

ALLIANZ MALAYSIA BERHAD (197201000819)

**UNAUDITED QUARTERLY RESULTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

ALLIANZ MALAYSIA BERHAD (197201000819)

**Condensed consolidated statement of financial position
as at 30 June 2023 - unaudited**

	30 June 2023 RM'000	31 December 2022 RM'000 (Restated)
Assets		
Property, plant and equipment	116,114	110,682
Right-of-use assets	22,969	33,657
Intangible assets	415,851	421,835
Deferred tax assets	-	11,635
Investments	13,697,491	12,991,664
Derivative financial assets	17,215	18,996
Financial assets for unit-linked contracts	8,824,162	8,379,658
Reinsurance contract that are assets	598,874	547,207
Current tax assets	38,091	12,165
Other assets	118,094	89,315
Cash and cash equivalents	897,224	1,275,178
Total assets	24,746,085	23,891,992

ALLIANZ MALAYSIA BERHAD (197201000819)**Condensed consolidated statement of financial position
as at 30 June 2023 - unaudited (continued)**

	30 June 2023 RM'000	31 December 2022 RM'000 (Restated)
Equity		
Share capital:		
Ordinary Shares	236,037	236,037
Irredeemable Convertible Preference Shares ("ICPS")	534,992	534,992
Reserves	4,215,354	3,906,125
Total equity attributable to owners of the Company	4,986,383	4,677,154
Liabilities		
Insurance contract liabilities	18,381,697	17,747,976
Reinsurance contract liabilities	119,147	150,591
Deferred tax liabilities	534,053	484,269
Derivative financial liabilities	4,136	1,293
Lease liabilities	8,030	19,171
Other liabilities	706,074	801,158
Current tax liabilities	6,565	10,380
Total liabilities	19,759,702	19,214,838
Total equity and liabilities	24,746,085	23,891,992
Net asset per ordinary share (RM)	28.02	26.28
Diluted net asset per ordinary share (RM)	14.40	13.51

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

ALLIANZ MALAYSIA BERHAD (197201000819)
**Condensed consolidated statement of profit or loss
For the period ended 30 June 2023 - unaudited**

	Note (Part B)	Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
		2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Insurance revenue		1,164,749	1,082,774	2,326,123	2,145,913
Insurance service expenses		(932,526)	(735,438)	(1,758,602)	(1,555,128)
Reinsurance result		(62,218)	(70,730)	(137,887)	(123,764)
Insurance service result		170,005	276,606	429,634	467,021
Interest revenue on financial assets not measured at fair value through profit or loss ("FVTPL")		134,198	121,390	263,070	241,933
Net gains/(losses) on investments in debt securities measured at fair value through other comprehensive income ("FVOCI") reclassified to profit or loss on disposal		851	(5,669)	82	(7,204)
Net gains/(losses) on FVTPL investments		61,658	(240,107)	204,574	(228,244)
Net credit impairment loss on financial assets		(247)	(1,431)	(283)	(6,477)
Investment return	4	196,460	(125,817)	467,443	8
Net finance (expenses)/income from insurance contracts		(114,520)	98,720	(377,537)	26,565
Net finance income from reinsurance contracts		5,270	1,102	10,003	8,051
Net insurance finance (expenses)/income		(109,250)	99,822	(367,534)	34,616
Net insurance and investment results		257,215	250,611	529,543	501,645
Other operating income		389	294	393	299
Other operating expenses		(34,728)	(38,406)	(74,771)	(73,908)
Profit before tax	5	222,876	212,499	455,165	428,036
Tax expense	6	(56,202)	(62,420)	(115,805)	(127,417)
Profit for the period		166,674	150,079	339,360	300,619
Profit for the period attributable to: Owners of the Company		166,674	150,079	339,360	300,619
Basic earnings per ordinary share (sen)	10(a)	57.92	66.22	154.95	150.85
Diluted earnings per ordinary share (sen)	10(b)	48.14	43.36	98.02	86.86

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

ALLIANZ MALAYSIA BERHAD (197201000819)
**Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 30 June 2023 - unaudited**

	Note (Part B)	Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
		2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Profit for the period attributable to owners of the Company		166,674	150,079	339,360	300,619
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Net gains/(losses) on investments in debt securities measured at FVOCI		50,635	(228,819)	205,538	(408,577)
Net realised (gains)/losses transferred to profit or loss		(851)	5,669	(82)	7,204
Tax effects thereon		(5,046)	27,950	(23,935)	49,831
Fair value losses on cash flow hedge		(4,988)	(6,542)	(5,037)	(10,905)
Tax effects thereon		399	523	403	872
Expected credit losses		257	1,425	287	6,484
Tax effects thereon		(45)	(347)	(54)	(901)
Finance income/(expense) from insurance contract liabilities		815	183,622	(62,216)	270,775
Tax effects thereon		275	(19,072)	9,186	(31,550)
Finance income/(expense) from reinsurance contract liabilities		590	(1,479)	4,048	(296)
Tax effects thereon		(141)	499	(971)	71
Items that may not be reclassified subsequently to profit or loss					
Net losses on investments in equity instruments measured at FVOCI		(21,936)	(53,552)	(40,917)	(29,753)
Tax effects thereon		1,755	4,284	3,273	2,380
Total other comprehensive gain/(loss) for the period, net of tax	1.7	21,719	(85,839)	89,523	(144,365)
Total comprehensive income for the period, net of tax		188,393	64,240	428,883	156,254
Total comprehensive income for the period attributable to: Owners of the Company		188,393	64,240	428,883	156,254

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

ALLIANZ MALAYSIA BERHAD (197201000819)
Condensed consolidated statement of changes in equity for the period ended 30 June 2023 - unaudited

	←————— Attributable to owners of the Company —————→						Retained earnings Life fund ¹ RM'000	Retained earnings RM'000	Total equity RM'000
	←————— Non-distributable			—————→ Distributable					
	Ordinary shares RM'000	Irredeemable Convertible Preference Shares RM'000	Fair value reserve RM'000	Insurance finance reserves RM'000	Other reserves RM'000	Total reserves RM'000			
At 31 December 2021, as previously reported	234,573	536,456	3,653	-	43,175	46,828	1,241,518	2,084,778	4,144,153
Impact arising from adoption of MFRS 17 and MFRS 9	-	-	150,830	(159,121)	11,882	3,591	252,337	85,261	341,189
At 1 January 2022, Restated	234,573	536,456	154,483	(159,121)	55,057	50,419	1,493,855	2,170,039	4,485,342
Net losses on investments in debt securities measured at FVOCI	-	-	(358,746)	-	-	(358,746)	-	-	(358,746)
Net realised losses transferred to profit or loss	-	-	7,204	-	-	7,204	-	-	7,204
Fair value losses on cash flow hedge	-	-	(10,033)	-	-	(10,033)	-	-	(10,033)
Finance income from insurance contract liabilities	-	-	-	239,225	-	239,225	-	-	239,225
Finance expense from reinsurance contract liabilities	-	-	-	(225)	-	(225)	-	-	(225)
Expected credit losses	-	-	-	-	5,583	5,583	-	-	5,583
Net losses on investments in equity instruments measured at FVOCI	-	-	(27,373)	-	-	(27,373)	-	-	(27,373)
Total other comprehensive (loss)/gain for the period	-	-	(388,948)	239,000	5,583	(144,365)	-	-	(144,365)
Profit for the period	-	-	-	-	-	-	161,739	138,880	300,619
Total comprehensive (loss)/income for the period	-	-	(388,948)	239,000	5,583	(144,365)	161,739	138,880	156,254
Contributions by and distributions to owners of the Company									
Conversion of ICPS to ordinary shares	1,432	(1,432)	-	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	-	(60,777)	(60,777)
Total transactions with owners of the Company	1,432	(1,432)	-	-	-	-	-	(60,777)	(60,777)
At 30 June 2022	236,005	535,024	(234,465)	79,879	60,640	(93,946)	1,655,594	2,248,142	4,580,819

ALLIANZ MALAYSIA BERHAD (197201000819)
Condensed consolidated statement of changes in equity for the period ended 30 June 2023 - unaudited (continued)

	←————— Attributable to owners of the Company —————→						Retained earnings Life fund ¹ RM'000	Retained earnings RM'000	Total equity RM'000
	←————— Non-distributable —————→			————— Distributable —————→					
	Ordinary shares RM'000	Irredeemable Convertible Preference Shares RM'000	Fair value reserve RM'000	Insurance finance reserves RM'000	Other reserves RM'000	Total reserves RM'000			
At 31 December 2022, as previously reported	236,037	534,992	(60,801)	-	41,882	(18,919)	1,365,229	2,112,688	4,230,027
Impact arising from adoption of MFRS 17 and MFRS 9	-	-	(23,247)	(19,890)	11,826	(31,311)	326,792	151,646	447,127
At 1 January 2023, Restated	236,037	534,992	(84,048)	(19,890)	53,708	(50,230)	1,692,021	2,264,334	4,677,154
Net gains on investments in debt securities measured at FVOCI	-	-	181,603	-	-	181,603	-	-	181,603
Net realised gains transferred to profit or loss	-	-	(82)	-	-	(82)	-	-	(82)
Fair value losses on cash flow hedge	-	-	(4,634)	-	-	(4,634)	-	-	(4,634)
Finance expense from insurance contract liabilities	-	-	-	(53,030)	-	(53,030)	-	-	(53,030)
Finance income from reinsurance contract liabilities	-	-	-	3,077	-	3,077	-	-	3,077
Expected credit losses	-	-	-	-	233	233	-	-	233
Net losses on investments in equity instruments measured at FVOCI	-	-	(37,644)	-	-	(37,644)	-	-	(37,644)
Total other comprehensive gain/(loss) for the period	-	-	139,243	(49,953)	233	89,523	-	-	89,523
Profit for the period	-	-	-	-	-	-	144,022	195,338	339,360
Total comprehensive income/(loss) for the period	-	-	139,243	(49,953)	233	89,523	144,022	195,338	428,883
Contributions by and distributions to owners of the Company	-	-	-	-	-	-	-	-	-
Conversion of ICPS to ordinary shares	-	-	-	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	-	(119,654)	(119,654)
Total transactions with owners of the Company	-	-	-	-	-	-	-	(119,654)	(119,654)
At 30 June 2023	236,037	534,992	55,195	(69,843)	53,941	39,293	1,836,043	2,340,018	4,986,383

¹ Non-distributable retained earnings comprise of Life fund (which includes Participating and Non-Participating fund), net of deferred tax, which is wholly attributable to the shareholders. This amount is only distributable upon the actual transfer of surplus from the Life fund to the Shareholder's fund as recommended by the Appointed Actuary and approved by the Board of Directors of the life insurance subsidiary.

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

The condensed consolidated statement of changes in equity should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2022.

Condensed consolidated statement of cash flows
For the period ended 30 June 2023 - unaudited

	Six months ended	Six months ended
	30 June	30 June
	2023	2022
	RM'000	RM'000
		(Restated)
Cash flows from operating activities		
Profit before tax	455,165	428,036
<i>Adjustments for:</i>		
Investment income	(265,609)	(251,831)
Interest on lease liabilities	241	314
Realised (gains)/losses recorded in profit or loss	(3,615)	6,155
Fair value (gains)/losses on investments recorded in profit or loss	(10,728)	25,862
Purchase of financial assets at FVOCI	(4,325,590)	(2,362,580)
Maturity of financial assets at FVOCI	1,694,480	1,794,993
Proceeds from sale of financial assets at FVOCI	2,108,451	430,261
Purchase of financial assets at FVTPL	(23,548)	(18,083)
Proceeds from sale of financial assets at FVTPL	13,210	4,242
Unrealised foreign exchange gains	(6,527)	(5,520)
Depreciation of property, plant and equipment	7,327	7,501
Depreciation of right-of-use assets	11,241	9,049
Amortisation of intangible assets	12,303	12,553
Intangible assets written off	-	9,090
Allowance for expected credit losses	283	6,477
Gain on disposal of property, plant and equipment	(2)	(11)
Property, plant and equipment written off	206	266
Reversal of impairment loss on reinsurance asset	-	(2,575)
Allowance/(Reversal) for impairment loss on receivables	2,976	(28,076)
Bad debts recovered on receivables	(6)	(32)
Changes in working capital:		
Decrease in fair value of financial investments and derivatives	651	5,050
Increase in fair value of unit linked contracts	(444,504)	(247,746)
Increase in other assets	(28,779)	(3,430)
Increase in insurance contract liabilities	568,535	223,571
(Decrease)/Increase in reinsurance contract liabilities	(79,063)	41,763
Increase in other liabilities	167,017	98,741
Cash (used in)/generated from operations	(145,885)	184,040

Condensed consolidated statement of cash flows
For the period ended 30 June 2023 - unaudited (continued)

	Six months ended 30 June 2023 RM'000	Six months ended 30 June 2022 RM'000 (Restated)
Cash flows from operating activities (continued)		
Tax paid	(96,223)	(75,113)
Dividends received	19,312	21,463
Interest income received	257,812	239,777
Interest paid on lease liabilities	(241)	(314)
Net cash generated from operating activities	34,775	369,853
Investing activities		
Proceeds from disposal of property, plant and equipment	4	23
Acquisition of property, plant and equipment	(14,634)	(11,757)
Acquisition of intangible assets	(4,652)	(100,653)
Net cash used in investing activities	(19,282)	(112,387)
Financing activities		
Dividends paid	(381,753)	(239,347)
Repayment of lease liabilities	(11,694)	(10,447)
Net cash used in financing activities	(393,447)	(249,794)
Net (decrease)/increase in cash and cash equivalents	(377,954)	7,672
Cash and cash equivalents at 1 January	1,275,178	976,951
Cash and cash equivalents at 30 June	897,224	984,623
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	827,060	891,807
Cash and bank balances	70,164	92,816
	897,224	984,623

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

Part A: Explanatory notes to the condensed consolidated financial statements

1. Basis of preparation

These condensed consolidated interim financial statements ("the Report") of Allianz Malaysia Berhad ("AMB" or "the Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as "the Group") as at and for the financial period ended 30 June 2023 have been prepared in accordance with:

- (a) The requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and International Accounting Standard ("IAS") 34: Interim Financial Reporting; and
- (b) Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Report does not include all information required for disclosure in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2022, except for the financial results relating to the adoption of MFRS 17 Insurance contracts and MFRS 9 Financial instruments. The comparative information and disclosures have been prepared in accordance with MFRSs and restated where relevant to reflect the initial adoption of new accounting standards, MFRS 17 and MFRS 9.

The preparation of the condensed consolidated interim financial statements/condensed consolidated quarterly financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities as at the date of the condensed consolidated interim financial statements, and the reported amount of income and expenses during the period. Actual results may differ from these estimates.

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

2. Statement of compliance

The accounting policies and presentation adopted by the Group for the Report are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following:

MFRSs/ Amendments/ Interpretation	Effective date
Amendment to MFRS 101, <i>Classification of liabilities and current or non-current</i>	1 January 2023
Amendments to MFRS 101, <i>MFRS Practice Statement 2</i> and MFRS 108 on disclosure of <i>Accounting Policies and Definition of Accounting Estimate</i>	1 January 2023
Amendments to MFRS 112, <i>Deferred tax related to Assets and Liabilities arising from single transaction</i>	1 January 2023
MFRS 17, <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 " <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i> "	1 January 2023

The adoption of the above did not have any significant effects on the interim report upon their initial application, other than as disclosed below:

MFRS 17, Insurance Contracts

MFRS 17 replaces the guidance in MFRS 4, Insurance Contracts.

MFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes MFRS 4.

MFRS 17 provides comprehensive guidance on accounting for insurance contracts issued, reinsurance contracts held, and investment contracts with discretionary participation features. It introduces three new measurement models, reflecting a different extent of policyholder participation in investment performance or overall insurance entity performance.

The general measurement model, also known as the building block approach, consists of the fulfillment cash flows and the contractual service margin. The fulfillment cash flows represent the risk-adjusted present value of an entity's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit from in-force contracts that an entity will recognise as it provides services over the coverage period.

Part A: Explanatory notes to the condensed financial statements (continued)

2. Statement of compliance (continued)

MFRS 17, Insurance Contracts (continued)

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

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

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

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

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

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

For non-life insurance contracts, the Group expects that all business qualifies for the premium allocation approach eligibility. The premium allocation approach has similar mechanics as the current approach under MFRS 4 Insurance Contracts and therefore only limited impact on main result drivers and limited judgmental areas for the underwriting result. The estimation of the expected claims in the loss reserves is the main area of judgment for general business and remains unaffected by the introduction of MFRS 17.

The main changes for non-life insurance contracts comprise the mandatory discounting of loss reserves, higher transparency of loss-making portfolios due to more granular onerous contract testing, and the introduction of risk adjustment for non-financial risk which is similar to the Provision of Risk Margin for Adverse Deviation under MFRS 4 claims liabilities. The standard requires the discount rates to be determined using observable market data based on a risk-free base curve and portfolio specific adjustments to reflect the illiquidity of insurance obligations.

MFRS 17 requires expected losses over a contract's lifetime to be reflected at initial recognition in the statement of profit or loss and the statement of financial position as a loss component. The approach to determine loss component is very similar to the current premium deficiency testing, but MFRS 17 requires the calculation on a more granular level. As offsetting with profitable groups of insurance contracts is not allowed, the increasing granularity leads to an increasing number of onerous group of contracts.

Part A: Explanatory notes to the condensed financial statements (continued)

2. Statement of compliance (continued)

MFRS 17, Insurance Contracts (continued)

MFRS 17 does not prescribe a specific approach for determining the risk adjustment for non-financial risk. The Group applies the commonly accepted percentile approach to determine risk adjustment as it is allowed by the standard, consistent with local regulatory requirements.

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

MFRS 17 will change the presentation of insurance contract revenue; gross written premium will no longer be presented in the statement of profit or loss. Insurance contract revenue is defined in such a way as to achieve comparability with the revenue of other industries and, investment components may not be recognised as part of insurance contract revenue. The combined ratio will remain the main KPI for the general segment and will be defined as the sum of insurance service expenses, the reinsurance result and non-directly attributable expenses, divided by insurance revenue.

Generally, the Group expects only limited impact on the operating result. There will be a positive impact on underwriting result from the discounting of loss reserves, but, while the operating investment income will remain almost unchanged, the interest accretion on historical loss reserves will notably decrease the investment result. MFRS 17 contains an accounting policy option to recognise changes in financial parameters either in profit or loss or in other comprehensive income ("OCI").

This "OCI option" can be exercised at the level of individual portfolios. The Group generally will make use of this option. Under this option, loss reserves are discounted for profit or loss with locked-in interest rates from the respective accident years and the discounting effect needs to be recognised as interest accretion in the investment result until the claims reserves run-off.

For non-life insurance contracts, the Group expects that all business qualifies for the premium allocation approach eligibility at transition. As such, the full retrospective approach will be applied to all groups of insurance and reinsurance contracts, except for groups with exposure in 2017 and prior. Due to the unavailability of locked-in interest rate curves for 2017 and prior, the fair value approach will be applied to these groups.

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

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

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

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

Part A: Explanatory notes to the condensed financial statements (continued)

2. Statement of compliance (continued)

MFRS 17, Insurance Contracts (continued)

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

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

In respect of reinsurance contract held, the modified retrospective approach will be applied to the reinsurance contracts held in annual cohorts prior to 2021 while the full retrospective approach will be applied to reinsurance contracts held in annual cohorts 2021 or later.

The combined effect on the Group's consolidated statement of financial position on transition to MFRS 9 and MFRS 17 as at 1 January 2022 is to improve total equity measured under MFRS 17 by approximately 8%. The results of the 2022 comparative and the 1 January 2023 results under the new standard is in this report.

Financial impact

Based on assessments, the Group's impact on its balance sheet by MFRS 17 and MFRS 9 to be as follows:

Opening balance sheet

	1 January 2022 RM'000 (Restated)
Assets	
Property, plant and equipment	110,148
Right-of-use assets	41,530
Intangible assets	348,456
Deferred tax assets	15,276
Investments	12,997,473
Derivative financial assets	46,434
Financial assets for unit-linked contracts	7,433,839
Reinsurance contract that are assets	757,945
Current tax assets	9,856
Other assets	93,388
Cash and cash equivalents	976,951
Total assets	22,831,296
Equity	
Share capital:	
Ordinary Shares	234,573
ICPS	536,456
Reserves	3,714,313
Total equity attributable to owners of the Company	4,485,342
Liabilities	
Insurance contract liabilities	17,012,357
Reinsurance contract liabilities	150,326
Deferred tax liabilities	441,682
Derivatives financial liabilities	1,641
Lease liabilities	24,788
Other liabilities	702,875
Current tax liabilities	12,285
Total liabilities	18,345,954
Total equity and liabilities	22,831,296

Part A: Explanatory notes to the condensed financial statements (continued)

2. Statement of compliance (continued)

MFRS 17, Insurance Contracts (continued)

Reinsurance contract that are assets

	1 January 2022 RM'000 (Restated)
Liability for remaining coverage for reinsurance contracts held	
Premium allocation approach	105,730
Liability for incurred claims	890,376
Net liability from deposits and others	(238,161)
Total	757,945

(Re-) Insurance contract liabilities

	1 January 2022 RM'000 (Restated)
Liability for remaining coverage	
Premium allocation approach	1,078,823
Present value of future cash flows	11,435,212
Risk adjustment	336,732
Contractual service margin	(162,736)
	12,688,031
Liability for incurred claims	4,056,252
Net assets from receivables and payables for insurance business and others	418,400
Total	17,162,683

Part A: Explanatory notes to the condensed financial statements (continued)

2. Statement of compliance (continued)

MFRS 9, Financial Instruments

MFRS 9 'Financial Instruments' replaces MFRS 139 'Financial Instruments: Recognition and Measurement' on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018. However, as the Group qualifies for the temporary exemption under the guidance on Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts from applying MFRS 9 and has deferred and adopted MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2023.

The key changes to the Group's accounting policies resulting from its adoption of MFRS 9 are summarised below.

(i) Classification of financial assets and financial liabilities

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

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

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

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

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

(ii) Impairment of financial assets

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

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

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

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

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

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

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

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

Part A: Explanatory notes to the condensed financial statements (continued)

2. Statement of compliance (continued)

MFRS 9, Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

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

Hedge accounting

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

Disclosure

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

The Group has applied the new rules retrospectively from 1 January 2023, with the restated financial results on comparatives for 2022.

In summary, the impact from classification and measurement is expected to be as follows:

Classification of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2023.

Financial assets

	Note	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM'000	New carrying amount under MFRS 9 RM'000
Investment in equity instruments not held for trading	(a)	Available-for-sale ("AFS")	FVOCI	638,701	638,701
Investment in equity instruments held for trading	(a)	FVTPL (held for trading)	FVTPL	2,082,880	-
Other investments	(b)	AFS	FVTPL	592,509	592,509
Other investments	(c)	FVTPL (held for trading)	FVTPL	274,784	-
Investment in debt securities	(f)	FVTPL (held for trading)	FVTPL	4,996,080	-
Investment in debt securities	(e)	AFS	FVOCI	6,997,624	6,997,624
Investment in debt securities	(e)	FVTPL (designated upon initial recognition)	FVOCI	4,702,723	4,702,723
Investment in debt securities		Loans and receivables ("L&R")	FVOCI	-	37,182
Derivative assets	(d)	FVTPL (held for trading)	FVTPL	18,996	18,996
Financial assets for unit-linked contracts	(f)	FVTPL (held for trading)	FVTPL	-	8,360,865
Other assets		L&R	AC	148,622	89,315
Cash and cash equivalents		L&R	AC	2,258,899	1,274,655
Fixed deposits with licensed banks	(g)	L&R	FVOCI	24,415	23,454
Total financial assets				22,736,233	22,736,024

The application of these policies resulted in the reclassifications set out in the table above and explained below.

(a) Equity investments were designated as AFS under MFRS 139. On the adoption of MFRS 9, the Group has elected to designate these equity investments not held for trading purpose to be measured at FVOCI. Equity investment were designated as held for trading, these assets are measured at FVTPL because they do not give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding under MFRS 9.

(b) Unit trusts and real estate investment trusts ("REITs") were classified as AFS under MFRS 139. On the adoption of MFRS 9, these assets are mandatory classified as FVTPL because they do not give rise to cash flows that are SPPI on the principal amount outstanding under MFRS 9.

Part A: Explanatory notes to the condensed financial statements (continued)

2. Statement of compliance (continued)

MFRS 9, Financial Instruments (continued)

Classification of financial assets and financial liabilities (continued)

- (c) Unit trusts and REITs were designated as held for trading under MFRS 139. On the adoption of MFRS 9, the Group classified these assets as FVTPL because they do not give rise to cash flows that are SPPI on the principal amount outstanding under MFRS 9.
- (d) The Group classified investments which were not designated as FVOCI and do not give rise to cash flows that are SPPI as FVTPL financial assets.
- (e) Debts securities were designated as AFS and FVTPL under designated upon initial recognition under MFRS 139. On the adoption of MFRS 9, these assets meet the criteria for mandatory measurement of FVOCI because the contractual cash flows of these assets are solely payments of principal and interest on the principal outstanding.
- (f) Financial assets for unit-linked contracts are recorded at fair value, with changes in fair value recognised in the income statement. They are included in the line item above financial assets for unit-linked carried at fair value through income.
- (g) Liquid investments were classified as loans and receivables under MFRS 139. On the adoption of MFRS 9, the liquid investments meet the criteria for mandatory measurement of FVOCI because the contractual cash flows of these deposits are solely payments of principal and interest on the principal outstanding.

The following table reconciles the carrying amounts of financial assets under MFRS 139 to the carrying amounts under MFRS 9 on the transition to MFRS 9 on 1 January 2023.

	31 December 2022 MFRS 139 RM'000	Remeasurement/ Reclassification RM'000	1 January 2023 Classification under MFRS 9		
			FVTPL RM'000	FVOCI RM'000	AC RM'000
Financial assets					
AFS					
Investment in equity instruments not held for trading	638,701	-	-	638,701	-
Other investments	592,509	-	592,509	-	-
Investment in debt securities	6,997,624	-	-	6,997,624	-
FVTPL (held for trading)					
Investment in debt securities	4,996,080	(4,996,080)	-	-	-
Investment in equity instruments held for trading	2,082,880	(2,082,880)	-	-	-
Other investments	274,784	(274,784)	-	-	-
Derivative assets	18,996	-	18,996	-	-
Financial assets for unit-linked contracts	-	8,360,865	8,360,865	-	-
FVTPL (designated upon initial recognition)					
Investment in debt securities	4,702,723	-	-	4,702,723	-
L&R					
Investment in debt securities	-	37,182	-	37,182	-
Other assets	148,622	(59,307)	-	-	89,315
Cash and cash equivalents	2,258,899	(984,244)	-	-	1,274,655
Fixed deposits with licensed banks	24,415	(961)	-	23,454	-
	22,736,233	(209)	8,972,370	12,399,684	1,363,970

Financial liabilities

There were no changes to the Group's classification and measurement of the financial liabilities on the adoption of MFRS 9.

Except as disclosed above on MFRS 17 and MFRS 9, the adoption of new standards, amendments to standards and interpretations by the Group for the first time for the financial year beginning on or after 1 January 2023 did not have any material impact on the current and/or prior periods.

Part A: Explanatory notes to the condensed consolidated financial statements (continued)

3. **Items of an unusual nature**

The results of the Group for the financial period under review were not substantially affected by any item, transaction or event of a material and unusual nature.

4. **Changes in estimates**

There were no material changes in estimates of amounts reported in the prior financial period that have a material effect in the current period.

5. **Seasonal or cyclical factors**

The operations of the Group for the financial period under review were not significantly affected by seasonality or cyclical factors.

6. **Property, plant and equipment**

The Group's property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses, if any. There were no changes in the valuation of property, plant and equipment that were brought forward from the Group's audited financial statements for the financial year ended 31 December 2022.

7. **Changes in group composition**

There were no changes in the composition of the Group during the financial period under review.

8. **Capital commitments**

	Transactions value Six months ended 30 June	
	2023	2022
	RM'000	RM'000
Property, plant and equipment: Contracted but not provided for	5,108	4,993
Software development: Contracted but not provided for	4,115	3,092

9. **Related party transactions**

Significant related party transactions are as follows:

	Transactions value Six months ended 30 June	
	2023	2022
	RM'000	RM'000
Related companies* Payment of reinsurance premium ceded, net of commission income	(142,162)	(146,860)

* Related companies are companies within the Allianz SE Group.

Part A: Explanatory notes to the condensed consolidated financial statements (continued)

10. Changes in contingent liabilities

On 10 August 2016, the Malaysia Competition Commission ("MyCC") commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia ("PIAM") and all 22 general insurers including the Company's general insurance subsidiary, Allianz General Insurance Company (Malaysia) Berhad ("AGIC") of Section 4(2)(a) of the Competition Act 2010 ("CA"). The alleged infringement is in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners' Association Of Malaysia ("FAWOAM") in relation to trade discount rates on the parts for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops. These rates were applied by AGIC pursuant to a members' circular issued by PIAM, which arose from Bank Negara Malaysia ("BNM")'s directive to PIAM to engage FAWOAM to resolve the issues of parts trade discounts and labour hourly rate.

On 22 February 2017, AGIC received MyCC's notice of its proposed decision ("Proposed Decision") that AGIC and all the other 21 general insurers who are PIAM members had infringed one of the prohibitions under Part II of the CA. The Proposed Decision included a proposed financial penalty of RM213,454,814 on all the 22 general insurers. AGIC, as one of the members of PIAM, had a share of RM27,480,883 of the proposed penalty.

Following the parties' submission of their respective written representations and the Hearing of the oral representations, on 25 September 2020, AGIC's solicitors received MyCC's Decision that parties had infringed the prohibition under section 4 of the CA and which imposes on each of the 22 general insurers financial penalties for the said infringement ("MyCC's Decision").

In view of the impact of the Covid-19 pandemic, MyCC had granted a reduction of 25% of the financial penalties imposed on the 22 general insurers and a moratorium period of up to 6 months for the payment of the financial penalties to be made by 6 equal monthly instalments. The financial penalty imposed on AGIC, taking into account the 25% reduction amounts to RM18,549,595.97.

Appeal filed with the Competition Appeal Tribunal ("CAT")

On 13 October 2020, AGIC filed a Notice of Appeal against MyCC's Decision ("Appeal") with the Competition Appeal Tribunal ("CAT") and a formal Notice of Application was filed in relation to the stay of MyCC's Decision on 12 November 2020 ("Stay Application").

In response to AGIC's Notice of Appeal, MyCC filed a Statement in Reply ("SIR") and AGIC filed its Reply to the SIR on 11 December 2020.

Upon conclusion of the hearing of the respective parties' submissions, on 23 March 2021, CAT allowed the Stay Application, pending the disposal of the Appeal.

As for the appeal proceedings before CAT, MyCC as well as several other insurers presented their oral submissions on hearing dates in March and April 2022. AGIC presented its submissions in reply on 21 April 2022 and 22 April 2022 whereupon all parties' submissions concluded.

On 2 September 2022, the CAT unanimously allowed AGIC's appeal along with the appeals of PIAM and the other 21 general insurers ("CAT's Decision") thereby setting aside MyCC's Decision.

AGIC's application for leave for Judicial Review filed at the High Court of Malaya

Separately, on 26 April 2021 the High Court of Malaya granted AGIC leave to apply for Judicial Review of MyCC's Decision and an interim stay of MyCC's Decision until the hearing of any objection or application by MyCC to set it aside. AGIC filed its Notice of Hearing of Application for Judicial Review at the High Court on 9 May 2021 ("AGIC's JR Proceedings") and MyCC then filed an application against the orders granting AGIC leave to apply for judicial review and interim stay ("MyCC's Setting Aside Application").

On conclusion of the parties' submissions, the High Court decided on 20 October 2021 to allow MyCC's Setting Aside Application. On its solicitors' recommendation, AGIC filed a Notice of Appeal against the said decision on 18 November 2021 ("AGIC's Appeal"). The matter was then fixed for further case management on 8 September 2022.

In light of the CAT's Decision, AGIC through its solicitors filed the necessary cause papers to withdraw AGIC's Appeal since the same was superseded by the CAT's Decision. The case management on 8 September 2022 was vacated thereby bringing AGIC's JR Proceedings to an end.

MyCC's application for leave for Judicial Review filed at the High Court of Malaya

On 1 December 2022, MyCC filed an application at the High Court of Malaya seeking leave to apply for Judicial Review against CAT's Decision ("MyCC's Leave Application") and AGIC's solicitors filed an affidavit on AGIC's behalf to object to the said application.

MyCC in turn filed a further affidavit on 17 April 2023 and in response thereto, on 2 May 2023, AGIC's solicitors filed a further affidavit on behalf of AGIC.

MyCC's Leave Application initially fixed for Hearing on 8 May 2023 was converted into a case management at which the Court fixed a further case management for 16 May 2023 for parties to fix a new Hearing date for MyCC's Leave Application. At the case management on 16 May 2023, the Court fixed the Hearing for MyCC's Leave Application for 30 November 2023.

Part A: Explanatory notes to the condensed consolidated financial statements (continued)

10. Changes in contingent liabilities (continued)

AGIC's Intervener Application in the Malaysia Airlines and AirAsia case

On a separate but related matter, MyCC filed an application for the Federal Court to review its previous decision in the Malaysia Airlines and AirAsia case ("Airlines case") wherein the Federal Court effectively held that MyCC is not allowed to apply for Judicial Review against its own appellate tribunal, the CAT.

As recommended by its solicitors and given its vested interest in the matter, AGIC filed an Intervener Application in the Airlines case with the Federal Court on 21 March 2023 ("AGIC's Intervener Application").

In response, MyCC filed its affidavit in Reply on 17 April 2023 and AGIC in turn filed a further affidavit on 2 May 2023.

At the Hearing of AGIC's Intervener Application on 27 June 2023, whilst the Federal Court dismissed the same on the basis that AGIC did not have direct interest in the Airlines case, AGIC's solicitors have been allowed to hold a watching brief at the Hearing of the Airlines case which is now fixed for 4 October 2023.

The management of AGIC believes that the criteria to disclose the above as a contingent liability are met. Saved as disclosed above, the Group does not have any other contingent assets and liabilities since last date of statement of financial position.

11. Debt and equity securities

There were no other issuances of shares, shares buy-backs and repayment of debt and equity securities by the Group during the financial period under review.

12. Subsequent event

There were no significant events subsequent to the end of the financial period under review that have not been reported in the Report.

13. Dividend paid

- (a) A single tier interim dividend of 69.0 sen per ordinary share and a single tier interim dividend of 82.8 sen per ICPS for the financial year ended 31 December 2022 were paid on 17 February 2023 to the entitled ordinary shareholders and ICPS holders of the Company respectively.
- (b) A single tier interim dividend of 31.5 sen per ordinary share and a single tier interim dividend of 37.8 sen per ICPS for the financial year ending 31 December 2023 were paid on 28 June 2023 to the entitled ordinary shareholders and ICPS holders of the Company respectively.

Part A: Explanatory notes to the condensed consolidated financial statements (continued)

14. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Chief Executive Officer of the Company reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Reportable segments	Principal activities
Investment holding	Investment holding
General insurance	Underwriting of all classes of general insurance business
Life insurance	Underwriting of all classes of life insurance and investment-linked business

Information about reportable segments
For the period ended 30 June 2023 - unaudited

	Investment holding		General insurance		Life insurance		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)		(Restated)		(Restated)
Segment insurance revenue	-	-	1,327,404	1,236,270	998,719	909,643	2,326,123	2,145,913
Segment results	(3,816)	(13,484)	263,791	223,696	195,190	217,824	455,165	428,036
Segment assets	448,855	626,702	7,202,566	6,872,096	17,094,664	15,427,475	24,746,085	22,926,273
Segment liabilities	24,140	182,851	4,477,733	4,328,030	15,257,829	13,834,573	19,759,702	18,345,454

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities

1. Review of results

Table 1: Financial review for current quarter and financial period to date

RM'million	Individual Period Three months ended 30 June		Changes		Cumulative period Six months ended 30 June		Changes	
	2023	2022 (Restated)	Amount	%	2023	2022 (Restated)	Amount	%
	Insurance revenue	1,164.7	1,082.8	81.9	7.6%	2,326.1	2,145.9	180.2
Profit before tax	222.9	212.5	10.4	4.9%	455.2	428.0	27.2	6.4%
Profit after tax	166.7	150.1	16.6	11.1%	339.4	300.6	38.8	12.9%
Profit for the period attributable to owners of the Company	166.7	150.1	16.6	11.1%	339.4	300.6	38.8	12.9%

RM'million	Individual Period Three months ended 30 June		Changes		Cumulative period Six months ended 30 June		Changes	
	2023	2022 (Restated)	Amount	%	2023	2022 (Restated)	Amount	%
	Insurance Revenue by segments							
General insurance	665.9	624.1	41.8	6.7%	1,327.4	1,236.3	91.1	7.4%
Life insurance	498.8	458.7	40.1	8.7%	998.7	909.6	89.1	9.8%
Total Insurance Revenue	1,164.7	1,082.8	81.9	7.6%	2,326.1	2,145.9	180.2	8.4%

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

1. Review of results (continued)

1.1 Insurance revenue of the current year quarter against preceding year corresponding quarter (Second Quarter 2023 versus Second Quarter 2022)

For the second quarter ended 30 June 2023, the Group recorded an insurance revenue of RM1.16 billion, an increase of 7.6% or RM81.9 million as compared to the preceding year quarter ended 30 June 2022 of RM1.08 billion due mainly to higher insurance revenue from both insurance segments.

For the quarter under review, the general insurance segment recorded an insurance revenue of RM665.9 million, an increase of 6.7% or RM41.8 million as compared to the preceding year quarter ended 30 June 2022 of RM624.1 million due mainly to increase in gross earned premiums from motor business.

For the quarter under review, the life insurance segment registered an insurance revenue of RM498.8 million, an increase of 8.7% or RM40.1 million as compared to the preceding year quarter ended 30 June 2022 of RM458.7 million. This increase was mainly attributed to higher insurance revenue from investment-linked protection business and employee benefit business.

1.2 Insurance revenue of the current year-to-date ("YTD") against preceding YTD

The Group recorded an insurance revenue of RM2.33 billion for the financial period ended 30 June 2023, an increase of 8.4% or RM180.2 million as compared to the preceding financial period ended 30 June 2022 of RM2.15 billion due mainly to higher insurance revenue from both insurance segments.

The general insurance segment recorded an insurance revenue of RM1.33 billion for the financial period ended 30 June 2023, an increase of 7.4% or RM91.1 million as compared to the preceding financial period ended 30 June 2022 of RM1.24 billion due mainly to increase in gross earned premiums from motor business.

The life insurance segment recorded an insurance revenue of RM998.7 million for the financial period ended 30 June 2023, an increase of 9.8% or RM89.1 million as compared to the preceding financial period ended 30 June 2022 of RM909.6 million. This increase was mainly attributed to higher insurance revenue from investment-linked protection business and employee benefit business.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

1. Review of results (continued)

Table 1: Financial review for current quarter and financial period to date (continued)

RM'million	Individual Period Three months ended 30 June		Changes		Cumulative period Six months ended 30 June		Changes	
	2023	2022 (Restated)	Amount	%	2023	2022 (Restated)	Amount	%
Profit Before Tax by segments								
General insurance	124.0	130.7	(6.7)	(5.1%)	263.8	223.7	40.1	17.9%
Life Insurance	98.7	86.3	12.4	14.4%	195.2	217.8	(22.6)	(10.4%)
Investment holding	0.2	(4.5)	4.7	>100%	(3.8)	(13.5)	9.7	71.9%
Total Profit before tax	222.9	212.5	10.4	4.9%	455.2	428.0	27.2	6.4%
General Insurance								
Gross written premium	686.0	617.9	68.1	11.0%	1,462.1	1,359.3	102.8	7.6%
Reinsurance ratio	10.6%	9.6%	N/A	1.0 pts	12.2%	7.6%	N/A	4.6 pts
Claims ratio	49.6%	46.4%	N/A	3.2 pts	47.6%	50.8%	N/A	(3.2 pts)
Expense ratio	26.4%	25.9%	N/A	0.5 pts	25.6%	26.8%	N/A	(1.2 pts)
Combined ratio *	86.6%	81.9%	N/A	4.7 pts	85.4%	85.2%	N/A	0.2 pts
Life Insurance								
Annualised new premium ("ANP")	157.8	155.9	1.9	1.2%	321.2	303.0	18.2	6.0%
Expense ratio #	11.3%	9.9%	N/A	1.4 pts	10.9%	9.6%	N/A	1.3 pts
Gross written premium	825.9	831.6	(5.7)	(0.7%)	1,755.1	1,720.4	34.7	2.0%
Block persistency ratio	85.5%	87.5%	N/A	(2.0 pts)	85.4%	87.4%	N/A	(2.0 pts)

* Combined ratio for General insurance segment is defined as the sum of insurance service expenses, the reinsurance result and non-directly attributable expenses, divided by insurance revenue.

Expense ratio for Life insurance segment weighted for 10% of Single Premium.

pts - percentage points

N/A - Not Applicable

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)
1. Review of results (continued)

Table 2: Statement of profit or loss by segments for current quarter and financial period to date

	Investment holding Individual Period Three months ended 30 June		General insurance Individual Period Three months ended 30 June		Life insurance Individual Period Three months ended 30 June		Consolidated Individual Period Three months ended 30 June	
	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
Insurance revenue	-	-	665,936	624,129	498,813	458,645	1,164,749	1,082,774
Claims and benefits	(15)	(675)	(332,297)	(298,207)	(315,042)	(185,104)	(647,354)	(483,986)
Acquisition and administrative expenses (net)	-	-	(160,966)	(150,054)	(129,051)	(106,911)	(290,017)	(256,965)
Reversal of losses/(Losses) on onerous contracts	-	-	1,944	8,472	2,901	(2,959)	4,845	5,513
Insurance service expenses	(15)	(675)	(491,319)	(439,789)	(441,192)	(294,974)	(932,526)	(735,438)
Reinsurance result	-	-	(70,415)	(59,744)	8,197	(10,986)	(62,218)	(70,730)
Insurance service result	(15)	(675)	104,202	124,596	65,818	152,685	170,005	276,606
Investment return	3,796	3,047	53,196	35,521	139,468	(164,385)	196,460	(125,817)
Net (re-)insurance finance (expenses)/income	-	-	(17,378)	(14,439)	(91,872)	114,261	(109,250)	99,822
Net insurance and investment results	3,781	2,372	140,020	145,678	113,414	102,561	257,215	250,611
Other operating income	-	-	385	290	4	4	389	294
Other operating expenses	(3,559)	(6,887)	(16,427)	(15,295)	(14,742)	(16,224)	(34,728)	(38,406)
Profit/(Loss) before tax	222	(4,515)	123,978	130,673	98,676	86,341	222,876	212,499

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)
1. Review of results (continued)

Table 2: Statement of profit or loss by segments for current quarter and financial period to date (continued)

	Investment holding Cumulative period Six months ended 30 June		General insurance Cumulative period Six months ended 30 June		Life insurance Cumulative period Six months ended 30 June		Consolidated Cumulative period Six months ended 30 June	
	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
Insurance revenue	-	-	1,327,404	1,236,270	998,719	909,643	2,326,123	2,145,913
Claims and benefits	(15)	(4,556)	(626,555)	(636,074)	(563,874)	(400,135)	(1,190,444)	(1,040,765)
Acquisition and administrative expenses (net)	-	-	(312,521)	(308,052)	(245,886)	(218,647)	(558,407)	(526,699)
(Losses)/Reversal of losses on onerous contracts	-	-	(5,500)	8,234	(4,251)	4,102	(9,751)	12,336
Insurance service expenses	(15)	(4,556)	(944,576)	(935,892)	(814,011)	(614,680)	(1,758,602)	(1,555,128)
Reinsurance result	-	-	(161,589)	(93,351)	23,702	(30,413)	(137,887)	(123,764)
Insurance service result	(15)	(4,556)	221,239	207,027	208,410	264,550	429,634	467,021
Investment return	6,643	6,412	107,597	74,403	353,203	(80,807)	467,443	8
Net (re-)insurance finance (expenses)/income	-	-	(34,608)	(28,579)	(332,926)	63,195	(367,534)	34,616
Net insurance and investment results	6,628	1,856	294,228	252,851	228,687	246,938	529,543	501,645
Other operating income	-	-	385	290	8	9	393	299
Other operating expenses	(10,444)	(15,340)	(30,822)	(29,445)	(33,505)	(29,123)	(74,771)	(73,908)
(Loss)/Profit before tax	(3,816)	(13,484)	263,791	223,696	195,190	217,824	455,165	428,036

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

1. Review of results (continued)

1.3 Profit before tax of the current year quarter against preceding year corresponding quarter (Second Quarter 2023 versus Second Quarter 2022)

For the second quarter ended 30 June 2023, the Group recorded a profit before tax of RM222.9 million, an increase of 4.9% or RM10.4 million as compared to the preceding year quarter ended 30 June 2022 of RM212.5 million.

For the quarter under review, the general insurance segment recorded a lower profit before tax of RM124.0 million, a decrease of 5.1% or RM6.7 million as compared to a profit before tax of the preceding year quarter ended 30 June 2022 of RM130.7 million. The lower profit before tax was mainly contributed by higher net investment income from valuation gain of FVTPL investment, offset by lower insurance service results from higher combined ratio for the quarter. The higher combined ratio is due to higher claim from motor business.

For the quarter under review, the life insurance segment recorded a higher profit before tax of RM98.7 million, an increase of 14.4% or RM12.4 million as compared to a profit before tax of the preceding year quarter ended 30 June 2022 of RM86.3 million due mainly to higher net insurance and investment results for the period.

For the quarter under review, the investment holding segment registered a profit before tax of RM0.2 million as compared to a loss before tax of the preceding year quarter ended 30 June 2022 of RM4.5 million due mainly to lower expenses in the current quarter.

1.4 Profit before tax of the current YTD against preceding YTD

The Group recorded a profit before tax of RM455.2 million for the six months ended 30 June 2023, an increase of 6.4% or RM27.2 million as compared to the preceding six months ended 30 June 2022 of RM428.0 million due mainly to higher profit contribution from general insurance segment.

The general insurance segment delivered a profit before tax of RM263.8 million for the six months ended 30 June 2023, an increase of 17.9% or RM40.1 million as compared to the preceding six months ended 30 June 2022 of RM223.7 million. The higher profit before tax was mainly driven by higher insurance service results and positive fair value movement from investment. While combined ratio is marginally higher by 0.2% for the period, insurance revenue posted growth of 7.4% for the six months ended 30 June 2023.

The life insurance segment recorded a lower profit before tax of RM195.2 million for the six months ended 30 June 2023, a decrease of 10.4% or RM22.6 million as compared to the preceding six months ended 30 June 2022 of RM217.8 million due mainly to lower net insurance service and investment results. The lower profit before tax was mainly from lower claim experience from investment-linked protection business in preceding year with the normalisation of claim in the current period.

The investment holding segment registered a loss before tax of RM3.8 million for the six months ended 30 June 2023 as compared to a loss before tax of RM13.5 million for the preceding six months ended 30 June 2022 due mainly to lower cost.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

1. Review of results (continued)

Table 3: Financial review for current quarter as compared with immediate preceding quarter

RM'million	Current Year	Immediate	Changes	
	Quarter 30 June 2023	Preceding Quarter 31 March 2023	Amount	%
Insurance revenue	1,164.7	1,161.4	3.3	0.3%
Insurance service expenses	(932.5)	(826.2)	(106.3)	12.9%
Reinsurance result	(62.2)	(75.7)	13.5	(17.8%)
Insurance service result	170.0	259.5	(89.5)	(34.5%)
Investment return	196.5	271.0	(74.5)	(27.5%)
Net insurance and investment results	257.2	272.3	(15.1)	(5.5%)
Net other operating income and expense	(34.3)	(39.8)	5.5	(13.8%)
Profit before tax	222.9	232.5	(9.6)	(4.1%)
Profit for the period attributable to owners of the Company	166.7	172.9	(6.2)	(3.6%)

1.5 Insurance revenue of the current quarter against the preceding quarter (Second Quarter 2023 versus First Quarter 2023)

The Group recorded an insurance revenue of RM1.16 billion for the quarter under review, a marginal increase of 0.3% or RM3.3 million as compared to the preceding quarter ended 31 March 2023 of RM1.16 billion.

The general insurance segment recorded an insurance revenue of RM665.9 million for the quarter under review, a marginal increase of 0.7% or RM4.4 million as compared to the preceding quarter ended 31 March 2023 of RM661.5 million due mainly to higher gross earned premiums from motor business in the current quarter.

The life insurance segment registered an insurance revenue of RM498.8 million for the quarter under review, a marginal decrease of 0.2% or RM1.1 million as compared to the preceding quarter ended 31 March 2023 of RM499.9 million due mainly to lower insurance revenue from savings and universal life products.

1.6 Profit before tax of the current quarter against the preceding quarter (Second Quarter 2023 versus First Quarter 2023)

The Group recorded a profit before tax of RM222.9 million for the quarter under review, a decrease of 4.1% or RM9.6 million as compared to the preceding quarter ended 31 March 2023 of RM232.5 million.

The profit before tax of general insurance segment for the quarter under review of RM124.0 million, a decrease of 11.4% or RM15.9 million as compared to the preceding quarter ended 31 March 2023 of RM139.9 million. The lower profit before tax was mainly contributed by lower valuation gain on FVTPL investment.

The profit before tax of life insurance segment for the quarter under review of RM98.7 million, an increase of 2.2% or RM2.1 million as compared to the preceding quarter ended 31 March 2023 of RM96.6 million due mainly to better insurance service results during the quarter.

The investment holding segment registered a profit before tax of RM0.2 million as compared to a loss before tax of RM1.6 million in the preceding quarter ended 31 March 2023 due to lower expenses in the current quarter.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

1. Review of results (continued)

1.7 Review of other comprehensive income

Table 4: Other comprehensive income for current quarter and financial period to date

RM'million	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022 (Restated)	2023	2022 (Restated)
Other comprehensive income, net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Net gains/(losses) on investments in debt securities measured at FVOCI	50.4	(228.8)	205.5	(408.6)
Net realised (gains)/losses transferred to profit or loss	(0.9)	5.7	(0.1)	7.2
Tax effects thereon	(5.0)	28.0	(23.9)	49.8
Fair value losses on cash flow hedge	(5.0)	(6.5)	(5.0)	(10.9)
Tax effects thereon	0.4	0.5	0.4	0.9
Expected credit losses	0.3	1.4	0.3	6.5
Tax effects thereon	-	(0.3)	(0.1)	(0.9)
Finance income/(expense) from insurance contract liabilities	0.8	183.6	(62.2)	270.8
Tax effects thereon	0.3	(19.1)	9.2	(31.6)
Finance income/(expense) from reinsurance contract liabilities	0.6	(1.5)	4.0	(0.3)
Tax effects thereon	(0.1)	0.5	(1.0)	0.1
Items that may not be reclassified subsequently to profit or loss				
Net losses on investments in equity instruments measured at FVOCI	(21.9)	(53.6)	(40.9)	(29.8)
Tax effects thereon	1.8	4.3	3.3	2.4
Total other comprehensive gain/(loss) for the period, net of tax	21.7	(85.8)	89.5	(144.4)

The Group recorded a total OCI of RM89.5 million for the period ended 30 June 2023, an increase of RM233.9 million as compared to the total other comprehensive loss of the preceding period ended 30 June 2022 of RM144.4 million due to fair value gains from Malaysian government securities and Malaysian government guaranteed bonds, offset by movement in finance expense from insurance contract liabilities, from both insurance segments for the financial period under review.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

1. Review of results (continued)

1.8 Review of Statement of Financial Position

Table 5: Review of assets and liabilities

RM'million	As at	As at	Changes	
	30 June 2023	31 December 2022 (Restated)	Amount	%
Total assets	24,746.1	23,892.0	854.1	3.6%
Total liabilities	19,759.7	19,214.8	544.9	2.8%
- Contractual service margin ("CSM")	2,993.0	2,931.2	61.8	2.1%
Total equity	4,986.4	4,677.2	309.2	6.6%

Total assets

As at 30 June 2023, the Group's total assets increased by RM854.1 million to RM24.75 billion from RM23.89 billion as at 31 December 2022, mainly attributable to increase in investments and financial assets for unit-linked contracts for the financial period under review.

Total liabilities

As at 30 June 2023, the Group's total liabilities increased by RM544.9 million to RM19.76 billion from RM19.21 billion as at 31 December 2022 due mainly to increase in insurance contract liabilities. The increase in insurance contract liabilities was attributable to business growth.

As at 30 June 2023, CSM was at RM2.99 billion, an increase of RM61.8 million from the end of 2022. The growth in CSM is contributed by new business generated, in-force movements offset by releases for the period.

Total equity

The Group's total equity as at 30 June 2023 increased by 6.6% or RM309.2 million to RM4.99 billion from RM4.68 billion as at 31 December 2022. This is mainly attributable to the net profit generated for the period ended 30 June 2023.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

2. Current year prospects

The Malaysian economy expanded moderately in the second quarter of 2023 (2.9%; 1Q 2023: 5.6%), weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. Household spending was supported by further growth in employment and wages. Meanwhile, investment activity was underpinned by capacity expansion, progress of multi-year projects and higher fixed asset spending by the government. Growth during the quarter was also affected by the high base effect in the second quarter of 2022 when the economy experienced strong growth from reopening effects and policy measures.

The general insurance segment recorded premium growth of 7.7% for the period ended 30 June 2023 matching the industry growth of 8.0%. Meanwhile the life insurance segment annualised new business increased by 6.0% as compared to the industry growth of 6.9% for the period ended 30 June 2023. This is mainly from lower overall agency growth as the distribution channel continue to focus on value segment particularly in the growth of its investment-linked business which has posted above market growth for the same period. The life insurance segment's bancassurance and employee benefit channels continue to deliver growth above market.

With economic activity normalised in 2023, we see that certain sectors of the economy have recovered and others have continued to gain upward momentum. This bodes well for the Group as we expect the insurance businesses to grow in tandem with the growth in the economy.

The Group will consistently seek to capture growth opportunities for our business and to create growth opportunities. The Group aims to continue to carry out outstanding delivery of products and services that address the needs of our customers and to be a trusted partner. The focus is to deliver superior products and services will also be restoring growth on the back of our strong distribution channels and innovative products. The Group will need to continue to pursue profitable growth and improve operational efficiency with ongoing transformation to be more digital and scalable.

The Group's financial strength, diversified distributions and product offerings as well as strong focus on execution of its strategic initiatives will continue to position it to deliver sustainable growth in 2023.

3. Profit forecast

The Group did not issue any profit forecast or profit guarantee as at the date of the Report.

4. Investment return

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Investment income from financial assets not measured at FVTPL	134,019	115,041	263,152	234,729
Interest revenue on financial assets not measured at FVTPL	133,168	120,710	263,070	241,933
- Dividend income	4,054	3,661	13,814	13,973
- Interest income	126,220	115,708	249,861	229,156
- Investment expense	(3,207)	(3,029)	(6,137)	(5,705)
- Other investment income	6,101	4,370	5,532	4,509
Net gains/(losses) on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	851	(5,669)	82	(7,204)
- Realised gains	3,475	68	9,006	2,042
- Realised losses	(2,624)	(5,737)	(8,924)	(9,246)
Net credit impairment loss on financial assets	(247)	(1,431)	(283)	(6,477)
Net investment income - not measured at FVTPL	133,772	113,610	262,869	228,252

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

4. Investment return (continued)

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Net gains/(losses) on FVTPL investments	62,688	(239,427)	204,574	(228,244)
- Dividend income	2,219	3,841	5,498	7,490
- Interest income	1,291	3,459	2,573	6,917
- Valuation results for unit-linked contracts	56,795	(232,766)	182,974	(217,306)
- Realised gains	180	820	3,533	1,049
- Other investment expense	(504)	(283)	(732)	(532)
- Fair value gains/(losses)	2,707	(14,498)	10,728	(25,862)
Net investment income - other investment	62,688	(239,427)	204,574	(228,244)
Total net investment return	196,460	(125,817)	467,443	8
The net gain or loss for each class of financial instrument is as follows:				
Malaysian government securities	52,481	41,279	102,577	84,260
Malaysian government guaranteed bonds	23,618	23,988	47,221	46,914
Quoted equity securities of corporations in Malaysia	4,054	3,661	13,814	13,973
Unquoted bonds of corporations in Malaysia	39,695	38,235	79,328	77,326
Unquoted bonds of corporations outside Malaysia	973	904	1,906	1,783
Fixed and call deposits with licensed financial institutions	8,940	4,780	16,586	9,839
Other investments	4,258	2,194	1,720	634
Investment income from financial assets not measured at FVTPL	134,019	115,041	263,152	234,729
Quoted equity securities of corporations in Malaysia	-	(50)	8	(69)
Quoted unit trusts in Malaysia	(206)	1,212	2,959	2,836
Unquoted unit trusts in Malaysia	5,845	(827)	16,048	(497)
Unquoted bonds of corporations in Malaysia	-	236	-	461
Other investments	(169)	(284)	(435)	(532)
Financial assets for unit-linked contracts	56,795	(232,766)	182,974	(217,306)
<u>Derivative financial assets/liabilities:</u>				
Collateralised interest rate swap	259	(7,157)	2,643	(13,596)
Cross currency swap	164	209	377	459
Net gains/(losses) on FVTPL investments	62,688	(239,427)	204,574	(228,244)
Malaysian government securities	(10)	(7)	(28)	(6)
Malaysian government guaranteed bonds	(32)	24	(36)	(543)
Unquoted bonds of corporations in Malaysia	(72)	(1,462)	(54)	(5,119)
Fixed and call deposits with licensed financial institutions	(104)	15	(113)	(820)
Other investments	(29)	(1)	(52)	11
Net credit impairment loss on financial assets	(247)	(1,431)	(283)	(6,477)
Total interest revenue and investment income	196,460	(125,817)	467,443	8

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

5. Profit before tax

Profit before tax for the financial period under review is arrived at after charging/(crediting):

	Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Amortisation of intangible assets	6,372	6,819	12,303	12,553
Intangible assets written off	-	9,090	-	9,090
Depreciation of property, plant and equipment	3,911	4,014	7,327	7,501
Depreciation of right-of-use assets	5,633	4,482	11,241	9,049
Allowance/(Reversal) for impairment loss on receivables	2,165	(28,458)	2,976	(28,076)
Bad debts recovered on receivables	(5)	(20)	(6)	(32)
Interest on lease liabilities	111	144	241	314
Interest income	(127,511)	(119,167)	(252,434)	(236,073)
Investment expenses	3,207	3,029	6,137	5,705
Property, plant and equipment written off	1	(398)	206	266
Unrealised foreign exchange gains	(6,528)	(4,822)	(6,527)	(5,520)

Other than as disclosed in Notes 4 and 5, there are no exceptional items for the financial period ended 30 June 2023.

6. Tax expense

	Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Profit before tax	222,876	212,499	455,165	428,036
Tax expense				
Income tax	29,254	43,960	66,482	64,295
Deferred tax	26,948	18,460	49,323	63,122
Total tax expense	56,202	62,420	115,805	127,417
Effective tax rate	25%	29%	25%	30%

The Group's consolidated effective tax rate for the financial period under review is higher than the statutory tax rate of 24% (2022: 24%) due mainly to the following:

- In addition to the 24% income tax on the assessable income of the Shareholders' Fund, there is also an 8% income tax on the assessable investment income net of allowable deductions of the Life Fund; and
- Effects of certain non-deductible expenses.

7. Status of corporate proposal announced/implemented

As at the date of the Report, there are no corporate proposals announced by the Group.

8. Borrowings and debts securities

The Group has no outstanding borrowings and debts securities for the financial period under review.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

9. Changes in material litigation

There were no material litigation in the current quarter.

10. Earnings per ordinary share

(a) Basic earnings per ordinary share

Basic earnings per ordinary share of the Group are calculated by dividing the net profit attributable to shareholders adjusted for preference dividends by the weighted average number of ordinary shares in issue.

		Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
		2023	2022 (Restated)	2023	2022 (Restated)
Profit attributable to ordinary shareholders	(RM'000)	166,674	150,079	339,360	300,619
Adjustment:					
- Preference dividends declared		(63,593)	(32,303)	(63,593)	(32,303)
Adjusted profit attributable to ordinary shareholders		103,081	117,776	275,767	268,316
Weighted average number of ordinary shares in issue	('000)	177,969	177,865	177,969	177,865
Basic earnings per ordinary share	(sen)	57.92	66.22	154.95	150.85

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share of the Group are calculated by dividing the net diluted profit attributable to shareholders by the diluted weighted average number of ordinary shares in issue.

		Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
		2023	2022 (Restated)	2023	2022 (Restated)
Profit attributable to ordinary shareholders	(RM'000)	166,674	150,079	339,360	300,619
Weighted average number of ordinary shares in issue	('000)	177,969	177,865	177,969	177,865
Effect of conversion of ICPS	('000)	168,237	168,247	168,237	168,247
Diluted weighted average number of ordinary shares during the year	('000)	346,206	346,112	346,206	346,112
Diluted earnings per ordinary share	(sen)	48.14	43.36	98.02	86.86

11. Dividend

The Board of Directors of the Company has declared the following first single tier interim dividends for the financial year ending 31 December 2023 which were paid on 28 June 2023 to the entitled shareholders and ICPS holders of the Company respectively whose names appeared on the Register of Members and/or Record of Depositors on 15 June 2023:

- (a) 31.5 sen per ordinary share; and
- (b) 37.8 sen per ICPS

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

12. Fair value information

Policy on transfer between levels

-The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

-Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

-Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Level 3 fair value

-Level 3 fair value is valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Transfers between Level 1, Level 2 and Level 3 fair values

-There has been no transfer between Level 1, Level 2 and 3 fair value hierarchy during the current interim period ended 30 June 2023 (2022: no transfer in either direction).

The carrying amounts of mortgage loans, fixed and call deposits, approximate their fair values. Carrying amounts of cash and cash equivalents, other assets and deposits (current) and other liabilities (current) and accruals reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

12. Fair value information (continued)

The table below analyses financial instruments carried at fair value.

As at 30 June 2023

	Fair value of financial instruments carried at fair value			Total RM'000	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000			
Financial assets						
Malaysian government securities	-	5,756,551	-	5,756,551	5,756,551	5,756,551
Malaysian government guaranteed bonds	-	2,235,695	-	2,235,695	2,235,695	2,235,695
Quoted equity securities of corporations in Malaysia	634,392	-	-	634,392	634,392	634,392
Unquoted bonds of corporations in Malaysia	-	3,913,042	-	3,913,042	3,913,042	3,913,042
Unquoted bonds of corporations outside Malaysia	-	106,401	-	106,401	106,401	106,401
Quoted unit trusts in Malaysia	41,250	-	-	41,250	41,250	41,250
Unquoted unit trusts in Malaysia	-	561,071	-	561,071	561,071	561,071
Collateralised interest rate swap	-	16,981	-	16,981	16,981	16,981
Cross currency swap	-	234	-	234	234	234
Commercial paper	-	66,247	-	66,247	66,247	66,247
	<u>675,642</u>	<u>12,656,222</u>	<u>-</u>	<u>13,331,864</u>	<u>13,331,864</u>	<u>13,331,864</u>
Financial liabilities						
Cross currency swap	-	4,136	-	4,136	4,136	4,136
Lease liabilities	-	-	-	-	8,030	8,030
	<u>-</u>	<u>4,136</u>	<u>-</u>	<u>4,136</u>	<u>12,166</u>	<u>12,166</u>

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

12. Fair value information (continued)

The table below analyses financial instruments carried at fair value.

As at 31 December 2022
(Restated)

	Fair value of financial instruments carried at fair value			Total RM'000	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000			
Financial assets						
Malaysian government securities	-	5,598,015	-	5,598,015	5,598,015	5,598,015
Malaysian government guaranteed bonds	-	2,225,651	-	2,225,651	2,225,651	2,225,651
Quoted equity securities of corporations in Malaysia	631,554	-	-	631,554	631,554	631,554
Unquoted bonds of corporations in Malaysia	-	3,776,229	-	3,776,229	3,776,229	3,776,229
Unquoted bonds of corporations outside Malaysia	-	100,447	-	100,447	100,447	100,447
Quoted unit trusts in Malaysia	40,108	-	-	40,108	40,108	40,108
Unquoted unit trusts in Malaysia	-	549,318	-	549,318	549,318	549,318
Collateralised interest rate swap	-	16,590	-	16,590	16,590	16,590
Cross currency swap	-	2,406	-	2,406	2,406	2,406
	<u>671,662</u>	<u>12,268,656</u>	<u>-</u>	<u>12,940,318</u>	<u>12,940,318</u>	<u>12,940,318</u>
Financial liabilities						
Cross currency swap	-	1,293	-	1,293	1,293	1,293
Lease liabilities	-	-	-	-	19,171	19,171
	<u>-</u>	<u>1,293</u>	<u>-</u>	<u>1,293</u>	<u>20,464</u>	<u>20,464</u>

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

13. Derivatives Financial Instruments

(i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows:

As at 30 June 2023

	Nominal value				Assets				Liabilities			
	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000
Derivatives held for trading at FVTPL												
Collateralised interest rate swap	-	-	400,000	400,000	-	-	16,981	16,981	-	-	-	-
Cross currency swap	-	56,697	42,043	98,740	-	234	-	234	-	3,622	514	4,136
Total	-	56,697	442,043	498,740	-	234	16,981	17,215	-	3,622	514	4,136

As at 31 December 2022
(Restated)

	Nominal value				Assets				Liabilities			
	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000
Derivatives held for trading at FVTPL												
Collateralised interest rate swap	-	-	400,000	400,000	-	-	16,242	16,242	-	-	-	-
Cross currency swap	-	8,037	90,703	98,740	-	671	2,083	2,754	-	-	1,293	1,293
Total	-	8,037	490,703	498,740	-	671	18,325	18,996	-	-	1,293	1,293

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

13. Derivatives Financial Instruments (continued)

As at 30 June 2023, the Group has positions in the following types of derivative financial instruments:

Swaps

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest rates.

(ii) The Group's derivative financial instruments are subject to market, credit and liquidity risk, as follows:

Market Risk

The Group takes positions in derivatives for hedging purposes based on certain assumptions, analysis, outlook and other factors into consideration to conclude how an investment will likely perform in future. Risk of losses or opportunity cost occurs when market parameters moves in different directions from positions taken.

Credit Risk

Credit risk is the risk of a financial loss if the counterparties to the derivative financial instruments fail to meet its contractual obligations. As at the reporting date, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM17,215,000 (2022: RM18,996,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices. The credit risk exposure will be partly mitigated by collateral posting.

Liquidity Risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

(iii) Cash Requirements of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post or receive cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour. As at the reporting date, the Group had received cash collateral of RM14,311,000 (2022: RM11,198,000) on the derivative contracts.

(iv) There have been no changes since the end of the previous financial period in respect of the following:

- the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- the related accounting policies.

(v) Fair value changes of financial liabilities

Other than fair value changes arising from derivatives which are classified as liabilities when they are at fair value loss position as at the end of the reporting period, there were no gains or losses arising from fair value changes of other financial liabilities.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

14. Auditors' report on preceding annual financial statements

The auditors' report of the Group's audited financial statements for the financial year ended 31 December 2022 was not qualified.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
23 August 2023