ALLIANZ MALAYSIA BERHAD (197201000819)

UNAUDITED QUARTERLY RESULTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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

	30 September 2023 RM'000	31 December 2022 RM'000 (Restated)
Assets		
Property, plant and equipment	116,623	110,682
Right-of-use assets	45,122	33,657
Intangible assets	423,063	421,835
Deferred tax assets	-	11,635
Investments	13,920,198	12,974,278
Derivative financial assets	13,826	18,996
Financial assets for unit-linked contracts	9,140,323	8,379,658
Reinsurance contract assets	577,361	547,207
Current tax assets	39,619	12,165
Other assets	142,344	106,697
Cash and cash equivalents	730,517	1,275,178
Total assets	25,148,996	23,891,988

Condensed consolidated statement of financial position as at 30 September 2023 - unaudited (continued)

	30 September 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	4,392,003	3,906,125
Total equity attributable to owners of the Company	5,163,032	4,677,154
Liabilities		
Insurance contract liabilities	18,718,541	17,747,977
Reinsurance contract liabilities	105,263	150,591
Deferred tax liabilities	556,957	484,270
Derivative financial liabilities	4,694	1,293
Lease liabilities	30,037	19,171
Other liabilities	570,240	801,151
Current tax liabilities	232	10,381
Total liabilities	19,985,964	19,214,834
Total equity and liabilities	25,148,996	23,891,988
Net asset per ordinary share (RM)	29.01	26.28
Diluted net asset per ordinary share (RM)	14.91	13.51

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

Condensed consolidated statement of profit or loss
For the period ended 30 September 2023 - unaudited

	Note (Part B)	Individual period Three months ended 30 September 2023 RM'000	2022 RM'000 (Restated)	Cumulative period Nine months ended 30 September 2023 RM'000	2022 RM'000 (Restated)
Insurance revenue		1,306,012	1,118,453	3,632,135	3,264,366
Insurance service expenses		(1,034,625)	(931,827)	(2,793,227)	(2,486,955)
Reinsurance result		(62,079)	(32,941)	(199,966)	(156,705)
Insurance service result		209,308	153,685	638,942	620,706
Interest revenue on financial assets not measured at fair value through profit or loss ("FVTPL")		136,529	130,945	399,417	372,614
Net (losses)/gains on investments in debt securities measured at fair value through other comprehensive income ("FVOCI") reclassified to profit or loss on disposal		(566)	911	(484)	(6,293)
Net gains/(losses) on FVTPL investments		186,287	29,954	390,861	(198,290)
Net credit impairment gains/(losses) on financial assets		256	5,854	(27)	(623)
Investment return	4	322,506	167,664	789,767	167,408
Net finance expenses from insurance contracts		(229,997)	(75,877)	(607,534)	(49,312)
Net finance income from reinsurance contracts		1,928	2,739	11,931	10,790
Net insurance finance expenses		(228,069)	(73,138)	(595,603)	(38,522)
Net insurance and investment results		303,745	248,211	833,106	749,592
Other operating income		281	287	856	850
Other operating expenses		(41,666)	(45,677)	(116,437)	(119,585)
Profit before tax	5	262,360	202,821	717,525	630,857
Tax expense	6	(64,503)	(63,229)	(180,308)	(190,646)
Profit for the period		197,857	139,592	537,217	440,211
Profit for the period attributable to:					
Owners of the Company		197,857	139,592	537,217	440,211
Basic earnings per ordinary share (sen)	10(a)	111.17	78.47	266.13	229.30
Diluted earnings per ordinary share (sen)	10(b)	57.15	40.33	155.17	127.18

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

Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 30 September 2023 - unaudited

	Note (Part B)	Individual period Three months ended 30 September 2023 RM'000	Individual period Three months ended 30 September 2022 RM'000 (Restated)	Cumulative period Nine months ended 30 September 2023 RM'000	Cumulative period Nine months ended 30 September 2022 RM'000 (Restated)
Profit for the period attributable to owners of the Company		197,857	139,592	537,217	440,211
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Net (losses)/gains on investments in debt securities measured at FVOCI		(55,490)	(57,470)	150,048	(466,047)
Net realised losses /(gains) transferred to profit or loss		566	(911)	484	6,293
Tax effects thereon		6,141	7,050	(17,794)	56,881
Fair value losses on cash flow hedge		(733)	(1,469)	(5,770)	(12,374)
Tax effects thereon		59	118	462	990
Changes in expected credit losses		(232)	(5,873)	55	611
Tax effects thereon		30	822	(24)	(79)
Finance income/(expense) from insurance contract liabilities		4,753	46,804	(57,463)	317,579
Tax effects thereon		(1,156)	(5,269)	8,030	(36,819)
Finance (expense)/income from reinsurance contract liabilities		(1,818)	(22,168)	2,230	(22,464)
Tax effects thereon		436	5,320	(535)	5,391
Items that may not be reclassified subsequently to profit or loss					
Net gains/(losses) on investments in equity instruments measured at FVOCI		28,517	(9,764)	(12,400)	(39,517)
Tax effects thereon		(2,281)	781	992	3,161
Total other comprehensive (loss)/gain for the period, net of tax	1.7	(21,208)	(42,029)	68,315	(186,394)
Total comprehensive income for the period, net of tax		176,649	97,563	605,532	253,817
Total comprehensive income for the period attributable to:					
Owners of the Company		176,649	97,563	605,532	253,817

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

Condensed consolidated statement of changes in equity for the period ended 30 September 2023 - unaudited

	Attributable to owners of the Company								
	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	Retained earnings Life fund[1] RM'000	Retained earnings RM'000	Total equity 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	252,340	85,258	341,189
At 1 January 2022, Restated	234,573	536,456	154,483	(159,121)	55,057	50,419	1,493,858	2,170,036	4,485,342
Net losses on investments in debt securities measured at FVOCI	-	-	(409,166)	-	-	(409,166)	-	-	(409,166)
Net realised gains transferred to profit or loss	-	-	6,293	-	-	6,293	-	-	6,293
Fair value losses on cash flow hedge	-	-	(11,384)	-	-	(11,384)	-	-	(11,384)
Finance income from insurance contract liabilities	-	-	-	280,760	-	280,760	-	-	280,760
Finance expense from reinsurance contract liabilities	-	-	-	(17,073)	-	(17,073)	-	-	(17,073)
Changes in expected credit losses	-	-	-	-	532	532	-	-	532
Net losses on investments in equity instruments measured at FVOCI	-	-	(36,356)	-	-	(36,356)	-	-	(36,356)
Total other comprehensive (loss)/gain for the period	-	-	(450,613)	263,687	532	(186,394)	-	-	(186,394)
Profit for the period	-	-	-	-	-	-	228,706	211,505	440,211
Total comprehensive (loss)/income for the period	-	-	(450,613)	263,687	532	(186,394)	228,706	211,505	253,817
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 September 2022	236,005	535,024	(296,130)	104,566	55,589	(135,975)	1,722,564	2,320,764	4,678,382

Condensed consolidated statement of changes in equity for the period ended 30 September 2023 - unaudited (continued)

	Attributable to owners of the Company								
	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	Retained earnings Life fund[1] RM'000	Retained earnings RM'000	Total equity 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	-	-	132,254	-	-	132,254	-	-	132,254
Net realised losses transferred to profit or loss	-	-	484	-	-	484	-	-	484
Fair value losses on cash flow hedge	-	-	(5,308)	-	-	(5,308)	-	-	(5,308)
Finance expense from insurance contract liabilities	-	-	-	(49,433)	-	(49,433)	-	-	(49,433)
Finance income from reinsurance contract liabilities	-	-	-	1,695	-	1,695	-	-	1,695
Changes in expected credit losses	-	-	-	-	31	31	-	-	31
Net losses on investments in equity instruments measured at FVOCI	-	-	(11,408)	-	-	(11,408)	-	-	(11,408)
Total other comprehensive gain/(loss) for the period	-	-	116,022	(47,738)	31	68,315	-	-	68,315
Profit for the period	-	-	-	-	-	-	235,762	301,455	537,217
Total comprehensive income/(loss) for the period	-	-	116,022	(47,738)	31	68,315	235,762	301,455	605,532
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 September 2023	236,037	534,992	31,974	(67,628)	53,739	18,085	1,927,783	2,446,135	5,163,032

[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 September 2023 - unaudited

	Nine months ended 30 September 2023 RM'000	Nine months ended 30 September 2022 RM'000 (Restated)
Cash flows from operating activities		
Profit before tax	717,525	630,857
Adjustments for:		
Investment income	(409,003)	(385,463)
Interest on lease liabilities	481	649
Realised (gains)/losses recorded in profit or loss	(2,972)	5,407
Fair value (gains)/losses on investments recorded in profit or loss	(7,060)	32,325
Purchase of financial assets at FVOCI	(5,525,363)	(3,423,353)
Maturity of financial assets at FVOCI	2,147,227	2,574,268
Proceeds from sale of financial assets at FVOCI	2,615,545	577,876
Purchase of financial assets at FVTPL	(29,929)	(20,344)
Proceeds from sale of financial assets at FVTPL	16,057	54,252
Unrealised foreign exchange gains	(6,742)	(11,140)
Depreciation of property, plant and equipment	11,516	11,522
Depreciation of right-of-use assets	16,930	15,861
Amortisation of intangible assets	19,265	19,462
Intangible assets written off	-	9,087
Allowance for expected credit losses	27	623
Gain on disposal of property, plant and equipment	(10)	(13)
Property, plant and equipment written off	215	267
Reversal of impairment loss on reinsurance asset	-	(2,575)
Allowance/(Reversal) for impairment loss on receivables	2,671	(20,836)
Bad debts recovered on receivables	(10)	(47)
Changes in working capital:		
(Increase)/Decrease in fair value of financial investments and derivatives	(9,720)	12,395
Increase in fair value of unit linked contracts	(760,665)	(475,057)
Increase in other assets	(35,647)	(334)
Increase in insurance contract liabilities	910,440	592,528
Decrease in reinsurance contract liabilities	(73,252)	(13,711)
Increase/(Decrease) in other liabilities	31,190	(20,011)
Cash (used in)/generated from operations	(371,284)	164,495

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

	Nine months ended 30 September 2023 RM'000	Nine months ended 30 September 2022 RM'000 (Restated)
Cash flows from operating activities (continued)		
Tax paid	(142,456)	(136,633)
Dividends received	35,749	35,180
Interest income received	371,248	361,584
Interest paid on lease liabilities	(481)	(649)
Net cash (used in)/generated from operating activities	(107,224)	423,977
Investing activities		
Proceeds from disposal of property, plant and equipment	12	25
Acquisition of property, plant and equipment	(20,165)	(14,747)
Acquisition of intangible assets	(18,002)	(104,660)
Net cash used in investing activities	(38,155)	(119,382)
Financing activities		
Dividends paid	(381,753)	(300,124)
Repayment of lease liabilities	(17,529)	(15,534)
Net cash used in financing activities	(399,282)	(315,658)
Net decrease in cash and cash equivalents	(544,661)	(11,063)
Cash and cash equivalents at 1 January	1,275,178	976,951
Cash and cash equivalents at 30 September	730,517	965,888
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	673,042	870,512
Cash and bank balances	57,475	95,376
	730,517	965,888

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 September 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, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on *Disclosure of Accounting Policies* and *Definition of Accounting Estimate*	1 January 2023
Amendments to MFRS 112, *Deferred tax related to Assets and Liabilities arising from a Single Transaction* and *International Tax Reform – Pillar Two Model Rules*	1 January 2023
MFRS 17, *Insurance Contracts*	1 January 2023
Amendment to MFRS 17, *Initial Application of MFRS 17 and MFRS 9 - Comparative Information*	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. The standard provides a 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.

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

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

2. Statement of compliance (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Recognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

(a) the beginning of the coverage period;
(b) the date when the first payment from the policyholder is due or actually received, if there is no due date; or
(c) when the Group determines that a group of contracts becomes onerous.

Insurance contracts with discretionary participation features are accounted for under the insurance accounting provisions of MFRS 17.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group 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.

Reinsurance contracts held are recognised as follows:

(a) a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:

(i) the beginning of the coverage period of the group of reinsurance contracts held; and
(ii) the initial recognition of any underlying insurance contract;

(b) all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held.

To measure a group of reinsurance contracts held, the Group applies the same accounting policies that are applied to insurance contracts issued without direct participation features, certain modifications required by MFRS 17. The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

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, inclusive of risk adjustment. 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.

Measurement

MFRS 17 includes three measurement models, reflecting a different extent of policyholder participation in investment performance or overall insurance entity performance: the building block approach ("BBA"), the variable fee approach ("VFA"), and the premium allocation approach ("PAA").

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.

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.

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

2. Statement of compliance (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Measurement (continued)

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 BBA 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.

Separation of components
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.

MFRS 17 defines investment components as the amounts that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. The Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring.

An investment component is classified as being distinct or non-distinct. The Group has not identified material distinct investment components. Investment components that are non-distinct are not to be separated from the host insurance contract but are excluded from insurance revenue and insurance service expenses. For most common life insurance products, the Group defines the cash surrender value as the non-distinct investment component. Generally, property-casualty contracts do not have a surrender or maturity value and only have a benefit payment when a claim occurs. Therefore, a standard property-casualty contract without additional guaranteed payment features does not include any investment component. However, it is common with property-casualty contracts that they have other explicit guaranteed payments, for example a low or no claim bonus or profit participation, which the Group defines as non-distinct investment components, if all respective criteria are met.

Level of aggregation
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, the Group first needs to define portfolios which include contracts with similar risks that are managed together. These portfolios are to be subdivided into groups of contracts on the basis of profitability and annual cohorts.

Liability for remaining coverage
The liability for remaining coverage (LRC) under the BBA/VFA consists of the fulfillment cash flows related to future services and the contractual service margin (CSM). The fulfillment cash flows represent the risk adjusted present value of Group's rights and obligations to the policyholders, comprising the building blocks of estimates of expected future cash flows, discounting, and an explicit risk adjustment for nonfinancial risk. The CSM represents the unearned profit from in-force contracts that an entity will recognize as it provides services over the coverage period. Each building block is measured separately, both on initial recognition and for subsequent measurement.

The Group uses the PAA for measuring contracts with a coverage period of one year or less. In addition to the contracts with coverage of less than one year, the PAA is applied for the measurement of groups of contracts where it is reasonably expected that the measurement of the LRC does not differ materially from the one that would be produced by applying the BBA or the VFA. Overall, the PAA is applied for the Group's property-casualty business (gross and ceded).

Estimates of expected cash flows
The estimates of future cash flows comprise all cash flows expected to arise as the insurance contract is fulfilled. In estimating these future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. Cash flows within the boundary of a contract relate directly to the fulfillment of the contract, including those for which the Group has discretion over the amount or timing. These include premiums from policyholders, payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling the contracts.

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

2. Statement of compliance (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Measurement (continued)

Estimates of expected cash flows (continued)
Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Depending on the type of services provided, other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that the Group will incur in providing investment services;
- costs that the Group will incur in performing investment activities to the extent that the Group performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- income tax and other costs specifically chargeable to the policyholders under the terms of the contract.

Discounting
According to MFRS 17, all future cash flows must be discounted. The MFRS 17 requirements for the interest curves used in the discounting are principle based. An entity should use observable market data based on a risk-free base curve and portfolio-specific adjustments to reflect the illiquidity of insurance obligations in determining the interest curves. The Group applies a bottom-up approach in which the basic risk-free liquid yield curves are usually derived from swap rates or government yields for the specific currency and adjusted for remaining credit risk. These risk-free liquid yield curves are then adjusted to reflect illiquidity of the underlying insurance liabilities based on reference portfolios. risk. In case of participating business, the reference portfolio reflects own assets and it is a currency-specific portfolio for non-participating business.

Risk adjustment for non-financial risk
The risk adjustment reflects the compensation an entity would require for bearing non-financial risks, i.e. the uncertainty of cash flows that arise from insurance contracts, other than the uncertainty arising from financial risks. Such non-financial risks include insurance risks, lapse and expense risk. MFRS 17 does not prescribe a specific approach for determining the risk adjustment. The main differences in terms of disclosure are that MFRS 17 requires a separate presentation of the risk adjustment for non-financial risk for gross and ceded business.

The main changes for the Group's non-life insurance contract 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 ("RA") for non financial risk which is similar to the Provision of Risk Margin for Adverse Deviation under MFRS 4 claims liabilities. Discount rates is determined by adjusting a liquid risk-free yield curve to reflect the differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market and the liquidity characteristics of the insurance contracts.

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.

Contractual service margin
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 for BBA gets adjusted for selected variances relating to current services, 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 sum assured for insurance contracts and account value for crediting products as the default approach to determine the coverage units.

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.

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

2. Statement of compliance (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Measurement (continued)

Liability for incurred claims (LIC)
The LIC is measured at the fulfillment cash flows relating to incurred claims. It comprises the fulfillment cash flows related to past service the reporting date. It is calculated at a level of aggregation determined by the Group. The LIC consists of the present value of future cash flows relating to incurred claims and the risk adjustment for non-financial risk.

Payables and receivables
MFRS 17 is conceptually based on a prospective cash view. All expected future cash flows arising from the contract are considered and reflected in one position, the insurance contract asset or liability.

Therefore, payables and receivables from insurance contracts as well as any deposits are part of the insurance contract asset or liability.

Transition

For long-duration life insurance contracts, MFRS 17 has to have a significant impact on actuarial modeling, as more granular cash flow projections and regular updates of all assumptions are required, either impacting profit or loss or the contractual service margin. The Group has assessed that direct participating business, where the rules on profit sharing are defined by legal/contractual rights, qualify for the variable fee approach eligibility. Non-participating business under business without policyholder participation, including savings and risk business, are accounted for under the BBA.

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 assesses unit-linked insurance contracts to be eligible for the variable fee approach. In the statement of financial position, there is an increase of the insurance liabilities as these are discounted with current rates and contain an explicit future profit margin with the contractual service margin. Shareholder's share of unrealised capital gains is part of the insurance liabilities accounted for under the variable fee approach.

The Group has performed premium allocation approach eligibility for all its non-life insurance contracts at transition, and they are qualified to apply premium allocation approach measurement model. The premium allocation approach has similar mechanics as the 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 claims in the loss reserves is the main area of judgment for general business and remains unaffected with the adoption of MFRS 17.

In the statement of financial position, deferred acquisition costs and insurance related receivables are no longer be presented separately but as part of the insurance liabilities. This change in presentation led to a reduction in total assets, offset by a reduction in total liabilities. The amounts presented in the statement of profit or loss are 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 are presented separately from the expenses or income from insurance contracts issued.

In the statement of profit or loss, gross written premium will no longer be presented. Insurance contract revenue is defined in such a way as to achieve comparability with the revenue of other industries and, investment components are not recognised as part of insurance contract revenue. The release of the contractual service margin and the risk adjustment for non-financial risk become the main components for the profit before tax of the life insurance and investment-linked business. The Group has applied MFRS 17 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.

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

2. Statement of compliance (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Transition (continued)

The Group recognises insurance revenue as it provides services under groups of insurance contracts. For contracts measured under the BBA or VFA, the insurance revenue relating to services provided for each reporting period represents the total of the changes in the LRC that relate to services for which the Group expects to receive consideration, and comprises the following items:

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year, excluding amounts allocated to a potential loss component, repayments of investment components, insurance acquisition expenses, and amounts that relate to transaction based taxes collected on behalf of third parties.
- Other amounts, including experience adjustments for premium receipts for current or past services.

In applying the insurance revenue under the PAA, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk, if applicable) allocated to the period. As such, for contracts measured under the PAA at the Group, the expected premium receipts are allocated to insurance revenue based on the passage of time, unless the expected pattern of incurring the insurance service expenses differs significantly from the passage of time, in which case the latter should be used.

Insurance service expenses consist of claims and other insurance service expenses incurred during the period as well as the amortization of insurance acquisition cash flows, but exclude repayments of investment components. Furthermore, they include the changes in the fulfillment cash flows relating to the LIC, the losses on onerous groups of contracts and reversals of such losses. For the insurance contracts with direct participation features, it also includes an adjustment for experience adjustments of the non-financial underlying items. Insurance service expenses include only costs that relate directly to the fulfillment of the insurance contracts. The Group furthermore distinguishes between direct costs and overhead costs.

Net insurance finance expenses consist of finance income or expenses from insurance contracts issued and the finance income or expenses from reinsurance contracts held including the effect of time value of money and the effect of financial risk. It includes the interest accretion of the fulfillment cash flows and the CSM as well as the changes in the fulfillment cash flows due to changes in financial assumptions. For groups of insurance contracts with direct participation features, changes in the value of underlying items excluding additions and withdrawals are included in net insurance finance expense. Generally, the Group chooses to disaggregate the insurance finance income or expenses other than those arising from the risk mitigation option between profit or loss and other comprehensive income (OCI) based on a systematic allocation. Furthermore, the Group chooses to disaggregate the change in risk adjustment for non-financial risk between a change related to non-financial risk and the effect of the time value of money and changes in the time value of money, which are included in net insurance finance expenses. For groups of insurance contracts accounted for under the BBA, the systematic allocation for the finance income or expenses is determined using the discount rates by which estimated future cash flows have been discounted on initial recognition. For groups of insurance contracts with direct participation features accounted for under the VFA, the Group generally holds the underlying items. The insurance finance income or expense included in profit or loss is the amount that exactly matches the income or expenses included in profit or loss for the underlying items (i.e., the current period book yield of the underlying items), resulting in the net of the separately presented items being nil with the exception for the investment results under operating funds. For groups of insurance contracts accounted for under the PAA, the systematic allocation for the finance income or expenses is determined using the discount rates at the date of the incurred claims.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

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 has adopted 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.

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

2. Statement of compliance (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Transition (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.

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.

For life 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.

For non-life insurance contracts, it expects that all business qualifies for the premium allocation approach eligibility at transition. As such, the full retrospective approach has been 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 is applied to these groups.

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 18%. The results of 1 January 2022 and comparative financial year or period of 2022's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income are presented under the new accounting standard in this report.

Financial impact

Based on assessments, the Group's impact on its statement of financial position by MFRS 17 and MFRS 9 to be as follows:

Statement of financial position as at 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	12,980,145
Derivative financial assets	46,434
Financial assets for unit-linked contracts	7,433,839
Reinsurance contract assets	757,945
Current tax assets	9,856
Other assets	110,715
Cash and cash equivalents	976,951
Total assets	22,831,295
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

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

2. Statement of compliance (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Financial impact (continued)

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

	RM'000 (Restated)
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	702,874
Current tax liabilities	12,285
Total liabilities	18,345,953
Total equity and liabilities	22,831,295

Reinsurance contract assets

	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

Net (Re-) Insurance contract liabilities

	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	4,056,253
Net receivables and payables for insurance business and others	418,399
Total	17,162,683

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

2. Statement of compliance (continued)

MFRSs/ Amendments/ Interpretation (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 in financial year 2018, it has deferred and adopted MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on 1 January 2023.

The Group's accounting policies due to the adoption of MFRS 9 are summarised below.

(i) Initial recognition and measurement

At initial recognition, the Group measures a financial asset or financial liability at its fair value, plus or minus (in the case of a financial asset or financial liability not at fair value through profit or loss ("FVTPL")) transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognised for financial assets measured at amortised cost ("AC") and investments in debt instruments measured at fair value in other comprehensive income ("FVOCI").

Financial assets and financial liabilities are recognised based on the contractual terms in business model when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date (that is, the date on which the Group commits to purchase or sell the asset).

(ii) 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: 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 FVOCI (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.

(iii) 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 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).

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

2. Statement of compliance (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 9, Financial Instruments (continued)

(iii) Impairment of financial assets (continued)

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

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

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

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.

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

Classification of financial assets and financial liabilities

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

Financial assets	**Note**	**Original classification under MFRS 139**	**New classification under MFRS 9**	**Original carrying amount under MFRS 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	-	19,796
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	131,232	89,311
Other assets		L&R	FVOCI	17,386	17,386
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				22,736,229	22,736,020

The application of these policies resulted in the reclassifications set out in the tableabove 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 classified as FVOCI. Equity investment were designated as held for trading, these assets are mandatorily classified as FVTPL.

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

2. Statement of compliance (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 9, Financial Instruments (continued)

Classification of financial assets and financial liabilities (continued)

(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 mandatorily classified as FVTPL because they do not give rise to cash flows that are SPPI on the principal amount outstanding under MFRS 9.

(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	Remeasurement/	1 January 2023 Classification under MFRS 9			
	MFRS 139	Reclassification	FVTPL	FVOCI	AC	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
AFS						
Investment in equity instruments not held for trading	638,701	-	-	638,701	-	638,701
Other investments	592,509	-	592,509	-	-	592,509
Investment in debt securities	6,997,624	-	-	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	-	-	18,996
Financial assets for unit-linked contracts	-	8,360,865	8,360,865	-	-	8,360,865
FVTPL (designated upon initial recognition)						
Investment in debt securities	4,702,723	-	-	4,702,723	-	4,702,723
L&R						
Investment in debt securities	-	19,796	-	19,796	-	19,796
Other assets	148,618	(41,921)	-	17,386	89,311	106,697
Cash and cash equivalents	2,258,899	(984,244)	-	-	1,274,655	1,274,655
Fixed deposits with licensed banks	24,415	(961)	-	23,454	-	23,454
	22,736,229	(209)	8,972,370	12,399,684	1,363,966	22,736,020

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 Nine months ended 30 September	
	2023 RM'000	**2022 RM'000**
Property, plant and equipment: Contracted but not provided for	3,815	7,073
Software development: Contracted but not provided for	3,096	3,636

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value Nine months ended 30 September	
	2023 RM'000	**2022 RM'000**
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(244,401)	(193,945)

* 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 ("Review Application") 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 respect of MyCC's Review Application 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 proceedings relating to the Review Application in the Airlines case, AGIC's solicitors have been allowed to hold a watching brief at the Hearing of the proceedings.

The Hearing of the Review Application earlier fixed for 4 October 2023 was vacated by the Federal Court and adjourned to 1 November 2023.

At the Hearing on 1 November 2023, MyCC's Review Application in the Airlines case was dismissed by the Federal Court.

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 September 2023 - unaudited

	Investment holding		General insurance		Life insurance		Consolidated	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Segment insurance revenue	-	-	2,034,263	1,888,798	1,597,872	1,375,568	3,632,135	3,264,366
Segment results	(7,455)	(17,763)	404,985	340,812	319,995	307,808	717,525	630,857
Segment assets	440,395	455,369	7,241,464	6,933,001	17,467,137	15,681,962	25,148,996	23,070,332
Segment liabilities	18,902	15,732	4,416,675	4,321,824	15,550,387	14,054,394	19,985,964	18,391,950

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 September 2023	Individual Period Three months ended 30 September 2022 (Restated)	Changes Amount	Changes %	Cumulative period Nine months ended 30 September 2023	Cumulative period Nine months ended 30 September 2022 (Restated)	Changes Amount	Changes %
Insurance revenue	1,306.0	1,118.5	187.5	16.8%	3,632.1	3,264.4	367.7	11.3%
Profit before tax	262.4	202.8	59.6	29.4%	717.5	630.9	86.6	13.7%
Profit after tax	197.9	139.6	58.3	41.8%	537.2	440.2	97.0	22.0%
Profit for the period attributable to owners of the Company	197.9	139.6	58.3	41.8%	537.2	440.2	97.0	22.0%

RM'million	Individual Period Three months ended 30 September 2023	Individual Period Three months ended 30 September 2022 (Restated)	Changes Amount	Changes %	Cumulative period Nine months ended 30 September 2023	Cumulative period Nine months ended 30 September 2022 (Restated)	Changes Amount	Changes %
Insurance Revenue by segments								
General insurance	706.9	652.5	54.4	8.3%	2,034.3	1,888.8	145.5	7.7%
Life insurance	599.1	466.0	133.1	28.6%	1,597.8	1,375.6	222.2	16.2%
Total Insurance Revenue	1,306.0	1,118.5	187.5	16.8%	3,632.1	3,264.4	367.7	11.3%

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 (Third Quarter 2023 versus Third Quarter 2022)

For the third quarter ended 30 September 2023, the Group recorded an insurance revenue of RM1.31 billion, an increase of 16.8% or RM187.5 million as compared to the preceding year quarter ended 30 September 2022 of RM1.12 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 RM706.9 million, an increase of 8.3% or RM54.4 million as compared to the preceding year quarter ended 30 September 2022 of RM652.5 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 RM599.1 million, an increase of 28.6% or RM133.1 million as compared to the preceding year quarter ended 30 September 2022 of RM466.0 million. This increase was mainly attributed to higher insurance revenue from investment-linked protection business.

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

The Group recorded an insurance revenue of RM3.63 billion for the financial period ended 30 September 2023, an increase of 11.3% or RM367.7 million as compared to the preceding financial period ended 30 September 2022 of RM3.26 billion due mainly to higher insurance revenue from both insurance segments.

The general insurance segment recorded an insurance revenue of RM2.03 billion for the financial period ended 30 September 2023, an increase of 7.7% or RM145.5 million as compared to the preceding financial period ended 30 September 2022 of RM1.89 billion due mainly to increase in gross earned premiums from motor business.

The life insurance segment recorded an insurance revenue of RM1.60 billion for the financial period ended 30 September 2023, an increase of 16.2% or RM222.2 million as compared to the preceding financial period ended 30 September 2022 of RM1.38 billion. 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 September 2023	2022 (Restated)	Changes Amount	%	Cumulative period Nine months ended 30 September 2023	2022 (Restated)	Changes Amount	%
Profit Before Tax by segments								
General insurance	141.2	117.1	24.1	20.6%	405.0	340.8	64.2	18.8%
Life Insurance	124.8	90.0	34.8	38.7%	320.0	307.8	12.2	4.0%
Investment holding	(3.6)	(4.3)	0.7	16.3%	(7.5)	(17.7)	10.2	57.6%
Total Profit before tax	262.4	202.8	59.6	29.4%	717.5	630.9	86.6	13.7%
General Insurance								
Gross written premium	789.0	660.7	128.3	19.4%	2,251.1	2,020.0	231.1	11.4%
Reinsurance ratio	9.7%	6.2%	N/A	3.5 pts	11.3%	7.1%	N/A	4.2 pts
Claims ratio	49.1%	54.7%	N/A	(5.6 pts)	48.1%	52.1%	N/A	(4.0 pts)
Expense ratio	27.4%	27.6%	N/A	(0.2 pts)	26.3%	27.1%	N/A	(0.8 pts)
Combined ratio *	86.2%	88.5%	N/A	(2.3 pts)	85.7%	86.3%	N/A	(0.6 pts)
Life Insurance								
Annualised new premium ("ANP")	231.6	163.5	68.1	41.7%	552.8	466.5	86.3	18.5%
Expense ratio #	11.2%	9.6%	N/A	1.6 pts	11.2%	9.6%	N/A	1.6 pts
Gross written premium	941.7	827.5	114.2	13.8%	2,696.8	2,547.9	148.9	5.8%
Block persistency ratio	84.9%	85.6%	N/A	(0.7 pts)	85.2%	86.8%	N/A	(1.6 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 September		General insurance Individual Period Three months ended 30 September		Life insurance Individual Period Three months ended 30 September		Consolidated Individual Period Three months ended 30 September	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Insurance revenue	-	-	**706,859**	**652,528**	**599,153**	**465,925**	**1,306,012**	**1,118,453**
Claims and benefits	(328)	(177)	(383,450)	(353,389)	(324,936)	(295,257)	(708,714)	(648,823)
Acquisition and administrative expenses (net)	-	-	(180,209)	(162,961)	(181,406)	(116,334)	(361,615)	(279,295)
Reversal of losses/(Losses) on onerous contracts	-	-	36,606	(3,370)	(902)	(339)	35,704	(3,709)
Insurance service expenses	**(328)**	**(177)**	**(527,053)**	**(519,720)**	**(507,244)**	**(411,930)**	**(1,034,625)**	**(931,827)**
Reinsurance result	-	-	(68,699)	(40,600)	6,620	7,659	(62,079)	(32,941)
Insurance service result	**(328)**	**(177)**	**111,107**	**92,208**	**98,529**	**61,654**	**209,308**	**153,685**
Investment return	3,257	3,459	52,769	50,299	266,480	113,906	322,506	167,664
Net (re-)insurance finance expenses	-	-	(7,297)	(5,805)	(220,772)	(67,333)	(228,069)	(73,138)
Net insurance and investment results	**2,929**	**3,282**	**156,579**	**136,702**	**144,237**	**108,227**	**303,745**	**248,211**
Other operating income	4	6	259	260	18	21	281	287
Other operating expenses	(6,572)	(7,567)	(15,644)	(19,846)	(19,450)	(18,264)	(41,666)	(45,677)
(Loss)/Profit before tax	**(3,639)**	**(4,279)**	**141,194**	**117,116**	**124,805**	**89,984**	**262,360**	**202,821**

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 Nine months ended 30 September		General insurance Cumulative period Nine months ended 30 September		Life insurance Cumulative period Nine months ended 30 September		Consolidated Cumulative period Nine months ended 30 September	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Insurance revenue	-	-	**2,034,263**	**1,888,798**	**1,597,872**	**1,375,568**	**3,632,135**	**3,264,366**
Claims and benefits	(343)	(4,733)	(1,010,005)	(989,463)	(888,810)	(695,392)	(1,899,158)	(1,689,588)
Acquisition and administrative expenses (net)	-	-	(492,730)	(471,013)	(427,292)	(334,981)	(920,022)	(805,994)
Reversal of losses/(Losses) on onerous contracts	-	-	31,106	4,864	(5,153)	3,763	25,953	8,627
Insurance service expenses	**(343)**	**(4,733)**	**(1,471,629)**	**(1,455,612)**	**(1,321,255)**	**(1,026,610)**	**(2,793,227)**	**(2,486,955)**
Reinsurance result	-	-	(230,288)	(133,951)	30,322	(22,754)	(199,966)	(156,705)
Insurance service result	**(343)**	**(4,733)**	**332,346**	**299,235**	**306,939**	**326,204**	**638,942**	**620,706**
Investment return	9,890	9,857	160,224	124,487	619,653	33,064	789,767	167,408
Net (re-)insurance finance expenses	-	-	(41,905)	(34,384)	(553,698)	(4,138)	(595,603)	(38,522)
Net insurance and investment results	**9,547**	**5,124**	**450,665**	**389,338**	**372,894**	**355,130**	**833,106**	**749,592**
Other operating income	14	20	786	765	56	65	856	850
Other operating expenses	(17,016)	(22,907)	(46,466)	(49,291)	(52,955)	(47,387)	(116,437)	(119,585)
(Loss)/Profit before tax	**(7,455)**	**(17,763)**	**404,985**	**340,812**	**319,995**	**307,808**	**717,525**	**630,857**

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 (Third Quarter 2023 versus Third Quarter 2022)

For the third quarter ended 30 September 2023, the Group recorded a profit before tax of RM262.4 million, an increase of 29.4% or RM59.6 million as compared to the preceding year quarter ended 30 September 2022 of RM202.8 million.

For the quarter under review, the general insurance segment recorded a higher profit before tax of RM141.2 million, an increase of 20.6% or RM24.1 million as compared to a profit before tax of the preceding year quarter ended 30 September 2022 of RM117.1 million. The higher profit before tax was mainly contributed by higher net insurance service results and lower other operating expenses for the quarter.

For the quarter under review, the life insurance segment recorded a higher profit before tax of RM124.8 million, an increase of 38.7% or RM34.8 million as compared to a profit before tax of the preceding year quarter ended 30 September 2022 of RM90.0 million due mainly to higher net insurance and investment results for the quarter.

For the quarter under review, the investment holding segment registered a loss before tax of RM3.6 million as compared to a loss before tax of the preceding year quarter ended 30 September 2022 of RM4.3 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 RM717.5 million for the nine months ended 30 September 2023, an increase of 13.7% or RM86.6 million as compared to the preceding nine months ended 30 September 2022 of RM630.9 million due mainly to higher profit contribution from both insurance segments.

The general insurance segment delivered a profit before tax of RM405.0 million for the nine months ended 30 September 2023, an increase of 18.8% or RM64.2 million as compared to the preceding nine months ended 30 September 2022 of RM340.8 million. The higher profit before tax was mainly driven by higher insurance service results and positive fair value movement from investment. Combined ratio improved by 0.6 percentage points compared to the preceding year corresponding quarter contributed by lower expense ratio.

The life insurance segment recorded a higher profit before tax of RM320.0 million for the nine months ended 30 September 2023, an increase of 4.0% or RM12.2 million as compared to the preceding nine months ended 30 September 2022 of RM307.8 million due mainly to higher net insurance and investment results.

The investment holding segment registered a loss before tax of RM7.5 million for the nine months ended 30 September 2023 as compared to a loss before tax of RM17.7 million for the preceding nine months ended 30 September 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 Quarter 30 September 2023	Immediate Preceding Quarter 30 June 2023	Changes Amount	%
Insurance revenue	1,306.0	1,164.7	141.3	12.1%
Insurance service expenses	(1,034.6)	(932.5)	(102.1)	(10.9%)
Reinsurance result	(62.1)	(62.2)	0.1	0.2%
Insurance service result	209.3	170.0	39.3	23.1%
Investment return	322.5	196.3	126.2	64.3%
Net insurance and investment results	303.7	257.0	46.7	18.2%
Net other operating income and expense	(41.3)	(34.1)	(7.2)	(21.1%)
Profit before tax	262.4	222.9	39.5	17.7%
Profit for the period attributable to owners of the Company	197.9	166.1	31.8	19.1%

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

The Group recorded an insurance revenue of RM1.31 billion for the quarter under review, a increase of 12.1% or RM141.3 million as compared to the preceding quarter ended 30 June 2023 of RM1.16 billion.

The general insurance segment recorded an insurance revenue of RM706.9 million for the quarter under review, a increase of 6.2% or RM41.0 million as compared to the preceding quarter ended 30 June 2023 of RM665.9 million due mainly to higher gross earned premiums from motor business in the current quarter.

The life insurance segment registered an insurance revenue of RM599.1 million for the quarter under review, a increase of 20.1% or RM100.3 million as compared to the preceding quarter ended 30 June 2023 of RM498.8 million due mainly to higher insurance revenue from investment-linked protection business.

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

The Group recorded a profit before tax of RM262.4 million for the quarter under review, an increase of 17.7% or RM39.5 million as compared to the preceding quarter ended 30 June 2023 of RM222.9 million.

The profit before tax of general insurance segment for the quarter under review of RM141.2 million, an increase of 13.9% or RM17.2 million as compared to the preceding quarter ended 30 June 2023 of RM124.0 million. The higher profit before tax was mainly contributed by higher insurance service result and lower net finance expenses from insurance contracts.

The profit before tax of life insurance segment for the quarter under review of RM124.8 million, an increase of 26.4% or RM26.1 million as compared to the preceding quarter ended 30 June 2023 of RM98.7 million due mainly to higher net insurance and investment results during the quarter.

The investment holding segment registered a loss before tax of RM3.6 million as compared to a profit before tax of RM0.2 million in the preceding quarter ended 30 June 2023 due to higher expenses in 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 Three months ended 30 September 2023	Individual period Three months ended 30 September 2022 (Restated)	Cumulative period Nine months ended 30 September 2023	Cumulative period Nine months ended 30 September 2022 (Restated)
Other comprehensive income, net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Net (losses)/gains on investments in debt securities measured at FVOCI	(55.5)	(57.3)	150.0	(466.1)
Net realised losses /(gains) transferred to profit or loss	0.6	(0.9)	0.5	6.3
Tax effects thereon	6.1	7.1	(17.8)	56.9
Fair value losses on cash flow hedge	(0.7)	(1.5)	(5.8)	(12.4)
Tax effects thereon	0.1	0.1	0.5	1.0
Changes in expected credit losses	(0.2)	(5.9)	0.1	0.6
Tax effects thereon	-	0.8	-	(0.1)
Finance income/(expense) from insurance contract liabilities	4.8	46.8	(57.5)	317.6
Tax effects thereon	(1.2)	(5.3)	8.0	(36.8)
Finance (expense)/income from reinsurance contract liabilities	(1.8)	(22.2)	2.2	(22.5)
Tax effects thereon	0.4	5.3	(0.5)	5.4
Items that may not be reclassified subsequently to profit or loss				
Net gains/(losses) on investments in equity instruments measured at FVOCI	28.5	(9.8)	(12.4)	(39.5)
Tax effects thereon	(2.3)	0.8	1.0	3.2
Total other comprehensive (loss)/gain for the period, net of tax	(21.2)	(42.0)	68.3	(186.4)

The Group recorded a total OCI of RM68.3 million for the period ended 30 September 2023, an increase of RM254.7 million as compared to the total other comprehensive loss of the preceding period ended 30 September 2022 of RM186.4 million due to fair value gains from Malaysian government securities, quoted equities and unquoted corporate bonds in Malaysia during the financial period under review, 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 30 September 2023	As at 31 December 2022 (Restated)	Changes Amount	%
Total assets	25,149.0	23,892.0	1,257.0	5.3%
Total liabilities	19,986.0	19,214.8	771.2	4.0%
- Contractual service margin ("CSM")	3,155.6	2,931.2	224.4	7.7%
Total equity	5,163.0	4,677.2	485.8	10.4%

Total assets

As at 30 September 2023, the Group's total assets increased by RM1.26 billion to RM25.15 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 September 2023, the Group's total liabilities increased by RM771.2 million to RM19.99 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 September 2023, CSM was at RM3.16 billion, an increase of RM224.4 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 September 2023 increased by 10.4% or RM485.8 million to RM5.16 billion from RM4.68 billion as at 31 December 2022. This is mainly attributable to the net profit generated for the period ended 30 September 2023.

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

2. Current year prospects

The Malaysian economy expanded by 3.3% in the third quarter of 2023 (2Q 2023: 2.9%). Growth was anchored by resilient domestic demand. Household spending remained supported by continued growth in employment and wages. Meanwhile, investment activity was underpinned by the progress of multi-year projects and capacity expansion by firms. Exports remained soft amid prolonged weakness in external demand. This, however, was partially offset by the recovery in inbound tourism. Overall, the Malaysian economy expanded by 3.9% in the first three quarters of 2023.

The general insurance segment recorded premium growth of 11.2% for the period ended 30 September 2023 which is higher than industry growth of 7.7%. Meanwhile the life insurance segment annualised new business increased by 18.5%, outperformed the industry growth of 10.8% for the period ended 30 September 2023 with the market share of 10.3% mainly contributed from agency and bancassurance business.

The Group continued to gain growth momentum since the opening of all sectors of the economy in the beginning of the year and expects both general and life insurance business segment to grow in tandem with the economy. All key distribution channels in both the general and life business segment have posted growth for the nine months ended 30 September 2023. General business segment has benefited from growth from its motor business and the life business segment has continued to grow its profitable investment-linked protection business.

The Group pursues profitable growth through various strategic initiatives. The Group will continue to look into expanding its distribution channels and into different market segments. The Group will continue to offer products with attractive customer proposition and provide better services to address the needs of our customer which are aim at improving customer satisfaction and increase customer acquisition.

Barring any unforeseen circumstances, the Group is confident that with its financial strength as well as strong focus on execution of its strategic initiatives, it will continue its growth momentum in the last quarter of the year and finish the year strongly.

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 Three months ended 30 September		Cumulative period Nine months ended 30 September	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Investment income from financial assets not measured at FVTPL	135,781	131,592	398,933	366,321
Interest revenue on financial assets not measured at FVTPL	136,347	130,681	399,417	372,614
- Dividend income	11,341	8,894	25,155	22,867
- Interest income	129,037	119,571	378,898	348,727
- Investment expense	(3,506)	(2,667)	(9,643)	(8,372)
- Other investment income	(525)	4,883	5,007	9,392
Net (losses)/gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	(566)	911	(484)	(6,293)
- Realised gains	532	911	9,538	2,953
- Realised losses	(1,098)	-	(10,022)	(9,246)
Net credit impairment gains/(losses) on financial assets	256	5,854	(27)	(623)
Net investment income - not measured at FVTPL	136,037	137,446	398,906	365,698

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

4. Investment return (continued)

	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000 (Restated)**	**RM'000**	**RM'000 (Restated)**
Net gains/(losses) on FVTPL investments	186,469	30,218	390,861	(198,290)
- Dividend income	5,096	4,823	10,594	12,313
- Interest income	1,608	3,275	3,999	9,928
- Valuation results for unit-linked contracts	183,925	29,049	366,899	(188,257)
- Realised (losses)/gains	(77)	(163)	3,456	886
- Other investment expense	(415)	(303)	(1,147)	(835)
- Fair value (losses)/gains	(3,668)	(6,463)	7,060	(32,325)
Net investment income - other investment	186,469	30,218	390,861	(198,290)
Total net investment return	322,506	167,664	789,767	167,408

The net gain or loss for each class of financial instrument is as follows:

	2023	2022	2023	2022
Malaysian government securities	53,209	48,693	155,786	132,953
Malaysian government guaranteed bonds	23,462	25,005	70,683	71,919
Quoted equity securities of corporations in Malaysia	11,341	8,894	25,155	22,867
Unquoted bonds of corporations in Malaysia	41,270	39,778	120,598	117,104
Unquoted bonds of corporations outside Malaysia	920	992	2,826	2,775
Fixed and call deposits with licensed financial institutions	8,741	5,574	25,327	15,413
Other investments	(3,162)	2,656	(1,442)	3,290
Investment income from financial assets not measured at FVTPL	135,781	131,592	398,933	366,321
Quoted equity securities of corporations in Malaysia	49	(9)	57	(78)
Quoted unit trusts in Malaysia	1,235	(79)	4,194	2,757
Unquoted unit trusts in Malaysia	3,420	2,325	19,468	1,828
Unquoted bonds of corporations in Malaysia	-	403	-	864
Other investments	(235)	(39)	(852)	(835)
Financial assets for unit-linked contracts	183,925	29,049	366,899	(188,257)
Derivative financial assets/liabilities:				
Collateralised interest rate swap	(2,105)	(1,592)	538	(15,188)
Cross currency swap	180	160	557	619
Net gains/(losses) on FVTPL investments	186,469	30,218	390,861	(198,290)
Malaysian government securities	(70)	(20)	(98)	(26)
Malaysian government guaranteed bonds	92	436	56	(107)
Unquoted bonds of corporations in Malaysia	120	4,604	66	(515)
Fixed and call deposits with licensed financial institutions	35	858	(78)	38
Other investments	79	(24)	27	(13)
Net credit impairment gains/(losses) on financial assets	256	5,854	(27)	(623)
Total interest revenue and investment income	322,506	167,664	789,767	167,408

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 September		Cumulative period Nine months ended 30 September	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Amortisation of intangible assets	6,962	6,909	19,265	19,462
Intangible assets written off	-	(3)	-	9,087
Depreciation of property, plant and equipment	4,189	4,021	11,516	11,522
Depreciation of right-of-use assets	5,689	6,812	16,930	15,861
(Reversal)/Allowance for impairment loss on receivables	(305)	7,240	2,671	(20,836)
Bad debts recovered on receivables	(4)	(15)	(10)	(47)
Interest on lease liabilities	240	335	481	649
Interest income	(130,463)	(122,846)	(382,897)	(358,655)
Investment expenses	3,506	2,667	9,643	8,372
Property, plant and equipment written off	9	1	215	267
Unrealised foreign exchange gains	(215)	(5,620)	(6,742)	(11,140)

6. Tax expense

	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Profit before tax	262,360	202,821	717,525	630,857
Tax expense				
Income tax	38,371	52,641	104,853	116,936
Deferred tax	26,132	10,588	75,455	73,710
Total tax expense	64,503	63,229	180,308	190,646
Effective tax rate	25%	31%	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 September		Cumulative period Nine months ended 30 September	
		2023	2022 (Restated)	2023	2022 (Restated)
Profit attributable to ordinary shareholders	(RM'000)	197,857	139,592	537,217	440,211
Adjustment:					
- Preference dividends declared		-	-	(63,593)	(32,303)
Adjusted profit attributable to ordinary shareholders		197,857	139,592	473,624	407,908
Weighted average number of ordinary shares in issue	('000)	177,969	177,894	177,969	177,894
Basic earnings per ordinary share	(sen)	111.17	78.47	266.13	229.30

(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 September		Cumulative period Nine months ended 30 September	
		2023	2022 (Restated)	2023	2022 (Restated)
Profit attributable to ordinary shareholders	(RM'000)	197,857	139,592	537,217	440,211
Weighted average number of ordinary shares in issue	('000)	177,969	177,894	177,969	177,894
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	346,141	346,206	346,141
Diluted earnings per ordinary share	(sen)	57.15	40.33	155.17	127.18

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 September 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 September 2023	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets						
Malaysian government securities	-	5,928,183	-	5,928,183	5,928,183	5,928,183
Malaysian government guaranteed bonds	-	2,179,690	-	2,179,690	2,179,690	2,179,690
Quoted equity securities of corporations in Malaysia	640,556	-	-	640,556	640,556	640,556
Unquoted bonds of corporations in Malaysia	-	3,939,885	-	3,939,885	3,939,885	3,939,885
Unquoted bonds of corporations outside Malaysia	-	106,133	-	106,133	106,133	106,133
Quoted unit trusts in Malaysia	38,898	-	-	38,898	38,898	38,898
Unquoted unit trusts in Malaysia	-	560,181	-	560,181	560,181	560,181
Collateralised interest rate swap	-	13,615	-	13,615	13,615	13,615
Cross currency swap	-	211	-	211	211	211
Commercial paper	-	79,272	-	79,272	79,272	79,272
	679,454	12,807,170	-	13,486,624	13,486,624	13,486,624
Financial liabilities						
Cross currency swap	-	4,694	-	4,694	4,694	4,694
Lease liabilities	-	-	-	-	30,037	30,037
	-	4,694	-	4,694	34,731	34,731

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 Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets						
Malaysian government securities	-	5,598,018	-	5,598,018	5,598,018	5,598,018
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	-	100,446	-	100,446	100,446	100,446
Quoted unit trusts in Malaysia	40,107	-	-	40,107	40,107	40,107
Unquoted unit trusts in Malaysia	-	549,316	-	549,316	549,316	549,316
Collateralised interest rate swap	-	16,590	-	16,590	16,590	16,590
Cross currency swap	-	2,406	-	2,406	2,406	2,406
	671,661	12,268,656	-	12,940,317	12,940,317	12,940,317
Financial liabilities						
Cross currency swap	-	1,293	-	1,293	1,293	1,293
Lease liabilities	-	-	-	-	19,171	19,171
	-	1,293	-	1,293	20,464	20,464

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 September 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	-	-	13,615	13,615	-	-	-	-
Cross currency swap	-	56,697	42,043	98,740	-	211	-	211	-	4,100	594	4,694
Total	-	56,697	442,043	498,740	-	211	13,615	13,826	-	4,100	594	4,694

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 September 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 RM13,826,000 (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 RM6,947,000 (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 November 2023