder upon approval by the Appointed Actuary. The approved transfer from the Life fund unallocated surplus for the financial years ended 31 December 2023 and 31 December 2022 were RM279,750,000 and RM179,200,000 (or, RM212,814,000 and RM136,396,000, net of tax at 24%) respectively.

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

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	31.12.2023	31.12.2022 (Restated)
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		279,254	169,703
Adjustments for:			
Amortisation of:			
- intangible assets	31	8,523	8,105
- prepaid land lease payments	31	26	26
Net amortisation of premiums	25	9,956	6,310
Depreciation of property, plant and equipment	31	7,103	6,849
ROU expenses:			
- Depreciation	31	37	34
- Interest on lease liability	31	3	2
Fair value (gains)/losses on:			
- investments	23	(550,460)	448,518
- investment properties	25	(25,159)	(8,645)
Gains on foreign exchange:			
- realised	27	(14,360)	(2,772)
- unrealised	27	(37,551)	(21,170)
(Gains)/losses on disposal of investments		(21,184)	109,191
Dividend income	25	(70,646)	(62,025)
Interest income		(441,097)	(416,342)
Rental income	25	(77,227)	(67,901)
Reversal of impairment losses on prepaid land lease payments	30	(177)	-
Allowance for impairment losses on investments	26	156	60
Allowance for impairment losses on financing receivables	30	83	8
(Reversal of)/allowance for impairment losses on other assets	30	(326)	322
(Reversal of)/allowance for reinsurance contract assets	43	(209)	182
Other assets written off	30	-	5,551
(Increase)/decrease in insurance finance reserve		(52,212)	23,659
Tax expense/(credit) attributable to policyholders	33	88,084	(9,400)
Carried forward		(897,383)	190,265

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)			
Brought forward		(897,383)	190,265
Decrease in placement of deposits with financial institutions		59,620	332,621
Decrease/(increase) in reinsurance contract assets		22,340	(16,093)
Increase in ROU assets		-	(79)
Increase in financing receivables		(1,115)	(946)
Increase in other assets		(8,612)	(2,950)
Increase/(decrease) in insurance contract liabilities		624,794	(19,589)
Increase/(decrease) in other liabilities		93,917	(14,049)
Operating cash flows before changes in assets and liabilities		(106,439)	469,180
Investment income received		432,357	415,138
Dividends received		69,614	61,160
Rental income received		80,792	65,279
Tax paid		(79,806)	(48,045)
Net cash generated from operating activities		396,518	962,712
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of:			
- property, plant and equipment	3	(7,272)	(4,239)
- intangible assets	7	(3,022)	(4,649)
- investment properties	4	(856)	(580)
- investments		(2,600,482)	(3,770,321)
Proceeds from disposals of:			
- property, plant and equipment	3	495	1,043
- intangible assets	7	-	23
- investments		2,510,636	2,965,526
Net cash used in investing activities		(100,501)	(813,197)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividend	36	(278,000)	(171,050)
Payment of lease liabilities	6	(39)	(32)
Net cash used in financing activities		(278,039)	(171,082)

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Net increase/(decrease) in cash and cash equivalents		17,978	(21,567)
Cash and cash equivalents at beginning of financial year		25,629	47,196
Cash and cash equivalents at end of financial year		43,607	25,629
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		792	-
Life Insurance fund		42,815	25,629
		43,607	25,629

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur, Malaysia.

The immediate, penultimate and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad ("MAHB"), Etiqa International Holdings Sdn. Bhd. ("EIHSB") and Malayan Banking Berhad ("Maybank") respectively, all of which are incorporated in Malaysia. Maybank is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are the underwriting of life insurance and investment-linked businesses.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 April 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation and presentation of the financial statements

(a) Statement of compliance

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

The accounting policies and presentation adopted by the Company for the financial statements are consistent with those used in the financial year ended 31 December 2022 except for those disclosed in Note 2.3.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Insurers ("RBC Framework") issued by BNM as at the reporting date.

(b) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of material accounting policy information.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (contd.)

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000) unless otherwise stated.

(d) Use of estimates and judgements

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

Estimates and the 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.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

i) Estimates of future cash flows

In estimating the future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experiences, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company’s view of current conditions at the reporting date and current expectations of future events that might affect those cash flows.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (contd.)

(d) Use of estimates and judgements (contd.)

i) Estimates of future cash flows (contd.)

Cash flows are attributed to acquisition activities and other fulfilment activities either directly or estimated based on the type of activities performed by the respective business function. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics, such as based on total premiums, number of policies or number of claims.

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 covered 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.

Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by a number of factors including (but not limited to) policyholder gender, underwriting class and contract type.

An increase in expected longevity rates will lead to an increase in expected cost of immediate annuity payments which will reduce future expected profits of the Company.

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

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (contd.)

(d) Use of estimates and judgements (contd.)

ii) Discount rates

The Company determines risk-free discount rates using the observed yield curves of government securities. The derivation of the illiquidity premium leverages the volatility adjustment bases in accordance with the BNM’s discounting approach, with calibration made to reference the portfolio of the Company's insurance and shareholder's funds. The yield curve will be interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rates and inflation expectations. Although the ultimate forward rate will be subject to revision, it is expected to be updated only upon significant changes in the long-term expectations being observed.

Discount rates applied for discounting of future cash flows are listed below:

	Portfolio duration									
	1 year		3 year		5 year		10 year		15 year	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Insurance contracts issued										
Ringgit Malaysia	3.30% - 3.57%	3.25% - 3.58%	3.53% - 3.80%	3.74% - 4.07%	3.65% - 3.92%	3.88% - 4.21%	3.74% - 4.01%	4.09% - 4.42%	4.05% - 4.32%	4.36% - 4.69%
Reinsurance contracts held										
Ringgit Malaysia	3.30% - 3.53%	3.25% - 3.50%	3.53% - 3.76%	3.74% - 3.99%	3.65% - 3.88%	3.88% - 4.13%	3.74% - 3.97%	4.09% - 4.34%	4.05% - 4.28%	4.36% - 4.61%

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (contd.)

(d) Use of estimates and judgements (contd.)

iii) Risk adjustments for non-financial risks

Risk adjustments for non-financial risks are determined to reflect the compensation that the Company would require for bearing non-financial risks and its degree of risk aversion. The Company applies a confidence level technique to determine the risk adjustments for non-financial risks of both its insurance and reinsurance contracts.

Under a confidence level technique, the Company estimates the probability distribution of the expected value of the future cash flows at each reporting date and calculates the risk adjustment for non-financial risks as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The target confidence level is the 75th percentile, in line with the regulatory requirement of BNM under the RBC Framework for Insurers.

iv) Contractual service margin

The CSM is a component of the assets or liabilities 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 years; and
- 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 for each contract the quantity of the benefits provided and its expected coverage duration.

For groups of Life Insurance contracts, the quantity of benefit is the contractually agreed sum covered 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (contd.)

(d) Use of estimates and judgements (contd.)

v) 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 in Note 2.1(d)(i) to Note 2.1(d)(iv). 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. The Company disaggregates information to disclose Life Insurance contracts issued and reinsurance contracts held separately. This disaggregation has been determined based on how the Company are managed.

vi) Valuation of investment properties, as referred in Note 2.2(ii).

vii) Impairment losses on financial assets, as referred in Note 2.2(vii)(a).

2.2 Summary of material accounting policy information

(i) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment are recognised as an asset, if and only if, 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.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an indefinite useful life and therefore, is not depreciated.

Work-in-progress is also not depreciated as this asset is not available for use. When work-in-progress is completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment and depreciation of the asset begins.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(i) Property, plant and equipment and depreciation (contd.)

Buildings on leasehold land are depreciated over 50 years or the remaining period of the respective leases, whichever is shorter.

Depreciation on property, plant and equipment is computed on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Buildings on freehold land	2%
Furniture, fittings, equipment and renovations	20% - 25%
Computers and peripherals	14% - 25%
Electrical and security equipment	10%
Motor vehicles	25%

The residual values, useful lives and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss.

(ii) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflect market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered professional independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and/or periodic intervening valuations by internal professionals, as appropriate. The Board determines the policies and procedures for recurring and non-recurring fair value measurement and takes responsibility in the selection of the independent valuers.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the financial year in which they arise, including the corresponding tax effect.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ii) Investment properties (contd.)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to self-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from self-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.2(i) up to the date of change in use. Where the fair value of the property exceeds its carrying amount, the difference or revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.

Investment properties are derecognised when either 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.

(iii) Leases

(a) Classification

At inception of a contract, the Company assesses whether a contract is, or contains, a lease arrangement based on whether the contract conveys to the user ("the lessee") the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent remeasurement of the contract on the basis of their relative stand-alone selling prices. The Company combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

(b) Recognition and initial measurement

(1) The Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognises leases liabilities to make lease payments and right-of-use asset representing the right of use of the underlying assets.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

(1) The Company as lessee (contd.)

(i) Right-of-use ("ROU") assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Company are reasonably certain to exercise that option, unless the Company are reasonably certain to obtain ownership of the leased asset at the end of the lease term.

The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follow:

Properties	2 to 5 years
Motor vehicles and other equipment	2 to 3 years

Right-of-use assets are subject to impairment assessment. The impairment policy for ROU assets are in accordance with impairment of non-financial assets as described in Note 2.2(vii)(b).

(ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance, fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Leases (contd.)

(b) Recognition and measurement (contd.)

(1) The Company as lessee (contd.)

(ii) Lease liabilities (contd.)

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(2) Short-term leases, leases of low-value assets and variable payments

(i) <u>Leases with a lease term of 12 months or shorter;</u>

The Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date that does not have renewable clause options and purchase options.

(ii) <u>Leases for low-value assets which are less than RM10,000; and</u>

The Company also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value and are recognised as expense in profit or loss on a straight-line basis over the lease term.

(iii) <u>Leases with variable lease payments</u>

Variable lease payments of the Company does not contain any component of fixed rent in the clauses of the contract.

The Company is to recognise the lease payments, when incurred, in profit or loss for the leases that do not meet the ROU assessment and for which it has applied the exemptions as permitted by the standard.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Leases (contd.)

(b) Recognition and measurement (contd.)

(3) Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of three to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. The Company considers all relevant factors that create an economic incentive to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects it's ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

(c) Lease modifications

The Company shall account for a lease modification as a separate lease if both:

i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

(iv) Intangible assets

Intangible assets include software development costs and computer software and licences. Intangible assets acquired separately are measured on initial recognition at fair value. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iv) Intangible assets (contd.)

Amortisation is charged to profit or loss. Work-in-progress are also not amortised as these assets are not available for use.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss when the assets are derecognised.

(a) Software development costs

Software development costs are tested for impairment annually and represent development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. When development is complete and the asset is available for use, it is reclassified to computer software and amortisation of the asset begins. During the period in which the asset is not yet in use, it is tested for impairment annually.

(b) Computer software and licences

Computer software and licences are initially stated at cost. Following initial recognition, the assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Subsequently, expenditure in relation to computer software and licences are capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is recognised in profit or loss as incurred.

Impairment is assessed whenever there is indication of impairment. The amortisation period and method are also reviewed at least at each reporting date.

These assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iv) Intangible assets (contd.)

(c) Amortisation period

The Company's intangible assets are amortised on a straight-line basis over their estimated useful lives.

	Useful lives
Computer software and licences	10 years

(v) 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 financial instruments.

(a) Initial and subsequent measurement

Financial assets are classified, at intital recognition, as at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The Company determines the classification of financial assets at initial recognition depends on the business model for managing the financial assets and the contractual cash flows characteristic as below:

(i) 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(i) Business model assessment (contd.)

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 effect 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.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(i) Business model assessment (contd.)

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.

(ii) 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 make 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.

(iii) Classification of financial assets

The categories include financial assets at FVTPL, FVOCI and AC.

(i) Financial assets at FVTPL

Financial assets in this category are those financial assets that are held for trading or financial assets that qualify for neither held at AC nor at FVOCI. This category includes debt instruments whose cash flow characteristic fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both collect contractual cash flows and sell. Equity instruments that were not elected for FVOCI will be measured at FVTPL.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets (contd.)

(i) Financial assets at FVTPL (contd.)

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the profit or loss.

(ii) Financial assets at FVOCI

Financial assets in this category are those financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and interest.

(a) Financial assets at FVOCI (debt instruments)

Financial assets at FVOCI for debt instruments are measured at fair value. Exchange differences, interest and dividend income on financial assets at FVOCI are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Other net gains and losses are recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. On derecognition, gains or lossess accumulated in other comprehensive income are reclassified to profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets (contd.)

(ii) Financial assets at FVOCI (contd.)

(b) Financial assets at FVOCI (equity instruments)

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Company can elect to classify as equity instruments designated at fair value through other comprehensive income when they meet the definition and is not held for trading. The classification is determined on an instrument-by-instrument (i.e share-by-share) basis. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the Company are to transfer the cumulative gain or loss within equity. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(iii) Financial assets at AC

Financial assets in this category are those financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest.

Subsequent to initial recognition, financial assets at AC are measured at amortised cost using effective interest method. Exchange differences, interest and dividend income on financial assets at AC are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. On derecognition, any gains or losses are recognised in profit or loss.

(b) Derecognition of financial assets

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Company has transferred substantially all the risks and rewards of the financial asset.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(b) Derecognition of financial assets (contd.)

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

(c) Write off of financial assets

An estimate is made for doubtful debts based on a review of all outstanding balances as at reporting date. Any financial assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business will be written down to an amount which they might be expected so to realise.

The amount written off for bad debts in the financial statements of the Company are expensed to profit or loss as disclosed in Note 30.

(vi) 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 in both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in unquoted equity instruments that do not have quoted market prices in an active market, the fair values are measured based on the net asset method by referencing to the annual financial statements of the entity that the Company invested in.

For non-exchange traded financial assets such as unquoted fixed income securities, fair values are determined based on over-the-counter quotes at the reporting date. These are based on market observable inputs such as benchmark market rates of interest, reported trades and broker-dealer quotes available for these investments.

Over-the-counter derivatives comprise foreign exchange forward contracts and currency swap contracts and options. Over-the-counter derivatives are revalued at each reporting date, based on valuations provided by the respective counterparties in accordance with market conventions.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value which is the cost of the deposit/placement.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vi) Fair value of financial assets (contd.)

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 instruments 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, except in the case of financial assets at FVTPL where the transaction costs are recognised in profit or loss.

(vii) Impairment

(a) Financial assets

The Company assesses the impairment of financial assets based on an Expected Credit Loss ("ECL") model. The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances, financing, insurance receivables, debts instruments and deposits held by the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases* .

ECL would be recognised from the point at which the financial assets are originated or purchased. A 12-month ECL must be recognised initially for all assets subject to impairment.

The measurement of expected loss will involve increased complexity and judgement that include:

(i) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECLs and one that is based on lifetime ECLs. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The Company will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vii) Impairment (contd.)

(a) Financial assets (contd.)

(i) Determining a significant increase in credit risk since initial recognition (contd.)

3 Stage approach	Stage 1 Performing	Stage 2 Under-performing	Stage 3 Non-performing
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of interest/profit income	Gross carrying amount	Gross carrying amount	Net carrying amount

(ii) Forward-looking information and ECL measurement

The amount of credit loss recognised is based on forward-looking estimates that reflect current and forecast economic conditions. The forward-looking adjustment is interpreted as an adjustment for the expected future economic conditions, as indicated by different macroeconomic factors and/or expert experienced in credit judgement. A forward-looking ECL calculation should be based on an accurate estimation of current and future probability of default ("PD"), exposure at default ("EAD"), loss given default ("LGD") and discount factors.

Financing receivables

The ECL on the loan portfolio of the Company is computed using PD, LGD and EAD. The Company measuring the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant, and collectively assess for other financial assets.

Financial assets at FVOCI and AC

In accordance to the three-stage approach, all newly purchased financial assets shall be classified in Stage 1, except for credit impaired financial assets. It will move from Stage 1 to Stage 2 when there is significant increase in credit risk ("SICR"), and Stage 2 to Stage 3 when there is an objective evidence of impairment. Financial assets which have experienced a SICR since initial recognition are classified as Stage 2, and are assigned a lifetime ECL.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vii) Impairment (contd.)

(a) Financial assets (contd.)

(ii) Forward-looking information and ECL measurement (contd.)

Financial assets which have not experienced a SICR since initial recognition are classified as Stage 1, and assigned a 12-month ECL. All financial assets are assessed for objective evidence of impairment except for:

- Financial assets measured at FVTPL;
- Equity instruments; and
- Local federal governments and local central banks issued bonds, Treasury Bills and Notes. Low credit risk on the basis that both federal government and central bank have strong capacity in repaying the instruments upon maturity. In addition, there is no past historical lost experiences arising from these government securities in all jurisdiction.

(b) Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying value of an asset exceeds its estimated recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount nor does it exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(viii) Financial liabilities

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

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. During the financial year and as at the reporting date, the Company did not classify any of its financial liabilities at FVTPL.

The Company's other financial liabilities include other payables.

<u>Other payables</u>

Other payables (i.e amount due to) are subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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 different terms, or the terms of an existing liability are substantially modified (i.e. the present value of the cash flows under the new loan (including any fees paid) has a variance of 10% or more as compared to the present value of the remaining cash flows of the existing loan), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ix) Insurance contracts and reinsurance contracts classification

Insurance contracts

The Company issues contracts that contain insurance risk or both insurance risk and financial risk.

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

An insurance contract is a contract under which an entity has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines whether significant insurance risk has been accepted by comparing benefits paid or payable on the occurrence of an insured event against benefits paid or payable if the insured event had not occurred. If the ratio of the former exceeds the latter by 5% or more, the insurance risk accepted is deemed to be significant.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ix) Insurance contracts and reinsurance contracts classification (contd.)

Insurance contracts and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF represents the contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

(a) Likely to be a significant portion of the total contractual benefits;
(b) Whose amount or timing is contractually at the discretion of the issuer; and
(c) Contractually based on the:
- Performance of a specified pool of contracts or a specified type of contracts;
- Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
- Profit or loss of the entity or fund that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise its discretion as to the quantum and timing of their payment to contracts holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within insurance contracts liabilities as at the end of the reporting date.

The Company also cedes insurance risk in the normal course of its business. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. For both ceded and assumed reinsurance, premiums, claims and benefits paid or payable are presented on a gross basis.

<u>Reinsurance contracts</u>

Reinsurance arrangements entered into by the Company, that meet the classification requirements of insurance contracts as described above are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

Reinsurance assets represent amounts recoverable from reinsurers for insurance contracts liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the underlying insurance contracts and the terms of the relevant reinsurance arrangement.

At each reporting date, or more frequently, the Company assesses whether objective evidence exists that reinsurance assets are impaired. The impairment loss is recognised in profit or loss.

Reinsurance assets are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment

(a) Separating components from insurance and reinsurance contracts

The Company assesses its insurance and outwards reinsurance 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 contracts. Currently, the Company's products do not include distinct components that require separation.

Some term 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 contracts. 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 a insured event occurs. Investment components which are highly interrelated with the insurance contract of which they form a part 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.

(b) Level of aggregation

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. In determining the level of aggregation, the Company identifies a contracts as the smallest ‘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 contracts for accounting purposes may differ from what is considered as a contracts for other purposes (i.e. legal or management). For reinsurance contract held, the basis depends on the type of reinsurance arrangement. There is no group for level of aggregation purposes that contain contracts issued more than one year apart.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(b) Level of aggregation (contd.)

The Company has defined portfolios of insurance contracts issued and reinsurance contracts held based on its product lines due to the fact that the products are subject to similar risks and managed together.

For Life, 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 contracts where its ability to set prices or levels of benefits for policyholders with different characteristics is constrained by regulation.

The portfolio are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue portfolios of insurance contracts 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.
- A group of the remaining contracts in the portfolio.

The reinsurance contracts held portfolios are 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.
- A group of the remaining contracts in the portfolio.

(c) 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 policyholders is due, or when the first payment is received if there is no due date.
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group of contract is onerous.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(c) Recognition (contd.)

The Company recognises a group of reinsurance contracts held at:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contracts is initially recognised, if that date is later than beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contracts held at or before that date.

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.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contract, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

The Company adds new contracts to the group in the reporting period in which the contracts meets one of the criteria set out above.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

(d) Onerous groups of contracts

The profitability of group of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood changes in applicable facts and circumstances.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(d) Onerous groups of contracts (contd.)

The Company looks at facts and circumstances to identify if groups 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 as disclosed in Note 2.2(x)(k)(ii).

(e) 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:
  (i) 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.
  (ii) 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 contracts are not recognised. Such amounts relate to future insurance contracts.

For contracts with renewal periods, the Company assess whether premiums and related cash flows that arise from the renewed contracts 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, that the Company would considers when underwriting equivalent contracts on the renewal dates for the remaining coverage. The Company reassess the contract boundary of each group at the end of each reporting period.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts

Contracts measured under Premium Allocation approach ("PAA")

Initial measurement

The Company may apply the PAA to the insurance contracts that it issues and reinsurance contracts that it holds, provided that:
- The coverage period of each contract in the group is one year or less, including coverage arising from all premiums within the contract boundary (Note 2.2(x)(e)); or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. PAA eligibility is assessed at the inception of the group of insurance contracts and does not need to be reassessed at subsequent measurement.

For contracts with the contract boundary of 12 months or less, following simplifications apply:
- The Company shall assume that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise; and
- While the Company can further subdivide groups of contracts if this is consistent with internal management and reporting purposes, this policy does not require any further subdivision.

The Company have performed an eligibility assessment, and it was concluded that they qualify for PAA since there was no material difference in the measurement of the liability for remaining coverage between PAA and the general measurement model for contracts longer than 1 year.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group of contracts being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 2.2(x)(k)(ii).

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

Subsequent measurement

For a group of contracts that apply the PAA the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition;
- Minus any insurance acquisition cash flows at that date, unless if the payments are recognised as an expense; and
- Plus or minus any amount arising from the derecognition at that date of the asset or liability recognised for insurance acquisition cash flows.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, 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, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims.

Where, during the coverage period, a group of insurance contracts becomes onerous, the Company recognises 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. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

For the determination of discount rates used, please refer to Note 2.1(d)(ii).

Contracts not measured under PAA

Initial measurement

General measurement model ("GMM")

The GMM measures a group of insurance contracts as the total of:

- Fulfilment cash flows
- A Contractual Service Margin ("CSM") represents the unearned profit as 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

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 and expected future claims.
    - (i) Payments to policyholders resulting from embedded surrender value options.
    - (ii) 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.

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) over the period of the contracts in a systematic and rational way on the basis of the passage of time. The Company does not elect to accrete interest on insurance acquisition cash flows to be allocated to profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

The Company also issues certain insurance contracts certificates that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Company's policy is to hold such investment assets.

An insurance contract certificate with direct participation features is defined by the Company as one which, at inception, meets the following criteria:
- the contractual terms specify that the policyholders participate 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.

The Company uses judgement to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value returns on the underlying items.

<u>Variable fee approach ("VFA")</u>

The measurement approach for insurance contracts certificates with direct participation features is referred to as the VFA.

The VFA modifies the accounting model in MFRS 17 (referred to as the GMM) to reflect that the consideration an entity receives for the contracts is a variable fee.

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the Company's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders) less the FCF that do not vary based on the returns on underlying items.

Direct participating contracts issued by the Company are contracts with direct participation features where the Company holds the pool of underlying assets and accounts for these groups of contracts under the VFA.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

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.

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 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.
- The effect of any new contracts added to the group (Note 2.2(x)(c)).
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- Non-distinct investment component variances.
- 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.

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 interest on the CSM is determined using the bottom-up approach (Note 2.1(d)(ii)) at inception.

General measurement model ("GMM")

For insurance contracts under the GMM, 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 against the CSM.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

General measurement model ("GMM") (contd.)

- 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 income statement 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.

Whereas the changes in fulfilment cash flows that are not relating to future service and thus do not adjust the CSM comprise of:
- Changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- Changes in the FCF relating to the LIC; and
- Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Variable fee approach ("VFA")

For insurance contracts certificates under the VFA, the changes in fulfilment cash flows relating to future service and thus adjust the CSM comprise of:
- Changes in the Company share of the fair value of the underlying items; and
- Changes in the FCF that do not vary based on the returns of underlying items:
  - (i) Changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
  - (ii) Experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
  - (iii) Changes in estimates of the present value of future cash flows in the LRC;
  - (iv) Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
  - (v) Changes in the risk adjustment for non-financial risk that relate to future service.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

Variable fee approach ("VFA") (contd.)

For insurance contracts certificates under the VFA, the changes in fulfilment cash flows that are not relating to future service and thus do not adjust the CSM comprise of:

- Changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
- Changes in the FCF that do not vary based on the returns of underlying items:
  - (i) Changes in the FCF relating to the LIC; and
  - (ii) Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

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 (Note 2.1(d)(ii)).

Where, during the coverage period, a group of insurance contracts becomes onerous, the Company recognises 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. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosure on the loss component, please refer to (Note 2.2(x)(k)(ii)).

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.

(g) Measurement - Reinsurance contracts

Initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(g) Measurement - Reinsurance contracts (contd.)

Initial measurement (contd.)

For Life, 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.
- 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.

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.

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 (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(g) Measurement - Reinsurance contracts (contd.)

Subsequent measurement

For Life, the subsequent 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 reinsurance, 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 reinsurance.
- 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 contracts held do not adjust the contractual service margin as they do not relate to future service.

Any change in the fulfilment cash flows of a retroactive reinsurance contracts held due to the changes of the liability for incurred claims of the underlying contracts is taken to profit and loss and not the contractual service margin of the reinsurance contract held.

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 cash flows of the group of reinsurance contracts held adjust the CSM.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(h) Insurance receivable and payables

The liability for remaining coverage disclosed under insurance contracts liabilities are including insurance receivable and payables.

i) Liability for remaining coverage - Insurance receivable

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration to be received. The carrying value of premiums due and uncollected is reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss.

Insurance receivables are derecognised following the derecognition criteria for financial instruments.

The impairment on insurance receivables are measured at initial recognition and throughout its life at an amount equal to lifetime ECL. The ECL is calculated using a provision matrix based on historical data where the insurance and reinsurance receivables are grouped based on different sales channel and different reinsurance premium type's arrangement respectively. The impairment is calculated on the total outstanding balance including all aging buckets from current to 12 months and above. Roll rates are to be applied on the outstanding balance of the aging bucket which forms the base of the roll rate. Forward-looking information has been included in the calculation of ECL.

ii) Liability for remaining coverage - Insurance payable

Insurance payables are recognised when due and measured on initial recognition at 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.

(i) Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contracts 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.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contracts as an adjustment to the relevant liability for remaining coverage.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(j) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Company uses a systematic and rational method to allocate:

(a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
- to that group; and
- to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

(b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the CSM of the related group of insurance contracts. The Company expects to derecognise all assets for insurance acquisition cash flows within insurance coverage period.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts certificates not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(j) Insurance acquisition cash flows (contd.)

The Company recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

(k) 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 certificates are included in the carrying amount of the related groups of insurance contracts issued.

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 reinsurance contracts held from the expenses or income from insurance contracts issued.

(i) Insurance revenue

<u>Contracts measured under PAA</u>

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contracts services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(k) Presentation (contd.)

(i) Insurance revenue (contd.)

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

<u>Contracts not measured under PAA</u>

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 relating to the risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- Amounts related to tax that are specifically chargeable to the policyholders.

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

For management judgement applied to the amortisation of CSM, please refer to Note 2.1(d)(iv).

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(k) Presentation (contd.)

(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) Loss-recovery components

When 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, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(k) Presentation (contd.)

(iii) Loss-recovery components (contd.)

Where a loss-recovery component has been set up at initial recognition or subsequently, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

(iv) Net income or expense from reinsurance contracts held

The Company presents the net amounts of income or expense expected to be recovered/paid from/to reinsurers on the face of the income statement and other comprehensive income.

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 income statement and other comprehensive income. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(k) Presentation (contd.)

(v) Insurance finance income and expenses

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; and
- The effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- Interest accreted on the LIC; and
- the effect of changes in interest rates and other financial assumptions.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

- Interest accreted on the FCF and the CSM;
- The effect of changes in interest rates and other financial assumptions; and
- Net foreign exchange differences arising from contracts denominated in a foreign currency.

For contracts measured under the VFA, the main amounts within insurance finance income or expenses are:

- Changes in the fair value of underlying items;
- Interest accreted on the FCF relating to cash flows that do not vary with returns on underlying items; and
- The effect of changes in interest rates and other financial assumptions on the FCF relating to cash flows that do not vary with returns on underlying items.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(k) Presentation (contd.)

(v) Insurance finance income and expenses (contd.)

The Company disaggregates insurance finance income or expenses on insurance contracts issued for each different portfolios between profit or loss and other comprehensive income. The impact of changes in market interest rates on the value of the Life Insurance and related reinsurance assets and liabilities are reflected in other comprehensive income 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 fair value through other comprehensive income. Finance income and expenses on the Company's issued reinsurance contracts is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

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 2.1(d)(ii) for current discount rates.

In the event of transfer of a group of insurance contracts certificates or derecognition of an insurance contracts, 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 contracts) that were previously recognised in other comprehensive income.

(xi) Revenue recognition

<u>Revenue from contracts with customers</u>

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to a customer. Generally, satisfaction of a performance obligation occurs when/as the Company's control of the goods or services is transferred to the customer. Control can be defined as the ability to direct the use of an asset and to obtain substantially all of the remaining benefits from the asset. Control also includes the ability to prevent another entity from directing the use of and obtaining the benefits from an asset.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Revenue recognition (contd.)

Revenue from contracts with customers (contd.)

For each separate performance obligation, the Company will need to determine whether the performance obligation is satisfied by transferring the control of goods or services over time. If the performance obligation is not satisfied over time, then it is satisfied at a point in time.

When/as a performance obligation is satisfied, the Company shall recognise as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained, that is allocated to that performance obligation).

Other revenue

(a) Interest income

Interest income is recognised using the effective interest yield method over the term of the underlying investments.

(b) Dividend income

Dividend income is recognised at a point in time when the Company's right to receive payment is established.

(c) Rental income

Rental income is accounted for on a straight-line basis over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xii) Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions ("SOCSO") are recognised as an expense in profit or loss in the period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised as an expenses in profit or loss 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 as an expense in profit or loss when the absences occur.

(b) 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 in Note 2.2(xiii)(c), except that the remeasurements of the net defined contribution liability or asset are recognised immediately in profit or loss.

(c) Defined contribution plans

As required by law, the Company makes contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss when incurred.

(d) Share-based compensation

(1) <u>Employees’ Share Grant Plan (“ESGP shares”)</u>

The ESGP shares is awarded to eligible Executive Directors and employees of participating companies within the Maybank Group (excluding dormant subsidiaries). The ESGP shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of the ESGP Committee.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xii) Employee benefits (contd.)

(d) Share-based compensation (contd.)

(1) Employees' Share Grant Plan ("ESGP shares") (contd.)

The total fair value of ESGP shares granted to eligible employees is recognised as an employee cost with a corresponding increase in amount due to Maybank. The fair value of ESGP shares is measured at grant date, taking into account, the market and non-market vesting conditions upon which the ESGP shares were granted. Upon vesting of ESGP shares, Maybank will recognise the impact of the actual numbers of ESGP shares vested as compared to original estimates.

(2) Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

The CESGP is awarded to the eligible Executive Directors and employees of participating companies within the Maybank Group, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries. Upon vesting, the cash amount equivalent to the value of the Maybank Reference Shares will be transferred to the eligible employees.

The total fair value of CESGP shares granted to eligible employees is recognised as an employee cost with a corresponding increase in Maybank's liability over the vesting period and taking into account the probability that the CESGP will vest. The fair value of CESGP shares is measured at grant date, taking into account, the market and non-market vesting conditions upon which the CESGP shares were granted. Upon vesting of CESGP shares, Maybank will recognise the impact of the actual numbers of CESGP shares vested as compared to the original estimates.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xiii) Foreign currencies

(a) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the financial year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

(xiv) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or a group of people that is responsible to allocate resources and assess the performances of the operating segments of an entity. The Company have determined the Chief Executive Officer as its chief operating decision-maker.

All transactions between business segments (Intra-segment revenue and costs) are eliminated at Company level. Income and expenses directly associated with each business segment are included in determining business segment performance.

The company disclosed its segment information by funds in Note 48.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.3 New and amended standards and interpretations

On 1 January 2023, the Company adopted the following new and amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2023:

Description	**Effective for annual periods beginning on or after**
MFRS 17 *Insurance Contracts*	1 January 2023
(Amendments to MFRS 17*) Initial Application of* MFRS 17 *and* MFRS 9 - *Comparative Information*	1 January 2023
MFRS 101 *Presentation of Financial Statements*	
(Amendment to MFRS 101) *Classification of Liabilities as Current or Non-current*	1 January 2023
(Amendments to MFRS 101) *Disclosure of Accounting Policies*	1 January 2023
MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	
(Amendments to MFRS 108) *Definition of Accounting Estimates*	1 January 2023
MFRS 112 *Income Taxes*	
(Amendments to MFRS 112) *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
(Amendments to MFRS 112) *International Tax Reform—Pillar Two Model Rules*	1 January 2023

Other than above, the adoption of the above Amendments to Standards did not have any significant financial impact to the Company's financial statements.

The effects arising from the adoption of the new MFRS and amendments to MFRSs are as disclosed in Note 2.5.

2.4 Standards and annual improvements to standards issued but not yet effective

The following are Amendments to Standards issued by the Malaysian Accounting Standard Board (“MASB”), but which are not yet effective, up to the date of issuance of the Company’s financial statements. The Company intends to adopt these Amendments to Standards, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
MFRS 16 *Leases*	
(Amendments to MFRS 16) *Lease Liability in a Sale and Leaseback*	1 January 2024
MFRS 101 *Presentation of Financial Statements*	
(Amendments to MFRS 101) *Non-current Liabilities with Covenants*	1 January 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (contd.)

Description	Effective for annual periods beginning on or after
MFRS 7 *Financial Instruments: Disclosures*	
(Amendments to MFRS 107 and MFRS 7) *Supplier Finance Arrangements*	1 January 2024
MFRS 107 *Statement of Cash Flows*	
(Amendments to MFRS 107 and MFRS 7) *Supplier Finance Arrangements*	1 January 2024
MFRS 121 *The Effects of Changes in Foreign Exchange Rates*	
(Amendments to MFRS 121) *Lack of Exchangeability*	1 January 2025

The adoption of the above pronouncements are not expected to have a significant impact on the Company.

2.5 Changes in accounting policies and disclosure

MFRS 17 *Insurance Contracts*

MFRS 17 *Insurance Contracts* replaced MFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023. The Company restated comparative information for the financial year ended 31 December 2022, including the opening balance as at 1 January 2022, by applying the transition requirements of MFRS 17.

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

(i) Changes to classification and measurement

The adoption of MFRS 17 did not change the classification of the Company’s insurance contracts.

MFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

The key principles of MFRS 17 are that the Company:

- Identifies insurance contracts as those under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;

- Separates specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounts for them in accordance with other applicable MFRS or IFRS;

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

MFRS 17 *Insurance Contracts* (contd.)

(i) Changes to classification and measurement (contd.)

- Separates the insurance and reinsurance contracts into groups it will recognise and measure;

- Recognises and measure groups of insurance contracts at a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information, plus an amount representing the unearned profit in the group of contracts (the contractual service margin or "CSM"), if relevant;

- Recognises profit from a group of insurance contracts over each period the Company provides insurance coverage, as the Company is released from risk. If a group of contracts is expected to be onerous (i.e. loss making) over the remaining coverage period, the Company will recognise the loss immediately; and

- Recognises an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

The Company’s classification and measurement of insurance and reinsurance contracts are explained in Note 2.3.

(ii) Changes to presentation and disclosure

For presentation purposes, the Company has aggregated insurance contracts issued and reinsurance contracts held and presented these separately in the statement of financial position as follows:

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

The portfolios of contracts are as established at initial recognition and is in accordance with the requirements of MFRS 17.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

MFRS 17 *Insurance Contracts* (contd.)

(ii) Changes to presentation and disclosure (contd.)

The presentation of the income statement and other comprehensive income have been changed significantly upon the adoption of MFRS 17, with clear delineation of underwriting and investment results. There are no longer items such as gross, net or earned premiums or net claims incurred shown on the income statement.

Instead, the income statement have reflected the following items for the financial year ending 31 December 2023, together with a restated income statement under MFRS 17 for the year ended 31 December 2022:

- Insurance revenue
- Insurance service expenses
- Insurance service results
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- Amounts recognised in the Company's financial statements arising from insurance contracts; and
- Significant judgements, and changes in those judgements, when applying MFRS 17.

(iii) Transition

On the transition date of 1 January 2022, the Company has:

- Identified, recognised and measured each group of insurance and reinsurance contracts as if MFRS 17 had always applied (unless impracticable), using the full retrospective approach;
- Identified, recognised and measured assets for insurance acquisition cash flows as if MFRS 17 had always applied;
- Derecognised any existing balances that would not exist had MFRS 17 always applied; and
- Recognised any resulting net difference thereon in equity.

Where the Full Retrospective Approach ("FRA") has been determined to be impracticable to apply during the implementation period, due to constraints on data or other relevant inputs, the Company has applied the Modified Retrospective Approach ("MRA") and Fair Value Approach ("FVA"). These are described in further detail below.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

MFRS 17 *Insurance Contracts* (contd.)

(iii) Transition (contd.)

(a) Full retrospective approach ("FRA")

The determination of whether it is impracticable to adopt the FRA for group of contracts as at the transition date was made after considering the cost or effort required to collect the required information or create information where the required data was unavailable (either due to system migrations in the past, data retention policies, and changes in requirements introduced by MFRS 17) and if hindsight was needed to determine the estimates at prior periods. The Company has ascertained that insurance contracts underwitten effective from 1 January 2022 will apply the FRA transition approach.

(b) Modified retrospective approach ("MRA")

The MRA is applied based on reasonable and supportable information available without undue cost or effort to the Company. Certain modifications will be applied to the extent the FRA is not possible, but still with the objective to achieve the closest possible outcome to the FRA application.

(c) Fair value approach ("FVA")

Under the FVA, the CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference will be recognised in retained earnings at the transition date).

The Company has ascertained the insurance contract portfolios to which the Company will apply the transition approaches above.

Amendment to MFRS 9 as a result of MFRS 17 implementation

The Company has adopted MFRS 9 from the financial year ended 31 December 2018. In doing so, the Company has also applied the overlay approach, which allows it to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from the adoption of MFRS 17. As MFRS 17 allows an election for the effect of changes in discount rates to be recognised through profit or loss ("FVTPL") or through other comprehensive income ("FVOCI"), the Company has performed the necessary reclassification for the eligible financial assets to match against the insurance contract liabilities.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

Financial Effects arising from the adoption of MFRS 17 *Insurance Contracts*

The impacts of adopting MFRS 17 on 1 January 2023, with a transition date of 1 January 2022 are as shown below.

The comparative figures have been restated to conform with current year's presentation in accordance with MFRS 17 *Insurance Contract*. The effects of the adjustments to assets, liabilities and equity on the statement of financial position of the Company as at 1 January 2022 and 31 December 2022 and on the components of profit or loss for the year ended 31 December 2022 are presented below:

(a) Statement of financial position as at 1 January 2022

	As previously stated at 1 January 2022 RM'000	Reclassification / Derecognition of MFRS 4 assets and liabilities RM'000	Remeasurement effects under MFRS 17 RM'000	Tax effect RM'000	As restated at 1 January 2022 RM'000
Assets:					
Financing receivables	265,527	(242,752)	-	-	22,775
Reinsurance contract assets	110,404	(32,684)	-	-	77,720
Insurance receivables	23,755	(23,755)	-	-	-
Other assets	149,976	(12,914)	-	-	137,062

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

Financial Effects arising from the adoption of MFRS 17 *Insurance Contracts* (contd.)

(a) Statement of financial position as at 1 January 2022 (contd.)

	As previously stated at 1 January 2022 RM'000	Reclassification / Derecognition of MFRS 4 assets and liabilities RM'000	Remeasurement effects under MFRS 17 RM'000	Tax effect RM'000	As restated at 1 January 2022 RM'000
Equities:					
Insurance finance reserve	-	-	(35,080)	-	(35,080)
FVOCI reserves	(1,475)	3,679	-	-	2,204
Revaluation reserve	54,465	24,431	-	-	78,896
Retained profits	1,420,225	10,301,885	(10,036,540)	(54,997)	1,630,573
Liabilities:					
Reinsurance contract liabilities	-	23	-	-	23
Insurance contract liabilities	10,768,463	(10,536,594)	10,140,943	-	10,372,812
Insurance payables	25,312	(25,312)	-	-	-
Other liabilities	455,668	(149,540)	-	-	306,128
Deferred tax liabilities	333,944	-	-	54,997	388,941

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

Financial Effects arising from the adoption of MFRS 17 *Insurance Contracts* (contd.)

(b) Statement of financial position as at 31 December 2022

	As previously stated at 31 December 2022 RM'000	Reclassification / Derecognition of MFRS 4 assets and liabilities RM'000	Remeasurement effects of MFRS 17 RM'000	Tax effect RM'000	As restated at 31 December 2022 RM'000
Assets:					
Financing receivables	265,034	(241,321)	-	-	23,713
Reinsurance contract assets	109,080	(15,472)	-	-	93,608
Insurance receivables	25,335	(25,335)	-	-	-
Other assets	154,498	(15,669)	-	-	138,829
Equities:					
Insurance finance reserve	-	-	(11,421)	-	(11,421)
FVOCI reserves	(23,749)	(9,622)	-	-	(33,371)
Revaluation reserve	54,465	24,431	-	-	78,896
Retained profits	1,418,905	10,258,728	(10,054,421)	(41,399)	1,581,813
Liabilities:					
Insurance contract liabilities	10,670,647	(10,426,259)	10,119,353	-	10,363,741
Insurance payables	21,584	(21,584)	-	-	-
Other liabilities	457,523	(177,002)	-	-	280,521
Deferred tax liabilities	304,774	-	-	41,399	346,173

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

Financial Effects arising from the adoption of MFRS 17 *Insurance Contracts* (contd.)

(c) Financial impacts from adoption of MFRS 17

The following table shows the nature of the measurement adjustments made to the statement of financial position:

Nature of the measurement adjustments	**Description**
Reclassification/ Derecognition of MFRS 4 assets and liabilities	The items include: a) Insurance receivables, insurance payables, reinsurance assets, insurance contract liabilities and other payables were derecognised on transition and have been remeasured within insurance contract asset and liabilities, reinsurance asset and liabilities. b) Under MFRS 4, asset revaluation reserves and fair value reserves of participating policyholders' funds of RM28.1 million were reported within insurance contract liabilities. Under MFRS 17, these balances are reported as part of the restricted equity of the Company.
Remeasurement effects under MFRS 17	a) Transition CSM CSM is a component of the insurance contract liabilities and represents the future unearned profit associated with insurance contracts which will be released to profit or loss over the insurance coverage period. b) Fulfilment Cash Flows The measurement of the insurance contract assets/liabilities under MFRS17 is based on groups of insurance contracts and includes liabilities for fulfilling the contractual obligations associated with the insurance contract, such as premiums, expenses, and insurance benefits and claims. These are recorded within the fulfilment cash flows component of the insurance contract liabilities, together with the risk adjustment.
Tax effect	Deferred tax are reported, where appropriate, to account for the temporary differences between the new MFRS 17 accounting balances and the associated tax bases.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

Financial Effects arising from the adoption of MFRS 17 *Insurance Contracts* (contd.)

(d) Income statement for the financial year ended 31 December 2022

	As previously stated for the year ended 31 December 2022 RM'000	Classification and measurement* RM'000	As restated for the year ended 31 December 2022 RM'000
Profit before taxation	224,331	(54,628)	169,703
Net profit for the financial year	174,137	(41,030)	133,107
Other comprehensive loss for the year, net of tax	(26,681)	3,948	(22,733)

** These impacts arise due to the derecognition of MFRS 4 assets and liabilities and recognition of MFRS 17 assets and liabilities.*

3. PROPERTY, PLANT AND EQUIPMENT

31.12.2023	**Properties # RM'000**	**Furniture, fittings, equipment and renovations RM'000**	**Computers and peripherals RM'000**	**Electrical and security equipment RM'000**	**Work-in-progress RM'000**	**Total RM'000**
Cost						
At 1 January 2023	305	48,512	11,862	48,359	7,630	116,668
Additions	-	1,786	9	99	5,378	7,272
Disposals	-	(508)	-	-	-	(508)
Reclassification	-	484	-	4,637	(5,121)	-
Transfer to intangible assets (Note 7)	-	-	-	-	(2,453)	(2,453)
At 31 December 2023	305	50,274	11,871	53,095	5,434	120,979
Accumulated Depreciation and Impairment Losses						
At 1 January 2023	259	39,817	8,896	38,474	-	87,446
Depreciation charge for the financial year (Note 31)	-	3,031	1,252	2,820	-	7,103
Disposals	-	(13)	-	-	-	(13)
At 31 December 2023	259	42,835	10,148	41,294	-	94,536
Analysed as:						
- Accumulated depreciation	50	42,835	10,148	41,294	-	94,327
- Accumulated allowance for impairment losses	209	-	-	-	-	209
	259	42,835	10,148	41,294	-	94,536
Net Book Value						
At 31 December 2023	46	7,439	1,723	11,801	5,434	26,443

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Work-in-progress RM'000	Total RM'000
31.12.2022						
Cost						
At 1 January 2022	305	46,996	11,821	48,431	5,953	113,506
Additions	-	1,368	41	926	1,904	4,239
Disposal	-	(79)	-	(998)	-	(1,077)
Reclassification	-	227	-	-	(227)	-
At 31 December 2022	305	48,512	11,862	48,359	7,630	116,668
Accumulated Depreciation and Impairment Losses						
At 1 January 2022	259	36,982	7,447	35,943	-	80,631
Depreciation charge for the financial year (Note 31)	-	2,850	1,449	2,550	-	6,849
Disposal	-	(15)	-	(19)	-	(34)
At 31 December 2022	259	39,817	8,896	38,474	-	87,446
Analysed as:						
- Accumulated depreciation	50	39,817	8,896	38,474	-	87,237
- Accumulated allowance for impairment losses	209	-	-	-	-	209
	259	39,817	8,896	38,474	-	87,446
Net Book Value						
At 31 December 2022	46	8,695	2,966	9,885	7,630	29,222

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
31.12.2023			
Cost			
At 1 January/31 December 2023	100	205	305
Accumulated Depreciation and Impairment Losses			
At 1 January/31 December 2023	54	205	259
Analysed as:			
- Accumulated depreciation	-	50	50
- Accumulated allowance for impairment losses	54	155	209
	54	205	259
Net Book Value			
At 31 December 2023	46	-	46
31.12.2022			
Cost			
At 1 January/31 December 2022	100	205	305
Accumulated Depreciation and Impairment Losses			
At 1 January/31 December 2022	54	205	259
Analysed as:			
- Accumulated depreciation	-	50	50
- Accumulated allowance for impairment losses	54	155	209
	54	205	259
Net Book Value			
At 31 December 2022	46	-	46

4. INVESTMENT PROPERTIES

	Freehold land and buildings	Leasehold land and buildings	Total
	<----- At valuation ------>		
	RM'000	RM'000	RM'000
31.12.2023			
At 1 January 2023	361,395	619,000	980,395
Additions	-	856	856
Fair value adjustments (Note 25)	5,015	20,144	25,159
At 31 December 2023	366,410	640,000	1,006,410
31.12.2022			
At 1 January 2022	361,170	610,000	971,170
Additions	-	580	580
Fair value adjustments (Note 25)	225	8,420	8,645
At 31 December 2022	361,395	619,000	980,395

The rental income and rental related expenses in relation to the investment properties are as disclosed below:

	31.12.2023	31.12.2022
	RM'000	RM'000
Rental income (Note 25)	77,227	67,901
Rental related expenses (Note 25)	(28,217)	(25,504)
	49,010	42,397

4. INVESTMENT PROPERTIES (CONTD.)

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Investment properties are stated at fair value in accordance with the policies as described in Note 2.2(ii) which have been determined based on valuations that reflect market conditions at the end of the reporting period.

The fair value of investment properties is classified under Level 3 of the fair value hierarchy as disclosed in Note 46(c). The fair value gains are recognised in profit or loss.

5. PREPAID LAND LEASE PAYMENTS

	31.12.2023 RM'000	31.12.2022 RM'000
Cost		
At 1 January/31 December	1,298	1,298
Accumulated Depreciation and Impairment Losses		
At 1 January	561	535
Amortisation charge for the financial year (Note 31)	26	26
Reversal of impairment losses	(177)	-
At 31 December	410	561
Analysed as:		
- Accumulated depreciation	410	384
- Accumulated allowance for impairment losses	-	177
	410	561
Net Book Value		
At 31 December	888	737

6. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

The movement of right-of-use assets is disclosed as follows:

	Premises	
	31.12.2023	**31.12.2022**
	RM'000	**RM'000**
Cost		
At 1 January	110	100
Contract renewal	-	7
Adjustments	-	3
At 31 December	110	110
Accumulated Depreciation and Impairment Losses		
At 1 January	12	47
Depreciation charge for the financial year (Note 31)	37	34
Contract renewal	-	(69)
At 31 December	49	12
Net Book Value		
At 31 December	61	98

The movement of lease liabilities is disclosed as follows:

	Premises	
	31.12.2023	**31.12.2022**
	RM'000	**RM'000**
Lease liabilities		
At 1 January	98	52
Interest on lease liabilities (Note 31)	3	2
Contract renewal	-	76
Payment of lease liabilities	(39)	(32)
At 31 December (Note 18)	62	98
Lease liabilities by remaining maturity:		
Less than 12 months	37	36
More than 12 months	25	62
Total	62	98

7. INTANGIBLE ASSETS

	Computer software and licences RM'000	Software development costs RM'000	Total RM'000
31.12.2023			
Cost			
At 1 January 2023	116,038	403	116,441
Additions	2,057	965	3,022
Reclassification	1,852	(1,852)	-
Transfer from property, plant and equipment (Note 3)	1,450	1,003	2,453
At 31 December 2023	121,397	519	121,916
Accumulated Amortisation			
At 1 January 2023	71,190	-	71,190
Amortisation charge for the financial year (Note 31)	8,523	-	8,523
At 31 December 2023	79,713	-	79,713
Net Book Value			
At 31 December 2023	41,684	519	42,203
31.12.2022			
Cost			
At 1 January 2022	110,302	1,514	111,816
Additions	4,649	-	4,649
Disposals	(24)	-	(24)
Reclassification	1,111	(1,111)	-
At 31 December 2022	116,038	403	116,441
Accumulated Amortisation			
At 1 January 2022	63,086	-	63,086
Amortisation charge for the financial year (Note 31)	8,105	-	8,105
Disposal	(1)	-	(1)
At 31 December 2022	71,190	-	71,190
Net Book Value			
At 31 December 2022	44,848	403	45,251

8. INVESTMENTS

	31.12.2023 RM'000	31.12.2022 RM'000
Malaysian government papers	1,354,761	1,058,602
Equity securities	1,695,982	1,586,941
Debt securities	7,461,500	7,352,602
Unit and property trust funds	869,756	665,404
Structured products (Note 9)	212,511	155,582
Deposits with financial institutions	511,169	570,789
	12,105,679	11,389,920

The Company's investments are summarised by categories as follows:

	31.12.2023 RM'000	31.12.2022 RM'000
Fair value through profit or loss ("FVTPL") (Note a):		
- Designated upon initial recognition	6,875,103	6,558,166
- Held for trading ("HFT")	3,187,545	2,805,108
	10,062,648	9,363,274
Fair value through other comprehensive income ("FVOCI") (Note b)	1,531,862	1,455,857
Amortised cost ("AC") (Note c)	511,169	570,789
	12,105,679	11,389,920

The following investments mature after 12 months:

	31.12.2023 RM'000	31.12.2022 RM'000
FVTPL		
- Designated upon initial recognition	6,632,262	6,341,290
- HFT	764,647	607,497
FVOCI	1,374,068	1,383,336
	8,770,977	8,332,123

(a) FVTPL

(i) Designated upon initial recognition

	31.12.2023 RM'000	31.12.2022 RM'000
At fair value		
Malaysian government papers	918,883	680,093
Debt securities:		
Unquoted in Malaysia	5,655,816	5,630,031
Unquoted outside Malaysia	87,901	92,549
Structured products (Note 9)	212,503	155,493
Total financial assets designated as FVTPL upon initial recognition	6,875,103	6,558,166

8. INVESTMENTS (CONTD.)

	31.12.2023 RM'000	31.12.2022 RM'000
(a) FVTPL (contd.)		
(ii) HFT		
At fair value		
Malaysian government papers	171,194	76,180
Debt securities:		
Unquoted in Malaysia	595,349	549,015
Equity securities:		
Quoted in Malaysia	1,410,578	1,374,477
Quoted outside Malaysia	55,331	58,621
Unquoted in Malaysia	85,329	81,322
Unit and property trust funds:		
Quoted in Malaysia	22,491	23,423
Quoted outside Malaysia	847,265	641,981
Structured products (Note 9)	8	89
Total HFT financial assets	3,187,545	2,805,108
Total FVTPL financial assets	10,062,648	9,363,274
(b) FVOCI		
At fair value		
Malaysian government papers	264,684	302,329
Debt securities:		
Unquoted in Malaysia	1,122,434	1,081,007
Equity securities*:		
Quoted in Malaysia	144,744	72,521
Total FVOCI financial assets	1,531,862	1,455,857

***** The Company has elected to recognise these equity investments at fair value through other comprehensive income as these investments are held as long term strategic investments that are not expected to be sold in the short term to medium term. Gains or losses on the derecognition of these equity investments are not transferred to profit or loss.

During the financial year, the Company has disposed selected equity securities from its portfolio of FVOCI financial assets as the securities no longer aligned with the long term investment strategies of the Company as high dividend yielding stocks. The realised losses recognised on disposal of these securities amounted to RM5,810,000 (2022 : RM12,409,000).

	31.12.2023 RM'000	31.12.2022 RM'000
(c) AC		
Fixed and call deposits with:		
Licensed financial institutions	506,169	495,146
Other licensed financial institutions	5,000	75,643
Total AC financial assets	511,169	570,789

The carrying amounts of financial assets measured at AC are reasonable approximations of fair values due to the short term maturity of the financial assets.

9. STRUCTURED PRODUCTS

Structured products of the Company are classified as FVTPL financial assets. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The carrying amount of structured products is presented as follows:

	<--------- 31.12.2023 --------->		<---------- 31.12.2022 --------->	
	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000
Financial assets at FVTPL				
Structured deposits	210,000	212,503	160,000	155,493
Index-linked notes	27,063	8	27,063	89
Total structured products (Note 8)		212,511		155,582

The fair value of structured products of the Company is derived based on valuation techniques from market observable inputs. They are revalued at the reporting date using such values as provided by the respective counterparties and as validated by the Company.

10. FINANCING RECEIVABLES

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
<u>At amortised cost:</u>		
Staff loans:		
Secured	22,735	21,074
Non-staff loans	2,602	3,148
Allowance for impairment losses (Note 43(i))	(592)	(509)
	24,745	23,713
Receivable after 12 months	20,902	18,551

The carrying amounts of financing receivables approximate fair value as these loans are issued at interest rates that are comparable to instruments in the market with similar characteristics and risk profiles and, accordingly, the impact of discounting thereon is not material.

The weighted average effective interest rates during the financial year were as follows:

	31.12.2023 Per annum	31.12.2022 Per annum
Staff loans	1.96%	1.91%
Non-staff loans	5.00%	4.71%

11. REINSURANCE CONTRACT ASSETS/LIABILITIES

a. Analysis by remaining coverage and amounts recoverable on incurred claims

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

31.12.2023

				AIC for contracts under PAA	
	Note	**ARC RM'000**	**AIC for contracts not under PAA RM'000**	**Present value of future cash flows RM'000**	**Total RM'000**
Reinsurance contract assets as at 1 January 2023		36,117	56,206	1,285	93,608
Allocation of reinsurance premium:					
Amounts relating to the changes in assets for remaining coverage	21	(43,959)	-	-	(43,959)
Amounts recoverable from reinsurers:					
Amounts recoverable for claims and other expenses incurred in the year:					
Amounts recoverable for incurred claims and other expenses		-	22,108	1,653	23,761
Changes to amounts recoverable for incurred claims		-	(5,839)	(416)	(6,255)
Net (expense)/income from reinsurance contracts held		(43,959)	16,269	1,237	(26,453)
Finance income from reinsurance contracts held	29	5,390	-	-	5,390
Effect of changes in non-performance risk of reinsurers	29	-	2	2	4
Total amount recognised in income statement		(38,569)	16,271	1,239	(21,059)
Cash flows					
Premiums paid, net of ceding commission		662	-	-	662
Amount received		-	(1,334)	(400)	(1,734)
Total cash flows		662	(1,334)	(400)	(1,072)
Reinsurance contract assets as at 31 December 2023		(1,790)	71,143	2,124	71,477

11. REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTD.)

a. Analysis by remaining coverage and amounts recoverable on incurred claims (contd.)

The roll-forward of the net assets or liabilities for reinsurance contract held showing assets for remaining coverage ("ARC") and amounts recoverable on incurred claims ("AIC") arising business ceded to reinsurers is disclosed in the table below (contd.):

31.12.2022
(Restated)

	Note	ARC RM'000	AIC for contracts not under PAA RM'000	AIC for contracts under PAA: Present value of future cash flows RM'000	Total RM'000
Reinsurance contract assets as at 1 January 2022		42,593	32,321	2,806	77,720
Reinsurance contract liabilities as at 1 January 2022		(23)	-	-	(23)
Net balance as at 1 January 2022		42,570	32,321	2,806	77,697
Allocation of reinsurance premium:					
Amounts relating to the changes in assets for remaining coverage	21	(40,294)	-	-	(40,294)
Amounts recoverable from reinsurers:					
Amounts recoverable for claims and other expenses incurred in the year:					
Amounts recoverable for incurred claims and other expenses		-	30,961	574	31,535
Changes to amounts recoverable for incurred claims		-	7,931	923	8,854
Net (expense)/income from reinsurance contracts held		(40,294)	38,892	1,497	95
Finance income from reinsurance contracts held	29	1,276	-	-	1,276
Effect of changes in non-performance risk of reinsurers	29	-	-	(2)	(2)
Total amount recognised in income statement		(39,018)	38,892	1,495	1,369
Cash flows					
Premiums paid, net of ceding commission		32,565	-	-	32,565
Amount received		-	(15,007)	(3,016)	(18,023)
Total cash flows		32,565	(15,007)	(3,016)	14,542
Reinsurance contract assets as at 31 December 2022		36,117	56,206	1,285	93,608

11. REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTD.)

b. Analysis showing estimates of present value of future cash flows, risk adjustment and CSM

The table below presents a roll-forward of the net assets or liabilities for reinsurance contracts held (that are not measured under the premium allocation approach) showing estimates of the present value of future cash flows, risk adjustment and CSM.

31.12.2023

	Note	Estimate of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000	Total RM'000
Reinsurance contract assets as at 1 January 2023		60,734	54,279	(22,690)	92,323
Changes that relate to current services					
CSM recognised for services received		-	-	(3,385)	(3,385)
Change in the risk adjustment for non-financial risks for the risks expired	21	-	(4,389)	-	(4,389)
Experience adjustments		(13,030)	-	-	(13,030)
		(13,030)	(4,389)	(3,385)	(20,804)
Changes that relate to future services					
Contracts initially recognised in the year		(18,915)	12,318	6,597	-
Changes in estimates that adjust the CSM		(31,075)	2,461	28,614	-
		(49,990)	14,779	35,211	-

11. REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTD.)

b. Analysis showing estimates of present value of future cash flows, risk adjustment and CSM (contd.)

The table below presents a roll-forward of the net assets or liabilities for reinsurance contracts held (that are not measured under the premium allocation approach) showing estimates of the present value of future cash flows, risk adjustment and CSM (contd.).

31.12.2023

	Note	Estimate of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000	Total RM'000
Changes that relate to past services					
Adjustment to liabilities for incurred claims		(5,839)	-	-	(5,839)
Insurance service results		(68,859)	10,390	31,826	(26,643)
Finance income from reinsurance contract held		322	4,941	127	5,390
Effect of changes in non-performance risk		2	-	-	2
		324	4,941	127	5,392
Total amount recognised in income statement		(68,535)	15,331	31,953	(21,251)
Cash flows					
Premiums paid, net of ceding commission		196	-	-	196
Amount received		(1,334)	-	-	(1,334)
Total cash flows		(1,138)	-	-	(1,138)
Reinsurance contract assets as at 31 December 2023		(8,939)	69,610	9,263	69,934

11. REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTD.)

b. Analysis showing estimates of present value of future cash flows, risk adjustment and CSM (contd.)

The table below presents a roll-forward of the net assets or liabilities for reinsurance contracts held (that are not measured under the premium allocation approach) showing estimates of the present value of future cash flows, risk adjustment and CSM (contd.).

31.12.2022
(Restated)

	Note	Estimate of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000	Total RM'000
Reinsurance contract assets as at 1 January 2022		43,976	49,064	(15,757)	77,283
Changes that relate to current services					
CSM recognised for services received		-	-	(55)	(55)
Change in the risk adjustment for non-financial risks for the risks expired	21	-	(4,362)	-	(4,362)
Experience adjustments		(4,065)	-	-	(4,065)
		(4,065)	(4,362)	(55)	(8,482)
Changes that relate to future services					
Contracts initially recognised in the year		(5,488)	8,980	(3,492)	-
Changes in estimates that adjust the CSM		3,449	(562)	(2,887)	-
		(2,039)	8,418	(6,379)	-

11. REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTD.)

b. Analysis showing estimates of present value of future cash flows, risk adjustment and CSM (contd.)

The table below presents a roll-forward of the net assets or liabilities for reinsurance contracts held (that are not measured under the premium allocation approach) showing estimates of the present value of future cash flows, risk adjustment and CSM (contd.).

31.12.2022
(Restated)

	Note	Estimate of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000	Total RM'000
Changes that relate to past services					
Adjustment to liabilities for incurred claims		7,931	-	-	7,931
Insurance service results		1,827	4,056	(6,434)	(551)
Finance income/(expenses) from reinsurance contract held		616	1,159	(499)	1,276
Total amount recognised in income statement		2,443	5,215	(6,933)	725
Cash flows					
Premiums paid, net of ceding commission		29,323	-	-	29,323
Amount received		(15,008)	-	-	(15,008)
Total cash flows		14,315	-	-	14,315
Reinsurance contract assets as at 31 December 2022		60,734	54,279	(22,690)	92,323

11. REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTD.)

c. Impact on current period of the transition approaches adopted to establish CSM

The impact on the current year arising because of the transition approaches adopted to establish CSMs for reinsurance contract held portfolios is disclosed in the table below:

31.12.2023

	Note	New contracts and contracts measured under the full retrospective approach at transition RM'000	Contracts measured under the modified retrospective approach at transition RM'000	Contracts measured under the fair value approach at transition RM'000	Total RM'000
CSM as at 1 January 2023		(2,457)	(18,180)	(2,053)	(22,690)
Changes that relate to current services					
CSM recognised in the income statement for services (received)/provided		(1,112)	253	(2,526)	(3,385)
Changes that relate to future services					
Contracts initially recognised in the year	11(d)	6,597	-	-	6,597
Changes in estimates that adjust the CSM		(3,249)	18,767	13,096	28,614
		2,236	19,020	10,570	31,826
Finance income from reinsurance contracts held		31	(121)	217	127
Total amount recognised in income statement		2,267	18,899	10,787	31,953
CSM as at 31 December 2023		(190)	719	8,734	9,263

11. REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTD.)

c. Impact on current period of the transition approaches adopted to establish CSM (contd.)

The impact on the current year arising because of the transition approaches adopted to establish CSMs for reinsurance contract held portfolios is disclosed in the table below (contd.):

31.12.2022
(Restated)

	Note	New contracts and contracts measured under the full retrospective approach at transition RM'000	Contracts measured under the modified retrospective approach at transition RM'000	Contracts measured under the fair value approach at transition RM'000	Total RM'000
CSM as at 1 January 2022		-	(16,079)	322	(15,757)
Changes that relate to current services					
CSM recognised in the income statement for services (received)/provided		(232)	2,420	(2,243)	(55)
Changes that relate to future services					
Contracts initially recognised in the year	11(d)	(3,492)	-	-	(3,492)
Changes in estimates that adjust the CSM		1,344	(4,092)	(139)	(2,887)
		(2,380)	(1,672)	(2,382)	(6,434)
Finance income from reinsurance contracts held		(77)	(429)	7	(499)
Total amount recognised in income statement		(2,457)	(2,101)	(2,375)	(6,933)
CSM as at 31 December 2022		(2,457)	(18,180)	(2,053)	(22,690)

11. REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTD.)

d. Impact of contracts recognised in the year (Components of new business/initial recognition)

The components of new business for portfolios of reinsurance contracts held during the year is disclosed in the table below:

31.12.2023

	Note	Contracts purchased RM'000
Estimates of the present value of future cash outflows		(89,878)
Estimates of the present value of future cash inflows		70,963
Risk adjustment for non-financial risks		12,318
CSM	11(c)	6,597
Cost of retroactive cover on reinsurance contract assets held at 31 December 2023		**-**

31.12.2022
(Restated)

	Note	Contracts purchased RM'000
Estimates of the present value of future cash outflows		(58,583)
Estimates of the present value of future cash inflows		53,095
Risk adjustment for non-financial risks		8,980
CSM	11(c)	(3,492)
Cost of retroactive cover on reinsurance contract assets held at 31 December 2022		**-**

12. INSURANCE CONTRACT LIABILITIES

a. Composition of Balance Sheet

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

	31.12.2023			31.12.2022 (Restated)		
	Assets RM'000	Liabilities RM'000	Net RM'000	Assets RM'000	Liabilities RM'000	Net RM'000
Insurance contracts issued	-	10,988,535	10,988,535	-	10,363,741	10,363,741
Reinsurance contracts held (Note 11)	71,477	-	71,477	93,608	-	93,608

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

b. Analysis by liability for remaining coverage and the liability for incurred claims

The overview of the movement for liabilities for insurance contracts issued, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is presented in the table below:

31.12.2023

	Note	LRC		LIC	LIC for contract under the PAA		
		Excluding loss component RM'000	Loss component RM'000	for contracts not under the PAA RM'000	Present value of future cash flow RM'000	Risk adj. for non-financial risks RM'000	Total RM'000
Insurance contract liabilities as at 1 January 2023		9,874,786	3,018	474,303	10,795	839	10,363,741
Insurance Revenue							
Contracts under modified retrospective approach		(135,006)	-	-	-	-	(135,006)
Contracts under fair value approach		(256,766)	-	-	-	-	(256,766)
Contracts under full restrospective approach and new contracts issued during the year		(150,004)	-	-	-	-	(150,004)
	19	(541,776)	-	-	-	-	(541,776)
Insurance service expenses							
Incurred claims and other insurance service expenses		-	-	302,251	33,699	-	335,950
Amortisation of insurance acquisition cash flows		34,428	-	-	-	-	34,428
Changes that relates to past services - adjustment to LIC		-	-	(25,014)	2,153	111	(22,750)
Losses and reversal of losses on onerous contracts		-	424	-	-	-	424
	20	34,428	424	277,237	35,852	111	348,052
Investment components		(1,797,200)	-	1,797,200	-	-	-
Insurance Service Result		(2,304,548)	424	2,074,437	35,852	111	(193,724)
Finance expenses from insurance contract issued	28	1,050,003	14	1,532	224	25	1,051,798
Total charges recognised in income statement and OCI		(1,254,545)	438	2,075,969	36,076	136	858,074

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

b. Analysis by liability for remaining coverage and the liability for incurred claims (contd.)

The overview of the movement for liabilities for insurance contracts issued, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is presented in the table below (contd.):

31.12.2023

	Note	LRC Excluding loss component RM'000	LRC Loss component RM'000	LIC for contracts not under the PAA RM'000	LIC for contract under the PAA: Present value of future cash flow RM'000	LIC for contract under the PAA: Risk adj. for non-financial risks RM'000	Total RM'000
Cash Flows							
Premiums received	(i)	1,181,230	-	-	-	-	1,181,230
Claims and other insurance service expenses paid		-	-	(1,230,649)	(34,248)	-	(1,264,897)
Insurance acquisition cash flows		(161,684)	-	-	-	-	(161,684)
Total cash flows		1,019,546	-	(1,230,649)	(34,248)	-	(245,351)
Transfer to other liabilities	(ii),18	-	-	12,071	-	-	12,071
Insurance contract liabilities as at 31 December 2023		9,639,787	3,456	1,331,694	12,623	975	10,988,535

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12. INSURANCE CONTRACT LIABILITIES (CONTD.)

b. Analysis by liability for remaining coverage and the liability for incurred claims (contd.)

The overview of the movement for liabilities for insurance contracts issued, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is presented in the table below (contd.):

31.12.2022
(Restated)

	Note	LRC		LIC	LIC for contract under the PAA		
		Excluding loss component RM'000	Loss component RM'000	for contracts not under the PAA RM'000	Present value of future cash flow RM'000	Risk adj. for non-financial risks RM'000	Total RM'000
Insurance contract liabilities as at 1 January 2022		10,171,107	2,350	191,296	7,555	504	10,372,812
Insurance Revenue							
Contracts under modified retrospective approach		(160,770)	-	-	-	-	(160,770)
Contracts under fair value approach		(298,579)	-	-	-	-	(298,579)
Contracts under full restrospective approach and new contracts issued during the year		(54,043)	-	-	-	-	(54,043)
	19	(513,392)	-	-	-	-	(513,392)
Insurance service expenses							
Incurred claims and other insurance service expenses		-	-	299,069	23,092	-	322,161
Amortisation of insurance acquisition cash flows		28,851	-	-	-	-	28,851
Changes that relates to past services - adjustment to LIC		-	-	(12,649)	2,519	321	(9,809)
Losses and reversal of losses on onerous contracts		-	668	-	-	-	668
	20	28,851	668	286,420	25,611	321	341,871
Investment components		(966,471)	-	966,471	-	-	-
Insurance Service Result		(1,451,012)	668	1,252,891	25,611	321	(171,521)
Finance (income)/ expenses from insurance contract issued	28	(35,138)	-	205	121	14	(34,798)
Total amount recognised in income statement and OCI		(1,486,150)	668	1,253,096	25,732	335	(206,319)

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

b. Analysis by liability for remaining coverage and the liability for incurred claims (contd.)

The overview of the movement for liabilities for insurance contracts issued, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is presented in the table below (contd.):

31.12.2022
(Restated)

		LRC		LIC	LIC for contract under the PAA		
	Note	Excluding loss component RM'000	Loss component RM'000	for contracts not under the PAA RM'000	Present value of future cash flow RM'000	Risk adj. for non-financial risks RM'000	Total RM'000
Cash Flows							
Premiums received	(i)	1,324,214	-	-	-	-	1,324,214
Claims and other insurance service expenses paid		-	-	(981,671)	(22,492)	-	(1,004,163)
Insurance acquisition cash flows		(135,385)	-	-	-	-	(135,385)
Total cash flows		1,188,829	-	(981,671)	(22,492)	-	184,666
Other movement		1,000	-	-	-	-	1,000
Transfer to other liabilities	(ii),18	-	-	11,582	-	-	11,582
Insurance contract liabilities as at 31 December 2022		9,874,786	3,018	474,303	10,795	839	10,363,741

Notes:
(i) Any refunds of premiums have been included in this line.
(ii) Included within the 'Transfer to other liabilities' are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of premiums in the course of collection and witholding tax on amount payables.

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

c. Analysis by measurement component of insurance contract balances

Insurance Contract Issued

The table below presents a roll-forward of the liabilities for insurance contracts issued (that are not measured under the premium allocation approach) showing estimates of the present value of future cash flows, risk adjustment and CSM.

31.12.2023

	Note	Estimates of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000 (Note 12(d))	Total RM'000
Insurance contract liabilities as at 1 January 2023		9,159,190	344,749	844,589	10,348,528
Changes that relate to current services					
CSM recognised for services provided		-	-	(97,647)	(97,647)
Change in the risk adjustment for non-financial risks for risk expired		-	(42,139)	-	(42,139)
Experience adjustments		(33,940)	-	-	(33,940)
		(33,940)	(42,139)	(97,647)	(173,726)
Changes that relate to future services					
Contracts initially recognised in the year	12(e)	(213,275)	56,786	156,572	83
Changes in estimate that adjust the CSM		16,302	1,628	(17,930)	-
Changes in estimate that do not adjust the CSM		1,064	-	-	1,064
		(195,909)	58,414	138,642	1,147
Changes that relate to past services					
Adjustments to liabilities for incurred claims		(25,018)	4	-	(25,014)
Insurance service result		(254,867)	16,279	40,995	(197,593)

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

c. Analysis by measurement component of insurance contract balances (contd.)

Insurance Contract Issued (contd.)

The table below presents a roll-forward of the liabilities for insurance contracts issued (that are not measured under the premium allocation approach) showing estimates of the present value of future cash flows, risk adjustment and CSM (contd.).

31.12.2023

	Note	Estimates of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000 (Note 12(d))	Total RM'000
Finance expenses from insurance contracts issued		1,031,913	11,294	8,342	1,051,549
Total amount recognised in income statement and OCI		777,046	27,573	49,337	853,956
Cash Flows					
Premiums received		1,142,099	-	-	1,142,099
Claims and other insurance service expenses paid		(1,230,649)	-	-	(1,230,649)
Insurance acquisition cash flows		(157,151)	-	-	(157,151)
Total cash flows		(245,701)	-	-	(245,701)
Transfer to other liabilities	(i)	12,071	-	-	12,071
Insurance contract liabilities as at 31 December 2023		9,702,606	372,322	893,926	10,968,854

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

c. Analysis by measurement component of insurance contract balances (contd.)

Insurance Contract Issued (contd.)

The table below presents a roll-forward of the liabilities for insurance contracts issued (that are not measured under the premium allocation approach) showing estimates of the present value of future cash flows, risk adjustment and CSM (contd.).

31.12.2022
(Restated)

	Note	Estimates of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000 (Note 12(d))	Total RM'000
Insurance contract liabilities as at 1 January 2022		9,137,853	344,103	877,490	10,359,446
Changes that relate to current services					
CSM recognised for services provided		-	-	(89,040)	(89,040)
Change in the risk adjustment for non-financial risks for risk expired		-	(40,614)	-	(40,614)
Experience adjustments		(29,673)	-	-	(29,673)
		(29,673)	(40,614)	(89,040)	(159,327)
Changes that relate to future services					
Contracts initially recognised in the year	12(e)	(135,582)	41,115	94,558	91
Changes in estimate that adjust the CSM		43,613	(372)	(43,241)	-
Changes in estimate that do not adjust the CSM		200	-	-	200
		(91,769)	40,743	51,317	291
Changes that relate to past services					
Adjustments to liabilities for incurred claims		(12,649)	-	-	(12,649)
Insurance service result		(134,091)	129	(37,723)	(171,685)

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

c. Analysis by measurement component of insurance contract balances (contd.)

Insurance Contract Issued (contd.)

The table below presents a roll-forward of the liabilities for insurance contracts issued (that are not measured under the premium allocation approach) showing estimates of the present value of future cash flows, risk adjustment and CSM (contd.).

31.12.2022
(Restated)

	Note	Estimates of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000 (Note 12(d))	Total RM'000
Finance expenses/(income) from insurance contracts issued		(40,272)	517	4,822	(34,933)
Total amount recognised in income statement and OCI		(174,363)	646	(32,901)	(206,618)
Cash Flows					
Premiums received		1,296,325	-	-	1,296,325
Claims and other insurance service expenses paid		(981,671)	-	-	(981,671)
Insurance acquisition cash flows		(131,536)	-	-	(131,536)
Total cash flows		183,118	-	-	183,118
Other movements		1,000	-	-	1,000
Transfer to other liabilities	(i)	11,582	-	-	11,582
Insurance contract liabilities as at 31 December 2022		9,159,190	344,749	844,589	10,348,528

Note:

(i) Included within the 'Transfer to other liabilities' are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of premiums in the course of collection and witholding tax on amount payables.

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

d. Impact on current period of the transition approaches adopted to establish CSM

The impact on the current year arising because of the transition approaches adopted to establish CSMs for insurance contracts is disclosed in the table below:

31.12.2023

	New contracts and contracts measured under the full retrospective approach at transition RM'000	Contracts measured under the modified retrospective approach at transition RM'000	Contracts measured under the fair value approach at transition RM'000	Total RM'000 (Note 12(c))
CSM as at 1 January 2023	26,281	335,365	482,943	844,589
Changes that relate to current services				
CSM recognised in the income statement for services provided	(18,936)	(30,144)	(48,567)	(97,647)
Changes that relate to the future services				
Contracts initially recognised in the year	156,572	-	-	156,572
Changes in estimates that adjust the CSM	(73,482)	9,385	46,167	(17,930)
Insurance service result	64,154	(20,759)	(2,400)	40,995
Finance income from insurance contracts issued	2,480	-	5,862	8,342
Total amount recognised in income statement and OCI	66,634	(20,759)	3,462	49,337
CSM as at 31 December 2023	92,915	314,606	486,405	893,926

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

d. Impact on current period of the transition approaches adopted to establish CSM (contd.)

The impact on the current year arising because of the transition approaches adopted to establishing CSMs for insurance contracts is disclosed in the table below (contd.):

31.12.2022
(Restated)

	New contracts and contracts measured under the full retrospective approach at transition RM'000	Contracts measured under the modified retrospective approach at transition RM'000	Contracts measured under the fair value approach at transition RM'000	Total RM'000 (Note 12(c))
CSM as at 1 January 2022	-	423,741	453,749	877,490
Changes that relate to current services				
CSM recognised in the income statement for services provided	(44,893)	(41,693)	(2,454)	(89,040)
Changes that relate to the future services				
Contracts initially recognised in the year	93,884	23	651	94,558
Changes in estimates that adjust the CSM	(23,986)	(46,706)	27,451	(43,241)
Insurance service result	25,005	(88,376)	25,648	(37,723)
Finance income from insurance contracts issued	1,276	-	3,546	4,822
Total amount recognised in income statement and OCI	26,281	(88,376)	29,194	(32,901)
CSM as at 31 December 2022	26,281	335,365	482,943	844,589

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

e. Impact of contracts recognised in the year (Components of new business/initial recognition)

The components of new business for portfolios of insurance contracts issued during the year is disclosed in the table below:

31.12.2023

	Contracts issued		
	Non-onerous RM'000	Onerous RM'000	Total RM'000
Life insurance contract liabilities			
Estimates of present value of future cash inflows	(1,744,740)	(9,321)	(1,754,061)
Benefits/claims payable and other expenses	1,420,435	9,278	1,429,713
Insurance acquisition cash flows	111,023	50	111,073
Risk adjustment for non-financial risks	56,710	76	56,786
CSM	156,572	-	156,572
Losses on onerous contracts at initial recognition	-	83	83

31.12.2022
(Restated)

	Non-onerous RM'000	Onerous RM'000	Total RM'000
Life insurance contract liabilities			
Estimates of present value of future cash inflows	(1,280,926)	(1,786)	(1,282,712)
Benefits/claims payable and other expenses	1,055,103	1,609	1,056,712
Insurance acquisition cash flows	90,418	-	90,418
Risk adjustment for non-financial risks	40,847	268	41,115
CSM	94,558	-	94,558
Losses on onerous contracts at initial recognition	-	91	91

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

f. Expected release of CSM

The disclosure of when the CSM is expected to be recognised in income statement in future years is presented below:

	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	5 - 10 years RM'000	More than 10 years RM'000	Total RM'000
31.12.2023								
Insurance contracts issued	93,980	83,760	75,067	67,163	60,035	220,261	293,660	893,926
Reinsurance contracts held	(2,471)	(1,815)	(1,420)	(1,125)	(932)	(2,343)	843	(9,263)
31.12.2022 (Restated)								
Insurance contracts issued	88,422	78,035	69,848	62,871	56,515	185,423	303,475	844,589
Reinsurance contracts held	2,547	2,466	2,260	2,036	1,801	6,126	5,454	22,690

13. OTHER ASSETS

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Sundry receivables, deposits and prepayments	13,741	6,548
Allowance for impairment losses (Note 43(i))	(254)	(253)
	13,487	6,295
Income due and accrued	128,890	122,356
Allowance for impairment losses (Note 43(i))	(156)	(483)
	128,734	121,873
Amounts due from*: (Note 40(b))		
- Other related companies within the EIHSB Group	-	21
- Other related companies within the MAHB Group	2,230	3,527
- Other related companies within the Maybank Group	-	4
Amount due from stockbrokers	9,204	6,743
Amount due from fund manager	320	366
	11,754	10,661
Total other assets	153,975	138,829

* Amounts due from related companies are non-trade in nature, unsecured, interest-free and repayable in the short-term.

The carrying amounts (other than prepayments and deposits) are reasonable approximations of fair values at the reporting date due to the relatively short-term maturity of these balances.

14. DERIVATIVES

The table below shows the fair values of derivative financial instruments, recorded as assets (being derivatives which are in a net gain position) or liabilities (being derivatives which are in a net loss position), together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of the financial year and are neither indicative of the market risk nor the credit risk.

	<----------------- 31.12.2023 --------------->			<---------- 31.12.2022 ---------->	
	Principal/ Notional Amount RM'000	**Asset RM'000**	**Liabilities RM'000**	**Principal/ Notional Amount RM'000**	**Asset RM'000**
Hedging derivatives:					
Cross currency swaps	49,300	-	2,891	49,300	198
Forward foreign exchange contracts	55,474	181	13	66,871	310
Total derivatives		181	2,904		508

The fair value of derivatives of the Company is derived based on valuation techniques from market observable inputs. They are revalued at the reporting date using such values as provided by the respective counterparties and as validated by the Company. An analysis of the fair value measurement bases used in the determination of the fair values of derivatives are further disclosed in Note 46(c).

<u>Hedging derivatives:</u>

Forwards are customised contracts transacted with a specific counterparty who agrees to buy or sell a specified asset at a pre-agreed rate at a specified future date. The contracts are settled at gross at a specified future date and are considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. It also bears market risks related to the underlying investments. The Company enters into forward foreign exchange contracts for the purpose of hedging part of its investment portfolio in USD denominated foreign debt securities.

Swaps are contractual agreements between two parties to exchange streams of payments over time, based on specified notional amounts, in relation to movements in a specified underlying index such as interest rate, foreign currency rate or equity indices. The Company uses swap contracts to hedge the principal amounts invested in foreign debt securities denominated in AUD which will be settled at a specified contract rate on the maturity date of the contract.

15. DEFERRED TAXATION

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
At 1 January, as previously stated	(304,774)	(333,944)
- Effects of adopting MFRS 17	(41,399)	(54,997)
At 1 January, as restated	(346,173)	(388,941)
Recognised in:		
Income statement	(44,885)	37,480
- Tax expense incurred on behalf of policyholders (Note 33)	(48,979)	32,122
- Tax expense (Note 34)	4,094	5,358
Other comprehensive income (Note 34)	(8,681)	5,288
At 31 December	(399,739)	(346,173)

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. The deferred tax disclosed in the statement of financial position is presented on a net basis after offsetting as follows:

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Deferred tax assets	6,031	14,028
Deferred tax liabilities	(405,770)	(360,201)
	(399,739)	(346,173)

15. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Assets

31.12.2023	Impairment losses on receivables RM'000	Net amortisation of premium on investments RM'000	Unrealised currency exchange RM'000	Unit-linked RM'000	Impairment losses on investments RM'000	FVOCI reserve RM'000	Provision for bonus RM'000	Total RM'000
At 1 January 2023	607	2,748	128	1,386	26	7,240	1,893	14,028
Recognised in:								
Income statement	(61)	365	(128)	(1,386)	11	-	442	(757)
- Tax expense incurred on behalf of policyholders	(81)	308	(128)	(1,386)	5	-	-	(1,282)
- Tax expense	20	57	-	-	6	-	442	525
Other comprehensive income	-	-	-	-	-	(7,240)	-	(7,240)
At 31 December 2023	546	3,113	-	-	37	-	2,335	6,031

15. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Assets (contd.)

	Impairment losses on receivables RM'000	Net amortisation of premium on investments RM'000	Unrealised currency exchange RM'000	Unit-linked RM'000	Impairment losses on investments RM'000	FVOCI reserve RM'000	Provision for bonus RM'000	Total RM'000
31.12.2022 (Restated)								
At 1 January 2022	365	2,420	-	-	24	3,543	2,350	8,702
Recognised in:								
Income statement	242	328	128	1,386	2	(1,591)	(457)	38
- Tax expense incurred on behalf of policyholders	255	115	128	1,386	1	(731)	-	1,154
- Tax expense	(13)	213	-	-	1	(860)	(457)	(1,116)
Other comprehensive income	-	-			-	5,288	-	5,288
At 31 December 2022	607	2,748	128	1,386	26	7,240	1,893	14,028

15. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Liabilities

	Accelerated capital allowances RM'000	Fair value adjustment RM'000	Life fund unallocated surplus RM'000	Unrealised currency exchange RM'000	Unit-linked RM'000	FVOCI reserve RM'000	Total RM'000
31.12.2023							
At 1 January 2023, as previously stated	(3,745)	(40,627)	(274,430)	-	-	-	(318,802)
- Effects of adopting MFRS 17	-	-	(41,399)	-	-	-	(41,399)
At 1 January 2023, as restated	(3,745)	(40,627)	(315,829)	-	-	-	(360,201)
Recognised in:							
Income statement	(2,289)	(25,589)	4,532	(406)	(19,217)	(1,159)	(44,128)
- Tax expense incurred on behalf of policyholders	(2,289)	(25,419)	-	(406)	(19,217)	(366)	- (47,697)
- Tax expense	-	(170)	4,532	-	-	(793)	3,569
Other comprehensive income	-	-	-	-	-	(1,441)	(1,441)
At 31 December 2023	(6,034)	(66,216)	(311,297)	(406)	(19,217)	(2,600)	(405,770)

15. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Liabilities (contd.)

	Accelerated capital allowances RM'000	Fair value adjustment RM'000	Life fund unallocated surplus RM'000	Unrealised currency exchange RM'000	Unit-linked RM'000	Total RM'000
31.12.2022 (Restated)						
At 1 January 2022, as previously stated	(4,362)	(60,143)	(267,328)	(203)	(10,610)	(342,646)
- Effects of adopting MFRS 17	-	-	(54,997)	-	-	(54,997)
At 1 January 2022, as restated	(4,362)	(60,143)	(322,325)	(203)	(10,610)	(397,643)
Recognised in:						
Income statement	617	19,516	6,496	203	10,610	37,442
- Tax expense incurred on behalf of policyholders	617	19,538	-	203	10,610	30,968
- Tax expense	-	(22)	6,496	-	-	6,474
Other comprehensive income	-	-	-	-	-	-
At 31 December 2022	(3,745)	(40,627)	(315,829)	-	-	(360,201)

16. SHARE CAPITAL

	<-Number of shares->		<---------Amount---------->	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	Units '000	**Units '000**	**RM'000**	**RM'000**
Issued and Fully Paid:				
Ordinary Shares				
At 1 January/31 December	100,000	100,000	100,000	100,000

17. RESERVES

	Note	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Reserves:			
FVOCI reserve	(i)	45,472	(33,371)
Insurance finance reserve	(ii)	(63,633)	(11,421)
Revaluation reserve	(iii)	78,896	78,896
		60,735	34,104
Retained profits:			
Distributable	(iv)	438,071	478,829
Non distributable Life Funds surplus	(v)	1,095,744	1,102,984
		1,533,815	1,581,813
Total reserves		1,594,550	1,615,917

(i) The FVOCI reserve of the Company arose from changes in the fair values of the financial assets which are measured at fair value through other comprehensive income.

(ii) Insurance finance reserve presents the impact of changes in market discount rates on the insurance contract assets and liabilities.

(iii) The revaluation reserve of the Company represents the difference between the carrying amount of properties previously classified as self-occupied properties and subsequently transferred to investment properties upon the end of owner occupation and its fair value at the date of change in use.

(iv) The entire distributable profits of the Company may be distributed to the shareholder under the single-tier system.

(v) Non-distributable Life fund surplus represents the unallocated surplus from the Life funds. In accordance with the Financial Services Act 2013, in Malaysia, the unallocated surplus is only available for distribution to the shareholder's fund upon approval by the Appointed Actuary of the Company. Upon such approval, the distribution is presented as a transfer from non-distributable Life fund surplus to distributable retained profits.

18. OTHER LIABILITIES

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Premium deposits	6,697	8,207
Dividend payable to policyholders	68,582	69,596
Lease liabilities (Note 6)	62	98
Provision for restoration costs	2	2
Amount due to*: (Note 40(b))		
- Ultimate holding company	10,650	7,353
- Immediate holding company	2,753	1,081
- Penultimate holding company	914	5
- Other related companies within the EIHSB Group	3	-
- Other related companies within the MAHB Group	96	-
- Other related companies within the Maybank Group	42	42
Amount due to stockbrokers	17,004	549
Unclaimed monies	17,594	9,848
Service tax payable	563	510
Sundry payables and accrued liabilities	223,356	171,648
Other components of insurance contract (Note 12(b))	12,071	11,582
Total other liabilities	360,389	280,521

* Amounts due to related companies are non-trade in nature, unsecured, interest free and are repayable in the short-term.

The carrying amounts of financial liabilities are reasonable approximations of fair values at the reporting date due to the relatively short-term maturity of these balances.

19. INSURANCE REVENUE

The table below presents an analysis of the total insurance revenue recognised in the financial year:

	31.12.2023	31.12.2022 (Restated)
	RM'000	RM'000
Contracts not measured under the PAA		
Amounts relating to the changes in the liability for remaining coverage		
- Expected claims and insurance service expenses incurred in the year	335,582	333,796
- Change in the risk adjustment for non financial risk	42,139	40,614
- Amount of CSM recognised in income statement	97,647	89,040
Amounts relating to recovery of insurance acquisition cash flows	32,515	26,718
Experience adjustments for premium receipts	(3,257)	(5,054)
Insurance revenue from contracts not measured under the PAA	504,626	485,114
Insurance revenue from contracts measured under the PAA		
Release of premiums for current year (PAA)	37,150	28,278
Total insurance revenue	541,776	513,392

20. INSURANCE SERVICE EXPENSES

The table below presents an analysis of the total insurance service expenses recognised in the financial year:

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Incurred claims and other directly attributable expenses	335,950	322,161
Changes that relate to the past service - adjustment to the LIC	(22,750)	(9,809)
Losses on onerous contracts and reversal of losses on onerous contracts	424	668
Insurance acquisition cash flow amortisation	34,428	28,851
Total insurance service expenses	348,052	341,871

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

The Company has voluntarily disclosed an analysis of the net (expenses)/income from reinsurance contract held recognised in the financial year as disclosed in the table below:

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Amounts relating to the changes in the assets for remaining coverage		
Expected recovery for insurance service expenses incurred in the year	(35,257)	(35,168)
Net cost recognised in profit or loss	(4,313)	(764)
Change in the risk adjustment for non-financial risks	(4,389)	(4,362)
Allocation of reinsurance premium	(43,959)	(40,294)
Amounts recoverable for claims and other expenses incurred in the year	23,761	31,535
Changes in amounts recoverable arising from changes in liability for incurred claims	(6,255)	8,854
Amounts recoverable from reinsurers	17,506	40,389
Net (expenses)/income from reinsurance contracts held	(26,453)	95

22. INTEREST REVENUE FROM FINANCIAL ASSETS NOT MEASURED AT FVTPL

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Interest income		
(i) Financial Assets at FVOCI		
Investment		
-Malaysian government papers	11,567	12,417
-Debt securities	53,049	47,648
(ii) Financial Assets at AC		
Investment		
-Deposits with financial institutions	20,346	14,661
Financing receivables		
-Staff loans	387	350
-Non-staff loans	39	64
Total interest revenue from financial assets not measured at FVTPL	85,388	75,140

23. NET FAIR VALUE GAINS/(LOSSES) ON FINANCIAL ASSETS MEASURED AT FVTPL

	31.12.2023 RM'000	31.12.2022 RM'000
Realised gains/(losses) on disposal of investments	23,983	(109,996)
Fair value gains/(losses) on:		
Investment		
-Malaysian government papers	40,002	(12,196)
-Equity securities	102,686	(66,558)
-Debt securities	296,664	(279,512)
-Unit and property trust funds	107,410	(92,337)
-Structured products	6,929	(615)
-Derivatives	(3,231)	2,700
Total net fair value gains/(losses) on financial assets measured at FVTPL	574,443	(558,514)

24. NET FAIR VALUE (LOSSES)/GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FVOCI

	31.12.2023 RM'000	31.12.2022 RM'000
Financial Assets at FVOCI		
-Malaysian government papers	(2,858)	12
-Debt securities	59	793
Total net fair value (losses)/gains on derecognition of financial assets measured at FVOCI	(2,799)	805

25. OTHER INVESTMENT INCOME

	31.12.2023 RM'000	31.12.2022 RM'000
Dividend income:		
Equity securities	69,325	60,472
Unit and property trust funds	1,321	1,553
Fair value gains:		
Investment properties (Note 4)	25,159	8,645
Interest income at FVTPL:		
Investments	355,709	341,202
Rental income (Note 4)	77,227	67,901
Rental related expenses (Note 4)	(28,217)	(25,504)
Net amortisation of premiums	(9,956)	(6,310)
Investment related expenses, net	(3,699)	(3,346)
Total other investment income	486,869	444,613

26. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	31.12.2023 RM'000	31.12.2022 RM'000
Impairment losses on:		
- investments	(156)	(60)
Total net impairment loss on financial assets	(156)	(60)

27. NET FOREIGN EXCHANGE INCOME

	31.12.2023 RM'000	31.12.2022 RM'000
Net realised gains	14,360	2,772
Net unrealised gains	37,551	21,170
Total net foreign exchange income	51,911	23,942

28. FINANCE (EXPENSES)/INCOME FROM INSURANCE CONTRACTS ISSUED

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Finance (expenses)/income from insurance contracts issued		
Changes in fair value of underlying assets of contracts measured under the VFA	(924,109)	67,058
Changes in financial risks on LIC claims reserve component - Direct	(1)	(3)
Interest accreted using current financial assumptions	(14,837)	(9,182)
Effect of changes in interest rates and other financial assumptions	(98,114)	17,125
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates/Interest accreted using locked-in-rates	(14,737)	(40,200)
Finance (expenses)/income from insurance contracts issued	(1,051,798)	34,798
Represented by:		
Amount recognised in profit and loss	(996,764)	9,946
Amount recognised in OCI	(55,034)	24,852
	(1,051,798)	34,798

29. FINANCE INCOME FROM REINSURANCE CONTRACTS HELD

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Finance income from reinsurance contracts held		
Interest accreted using current financial assumptions	2,213	1,398
Effect of changes in interest rates and other financial assumptions	2,407	(122)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates/interest accreted using locked-in-rates	770	-
Changes in risk non-performance reinsurer	4	(2)
Finance income from reinsurance contracts held	5,394	1,274
Represented by:		
Amount recognised in profit and loss	5,394	1,274
Amount recognised in OCI	-	-
	5,394	1,274

30. OTHER INCOME

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
(Impairment)/reversal of impairment losses on:		
- financing receivables (Note 43(i))	(83)	(8)
- prepaid land lease payments (Note 5)	177	-
- other assets (Note 43(i))	326	(322)
Other assets written off	-	(5,551)
Sundry income	5,328	9,874
Total other income	5,748	3,993

31. EXPENSES

(a) An analysis of the expenses incurred by the Company in the reporting year is included in the table below:

	31.12.2023				31.12.2022 (Restated)			
	Expenses attributed to insurance acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000	Expenses attributed to insurance acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000
Commission	62,451	32,222	-	94,673	54,394	43,619	-	98,013
Employee benefits expense (Note c)	34,278	72,598	2,763	109,639	27,518	60,335	2,229	90,082
Directors' remuneration (Note 32)	-	-	830	830	-	-	923	923
Shariah Committee's remuneration	-	2	-	2	-	-	2	2
Auditors' remuneration:								
- statutory audits	-	1,226	-	1,226	-	447	-	447
- regulatory related services	-	209	-	209	-	68	-	68
- other services	-	61	-	61	-	1,105	-	1,105
Amortisation of intangible assets (Note 7)	-	8,523	-	8,523	-	8,105	-	8,105
Amortisation of prepaid land lease payments (Note 5)	-	26	-	26	-	26	-	26
Assured medical fees	760	-	-	760	892	-	-	892
Other finance cost	-	4,250	52	4,302	-	4,273	89	4,362
Depreciation of property, plant and equipment (Note 3)	-	7,103	-	7,103	-	6,849	-	6,849
Right-of-use expenses: (Note 6)								
-Depreciation	-	37	-	37	-	34	-	34
-Lease liabilities interest	-	3	-	3	-	2	-	2
Other management fees	254	596	3	853	178	412	-	590
Outside services and others	-	800	-	800	-	467	-	467
Professional fees	-	529	-	529	-	902	-	902
Short term leases	1,143	3,005	9	4,157	1,304	3,097	12	4,413
Small value assets	-	-	-	-	-	23	-	23
Office facilities expenses	-	738	-	738	-	578	-	578

31. EXPENSES (CONTD.)

(a) An analysis of the expenses incurred by the Company in the reporting year is included in the table below (contd.):

	31.12.2023				31.12.2022 (Restated)			
	Expenses attributed to insurance acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000	Expenses attributed to insurance acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000
Electronic data processing expenses	1,155	3,464	-	4,619	1,237	7,010	-	8,247
Expensed assets	-	1	-	1	-	1	-	1
Information technology outsourcing	1,712	533	-	2,245	1,104	1,029	-	2,133
Postage and stamp duties	523	1,110	5	1,638	416	622	4	1,042
Printing and stationery	-	476	-	476	-	1,093	-	1,093
Promotional and marketing costs	19,543	55	594	20,192	16,367	275	1,083	17,725
Training expenses	650	1,942	2	2,594	571	934	3	1,508
Utilities, assessment and maintenance	-	1,841	3	1,844	-	1,545	3	1,548
Entertainment	-	-	140	140	-	-	146	146
Travelling expenses	579	488	28	1,095	377	330	20	727
Legal fees	-	85	-	85	-	245	-	245
Licence, subscription and levies	-	1,163	-	1,163	-	863	-	863
Contract staff services	308	2,059	2	2,369	215	1,159	-	1,374
Policy related expenses	3,574	4,723	2	8,299	1,922	1,250	3,726	6,898
Others	-	(3,229)	75	(3,154)	-	(3,223)	39	(3,184)
Total	64,479	114,417	4,508	183,404	52,101	99,856	8,279	160,236
<u>Other operating expenses</u>								
Sundry expenditure	-	2,189	5,459	7,648	-	2,018	4,173	6,191
Total	-	2,189	5,459	7,648	-	2,018	4,173	6,191
Total expenses	126,930	148,828	9,967	285,725	106,495	145,493	12,452	264,440

31. EXPENSES (CONTD.)

	31.12.2023	31.12.2022 (Restated)
	RM'000	RM'000
(b) Represented by:		
Insurance service expenses	275,758	251,988
Other expenses	9,967	12,452
	285,725	264,440

Table (a) shows the total expenses incurred by the Company during the year. Insurance service expenses include acquisition and maintenance expenses which are directly attributable to group of insurance contracts. Insurance acquisition cash flow is subjected to amortisation in accordance to Note 2.1(d)(i).

	31.12.2023	31.12.2022 (Restated)
(c) Employee Benefits Expense:		
Wages, salaries and bonuses	82,469	66,898
Employees Provident Fund ("EPF")	13,223	10,793
Social Security Contributions ("SOCSO")	582	520
Employees' Share Grant Plan ("ESGP")	1,871	1,394
Other benefits	11,494	10,477
	109,639	90,082

Included in employee benefits expense is CEO's remuneration of RM1,712,000 (2022: RM1,517,000) as further disclosed in Note (d).

(d) The details of remuneration of CEO during the year are as follows:

	31.12.2023	31.12.2022 (Restated)
Salary	885	823
EPF	211	188
ESGP	124	123
Other emoluments	492	383
	1,712	1,517

32. DIRECTORS' FEES AND REMUNERATION

	31.12.2023 RM'000	31.12.2022 RM'000
Non-executive directors:		
Fees	700	780
Other emoluments	130	143
Total directors' fees and remuneration	830	923

The total remuneration of the directors of the Company are as follows:

31.12.2023	Fees RM'000	Other emoluments RM'000	Total RM'000
Non-executive directors:			
Datuk Mohd Najib Bin Abdullah	180	24	204
Mr. Philippe Pol Arthur Latour* *(resigned w.e.f. 1 November 2023)*	100	14	114
Mr. Frank Johan Gerard Van Kempen*	120	22	142
Mr. Wong Pakshong Kat Jeong Colin Stewart	120	26	146
Puan Norazilla Binti Md Tahir *(resigned w.e.f. 1 May 2023)*	40	13	53
Dr. Ariffin Bin Datuk Yahaya	120	27	147
Mr. Glenn John Williams* *(appointed w.e.f. 1 November 2023)*	20	4	24
Total remuneration of the directors of the Company	700	130	830

31.12.2022	Fees RM'000	Other emoluments RM'000	Total RM'000
Non-executive directors:			
Datuk Mohd Najib Bin Abdullah	180	24	204
Mr. Philippe Pol Arthur Latour*	120	20	140
Mr. Frank Johan Gerard Van Kempen*	120	22	142
Mr. Wong Pakshong Kat Jeong Colin Stewart	120	24	144
Puan Norazilla Binti Md Tahir	120	27	147
Dr. Ariffin Bin Datuk Yahaya	120	26	146
Total remuneration of the directors of the Company	780	143	923

* The directors’ fees and other emoluments for nominees of Ageas Insurance International N.V. (“Ageas”) are remitted directly to Ageas.

33. TAX EXPENSE/(CREDIT) ATTRIBUTABLE TO POLICYHOLDERS

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Income tax:		
Current financial year	37,376	23,458
Under/(over) provision of taxation in prior financial years	1,729	(736)
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 15)	48,979	(32,122)
	88,084	(9,400)

The income tax borne by policyholders are calculated based on the statutory rate of 8% (2022: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

34. TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2023 and 31 December 2022 are as follows:

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Income Statement		
Income tax:		
Current financial year	48,708	42,371
Over provision of taxation in prior financial year	(14)	(417)
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 15)	(4,094)	(5,358)
	44,600	36,596

34. TAX EXPENSE (CONTD.)

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Statement of Comprehensive Income		
Deferred taxation related to other comprehensive income:		
- Fair value changes on debt securities at FVOCI (Note 15)	8,635	(4,356)
- Fair value changes on equity securities at FVOCI (Note 15)	46	(932)
- Insurance finance reserve	(2,822)	1,193
	5,859	(4,095)

Reconciliation between tax expense and accounting profit

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

	1.1.2023 to 31.12.2023 RM'000	1.1.2022 to 31.12.2022 (Restated) RM'000
Profit before taxation	279,254	169,703
Taxation at Malaysian statutory tax rate of 24% (2022:24%)	67,021	40,729
Income not subject to tax	(852)	(879)
Expenses not deductible for tax purposes	3,602	1,310
Surplus arising from Annuity funds not subject to tax	(2,777)	(2,026)
Effect of Prosperity Tax	-	11,825
Over provision of taxation in prior financial year	(14)	(417)
Tax relief on actuarial surplus transferred to shareholder's fund	(22,380)	(13,946)
Tax expense for the financial year	44,600	36,596

Domestic income tax for the shareholder's fund is calculated on the estimated assessable profit for the financial year at the Malaysian statutory tax rate of 24% (2022: 24% for chargeable income up to RM100 million and at 33% for chargeable income above RM100 million).

35. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	31.12.2023	31.12.2022 (Restated)
Profit attributable to ordinary equity holders (RM'000)	234,654	133,107
Weighted average number of ordinary shares in ('000) (Note 16)	100,000	100,000
Basic and diluted earnings per share (sen)	234.65	133.11

There were no potential dilutive effects on the ordinary shares during and at the end of the financial year. There have been no other transactions involving ordinary shares between the reporting date and the date of these financial statements.

36. DIVIDENDS

	31.12.2023 RM'000	31.12.2022 RM'000
Recognised during the financial year:		
Final dividend for the year ended 31 December 2022:		
- 278 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	278,000	-
Final dividend for the year ended 31 December 2021:		
- 171.05 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	-	171,050

37. OPERATING LEASE COMMITMENTS

The Company as a lessor

The Company has entered into operating lease agreements on its portfolio of investment properties. The leases have remaining lease terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	31.12.2023 RM'000	31.12.2022 RM'000
Not later than one year	59,025	56,867
Between one and five years	109,746	86,752
	168,771	143,619

Rental income on investment properties recognised in the income statement during the financial year is disclosed in Note 4 and Note 25.

38. OTHER COMMITMENTS AND CONTINGENCIES

	31.12.2023 RM'000	31.12.2022 RM'000
Approved and contracted for:		
Property, plant and equipment	1,642	5,123
Intangible assets	3,621	4,244
	5,263	9,367
Approved but not contracted for:		
Property, plant and equipment	13,192	13,563

	31.12.2023 Full commitment RM'000	31.12.2022 Full commitment RM'000
Derivative financial assets:		
Cross currency swap (Note 14):		
One year to less than five years	-	49,300
Forward foreign exchange contracts (Note 14):		
Less than a year	41,667	66,871
	41,667	116,171
Derivative financial liabilities:		
Cross currency swap (Note 14):		
One year to less than five years	49,300	-
Forward foreign exchange contracts (Note 14):		
Less than a year	13,807	-
	63,107	-

39. SHARE-BASED COMPENSATION

ESGP and CESGP

The existing ESGP (“ESGP2018”) is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017 and was implemented on 14 December 2018 for a period of seven (7) years from the effective date. A total of five (5) awards have been made under the ESGP2018 from 2018 to 2022. Three (3) out of the five (5) awards made have been vested to eligible employees in 2021 to 2023 whilst balance of the two (2) awards will vest in 2024 and 2025 respectively. The last tranche of the ESGP Award (i.e. fifth ESGP Award) under the existing plan was made in September 2022 and will vest in 2025. Starting from 2023, there will be no additional new awards to be issued to staff under the ESGP2018.

The ESGP consists of two (2) types of performance-based awards: Employees' Share Grant Plan ("ESGP Shares") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group NRC.

The ESGP Shares is a form of Restricted Share Units ("RSU") and the NRC may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executives, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and the NRC may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

39. SHARE-BASED COMPENSATION (CONTD.)

ESGP and CESGP (Contd.)

Other principal features of the ESGP are as follows:

(i) The employees eligible to participate in the ESGP must be on the payroll of the Participating Maybank Group and have not served a notice of resignation or received a notice of termination. Participating Maybank Group includes Maybank and its overseas branches and subsidiaries, but excluding dormant subsidiaries.

(ii) The entitlement under the ESGP for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of Maybank in a general meeting.

(iii) The existing ESGP ("ESGP2018") is valid for a period of seven (7) years from the effective date. Starting from 2023, there will be no additional new awards to be issued to staff under the ESGP2018. As continuation of the existing employees' share grant plan, a new ESGP plan ("ESGP2023") has been established and is valid for a period of ten (10) years from the effective date. This plan will run concurrently with ESGP2018 until its expiration.

Notwithstanding the above, Maybank may terminate the ESGP at any time during the duration of the scheme subject to consent of Maybank's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination.

40. SIGNIFICANT RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the Directors and the Chief Executive Officer of the Company.

The Company has related party relationships with its holding companies, fellow subsidiary companies, key management personnel and the subsidiaries and associates of a company with significant influence over its shareholder.

Related party transactions have been entered into in the normal course of business under normal trade terms.

(a) Significant transactions of the Company with related parties during the financial year were as follows:

	31.12.2023 RM'000	31.12.2022 RM'000
(Expenses)/income:		
Ultimate holding company:		
Commissions and fees expenses	(77,947)	(70,918)
Dividend income	1,958	1,793
Interest income	240	333
Rental income	5,790	5,576
Other income	-	42
Other expenses	(6,478)	(4,459)
ESGP	(2,425)	(1,882)
Immediate holding company:		
Rental income	1,173	936
Dividend paid	(278,000)	(171,050)
Shared services cost	(18,332)	(21,275)
Other income	-	1
Remuneration of a seconded employee	(130)	(98)
Penultimate holding company:		
Other income	-	1
Reimbursement of expenses	(1,920)	(856)

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(a) Significant transactions of the Company with related parties during the financial year were as follows (contd.):

	31.12.2023 RM'000	31.12.2022 RM'000
(Expenses)/income (contd.):		
Fellow subsidiaries within the MAHB Group:		
Claims recovery	1,707	28
Rental income	6,980	6,752
Rental expenses	(1,910)	(1,984)
Other income	-	1
Other expenses	(697)	(376)
Shared services income	33,640	40,414
Fellow subsidiaries within the EIHSB Group:		
Rental income	1,248	1,161
Other income	8	118
Other expenses	(14)	-
Shared service cost	(407)	(56)
Other related companies within the Maybank Group:		
Profit income	14,338	10,818
Rental income	5,252	5,207
Information Technology outsourcing	(6,849)	(7,361)
Other expenses	-	(375)
Companies related to a company with significant influence over the Maybank Group:		
Gross insurance premium income	3,215	1,987
Claims paid	(1,737)	(2,132)

(b) Included in the statement of financial position of the Company are investments placed with and amounts due from/(to) related companies represented by the following:

	Note	31.12.2023 RM'000	31.12.2022 RM'000
Ultimate holding company:			
Fixed and call deposits		1,323	1,104
Quoted shares		28,315	29,187
Derivatives		58	19
Bank balances		30,390	17,289
Income due and accrued		1	2
Amount due to ultimate holding company	18	(10,650)	(7,353)
Provision for custodian fee		(214)	(217)

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(b) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following (contd.):

	Note	31.12.2023 RM'000	31.12.2022 RM'000
Immediate holding company:			
Amount due to holding company	18	(2,753)	(1,081)
Penultimate holding company:			
Amount due to penultimate holding company	18	(914)	(5)
Fellow subsidiaries within the MAHB Group:			
Amount due from other related companies	13	2,230	3,527
Amount due to other related companies	18	(96)	-
Fellow subsidiaries within the EIHSB Group:			
Amount due from other related companies	13	-	21
Amount due to other related companies	18	(3)	-
Other related companies within the Maybank Group:			
Fixed and call deposits		350,301	430,939
Income due and accrued		1,483	1,103
Amount due from other related companies	13	-	4
Amount due to other related companies	18	(42)	(42)
Companies related to a company with significant influence over the Maybank Group:			
Insurance receivables		695	584
Insurance payables		(467)	(84)

Trade and investments related balances with related companies are subject to normal trade terms. The terms for non-trade balances with related companies are as disclosed in Notes 13 and 18.

(c) Key management personnel compensation

(i) The remuneration of key management personnel during the year were as follows:

	31.12.2023 RM'000	31.12.2022 RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	1,402	1,314
- Fees	700	780
- Contribution to EPF	211	188
- Other emoluments	229	158
	2,542	2,440

40. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

(c) Key management personnel compensation (contd.)

(ii) The number of shares awarded for ESGP to key management personnel were as follows:

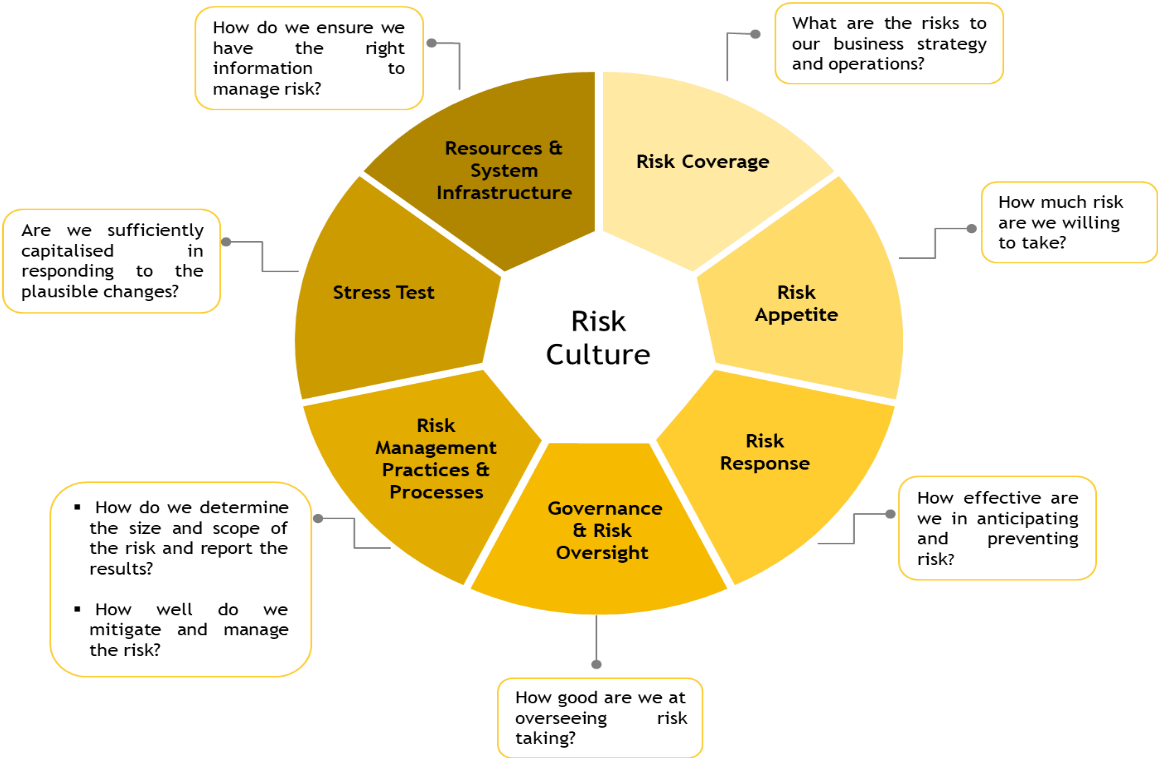
Award date	31.12.2023 Units '000	31.12.2022 Units '000
At 1 January	84	56
Awarded	45	28
At 31 December	129	84

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK

The MAHB Group Enterprise Risk Management Framework ("ERM Framework") is intended to institutionalise vigilance and awareness of the management of risk across MAHB Group. It encapsulates the governance structure to support the Risk Management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, Committees and Departments for the legal entities within Maybank Ageas Holdings Berhad ("MAHB"), being Etiqa General Insurance Berhad ("EGIB"), Etiqa Family Takaful Berhad ("EFTB"), Etiqa Life Insurance Berhad ("ELIB"), Etiqa General Takaful Bhd ("EGTB"), Etiqa Life International (L) Ltd. (ELIL), Etiqa Offshore Insurance (L) Ltd. (EOIL) and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the MAHB Group".

The key building blocks have been set which serve as the foundation for effective risk management and executed in accordance with the standards and risk appetite set by the Board.

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)



The overall risk management process is viewed in a structured and disciplined approach to align strategies, policies, processes, technology and knowledge with the purpose of evaluating and managing the uncertainties the organisation faces as it creates value.

Principles

Strong risk culture serves as the foundation upon which a robust enterprise wide risk management structure is built. The approach to risk management is premised on the following broad principles:

- Maintain a Risk Taxonomy for Assessing Risk
- Establish Risk Appetite and Strategy
- Assign Adequate Capital
- Select an Appropriate Risk Response Action
- Ensure Governance and Oversight Function
- Establish Risk Management Practices and Processes
- Identify & Quantify Unfavorable Effects Through Stress Testing
- Ensure Sufficient Resources and System Infrastructures

There are Risk Frameworks, Policies, Guidelines & Procedures that document the key expectations for the proper coping with each risk type the organisation faces.

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Culture

At the heart or foundation of the ERM structure is the Risk Culture. It is a vital component in strengthening risk governance and forms a fundamental tenet of strong risk management. Risk Culture serves as the foundation upon which a strong enterprise wide risk management structure is built.

Risk Culture stems from the conduct of staff, businesses and the organisation as a whole in ensuring that customers, either internal or external, are treated fairly and their interest upheld at all times.

Risk Culture aligns business objectives and attitude towards risk taking and risk management through the risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

The Risk Culture can be strengthened by having a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired Risk Culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

Embedding a strong Risk Culture goes beyond compliance to policies, core values, code of ethics and conduct. It is essentially about the belief, emotion and behaviour that ‘risk is everyone’s responsibility' and should permeate in the attitude of each individual.

Risk Coverage

MAHB Group maintains a Risk Taxonomy for assessing risk, which is derived from several risk analysis exercises conducted each year. New risks if any, are added as they are identified through the annual Enterprise Risk Assessment (with methodology of Risk Landscape Survey), the New Business/Product Approval process as governed by the New Product Approval Policy, through forward looking stress testing as well as inputs from the Senior Management and Board of Directors.

Risk Appetite

The establishment of the Risk Appetite is a critical component of a robust risk management framework and should be driven by both top-down Board leadership and bottom-up involvement of management at all levels. The Risk Appetite should enable the Board of Directors and the Senior Management to communicate, understand and assess the types and levels of risks that they are willing to accept in pursuit of its business objectives.

Developing and setting the Risk Appetite must be integrated into the strategic planning process and should be dynamic as well as responsive to changing business and market conditions. The articulation of the risk appetite is done through a set of Risk Appetite Statements, which include a comprehensive view of material risks selected on the basis of having more strategic focus on the risks that will significantly impact our capital, liquidity, asset quality, profitability and ultimately MAHB Group’s strategic objectives and reputation. This forms the link in which risk limits and controls are set to manage risk exposures arising from business activities. An effective Risk Appetite can also act as a powerful reinforcement to a strong Risk Culture.

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Adequate Capital

Capital Management is the key element for ensuring that MAHB and its subsidiaries have Adequate Capital to meet its capital requirements on an on-going basis, fulfilling the regulatory requirements on Capital Adequacy Assessment Process ("ICAAP") that all Insurers/Takaful Operators must operate at capital levels above the Individual Target Capital Level ("ITCL") at all times, which means that in the event that the ITCL is breached, MAHB and its subsidiaries must have an actionable plan to restore the capital level within a reasonable timeframe.

Risk Response

Risk Response is the process of monitoring inherent risk and potential risk events from MAHB Group's product offerings, investment decisions, operating processes as well as business strategies. There are generally four (4) possible responses to risk that have been identified and evaluated:-

a) Avoidance – exiting the activities that are giving rise to risk;
b) Reduction – taking action to reduce the likelihood or impact related to the risk;
c) Share – transferring or sharing a portion of the risk; and
d) Acceptance – accepting inherent risk and willingness to absorb plausible implications due to a cost and benefit decision.

When strategising the response action, the overarching principle that needs to be thoroughly considered is whether or not the risk that we are willing to assume is feasible to MAHB Group. In general, if we are unable to manage and mitigate the risk then we should avoid the risk, unless the trade-off cost and benefit of assuming such risks brings greater value to MAHB Group. In a nutshell, the Risk Responses chosen must be realistic, taking into account the costs of the responses as well as the impact to MAHB Group.

Governance and Risk Oversight

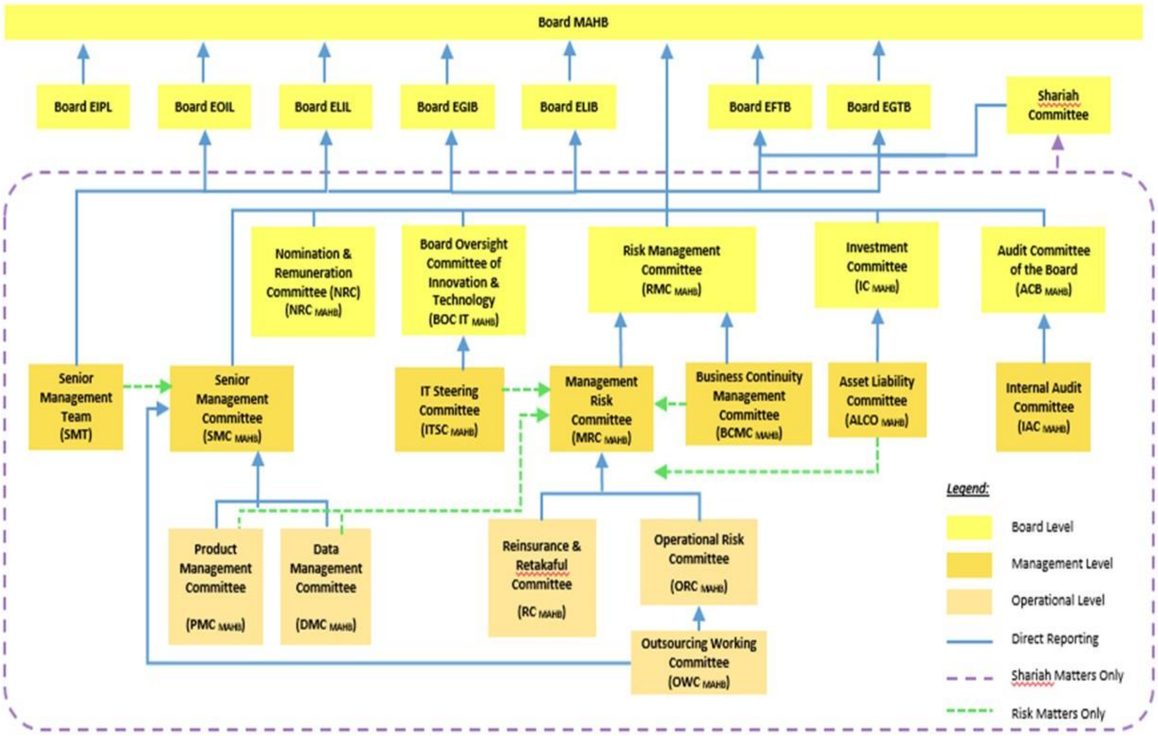
A governance structure should be clear, effective as well as robust and includes the role of the Board, Risk Committees and senior management with well defined, transparent and consistent lines of responsibilities.

The risk governance model provides a formalised, transparent and effective governance structure which promotes active involvement of the Board of Directors and the senior management in the risk management process to ensure a uniform view of risk across MAHB Group. It also places accountability and ownership while facilitating an appropriate level of independence and segregation of duties between the lines of defence.

The risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the risk governance bodies in the risk management function. The roles and responsibilities of each committee in risk governance are clarified in their respective Term of Reference.

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)



Note:
1) This is a representation of overall risk governance bodies within MAHB, there exist other committees not captured in this diagram as any risk matters that require the risk focused supervision shall be escalated to the risk governance bodies for deliberations as captured above.

2) As for Shariah risk matters, the oversights responsibility resides with the Shariah Committee and reports to the Entities' Board respectively.

Lines of Defence

In general, the role of the 1st line involves the execution of activities and ownership of risk, while the 2nd line is responsible for establishing policies and risk structure. The 3rd line is responsible for providing independent risk assurance.

While the 3 lines of defence reside within the internal realm, the overall risk governance structure is strengthened by the external line (e.g. service providers, agents, customers, regulators, etc.) which forms part of the overall risk governance ecosystem. The external line complements the internal model by virtue of the relationship it has with MAHB Group and the role it partakes within that relationship.

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

MAHB Board

The MAHB Board, together with the respective Etiqa Entities' Boards, have the final responsibility for all business activities, including risk management. The Boards are the ultimate decision-making body for MAHB Group. The Boards have delegated specific matters to sub-board committees, such as risk matters to the Risk Management Committee ("RMC"), audit matters to the Audit Committee Board ("ACB") and investment matters to the Investment Committee ("IC").

Board Oversight Committee of Innovation and Technology ("BOC IT") is responsible to review the innovations enabled by technology; Financial and Operational Excellence ("FOX") opportunities enabled by technology; critical/significant innovation and technology projects, initiatives and opportunities; operational and regulatory related activities; and ensure all IT initiatives are adequately funded and resourced.

The following Management Level Committees are established to support the Board in terms of risk governance on the business activities:

Senior Management Committee ("SMC")

The SMC is responsible to assure the Board that the Etiqa entities take adequate decisions regarding risks and return and to make sure adequate controls exist and are fully operational; and, ensure that the management of risk is in line with the approved risk appetite, strategy, risk frameworks, policies, procedures and risk management practices and processes established.

Management Risk Committee ("MRC")

The MRC is the advisor to the RMC concerning all risk related topics, including limits, exposures and methodologies.

Asset Liability Committee ("ALCO")

The ALCO is responsible for the investment strategy and operations. It will carry out its responsibilities within the limits set by the MRC, such as following the Risk Appetite and Asset Liability Management ("ALM") constraints.

Information Technology Steering Committee ("ITSC")

ITSC is to establish, review and approve IT initiatives as well as long term IT strategies and plans; identify potential IT strategies for the improvement of business operating model; ensure the alignment of IT initiatives and business strategies; ensure adequacy of IT infrastructure to support business-as-usual and new projects, and addressing risks of technology obsolescence.

Internal Audit Committee ("IAC")

The IAC is responsible to deliberate the audit findings highlighted in the internal and external auditors' reports as well as internal investigation reports; and to deliberate and ensure adequacy and timeliness of the remedial actions.

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

The following Operational Level Committees are established to support the Management Level Committees at MAHB level in the discharge of their duties:

Operational Risk Committee ("ORC")

ORC serves as the advisor to MRC concerning group wide operational risk related topics in day-to-day activities and practices, ensuring sound risk governance standards through effective implementation of Operational Risk Policy and other risk governing documents.

Product Management Committee ("PMC")

The PMC's prime objective is to oversee, coordinate and manage the whole process of product development and product management for specific product lines including the monitoring of the implementation, and post implementation performance of the Insurance & Takaful Products.

Data Management Committee ("DMC")

DMC serves as the advisor to SMC and MRC concerning MAHB Group-wide data management need and information risk-related topics in day-to-day activities and practices, ensuring sound governance standards through effective implementation of risk-related governing frameworks, policies & mandates set.

Reinsurance/Retakaful Committee ("RC")

The primary objective of the RC is to function as the governance body to provide decision and guidance in relation to the reinsurance/retakaful management of the Insurance policies & Takaful certificates. The scope of the RC covers General Reinsurance/Retakaful, Inward/Outward Reinsurance/Retakaful and deliberation in relation to the arrangement for Catastrophe protection for Life/Family Takaful.

Third Party & Outsourcing Working Committee ("TPOWC")

TPOWC is responsible to deliberate and make recommendations on overall third party and outsourcing-related topics and also to ensure sound governance through effective implementation of third party and outsourcing governing policies and procedures for all the operating Entities in Malaysia (ELIB, EGIB, EFTB, and EGTB and Labuan entities EOIL and ELIL) including oversight function on EIPL third party and outsourcing-related matters.

Fire Committee ("FC")

FC is responsible to verify the premium/contribution rate level is adequate and complies with BNM guidelines (aligned with Fire Pricing Policy document); Approve Fire Underwriting Guidelines in line with Company’s business strategy and risk appetite; Approve pricing and re-pricing within FC’s authority; To monitor the monthly performance indicators and propose corrective actions; To ensure customers are treated fairly as per item no 12 'Fair Business Practices and Adequate Disclosure' under the BNM Phase Liberalisation of Motor & Fire Tariffs policy document; On the advice of Pricing Department, report deviation from Fire Pricing Policy to MRC.

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Motor Committee ("MC")

MC is responsible to verify the adequacy of premium/contribution level in complying with BNM guidelines (aligned with Motor Pricing Policy document); Discuss, deliberate and approve Motor Underwriting Guidelines in line with Company's business strategy and risk appetite; Discuss, deliberate and approve pricing and re-pricing within MC's authority; To ensure customer are treated fairly as per item no 12 'Fair Business Practices and Adequate Disclosure' under the BNM Phase Liberalisation of Motor & Fire Tariffs policy document.

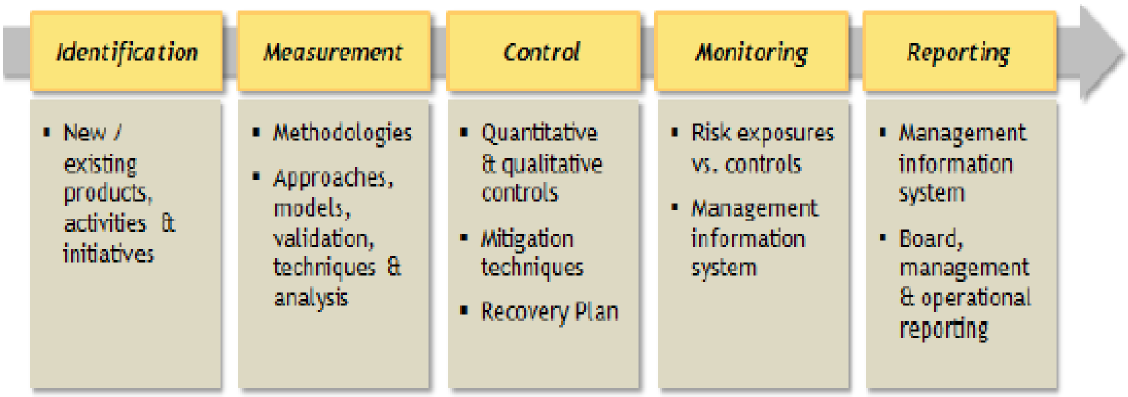
Business Continuity Management Committee ("BCMC")

The BCMC is responsible to ensure that the Business Continuity Management ('BCM') framework is embedded, promoted and implemented in each service area within the MAHB group. It also provide centralized co-ordination of the response to, and recovery from, any incident, or situation that causes potential or significant disruption to the Group and the Company in delivering their services to customers/policyholders.

Risk Management Practices and Processes

A robust process should be in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the business. The practices and processes are to be reflective of the nature, size and complexity of the various business activities.

There five (5) main stages of the risk management process which form a continuous cycle as follows:



Stress Test

Stress Test should be used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavourable effects on Group's exposure. This involves an assessment of Group's capability to withstand such changes in relation to capital and earnings to absorb potentially significant losses.

Stress Test is to be conducted on a periodic basis or when required to better understand the risk profile, evaluate business risk and thus, taking appropriate measures to address these risks accordingly.

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Resource and System Infrastructure

Any good risk management infrastructure requires a highly robust management information system as well as adequate resources as these are the foundation and enabler to an effective risk management practice and processes. MAHB Group should equip itself with the necessary resources, infrastructure and support to perform its roles efficiently.

Resources

To execute the risk principles, objectives, strategies and processes at various hierarchical levels within the governance model, all risk functions should be adequately staffed with the relevant personnel to carry out their responsibilities independently and effectively.

The personnel within Risk Management should possess the requisite skills, qualifications, experience and competencies compatible with the nature, scale and complexity of business activities.

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these lines in all facets of risk taking activities.

System Infrastructure

With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated System Infrastructure to support an enterprise-wide or consolidated view of risk. The System Infrastructure should be able to provide adequate and effective data aggregation capabilities at all times, with accurate, complete, timely and adaptable data to facilitate effective risk management practices and processes.

Through the established infrastructure, the roles and responsibilities required for effective management of risk can be performed appropriately.

In addition, effective measures and systems should be in place to facilitate the generation and exchange of information within MAHB Group. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

Risk Taxonomy

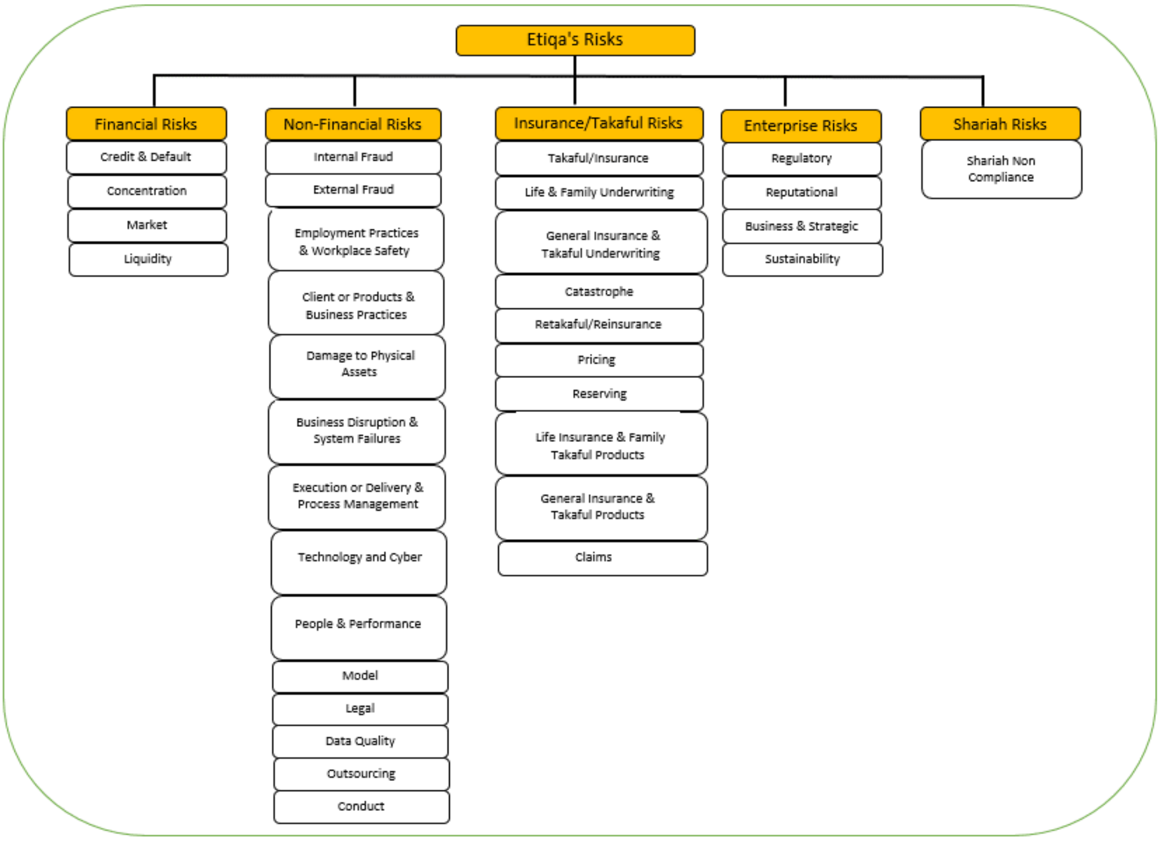
MAHB Group Risk Management Department works hand-in-hand with Compliance Department, Legal Department and Shariah Division on risk related matters.

The following are the risk types that are applicable to the businesses and operations, which consists of Financial Risk, Insurance/Takaful Risk, Non-Financial Risk, Enterprise Risk and Shariah Risk.

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy (contd.)



42. INSURANCE RISK

Insurance Risk is the risk of loss or of adverse change arising from the underwritten insurance businesses. This can be due to adverse deviation in portfolio experience as well as underlying assumptions/expectation on which product, pricing, underwriting, claims, reserving and reinsurance have been made.

Reinsurance offers financial protection to insurers 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 monthly basis.

The Company has established appropriate policies and monitoring metrics combined with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(i) Underwriting Risk

Underwriting Risk reflects the risk of loss or adverse impact arising from adverse changes in the actual outcome from the initial underwriting assessment/evaluation, selection, and terms set against underlying assumption/expectation derived in pricing and reserving process.

(ii) Pricing Risk

Pricing risk relates to risk of loss or adverse impact arising from inadequate premium charged resulting in higher than expected losses and expenses.

(iii) Reinsurance Risk

Reinsurance Risk reflects possible loss or adverse impact arising from the reinsurance. The scope of this risk category includes reinsurer and risk mitigating contracts, such as reinsurance arrangements. It does not include the defaults for financial instruments, which are covered under Credit & Default Risk (in Financial Risk Taxonomy).

42. INSURANCE RISK (CONTD.)

(iv) Product Risk

Product risk relates to the risk of loss or adverse impact arising from the development of new and existing products and management of products. Product-related risks include investment risk, pricing risk, business risk, reinsurance risk, financial risk, underwriting risk, operational risk, fraud risk, mis-distribution/ mis-selling risk, legal risk, compliance risk and Shariah non-compliance risk and assessment on system readiness and Environmental, Social and Governance ("ESG") related risk.

(v) Reserving Risk

Reserving risk is the risk of loss or adverse impact arising from the inadequate reserves due to unanticipated loss developments.

(vi) Catastrophe Risk

Catastrophe Risk is the risk of loss or adverse changes in the value of underwritten insurance liabilities businesses due to over-exposures to extreme or exceptional events (e.g. pandemic outbreaks, flood, etc.), which can cause an accumulated loss or a single large loss.

(vii) Claims Risk

Risk of loss or adverse impact arising from the claims management process which is expected to affect client satisfaction and company's reputation.

42. INSURANCE RISK (CONTD.)

(i) The table below discloses the concentration of insurance contract liabilities by type of contract:

	31.12.2023 RM'000	31.12.2022 RM'000
Direct Insurance		
Group	1,522	721
Retail		
- Non-participating	2,653,286	2,557,150
- Participating	5,715,281	5,574,396
- Investment linked	2,618,446	2,231,474
	10,987,013	10,363,020
Total direct insurance	10,988,535	10,363,741
Reinsurance		
Retail		
Non-participating:		
- Proportional Non-Par (RTA)	56,730	65,184
- Proportional Non-Par (Non-RTA)	(4,410)	1,930
- Non-proportional Excess of Loss	1,599	1,325
	53,919	68,439
Investment linked:		
- Proportional: Investment-linked	17,558	25,154
Non-participating and investment linked:		
- Non-proportional: Catastrophe	-	15
Total reinsurance	71,477	93,608

All of the Company's life insurance business is derived from Malaysia and, accordingly, a geographical analysis by country is not relevant to the Company.

42. INSURANCE RISK (CONTD.)

(ii) Key assumptions

Significant judgement is required in determining the insurance contract liabilities. Assumptions used in determining the insurance contract liabilities are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a periodic basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of insurance contract liabilities is particularly sensitive to are as follows:

(a) <u>Discount rate</u>

The discount rate used for non-participating policies, guaranteed benefit liabilities of participating policies and the non-unit liability of investment-linked policies is the yield observed on Malaysian Government Securities ("MGS") of the appropriate duration.

(b) <u>Mortality and morbidity rates</u>

Mortality and morbidity rates represent the expected claims experience of the Company.

The Company bases mortality and morbidity on local established industry tables which reflect historical experiences and reinsurance premium rates, adjusted to reflect the Company's unique risk exposure, product characteristics, target markets and its own claims severity and frequency experience.

(c) <u>Lapse and surrender rates</u>

Lapse and surrender rates are used to determine the expected persistency of the business i.e. the expectation that policyholders will renew their policies. These rates are based on the Company's historical experience of lapses and surrenders.

(d) <u>Expenses</u>

Expense assumptions represent the expected amount that will be incurred in servicing the policies over its expected life. Assumptions on future expenses take into consideration current expense levels and the expected expense inflation.

42. INSURANCE RISK (CONTD.)

(iii) Sensitivity analysis

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of insurance contract liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

The correlation of assumptions will have a significant effect on the sensitivities but to demonstrate the impact due to changes in specific assumptions, these sensitivities are analysed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity analysis will also vary depending on the current economic assumptions.

	Change in assumptions	Impact on insurance service result before reinsurance contracts held RM'000	Impact on insurance service result RM'000	Impact on equity before reinsurance contracts held RM'000	Impact on equity** RM'000
		<----------------------------------	Decrease	---------------------------------->	
Direct life insurance contract issued					
31.12.2023					
Discount rate*	-1%	(188,945)	(180,137)	(143,598)	(136,904)
Mortality and morbidity rates	+/- 10% (adverse)	(18,744)	(14,301)	(14,245)	(10,869)
Lapse and surrender rates	+/- 10% (adverse)	(5,387)	(5,390)	(4,094)	(4,096)
Expenses	+10%	(5,132)	(5,148)	(3,900)	(3,913)
31.12.2022 (Restated)					
Discount rate*	-1%	(183,719)	(175,591)	(139,627)	(133,449)
Mortality and morbidity rates	+/- 10% (adverse)	(22,447)	(16,529)	(17,060)	(12,562)
Lapse and surrender rates	+/- 10% (adverse)	(4,801)	(4,867)	(3,649)	(3,699)
Expenses	+10%	(6,200)	(6,159)	(4,712)	(4,681)

* excludes impact of fixed income financial assets.
** the impact on equity is stated after tax of 24%.

42. INSURANCE RISK (CONTD.)

(iii) Sensitivity analysis (contd.)

	Change in assumptions	Impact on CSM before reinsurance contracts held RM'000	Impact on CSM after reinsurance contracts held RM'000
		<---------- Decrease ---------->	
31.12.2023			
Discount rate*	-1%	(20,080)	(20,080)
Mortality and morbidity rates	+/- 10% (adverse)	(185,161)	(132,503)
Lapse and surrender rates	+/- 10% (adverse)	(47,031)	(46,324)
Expenses	+10%	(52,751)	(52,732)
31.12.2022 (Restated)			
Discount rate*	-1%	(6,964)	(6,964)
Mortality and morbidity rates	+/- 10% (adverse)	(186,215)	(141,068)
Lapse and surrender rates	+/- 10% (adverse)	(47,112)	(46,977)
Expenses	+10%	(53,720)	(53,671)

43. FINANCIAL RISKS

(i) Credit & Default Risk

Credit & Default Risk refers to the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms. It stems primarily from lending, trading and investment activities from both on- and off-balance sheet transactions.

Credit or Spread risk and ultimately Default risk result from the intrinsic quality of the issuer of debt securities and the impact it has on the value of assets of these instruments. Changes in the level or in the volatility of spreads as a result of changes in the underlying credit quality define the risk of investment default.

Credit Risk arises when a counterparty is no longer able to pay its contractual obligations. Key areas of credit risk include counterparty risk, country risk, concentration risk, settlement risk and issuer risk. The Company's exposure to credit risk arises mainly from assets (fixed income and equities) and reinsurance.

The Company measures and manages Credit Risk following the philosophies and principles below:

(a) The Risk Management and Investment Management Department actively monitor the counterparty exposure to prevent undue concentration by ensuring its credit portfolio is diversified and marketable;

(b) The asset management research team adopts a prudent position in the selection of fixed income investments;

(c) The Risk Management Department establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty's credit quality and aligned to the risk appetite; and

(d) The Risk Management Department uses Key Risk Indicators (“KRI”) to alert the management of any impending problems in a timely manner.

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Credit exposure

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

	31.12.2023	31.12.2022 (Restated)
	RM'000	RM'000
Financial assets at FVTPL		
(i) **Designated upon initial recognition**		
Malaysian government papers	918,883	680,093
Debt securities and structured products	5,956,220	5,878,073
(ii) **HFT**		
Malaysian government papers	171,194	76,180
Debt securities and structured products	595,357	549,104
Financial assets at FVOCI		
Malaysian government papers	264,684	302,329
Debt securities and structured products	1,122,434	1,081,007
Financial assets at AC		
Deposits and placements with:		
Licensed financial institutions	506,169	495,146
Others licensed financial institutions	5,000	75,643
Financing receivables	24,745	23,713
Reinsurance contract assets*	4,105	3,276
Other assets**	153,183	138,032
Derivative assets	181	508
Cash and bank balances	43,607	25,629
	9,765,762	9,328,733

* Including receivables from reinsurers net of impairment.

** Excluding non-financial assets such as prepayments, deposits and service tax recoverable.

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Credit quality of financial assets

The four (4) risk categories as set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Company's financial assets. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

Risk Category	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	A- to BB+	AA1 to A3
Medium	11 – 15	BB+ to B+	A3 to BB1
High	16 – 21	B+ to CCC	BB1 to C

Risk categories are as described below:

Very low : Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.

Low : Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.

Medium : Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.

High : Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/ default : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.2(vii)(a).

Unrated : Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of rating models.

Sovereign : Refer to obligors which are governments and/or government-related agencies.

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Credit exposure by rating

The table below provides information regarding the credit exposure of the Company by classifying assets according to the risk categories:

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
31.12.2023							
Financial assets at FVTPL							
(i) **Designated upon initial recognition**							
Malaysian government papers	918,883	-	-	-	-	-	918,883
Debt securities and structured products	2,229,861	1,436,294	2,163,643	126,422	-	-	5,956,220
(ii) **HFT**							
Malaysian government papers	171,194	-	-	-	-	-	171,194
Debt securities and structured products	36,819	225,896	322,560	10,082	-	-	595,357
Financial assets at FVOCI							
Malaysian government papers	264,684	-	-	-	-	-	264,684
Debt securities and structured products	381,809	474,376	266,249	-	-	-	1,122,434
Financial assets at AC							
Deposits and placements with:							
Licensed financial institutions	-	506,169	-	-	-	-	506,169
Others licensed financial institutions	-	5,000	-	-	-	-	5,000
Financing receivables	-	-	-	-	-	24,745	24,745
Reinsurance contract assets*	-	-	-	-	-	4,105	4,105
Other assets**	42,407	32,465	40,323	2,067	-	35,921	153,183
Derivative assets	-	181	-	-	-	-	181
Cash and bank balances	-	41,850	1,755	-	-	2	43,607
	4,045,657	2,722,231	2,794,530	138,571	-	64,773	9,765,762

* Including receivables from reinsurers net of impairment.

** Excluding non-financial assets such as prepayments, deposits and service tax recoverable.

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Credit exposure by rating (contd.)

The table below provides information regarding the credit exposure of the Company by classifying assets according to the risk categories: (contd.)

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
31.12.2022							
(Restated)							
Financial assets at FVTPL							
(i) **Designated upon initial recognition**							
Malaysian government papers	680,093	-	-	-	-	-	680,093
Debt securities and structured products	2,184,062	1,493,148	1,943,203	257,660	-	-	5,878,073
(ii) **HFT**							
Malaysian government papers	76,180	-	-	-	-	-	76,180
Debt securities and structured products	24,853	220,655	293,592	10,004	-	-	549,104
Financial assets at FVOCI							
Malaysian government papers	302,329	-	-	-	-	-	302,329
Debt securities and structured products	400,658	441,693	218,637	20,019	-	-	1,081,007
Financial assets at AC							
Deposits and placements with:							
Licensed financial institutions	-	495,146	-	-	-	-	495,146
Others licensed financial institutions	-	65,643	10,000	-	-	-	75,643
Financing receivables	-	-	-	-	-	23,713	23,713
Reinsurance contract assets*	-	-	-	-	-	3,276	3,276
Other assets**	40,407	25,114	39,638	3,382	-	29,491	138,032
Derivative assets	-	310	198	-	-	-	508
Cash and bank balances	-	24,796	831	-	-	2	25,629
	3,708,582	2,766,505	2,506,099	291,065	-	56,482	9,328,733

* Including receivables from reinsurers net of impairment.

** Excluding non-financial assets such as prepayments, deposits and service tax recoverable.

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Financial assets - reconciliation of allowance account

Significant increase in Credit Risk

The Company applies the General Approach or ‘three-stage’ approach which is based on the change in credit quality of financial instruments since initial recognition to assess the impairment for investment assets. In particular, recognition of ECL is dependent on which of the three stages a particular financial instrument is assigned to. Assets move through the three stages as credit quality changes and the stages dictate how the Company measures impairment losses and applies the effective interest rate (“EIR”) method with the forward-looking element to compute the ECL.

The Company has considered both quantitative and qualitative parameters in the assessment of credit risk status from the initial recognition of the securities and at the reporting date. These include the establishment of staging criteria to each stage, debt rating deterioration threshold and a waterfall approach are to determine the credit rating as at origination date and as at reporting date in accordance to the Maybank Group's ECL model for debt securities portfolio.

Expected credit loss ("ECL")

The Company assesses the possible default events within 12 months for the calculation of the 12-month ECL in Stage 1. Given the impairment policy, the probability of default for new instruments acquired is generally determined to be minimal, in addition to the exception rule to apply zero loss given default ratio to specified financial asset. A newly purchased or originated financial asset will be subject to ECL upon recognition in Stage 1.

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company is required to estimate the probability of default occurring in the 12 months after the reporting date and in each subsequent year throughout the expected lives of the financial instruments. The lifetime ECL allowance measured for the Company during the year were mainly in respect of debt securities classified as Watchlist ("WL") or downgraded bond whichever it is assesses at the reporting date.

The determination of whether a financial asset is credit-impaired debt security under Stage 3, the ECL calculation will be based on objective evidence of impairment.

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

The table below shows the fair value of the Company's financial assets measured by credit quality, based on the Company's risk categories.

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	RM'000
31.12.2023				
Financial assets at FVOCI				
Sovereign	646,493	-	-	646,493
Very low	474,376	-	-	474,376
Low	229,656	36,593	-	266,249
Total carrying amount	1,350,525	36,593	-	1,387,118
Total ECL	(191)	(388)	-	(579)
31.12.2022				
Financial assets at FVOCI				
Sovereign	702,987	-	-	702,987
Very low	441,693	-	-	441,693
Low	189,040	29,597	-	218,637
Medium	15,006	5,013	-	20,019
Total carrying amount	1,348,726	34,610	-	1,383,336
Total ECL	(58)	(365)	-	(423)

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

Reconciliation of allowance account

Movements in the allowance for impairment losses for financial assets at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	RM'000
31.12.2023				
Financial assets at FVOCI				
At 1 January	58	365	-	423
Net adjustment of loss allowance	127	23	-	150
New financial assets originated or purchased	11	-	-	11
Financial assets that have been derecognised	(5)	-	-	(5)
Allowance for impairment losses (Note 26)	133	23	-	156
At 31 December	191	388	-	579
31.12.2022				
Financial assets at FVOCI				
At 1 January	40	323	-	363
Net adjustment of loss allowance	2	42	-	44
New financial assets originated or purchased	20	-	-	20
Financial assets that have been derecognised	(4)	-	-	(4)
Allowance for impairment losses (Note 26)	18	42	-	60
At 31 December	58	365	-	423

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Other financial assets - reconciliation of allowance account

The Company applies the Simplified Approach where the ECL is measured at initial recognition of the financial assets using a provision matrix based on historical data or also known as the roll rate approach. Estimation of credit losses will use a provision matrix where insurance and reinsurance receivables are grouped based on different sales channels and different reinsurance arrangements respectively with forward looking elements being applied to it.

Movements in gross carrying value and allowances for impairment losses recognised for not credit-impaired and credit impaired financial assets are as follows:

	<---- Not credit-impaired ---->			<---- Credit-impaired ---->			<---- Total ---->		
	Financing receivables RM'000	Reinsurance contract assets* RM'000	Other assets RM'000	Financing receivables RM'000	Reinsurance contract assets* RM'000	Other assets RM'000	Financing receivables RM'000 (Note 10)	Reinsurance contract assets* RM'000	Other assets RM'000 (Note 13)**
Gross carrying amount									
At 1 January 2022 (Restated)	22,784	810	127,112	492	759	10,365	23,276	1,569	137,477
Increase/(decrease)	1,002	2,180	8,252	(56)	(121)	(6,961)	946	2,059	1,291
At 31 December 2022 (Restated)	23,786	2,990	135,364	436	638	3,404	24,222	3,628	138,768
Increase/(decrease)	776	335	15,484	339	285	(659)	1,115	620	14,825
At 31 December 2023	24,562	3,325	150,848	775	923	2,745	25,337	4,248	153,593
Lifetime ECL									
At 1 January 2022 (Restated)	9	59	80	492	111	334	501	170	414
Increase/(decrease)	64	3	74	(56)	179	248	8	182	322
At 31 December 2022 (Restated)	73	62	154	436	290	582	509	352	736
(Decrease)/increase	(36)	(42)	(110)	119	(167)	(216)	83	(209)	(326)
At 31 December 2023	37	20	44	555	123	366	592	143	410

* Including receivables from reinsurers net of impairment.
** Other assets is stated net of prepayments, deposits and service tax recoverable.

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Other financial assets - reconciliation of allowance account (contd.)

Movements in allowances for impairment losses for other financial assets are as follows:

	Financing receivables RM'000 (Note 10)	Reinsurance contract assets RM'000	Other assets RM'000 (Note 13)	Total RM'000
31.12.2023				
Lifetime ECL				
At 1 January	509	352	736	1,597
Net adjustment of loss allowance	83	(209)	(326)	(452)
At 31 December	592	143	410	1,145
31.12.2022 (Restated)				
Lifetime ECL				
At 1 January	501	170	414	1,085
Net adjustment of loss allowance	8	182	322	512
At 31 December	509	352	736	1,597

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Financial effects of collateral held

The main types of collateral held as security by the Company to mitigate credit risk are as follows:

Type of financing receivables	Type of collaterals
Secured staff/non-staff loans	Charges over residential properties and motor vehicles

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables is 100% as at 31 December 2023 (2022: 100%).

The remaining balance of financing receivables of the Company are not collateralised.

(ii) Liquidity Risk

Liquidity Risk is the risk of an adverse impact to the firm's financial condition or overall safety and soundness that could arise from their inability (or perceived inability) or unexpected higher cost to meet obligations. Generally, there are two types of liquidity risks, 1) funding liquidity risk and 2) market liquidity risk.

Funding liquidity risk is the risk that the Company will not be able to meet both expected and unexpected current and future cash flow and collateral needs effectively without affecting either daily operations or the financial condition of the Company.

Market liquidity risk is the risk that the Company cannot easily offset or eliminate the position at market price because of inadequate market depth or market disruption.

The objective of Liquidity Risk management is to have sufficient availability of cash to meet policyholders' liabilities, such as surrenders, withdrawal, claims and maturity benefits, and financial obligations to other contract holders without endangering the business financials due to constraints on liquidating assets.

43. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

The Company measures and manages Liquidity Risk following the philosophies and principles below:

(a) The Risk Management and Investment Management Department actively monitor the cash flows associated and derived from assets and liabilities of the Company through the ALCO platform;

(b) The Investment Management Department ensures that reasonable liquidity is maintained in the assets held at all times; and

(c) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management of any impending problems in a timely manner.

Maturity Profiles

The following table summarises the Maturity Profile of the financial assets and financial liabilities and Insurance assets/liabiliities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For Insurance contracts liabilities and reinsurance assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised insurance liabilities.

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

43. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	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
31.12.2023						
Financial assets at:						
FVTPL	10,062,648	609,295	2,809,760	8,645,546	2,420,994	14,485,595
FVOCI	1,531,862	76,981	456,010	1,840,061	144,744	2,517,796
AC	511,169	511,519	-	-	-	511,519
Financing receivables	24,745	3,601	8,836	16,956	-	29,393
Reinsurance contract assets, net^	71,477	8,672	30,504	85,100	-	124,276
Other assets*	153,183	153,183	-	-	-	153,183
Derivative assets	181	181	-	-	-	181
Cash and bank balances	43,607	-	-	-	43,607	43,607
Total assets	12,398,872	1,363,432	3,305,110	10,587,663	2,609,345	17,865,550
Insurance contract liabilities	10,988,535	1,125,129	2,083,406	14,456,985	-	17,665,520
Derivative liabilities	2,904	2,904	-	-	-	2,904
Other liabilities	360,389	360,389	-	-	-	360,389
Total liabilities	11,351,828	1,488,422	2,083,406	14,456,985	-	18,028,813

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
^ Comprising of AIC and receivables from reinsurers.

43. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

31.12.2022 (Restated)	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
Financial assets at:						
FVTPL	9,363,274	595,589	2,980,463	8,361,835	2,179,824	14,117,711
FVOCI	1,455,857	66,442	480,967	1,970,707	72,521	2,590,637
AC	570,789	571,124	-	-	-	571,124
Financing receivables	23,713	4,016	8,217	16,035	-	28,268
Reinsurance contract assets, net^	93,608	39,777	25,770	60,999	-	126,546
Other assets*	138,032	138,032	-	-	-	138,032
Derivative assets	508	310	198	-	-	508
Cash and bank balances	25,629	-	-	-	25,629	25,629
Total assets	11,671,410	1,415,290	3,495,615	10,409,576	2,277,974	17,598,455
Insurance contract liabilities	10,363,741	774,789	2,299,714	14,600,791	-	17,675,294
Other liabilities	280,521	280,521	-	-	-	280,521
Total liabilities	10,644,262	1,055,310	2,299,714	14,600,791	-	17,955,815

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.

^ Comprising of AIC and receivables from reinsurers.

43. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market Risk is the risk of losses on financial investments caused by adverse price movements.

There are four primary sources of risk that affect the overall market:

(a) Foreign Exchange Risk;
(b) Interest/Profit Rates Risk (including the credit spread risk);
(c) Equity Price Risk; and
(d) Property Risk

The Company has three main key features with respect to their Market Risk management practices and policies:

(a) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policies and risk appetite after taking into consideration of regulatory requirements with respect to the maintenance of assets and solvency.

(b) Compliance to the policies are monitored, and exposures and breaches are reported as soon as practicable.

(c) Strict controls exist for derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company also issues investment-linked policies for a number of products. For investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company's exposure to Market Risk for this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analysis disclosed for each component of Market Risk in the following pages do not include analysis on the impact of such risks on the investment-linked funds.

43. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(a) Foreign Exchange Risk

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

The Company’s primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to US Dollar and Australian Dollar.

As the Company’s business is conducted primarily in Malaysia, the Company’s financial assets are also primarily maintained in Malaysia as required under the Financial Services Act 2013, and hence, primarily denominated in the same currency (the local "RM") as its insurance contract and investment contract liabilities.

The Company’s main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. Accordingly, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant exposure of foreign currency risk.

(b) Interest Rate Risk

Interest Rate Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest Rate Risks arise from exposures to interest rate related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Company.

The Company measures and manages Interest Rate Risk mainly based on the following four philosophies and principles:

(a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;
(b) Investment Management Department actively aim to match the asset duration with the liability duration, without compromising credit quality;
(c) The Risk Management uses Key Risk Indicators ("KRI") to alert the management of any impending problems in a timely manner; and
(d) Risk Management Department monitors the asset duration in accordance with the limits set, as well as the duration gap to the liability duration.

43. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Interest Rate Risk (contd.)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

		<------------ 31.12.2023 ------------>		<--------- 31.12.2022 -------->	
	Changes in variable	**Impact on carrying value RM'000**	**Impact on profit/ equity* RM'000**	**Impact on carrying value RM'000**	**Impact on profit/ equity* RM'000**
		(Decrease)/increase		**(Decrease)/increase**	
Financial Assets	+100bps	(621,569)	(187,507)	(580,579)	(175,219)
at FVTPL	-100bps	621,569	187,507	580,579	175,219
Financial Assets	+100bps	(147,789)	(114,392)	(145,977)	(112,278)
at FVOCI	-100bps	147,789	114,392	145,977	112,278
Financial Assets	+100bps	(86)	(31)	(102)	(43)
at AC	-100bps	86	31	102	43

*Impact on Company's profit/equity is stated net of corporate tax of 24%.

(c) Equity Price Risk

Equity Price Risk is the risk that the fair value of an equity instrument would fluctuate because of changes in its market prices whether those changes are caused by factors specific to the individual equity instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's Equity Price Risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in equities' market prices and unit trust NAV to equity.

The Company's risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector and market, having regard also to such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may occur over time.

43. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk (contd.)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

	Change in market indices	Impact on carrying value RM'000	Impact on OCI RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		Increase/(decrease)		Increase/(decrease)	
31.12.2023	+10%	49,687	14,474	13,719	21,446
	-10%	(49,687)	(14,474)	(13,719)	(21,446)
31.12.2022	+10%	45,290	7,252	15,154	17,067
	-10%	(45,290)	(7,252)	(15,154)	(17,067)

*Impact on Company's equity is stated net of corporate tax of 24%.

(d) Property Risk

Property risk is the possibility of financial loss occurring as the result of owing a real estate investment. Property risk might arise from such things as liability, legal issues, partner problems that can force a sale, fire or theft, loss of rental income and purchasing property with an imperfect title.

(iv) Concentration Risk

Concentration risk as its name suggests, is the risk of concentration in any type of market risk, liquidity risk and credit risk. Risk concentration can materialize from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment/sector.

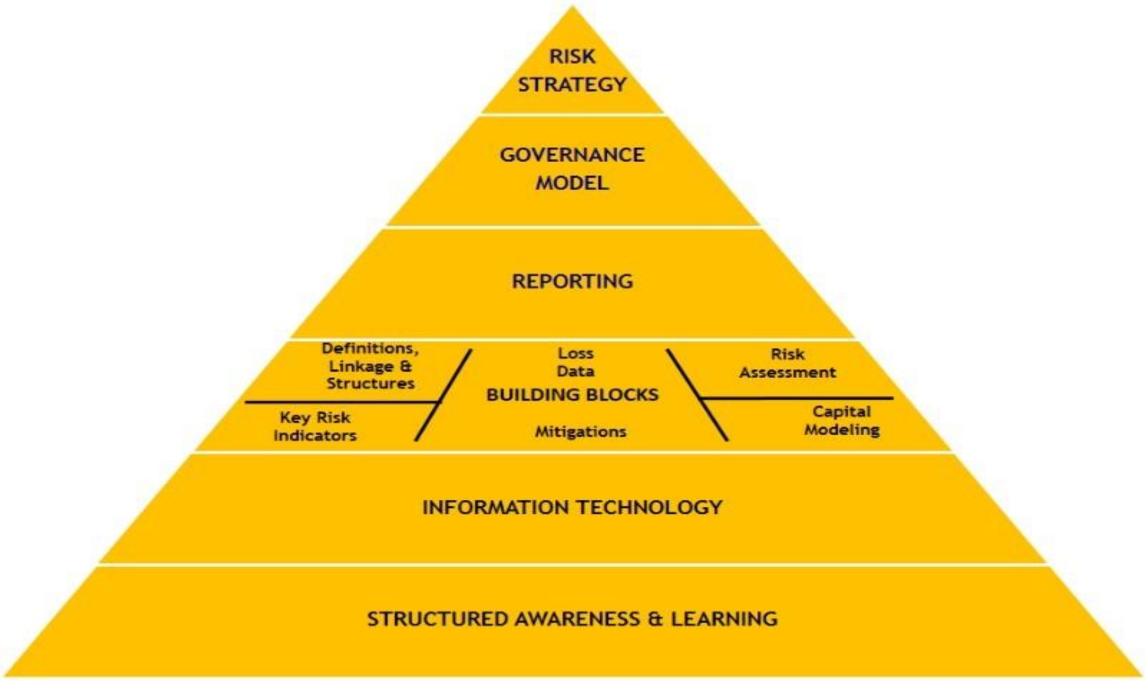
The Company's quantitative controls to manage concentration risk is through diversification. A minimum level of diversification is realised by observing the single counterparty limits. The single counterparty exposure limit represents maximum concentration of a particular counterparty. The limit exists for each asset class as well as across all investment assets, reinsurance and derivative counterparty.

44. OPERATIONAL RISK

Operational Risk Management is a discipline of systematically identifying the causes of failures in the organisation’s day-to-day operations, assessing the risk of loss and taking the appropriate action to minimise the impact of such loss.

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk management methodology is comprised of the components summarised in diagram below.



The nature and extent of operational risk can shift quickly in response to changes in people, organisational structure, processes, systems, products, customers or business environments. Hence, continuous review and monitoring of the risks and the control effectiveness is vital for an effective operational risk management.

To facilitate this process, specific tools and methodologies to identify, assess, and measure, control, monitor and report the operational risks that affect the Company's are established.

44. OPERATIONAL RISK (CONTD.)

Operational Risk Taxonomy

(i) Internal Fraud

Losses due to illegal acts (explicitly prohibited by internal policies/guidelines or external regulations/law provisions) committed by employees intentionally. It also includes fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation for personal gain.

(ii) External Fraud

Losses due to fraudulent activities/theft perpetrated by third party against the company/organisation for personal gain. External fraud could arise from system security risk, i.e. failure to provide a secure system platform or an activity/incident that can and will threaten the integrity of a system, which will in turn affect the reliability and privacy of data.

(iii) Employment Practices and Workplace Safety

(a) Employee relations - failure to maintain positive employer-employee relationships that contribute to unsatisfactory productivity, demotivation and low morale;

(b) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees; and

(c) Diversity and discrimination - failure to provide equality during employment.

(iv) Client or Products and Business Practices

In general, this risk category covers information risk as well as conduct risk, and it is sub-divided into five risk types, namely suitability disclosure and fiduciary, improper business or market practices, product flaws, selection sponsorship and exposure, and advisory activities.

(v) Damage to Physical Assets

Damage to physical assets due to force of nature, or events which are not within due control of human. It also includes accidents and public safety that relates to failure in the provision of a safe environment from events that could endanger the safety of the general public from significant danger, injury/harm, or damage.

(vi) Business Disruption and System Failures

Failure in the provision of an effective information technology infrastructure (e.g. hardware, networks, software) to support the current and future needs of the business in an efficient, cost-effective and well controlled manner.

44. OPERATIONAL RISK (CONTD.)

Operational risk taxonomy (contd.)

(vii) Execution or Delivery and Process Management

The risk relates to transaction capture or execution and maintenance, monitoring and reporting, customer intake and documentation, customer or client account management, vendors and suppliers.

Note: all risk types have an element of compliance risk (i.e. inability to comply with existing regulation, such as conduct risk). Regulatory Risk under Enterprise Risk is linked with Changing Regulations and the risk they represent to sustainability of the current Business Model.

(viii) Technology and Cyber Risk

Risk which impacts confidentiality, availability and integrity of information and services related to information technology. This includes risks that customers or the business units may suffer on service disruptions or may incur losses arising from system defects such as failures, faults, incompleteness in computer operations, information security breach, cyber-attacks, illegal or unauthorized use of computer systems or data breach via computer systems that was perpetrated either by internal staff and vendors or external parties. Besides, Cyber Risk that can lead to losses due to cyber-crime and cyber terrorism is included. The consequences are potential breach of customers' data/information and reputational impact.

(ix) People and Performance Risk

Inability to identify the suitable talent/personnel to deliver/manage and deliver/control business process/function/entity/business units, do not possess the necessary knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risk are reduced to an acceptable level.

Failure or gap that leads to disruptions in the workplace that detract the business from necessary & smooth business operations.

(x) Model Risk

Model risk is the risk arising from a model that does not operate as intended resulting in adverse consequences (e.g. financial loss, poor business or strategic decisions, reputational damage) arising from inappropriate decisions based on incorrect or misused model outputs.

44. OPERATIONAL RISK (CONTD.)

Operational risk taxonomy (contd.)

(xi) Legal risk

Risk of incurring actual or potential loss that arises due to interalia, flawed documentation, change in regulations/laws, new judicial decisions, legal jurisdiction of our counterparties and choice of governing law that threatens the capacity to consummate important transactions, enforce contractual agreements or implement specific strategies and activities.

(xii) Data Quality Risk

Risk of poor quality data in terms of data integrity, compliance and timeliness, thus rendering the data unreliable and unfit for its intended usage in operations, analytics and reporting needs.

(xiii) Outsourcing Risk

Risk of loss due to internal control failure of third parties or failure of third parties performing in a manner consistent with their contracted scope of engagement with MAHB for the provision of the intended services/deliverables.

(xiv) Conduct Risk

The risk of an organization or an individual’s activities having a detrimental impact on customers or negatively impacting the market and/or shareholder value.

45. ENTERPRISE RISK

Risk of loss or adverse impact arising from business/strategic, industry, corporate governance and systematic risk. Enterprise risk covers external and internal factors that can impact the Company's ability to meet their current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave. It can also be due to poor internal decision making and management or due to loss of reputation. Enterprise Risk will be exacerbated when there is a disruption to financial services that is caused by an impairment of all or parts of the financial system, with the potential to have serious negative consequences to the real/entire economy.

(i) Regulatory Risk

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment and legislation.

Changing regulations (local and foreign countries in which Company has operations) threaten the competitive position and the capacity to efficiently conduct business. This can result in increased competitive pressures and significantly affect the ability to efficiently conduct business.

(ii) Business & Strategic Risk

Risk of current or prospective impact on earnings, capital, reputation or standing arising from changes in the environment the MAHB Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.

Risk of failure in directing and managing the business and affairs towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

45. ENTERPRISE RISK (CONTD.)

(iii) Reputational Risk

Risk damaged by one or more than one reputation event, as reflected from negative publicity about the business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence, resulting in costly litigation, or lead to a decline in its customer base, business or revenue.

Reputational risk can have severe impact on overall value either directly, by causing an increase in lapses, or indirectly through the inability of future value generation as a result of not being able to attract and keep new customers, distribution partners and staff.

(iv) Sustainability Risk

The risk of failure in conducting analysis and decision making on environment (the threat of climate change and depletion of resources), social (concerns on diversity, human rights, consumer protection and animal welfare) and corporate governance (concerns on the rights and responsibilities of the management of the Company, management structure, documentation) when measuring the sustainability and ethical impact of business exposures.

The risk of loss arising from the failure to address environmental, social and corporate governance concerns, thus adversely impacting the sustainability of business operations or the value of assets and liabilities.

46. FAIR VALUE MEASUREMENTS

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

(a) Valuation principles;

(b) Valuation techniques;

(c) Fair value measurements and classification within the fair value hierarchy;

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy;

(e) Movements of Level 3 instruments; and

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Company determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Company has also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Company follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

46. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

The Company continuously enhances its design, validation methodologies and processes to ensure the valuations are reflective and periodic reviews are performed to ensure the model remains suitable for its intended use.

The levels of the fair value hierarchy as defined by MFRS are an indication of the observability of prices or valuation input. It can be classified into the following hierarchies/levels:

- Level 1 : Active Market – Quoted price

  Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices which represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include listed derivatives, quoted equities and unit and property trust funds traded on an exchange.

- Level 2 : No Active Market – Valuation techniques using observable input

  Refers to inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

  Examples of level 2 financial instruments include corporate and government bonds, structured products, NCDs/NICDs and over-the-counter ("OTC") derivatives.

- Level 3 : No Active Market – Valuation techniques using unobservable input

  Refers to financial instruments where fair values are measured using unobservable market inputs. The valuation technique is consistent with level 2. The chosen valuation technique incorporates management's assumptions and data.

  Examples of level 3 instruments include corporate bonds in illiquid markets, private equity investments and investment properties.

46. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Valuation techniques

(i) Cash and cash equivalents and other assets/liabilities

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

(ii) Financing receivables

Financing receivables are granted at interest rates which are comparable with the rates offered on similar instruments in the market and to counterparties with similar credit profiles. Accordingly, the carrying amounts of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Insurance receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(x)(h). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(vi) and 2.2(vii)(a). The carrying amounts and fair values of investments are disclosed in Note 8 to the financial statements.

(v) Investment properties

The fair values of investment properties are determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. Income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process may consider the relationships including yield and discount rates.

46. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy

	Valuation technique using :			
	Level 1 Quoted market prices RM'000	Level 2 Using Observable inputs RM'000	Level 3 Using Significant unobservable inputs RM'000	Total RM'000
31.12.2023				
Assets				
Investment properties	-	-	1,006,410	1,006,410
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	918,883	-	918,883
Debt securities and structured products	-	5,956,220	-	5,956,220
(ii) HFT				
Equity securities	1,465,909	-	85,329	1,551,238
Malaysian government papers	-	171,194	-	171,194
Debt securities and structured products	-	595,357	-	595,357
Unit and property trust funds	22,491	847,265	-	869,756
Financial assets at FVOCI				
Equity securities	144,744	-	-	144,744
Malaysian government papers	-	264,684	-	264,684
Debt securities and structured products	-	1,122,434	-	1,122,434
Derivative assets	-	181	-	181
Total assets	1,633,144	9,876,218	1,091,739	12,601,101
Liabilities				
Derivative liabilities	-	2,904	-	2,904
Total liabilities	-	2,904	-	2,904

46. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy (contd.)

	Valuation technique using :			
	Level 1	Level 2	Level 3	
	Quoted market prices RM'000	Using Observable inputs RM'000	Using Significant unobservable inputs RM'000	Total RM'000
31.12.2022				
Assets				
Investment properties	-	-	980,395	980,395
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	680,093	-	680,093
Debt securities and structured products	-	5,878,073	-	5,878,073
(ii) HFT				
Equity securities	1,433,098	-	81,322	1,514,420
Malaysian government papers	-	76,180	-	76,180
Debt securities and structured products	-	549,104	-	549,104
Unit and property trust funds	23,423	641,981	-	665,404
Financial assets at FVOCI				
Equity securities	72,521	-	-	72,521
Malaysian government papers	-	302,329	-	302,329
Debt securities and structured products	-	1,081,007	-	1,081,007
Derivative assets	-	508	-	508
Total assets	1,529,042	9,209,275	1,061,717	11,800,034

46. FAIR VALUE MEASUREMENTS (CONTD.)

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. There were no transfers between Level 1 and Level 2 for the Company during the financial years ended 31 December 2023 and 31 December 2022.

(e) Movements of Level 3 assets and financial investments

	Assets and financial investments measured at fair value		
	Investment properties RM'000	Unquoted equity securities designated at FVTPL RM'000	Total RM'000
31.12.2023			
At 1 January	980,395	81,322	1,061,717
Recognised in the income statement:			
Fair value gain	25,159	4,007	29,166
Addition, at cost	856	-	856
At 31 December	1,006,410	85,329	1,091,739
Total gains recognised in income statement for assets and financial instruments measured at fair value at the end of the reporting year	25,159	4,007	29,166
31.12.2022			
At 1 January	971,170	77,846	1,049,016
Recognised in the income statement:			
Fair value gain	8,645	3,476	12,121
Addition, at cost	580	-	580
At 31 December	980,395	81,322	1,061,717
Total gains recognised in income statement for assets and financial instruments measured at fair value at the end of the reporting year	8,645	3,476	12,121

46. FAIR VALUE MEASUREMENTS (CONTD.)

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

The Company's exposure to financial investments measured with valuation techniques using significant unobservable inputs comprised a small number of financial investments which constitute an insignificant component of the Company's portfolio of financial investments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

(i) Investment properties

Recent sale transactions transacted in the real estate market would result in a significant change of estimated fair value for investment properties.

All investment properties of the Company carried at fair values were classified under Level 3. The valuation of investment properties were performed by an accredited independent valuer using a variety of approaches such as the comparison method and the income capitalisation approach.

	Valuation Method	Significant unobservable inputs	Range
31.12.2023			
Building	Income capitalisation	Rental per square foot	RM3.70 to RM10.50
Shop lots	Comparison	Sales price per square foot for similar properties	RM65.00 to RM1,145.00
31.12.2022			
Building	Income capitalisation	Rental per square foot	RM3.70 to RM10.25
Shop lots	Comparison	Sales price per square foot for similar properties	RM63.00 to RM1,145.45

46. FAIR VALUE MEASUREMENTS (CONTD.)

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions (contd.)

(i) Investment properties (contd.)

Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold, adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. The income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process also considers the relationships including yield and discount rates. Recent transactions transacted in the market resulting in an increase in these inputs, would result in a significant increase in the estimated fair values of the investment properties.

A significant increase or decrease in the unobservable input used in the valuation would result in a correspondingly higher or lower fair value of the investment properties.

(ii) Unquoted equity instruments

All unquoted equity instruments of the Company at fair values were classified under Level 3. The fair value of investments in unquoted equity instruments that do not have quoted market prices in an active market, are measured based on the adjusted net asset method by referencing to the annual financial statements of the entities that the Company invested in.

	Changes in variable	Impact on carrying value RM'000 Increase/ (decrease)	Impact on profit before tax RM'000 Increase/ (decrease)	Impact on equity* RM'000 Increase/ (decrease)
31.12.2023	+5%	4,266	4,027	2,815
	-5%	(4,266)	(4,027)	(2,815)
31.12.2022	+5%	4,066	3,837	2,683
	-5%	(4,066)	(3,837)	(2,683)

*Impact on Company's equity is stated net of corporate tax of 24%.

47. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2023 and 31 December 2022, as prescribed under the RBC Framework, is provided below:

	31.12.2023 RM'000	**31.12.2022 RM'000**
Eligible Tier 1 Capital		
Paid up share capital	100,000	100,000
Reserves, including retained earnings	3,433,927	3,324,759
	3,533,927	3,424,759
Tier 2 Capital		
Revaluation reserve	90,362	90,362
FVOCI reserves	37,521	(40,123)
	127,883	50,239
Amount deducted from Capital	(47,304)	(54,003)
Total Capital Available	3,614,506	3,420,995

48. INSURANCE FUNDS

STATEMENT OF FINANCIAL POSITION BY FUNDS

	Shareholder's Fund			Life Fund			Total		
	31.12.2023	31.12.2022 (Restated)	01.01.2023 (Restated)	31.12.2023	31.12.2022 (Restated)	01.01.2023 (Restated)	31.12.2023	31.12.2022 (Restated)	01.01.2023 (Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets:									
Property, plant and equipment	-	-	-	26,443	29,222	32,875	26,443	29,222	32,875
Investment properties	-	-	-	1,006,410	980,395	971,170	1,006,410	980,395	971,170
Prepaid land lease payments	-	-	-	888	737	763	888	737	763
Right-of-use assets	-	-	-	61	98	53	61	98	53
Intangible assets	-	-	-	42,203	45,251	48,730	42,203	45,251	48,730
Investments	244,909	397,595	437,234	11,860,770	10,992,325	11,076,038	12,105,679	11,389,920	11,513,272
Financing receivables	23,045	21,941	21,107	1,700	1,772	1,668	24,745	23,713	22,775
Reinsurance contract assets	-	-	-	71,477	93,608	77,720	71,477	93,608	77,720
Other assets	2,698	3,322	3,893	151,277	135,507	133,169	153,975	138,829	137,062
Derivative assets	-	-	-	181	508	-	181	508	-
Current tax assets	-	-	11,555	-	-	-	-	-	11,555
Cash and bank balances	792	-	158	42,815	25,629	47,038	43,607	25,629	47,196
Total Assets	271,444	422,858	473,947	13,204,225	12,305,052	12,389,224	13,475,669	12,727,910	12,863,171
Equity and liabilities:									
Share capital	100,000	100,000	100,000	-	-	-	100,000	100,000	100,000
Reserves	1,594,550	1,615,917	1,676,593	-	-	-	1,594,550	1,615,917	1,676,593
Total Equity	1,694,550	1,715,917	1,776,593	-	-	-	1,694,550	1,715,917	1,776,593

48. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

	Shareholder's Fund			Life Fund			Total		
	31.12.2023 RM'000	31.12.2022 (Restated) RM'000	01.01.2023 (Restated) RM'000	31.12.2023 RM'000	31.12.2022 (Restated) RM'000	01.01.2023 (Restated) RM'000	31.12.2023 RM'000	31.12.2022 (Restated) RM'000	01.01.2023 (Restated) RM'000
Reinsurance contract liabilities	-	-	-	-	-	23	-	-	23
Insurance contract liabilities	(2,283)	5,106	9,040	10,990,818	10,358,635	10,363,772	10,988,535	10,363,741	10,372,812
Derivative liabilities	-	-	-	2,904	-	2,192	2,904	-	2,192
Deferred tax liabilities, net	(7,510)	(11,160)	(9,124)	407,249	357,333	398,065	399,739	346,173	388,941
Other liabilities[1]	(1,426,414)	(1,312,783)	(1,303,407)	1,786,803	1,593,304	1,609,535	360,389	280,521	306,128
Current tax liabilities	13,101	25,778	845	16,451	(4,220)	15,637	29,552	21,558	16,482
Total Liabilities	(1,423,106)	(1,293,059)	(1,302,646)	13,204,225	12,305,052	12,389,224	11,781,119	11,011,993	11,086,578
Total Equity and Liabilities	271,444	422,858	473,947	13,204,225	12,305,052	12,389,224	13,475,669	12,727,910	12,863,171

[1] Included in other liabilities are the interfund balances elimination, amount due from life fund to shareholder's fund of RM1,429,000,000 (2022: RM1,315,000,000) which is unsecured, not subject to any interest elements and are repayable in short term.

48. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS

	Shareholder's Fund		Life Fund		Total	
	31.12.2023	31.12.2022 (Restated)	31.12.2023	31.12.2022 (Restated)	31.12.2023	31.12.2022 (Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Insurance revenue	1,020	1,461	540,756	511,931	541,776	513,392
Insurance service expenses	(4,850)	(1,228)	(343,202)	(340,643)	(348,052)	(341,871)
Net expenses from reinsurance contracts held	-	-	(26,453)	95	(26,453)	95
Insurance service result	(3,830)	233	171,101	171,383	167,271	171,616
Interest revenue from financial assets not measured at FVTPL	14,262	16,858	71,126	58,282	85,388	75,140
Net fair value gain/(loss) on financial assets measured at FVTPL	723	(1,156)	573,720	(557,358)	574,443	(558,514)
Net fair value gains/(loss) on derecognition of financial assets measured at FVOCI	(3,161)	304	362	501	(2,799)	805
Other investment income	(272)	(811)	487,141	445,424	486,869	444,613
Net impairment loss on financial assets	(23)	(17)	(133)	(43)	(156)	(60)
Net foreign exchange income/(expenses)	-	12	51,911	23,930	51,911	23,942
Net investment income	11,529	15,190	1,184,127	(29,264)	1,195,656	(14,074)
Finance (expenses)/income from insurance contracts issued	(271)	(309)	(996,493)	10,255	(996,764)	9,946
Finance income from reinsurance contracts held	-	-	5,394	1,274	5,394	1,274
Net Insurance financial result	(271)	(309)	(991,099)	11,529	(991,370)	11,220

48. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS (CONTD.)

	Shareholder's Fund		Life Fund		Total	
	31.12.2023 RM'000	31.12.2022 (Restated) RM'000	31.12.2023 RM'000	31.12.2022 (Restated) RM'000	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Other income	2,753	3,099	2,995	894	5,748	3,993
Other expenses	(3,362)	(7,459)	(6,605)	(4,993)	(9,967)	(12,452)
Net other expenses	(609)	(4,360)	(3,610)	(4,099)	(4,219)	(8,459)
Profit before taxation	6,819	10,754	360,519	149,549	367,338	160,303
Surplus	272,435	158,949	(272,435)	(158,949)	-	-
Profit before taxation attributable to policyholders	279,254	169,703	88,084	(9,400)	367,338	160,303
Tax (expense)/credit attributable to policyholders	-	-	(88,084)	9,400	(88,084)	9,400
Profit before taxation	279,254	169,703	-	-	279,254	169,703
Tax expenses	(44,600)	(36,596)	-	-	(44,600)	(36,596)
Net profit for the financial year	234,654	133,107	-	-	234,654	133,107

48. INSURANCE FUNDS (CONTD.)

STATEMENT OF CASH FLOWS BY FUNDS

	Shareholder's Fund		Life Fund		Total	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Cash flows from:						
Operating activities	128,405	183,177	268,113	779,535	396,518	962,712
Investing activities	150,387	(12,285)	(250,888)	(800,912)	(100,501)	(813,197)
Financing activities	(278,000)	(171,050)	(39)	(32)	(278,039)	(171,082)
Net increase/(decrease) in cash and cash equivalents	792	(158)	17,186	(21,409)	17,978	(21,567)
Cash and cash equivalents:						
Cash and cash equivalents at beginning of financial year	-	158	25,629	47,038	25,629	47,196
Cash and cash equivalents at end of financial year	792	-	42,815	25,629	43,607	25,629

49. COMPARATIVES

Certain comparative amounts have been reclassified to conform to the current year's presentation. As disclosed in Note 2.5 on financial effects due to the adoption of MFRS 17 *Insurance Contracts* , certain comparative amounts 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 2.5, which for adoption impacts of MFRS 17.