ALLIANZ MALAYSIA BERHAD (197201000819)

AUDITED QUARTERLY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Condensed consolidated statement of financial position as at 31 December 2023 - audited

	31 December 2023 RM'000	31 December 2022 RM'000 (Restated)
Assets		
Property, plant and equipment	116,959	110,682
Right-of-use assets	43,670	33,657
Intangible assets	425,639	421,835
Deferred tax assets	-	11,635
Investments	23,052,458	20,329,422
Derivative financial assets	17,028	18,996
Reinsurance contract assets	542,263	663,680
Current tax assets	36,323	12,165
Other assets	125,973	128,657
Cash and cash equivalents	1,561,635	2,258,940
Total assets	25,921,948	23,989,669

Condensed consolidated statement of financial position
as at 31 December 2023 - audited (continued)

	31 December 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	4,369,591	3,906,125
Total equity attributable to owners of the Company	5,140,620	4,677,154
Liabilities		
Deferred tax liabilities	539,242	471,895
Insurance contract liabilities	19,315,930	18,011,818
Reinsurance contract liabilities	69,777	150,591
Derivative financial liabilities	4,875	1,293
Lease liabilities	25,304	19,171
Other liabilities	803,793	648,309
Current tax liabilities	22,407	9,438
Total liabilities	20,781,328	19,312,515
Total equity and liabilities	25,921,948	23,989,669
Net asset per ordinary share (RM)	28.88	26.28
Diluted net asset per ordinary share (RM)	14.85	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 year ended 31 December 2023 - audited

The figures for the individual quarters have not been audited but figures for the cumulative quarters have been audited.

	Note (Part B)	Individual period Three months ended 31 December 2023 RM'000	Individual period Three months ended 31 December 2022 RM'000 (Restated)	Cumulative period Twelve months ended 31 December 2023 RM'000	Cumulative period Twelve months ended 31 December 2022 RM'000 (Restated)
Insurance revenue		1,309,506	1,154,457	4,941,641	4,418,823
Insurance service expenses		(1,103,326)	(857,832)	(3,896,553)	(3,347,655)
Net expenses from reinsurance contracts held		(28,573)	(120,631)	(228,539)	(277,336)
Insurance service result		177,607	175,994	816,549	793,832
Interest revenue on financial assets not measured at fair value through profit or loss ("FVTPL")		132,590	108,194	520,291	496,601
Net losses on investments in debt securities measured at fair value through other comprehensive income ("FVOCI") reclassified to profit or loss on disposal		(1,219)	(1,127)	(1,703)	(7,420)
Net gains/(losses) on FVTPL investments		211,658	304,578	475,705	(10,118)
Dividend income		24,069	34,946	147,527	142,282
Net credit impairment gains on financial assets		68	666	41	43
Net investment income	4	367,166	447,257	1,141,861	621,388
Finance expenses from insurance contracts issued		(240,261)	(335,322)	(847,795)	(384,634)
Finance income from reinsurance contracts held		3,518	5,113	15,449	15,903
Net insurance finance expenses		(236,743)	(330,209)	(832,346)	(368,731)
Net insurance and investment results		308,030	293,042	1,126,064	1,046,489
Other operating income		276	458	1,132	1,308
Other operating expenses		(68,942)	(50,631)	(170,307)	(174,071)
Profit before tax	5	239,364	242,869	956,889	873,726
Tax expense	6	(45,673)	(69,409)	(225,981)	(260,055)
Profit for the year		193,691	173,460	730,908	613,671
Profit for the year attributable to: Owners of the Company		193,691	173,460	730,908	613,671
Basic earnings per ordinary share (sen)	10(a)	30.56	19.24	296.69	248.48
Diluted earnings per ordinary share (sen)	10(b)	55.95	50.17	211.12	177.29

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 year ended 31 December 2023 - audited

The figures for the individual quarters have not been audited but figures for the cumulative quarters have been audited.

	Note (Part B)	Individual period Three months ended 31 December 2023 RM'000	2022 RM'000 (Restated)	Cumulative period Twelve months ended 31 December 2023 RM'000	2022 RM'000 (Restated)
Profit for the year attributable to owners of the Company		193,691	173,460	730,908	613,671
Other comprehensive income/(losses), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Net gains/(losses) on investments in debt securities measured at FVOCI		95,010	191,162	245,058	(274,885)
Net realised losses transferred to profit or loss		1,219	1,127	1,703	7,420
Tax effects thereon		(11,140)	(21,544)	(28,934)	35,337
Fair value (losses)/gains on cash flow hedge		(61)	5,097	(5,831)	(7,277)
Tax effects thereon		4	(408)	466	582
Changes in expected credit losses		(72)	(684)	(17)	(73)
Tax effects thereon		20	96	(4)	17
Finance (expenses)/income from insurance contract issued		(64,667)	(134,897)	(122,130)	182,682
Tax effects thereon		7,169	10,536	15,199	(26,283)
Finance (expenses)/income from reinsurance contract held		(178)	(125)	2,052	(22,589)
Tax effects thereon		43	30	(492)	5,421
Items that will not be reclassified subsequently to profit or loss					
Net gains on investments in equity instruments measured at FVOCI		15,980	39,834	3,580	317
Tax effects thereon		(1,278)	(3,186)	(286)	(25)
Revaluation of property, plant and equipment and right-of-use assets		4,340	-	4,340	-
Tax effects thereon		(394)	-	(394)	-
Reversal of deferred tax on revaluation surplus of land and buildings upon disposal		-	373	-	373
Total other comprehensive income/(losses) for the year, net of tax	1.7	45,995	87,411	114,310	(98,983)
Total comprehensive income for the year, net of tax		239,686	260,871	845,218	514,688
Total comprehensive income for the year attributable to:					
Owners of the Company		239,686	260,871	845,218	514,688

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

Condensed consolidated statement of changes in equity for the year ended 31 December 2023 - audited

	Attributable to owners of the Company								
	Non-distributable							*Distributable*	
	Ordinary shares RM'000	Irredeemable Convertible Preference Shares RM'000	FVOCI reserves 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 (Note 2.1.3)	-	-	155,724	(159,121)	6,988	3,591	252,338	85,260	341,189
At 1 January 2022, Restated	234,573	536,456	159,377	(159,121)	50,163	50,419	1,493,856	2,170,038	4,485,342
Net losses on investments in debt securities measured at FVOCI	-	-	(239,548)	-	-	(239,548)	-	-	(239,548)
Net realised losses transferred to profit or loss	-	-	7,420	-	-	7,420	-	-	7,420
Fair value losses on cash flow hedge	-	-	(6,695)	-	-	(6,695)	-	-	(6,695)
Finance income from insurance contract issued	-	-	-	156,399	-	156,399	-	-	156,399
Finance expense from reinsurance contract held	-	-	-	(17,168)	-	(17,168)	-	-	(17,168)
Changes in expected credit losses	-	-	(56)	-	-	(56)	-	-	(56)
Net gains on investments in equity instruments measured at FVOCI	-	-	292	-	-	292	-	-	292
Disposal of land and buildings	-	-	-	-	(1,293)	(1,293)	-	1,293	-
Reversal of deferred tax on revaluation surplus	-	-	-	-	-	-	-	373	373
Total other comprehensive (losses)/income for the year	-	-	(238,587)	139,231	(1,293)	(100,649)	-	1,666	(98,983)
Profit for the year	-	-	-	-	-	-	198,165	415,506	613,671
Total comprehensive (losses)/income for the year	-	-	(238,587)	139,231	(1,293)	(100,649)	198,165	417,172	514,688
Contributions by and distributions to owners of the Company									
Conversion of ICPS to ordinary shares	1,464	(1,464)	-	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	-	(322,876)	(322,876)
Total transactions with owners of the Company	1,464	(1,464)	-	-	-	-	-	(322,876)	(322,876)
At 31 December 2022	236,037	534,992	(79,210)	(19,890)	48,870	(50,230)	1,692,021	2,264,334	4,677,154

Condensed consolidated statement of changes in equity for the year ended 31 December 2023 - audited (continued)

	Attributable to owners of the Company								
	Non-distributable							Distributable	
	Ordinary shares RM'000	Irredeemable Convertible Preference Shares RM'000	FVOCI reserves 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	-	-	(18,409)	(19,890)	6,988	(31,311)	326,792	151,646	447,127
At 1 January 2023, Restated	236,037	534,992	(79,210)	(19,890)	48,870	(50,230)	1,692,021	2,264,334	4,677,154
Net gains on investments in debt securities measured at FVOCI	-	-	216,124	-	-	216,124	-	-	216,124
Net realised losses transferred to profit or loss	-	-	1,703	-	-	1,703	-	-	1,703
Fair value losses on cash flow hedge	-	-	(5,365)	-	-	(5,365)	-	-	(5,365)
Finance expense from insurance contract issued	-	-	-	(106,931)	-	(106,931)	-	-	(106,931)
Finance income from reinsurance contract held	-	-	-	1,560	-	1,560	-	-	1,560
Changes in expected credit losses	-	-	(21)	-	-	(21)	-	-	(21)
Net gains on investments in equity instruments measured at FVOCI	-	-	3,294	-	-	3,294	-	-	3,294
Revaluation of property, plant and equipment and right-of-use assets	-	-	-	-	3,946	3,946	-	-	3,946
Total other comprehensive income/(losses) for the year	-	-	215,735	(105,371)	3,946	114,310	-	-	114,310
Profit for the year	-	-	-	-	-	-	147,751	583,157	730,908
Total comprehensive income/(losses) for the year	-	-	215,735	(105,371)	3,946	114,310	147,751	583,157	845,218
Contributions by and distributions to owners of the Company									
Dividends to owners of the Company	-	-	-	-	-	-	-	(381,752)	(381,752)
Total transactions with owners of the Company	-	-	-	-	-	-	-	(381,752)	(381,752)
At 31 December 2023	236,037	534,992	136,525	(125,261)	52,816	64,080	1,839,772	2,465,739	5,140,620

[1] Non-distributable retained earnings comprise Life fund surplus (which includes Participating and Non-Participating funds), 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 2023.

Condensed consolidated statement of cash flows
For the year ended 31 December 2023 - audited

	Year ended 31 December 2023 RM'000	Year ended 31 December 2022 RM'000 (Restated)
Cash flows from operating activities		
Profit before tax	956,889	873,726
Purchase of financial assets at FVOCI	(6,687,714)	(4,272,395)
Maturity of financial assets at FVOCI	2,804,162	3,151,225
Proceeds from sale of financial assets at FVOCI	2,990,002	778,698
Purchase of financial assets at FVTPL	(2,558,422)	(2,108,773)
Maturity of financial assets at FVTPL	171,104	397,952
Proceeds from sale of financial assets at FVTPL	1,098,387	1,108,690
Non-cash items:		
Investment income	(911,083)	(836,715)
Realised gains recorded in profit or loss	(2,362)	(1,141)
Interest on lease liabilities	753	791
Fair value (gains)/losses on investments recorded in profit or loss	(224,574)	236,716
Unrealised foreign exchange gains	(18,322)	(7,056)
Depreciation of property, plant and equipment	16,201	16,013
Depreciation of right-of-use assets	20,745	21,136
Impairment of property, plant and equipment	60	-
Amortisation of intangible assets	28,092	26,735
Reversal of expected credit losses	(41)	(43)
Gains on disposal of property, plant and equipment	(2)	(89)
Property, plant and equipment written off	448	270
Reversal of impairment loss on reinsurance contract asset	-	(2,575)
Reversal of impairment loss on LRC receivables	(3,455)	(28,142)
Bad debts recovered on LRC receivables	(26)	(52)
Bad debts written off on LRC receivables	2,798	-
Bad debts written off on other receivables	-	69
Net (gains)/losses on financial investments and derivatives	(3,789)	6,170
Changes in working capital:		
Decrease/(Increase) in other assets	2,684	(5,771)
Increase in insurance contract liabilities	1,221,894	998,246
Increase in reinsurance contract liabilities	42,655	147,067
Increase in other liabilities	103,034	55,718
Cash (used in)/generated from operations	(949,882)	556,470

Condensed consolidated statement of cash flows
For the year ended 31 December 2023 - audited (continued)

	Year ended 31 December 2023 RM'000	Year ended 31 December 2022 RM'000 (Restated)
Cash flows from operating activities (continued)		
Tax paid	(211,860)	(220,399)
Dividends received	147,527	142,282
Interest income received	774,578	706,680
Interest paid on lease liabilities	(753)	(791)
Net cash (used in)/generated from operating activities	(240,390)	1,184,242
Investing activities		
Proceeds from disposal of property, plant and equipment	385	908
Proceeds from disposal of right-of-use assets	-	2,068
Acquisition of property, plant and equipment	(32,234)	(21,098)
Acquisition of intangible assets	(21,904)	(105,739)
Net cash used in investing activities	(53,753)	(123,861)
Financing activities		
Dividends paid to owners of the Company	(381,752)	(300,124)
Repayment of lease liabilities	(21,410)	(20,948)
Net cash used in financing activities	(403,162)	(321,072)
Net (decrease)/increase in cash and cash equivalents	(697,305)	739,309
Cash and cash equivalents at 1 January	2,258,940	1,519,631
Cash and cash equivalents at 31 December	1,561,635	2,258,940
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	1,473,681	2,125,357
Cash and bank balances	87,954	133,583
	1,561,635	2,258,940

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 year ended 31 December 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 2023, 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 year. 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
Amendments 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
Amendments 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, and it is not likely to affect future periods other than as disclosed under Notes 2.1.1, 2.1.2, 2.1.3 and 2.1.4 below.

2.1.1 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.

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

2. Statement of compliance (continued)

2.1.1 MFRS 17, Insurance Contracts (continued)

The Group has restated comparative information for the year 2022 in Note 2.1.4. The nature of the changes in accounting policies can be summarised as follows:

(a) Changes to recognition

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.

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.

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.

(b) Changes to measurement

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.

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 ("CSM") 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 CSM in order to accommodate direct participating contracts.

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

2. Statement of compliance (continued)

2.1.1 MFRS 17, Insurance Contracts (continued)

(b) Changes to 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.

Life insurance

The Group has assessed that direct participating businesses, 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 assesses unit-linked insurance contracts to be eligible for the variable fee approach. Shareholder's share of unrealised capital gains is part of the insurance liabilities accounted for under the variable fee approach.

General insurance

The Group has performed premium allocation approach eligibility for all its non-life insurance contracts at transition, and they are qualified to apply the premium allocation approach measurement model.

The measurement principles of MFRS 17 differ from MFRS 4 in the following key areas:

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). An investment component is classified as being distinct or non-distinct. 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.

Liability for remaining coverage ("LRC")

The LRC under PAA 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 LRC under the BBA/VFA consists of the fulfilment cash flows related to future services and the CSM. The fulfilment 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 non-financial risk.

Liability for incurred claims ("LIC")

The LIC is measured at the fulfilment cash flows relating to incurred claims. It comprises the fulfilment 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.

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 fulfilment 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.

Discounting

Discount rate 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.

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

2. Statement of compliance (continued)

2.1.1 MFRS 17, Insurance Contracts (continued)

(b) Changes to measurement (continued)

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.

Contractual service margin

The CSM 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".

Reinsurance contracts held

For reinsurance contracts held, 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. Measurement of the reinsurance contract assets is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

(c) Changes to presentation and disclosure

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.

In the statement of financial position, deferred acquisition costs and insurance related receivables and payables are no longer presented separately but as part of the insurance or reinsurance contract assets or 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.

(d) Transition

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 has been applied. Unmodelled products will continue to be not modelled under MFRS 17 on the basis of insignificance.

For non-life insurance contracts, all lines of business qualify 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 contracts held, the modified retrospective approach has been applied to the reinsurance contracts held in annual cohorts prior to 2021, while the full retrospective approach has been applied to reinsurance contracts held in annual cohorts 2021 or 2022.

The quantitative impact of the Group applying MFRS 17 as at 1 January 2022 is disclosed in Note 2.1.3.

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

2. Statement of compliance (continued)

2.1.2 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 has applied MFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in scope of MFRS 9. Differences arising from the adoption of MFRS 9 were recognised in retained earnings as of 1 January 2022 and are disclosed in Note 2.1.3. For all assets that were disposed of in the comparative period, the Group has applied the classification overlay as permitted by paragraph C28E of Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendments to MFRS 17).

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

(a) Changes to classification and measurement

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

The MFRS 139 measurement categories for financial assets (fair value through profit or loss ("FVTPL"), available for sale ("AFS"), held-to-maturity ("HTM") and loans and receivables ("L&R") at amortised cost ("AC")) have been replaced by:
- Financial assets at fair value through profit or loss;
- Debt instruments at fair value through other comprehensive income, with gain or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with gains or losses not to be recycled to profit or loss on derecognition; and
- Financial assets at AC.

The impact of applying MFRS 9 on classification as at 1 January 2023 is disclosed in Note 2.1.2(c).

(b) Changes to impairment

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for debt instruments held at FVOCI or AC by replacing the incurred loss impairment model used in MFRS 139. The expected credit loss ("ECL") model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

It applies to the Group's financial assets classified at AC and debt instruments measured at FVOCI.

The adoption of the ECL requirements of MFRS 9 resulted in an increase in impairment allowance in respect of the Group's financial assets, which was adjusted to retained earnings.

The impact of applying MFRS 9 on impairment as at 1 January 2023 is disclosed in Note 2.1.2(c).

(c) Impact on classification and measurement

In summary, the impact of adopting MFRS 9 on classification and measurement are 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.

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

2. Statement of compliance (continued)

2.1.2 MFRS 9, Financial Instruments (continued)

(c) Impact on classification and measurement (continued)

Classification of financial assets and financial liabilities (continued)

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	2,082,880
Unit trust and real estate investment trust	(b)	AFS	FVTPL	592,510	592,510
Unit trust and real estate investment trust	(b)	FVTPL (held for trading)	FVTPL	274,784	274,784
Investment in debt securities	(c)	FVTPL (held for trading)	FVTPL	4,996,080	4,996,080
Investment in debt securities	(c)	AFS	FVOCI	6,997,620	6,997,620
Investment in debt securities	(c)	FVTPL (designated upon initial recognition)	FVOCI	4,702,723	4,702,723
Other investments		Loans and receivables ("L&R")	FVOCI	-	19,796
Derivative assets	(d)	FVTPL (held for trading)	FVTPL	18,996	18,996
Other assets *		L&R	AC	131,231	111,271
Other assets - staff loans		L&R	FVOCI	17,386	17,386
Cash and cash equivalents		L&R	AC	2,258,899	2,258,940
Fixed deposits with licensed banks	(e)	L&R	FVOCI	24,414	24,328
Total financial assets				22,736,224	22,736,015

* Excluding balance with Malaysia Motor Insurance Pool ("MMIP").

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

(a) Equity investments were classified as AFS and held for trading (FVTPL) under MFRS 139. On the adoption of MFRS 9, the Group has elected to measure equity investments not held for trading at FVOCI, while equity investments held for trading are mandatorily measured at FVTPL.

(b) Investment in unit trusts and real estate investment trusts ("REITs") were classified as AFS and held for trading (FVTPL) 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.

(c) Debts securities were designated as AFS and FVTPL (either held for trading or 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 and because the Group holds these debt securities under the hold to collect and sell model. For investments in debt securities that are held for trading, the Group continues to measure these at FVTPL.

(d) Derivatives continued to be classified as FVTPL financial assets under MFRS 9.

(e) 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 and because the Group holds these assets under the hold to collect and sell model.

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

2. Statement of compliance (continued)

2.1.2 MFRS 9, Financial Instruments (continued)

(c) Impact on classification and measurement (continued)

Classification of financial assets and financial liabilities (continued)

Financial assets (continued)

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

	31 December 2022			Classification under MFRS 9			
	MFRS 139 RM'000	Remeasurement RM'000	Reclassification RM'000	FVTPL RM'000	FVOCI RM'000	AC RM'000	Total RM'000
Financial assets							
AFS							
Investment in equity instruments not held for trading	638,701	-	-	-	638,701	-	638,701
Unit trust and real estate investment trust	592,510	-	-	592,510	-	-	592,510
Investment in debt securities	6,997,620	-	-	-	6,997,620	-	6,997,620
FVTPL (held for trading)							
Investment in debt securities	4,996,080	-	-	4,996,080	-	-	4,996,080
Investment in equity instruments held for trading	2,082,880	-	-	2,082,880	-	-	2,082,880
Unit trust and real estate investment trust	274,784	-	-	274,784	-	-	274,784
Derivative assets	18,996	-	-	18,996	-	-	18,996
FVTPL (designated upon initial recognition)							
Investment in debt securities	4,702,723	-	-	-	4,702,723	-	4,702,723
L&R							
Other investments	-	-	19,796	-	19,796	-	19,796
Other assets *	148,617	(164)	(19,796)	-	17,386	111,271	128,657
Cash and cash equivalents	2,258,899	(45)	86	-	-	2,258,940	2,258,940
Fixed deposits with licensed banks	24,414	-	(86)	-	24,328	-	24,328
	22,736,224	(209)	-	7,965,250	12,400,554	2,370,211	22,736,015

* Excluding balance with MMIP.

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

2. Statement of compliance (continued)

2.1.2 MFRS 9, Financial Instruments (continued)

(c) Impact on classification and measurement (continued)

Classification of financial assets and financial liabilities (continued)

Financial liabilities

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

Impairment of financial assets

The following table reconciles the closing impairment allowance under MFRS 139 as at 31 December 2022 with the opening loss allowance under MFRS 9 as at 1 January 2023.

	31 December 2022 MFRS 139 RM'000	Remeasurement RM'000	1 January 2023 MFRS 9 RM'000
Financial assets			
L&R			
Other assets	1,538	(1,538)	-
FVOCI			
Investment in debt securities	-	5,582	5,582
Other investments	-	823	823
AC			
Other assets	-	906	906
Cash and cash equivalents	-	45	45
	1,538	5,818	7,356

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

2. Statement of compliance (continued)

2.1.3 Impact of transition to MFRS 17 and MFRS 9 on reserves and retained earnings

The following table summarises the impact, net of tax, of transition to MFRS 17 and MFRS 9 on the opening reserves and retained earnings. There is no impact on other components of equity.

	FVOCI reserves RM'000	Insurance finance reserves RM'000	Other reserves RM'000	Total reserves RM'000	Retained earnings RM'000	Total equity RM'000
Closing balance under MFRS 139 at 31 December 2021	3,653	-	-	3,653	3,326,296	4,144,153
Reclassification of investment in equity instruments and debt securities from FVTPL to FVOCI	140,219	-	-	140,219	(134)	140,085
Reclassification of unquoted unit trust in Malaysia from AFS to FVTPL	2,864	-	-	2,864	(2,864)	-
Recognition of MFRS 9 ECLs for other assets measured at AC	-	-	-	-	(177)	(177)
Recognition of MFRS 9 ECLs for other investments measured at FVOCI	37	-	-	37	-	37
Recognition of MFRS 9 ECLs for investment in debt securities measured at FVOCI	5,630	-	-	5,630	(2,273)	3,357
Recognition of MFRS 9 ECLs for cash and cash equivalents measured at AC	-	-	-	-	(18)	(18)
Deferred tax in relation to MFRS 9 application	6,974	-	-	6,974	(6,747)	227
Opening balance under MFRS 9 at 1 January 2022	159,377	-	-	159,377	3,314,083	4,287,664
Closing balance under MFRS 4 at 31 December 2021	-	-	43,175	43,175	3,326,296	4,144,153
Impact of initial application of MFRS 17	-	(175,993)	6,988	(169,005)	440,201	271,196
Deferred tax in relation to MFRS 17 application	-	16,872	-	16,872	(90,390)	(73,518)
Opening balance under MFRS 17 at 1 January 2022	-	(159,121)	50,163	(108,958)	3,676,107	4,341,831
Closing balance under MFRS 4 / MFRS 139 at 31 December 2021	3,653	-	43,175	46,828	3,326,296	4,144,153
Impact of initial application of MFRS 17	-	(159,121)	6,988	(152,133)	349,811	197,678
Impact of initial application of MFRS 9	155,724	-	-	155,724	(12,213)	143,511
Opening balance under MFRS 17 / MFRS 9 at 1 January 2022	159,377	(159,121)	50,163	50,419	3,663,894	4,485,342

Part A: Explanatory notes to the condensed consolidated financial statements

2. Statement of compliance (continued)

2.1.4 Overall impact on the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income

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

Statement of financial position

	1 January 2022		
	As previously reported RM'000	Effect of adoption of MFRS 17 and MFRS 9 RM'000	Restated balance RM'000
Assets			
Property, plant and equipment	110,148	-	110,148
Right-of-use assets	41,530	-	41,530
Intangible assets	348,456	-	348,456
Deferred tax assets	34,404	(19,128)	15,276
Investments	19,941,622	(58,348)	19,883,274
Derivative financial assets	45,516	918	46,434
Reinsurance contract assets	1,126,083	(293,012)	833,071
Current tax assets	9,856	-	9,856
Insurance receivables	191,207	(191,207)	-
Other assets	151,396	(28,510)	122,886
Deferred acquisitions costs	123,661	(123,661)	-
Cash and cash equivalents	1,519,608	23	1,519,631
Total assets	23,643,487	(712,925)	22,930,562
Equity			
Share capital:			
Ordinary Shares	234,573	-	234,573
ICPS	536,456	-	536,456
Reserves	3,373,124	341,189	3,714,313
Total equity attributable to owners of the Company	4,144,153	341,189	4,485,342
Liabilities			
Deferred tax liabilities	391,257	54,163	445,420
Insurance contract liabilities	17,648,547	(422,152)	17,226,395
Reinsurance contract liabilities	-	150,326	150,326
Derivatives financial liabilities	1,641	-	1,641
Lease liabilities	24,788	-	24,788
Insurance payables	584,557	(584,557)	-
Other liabilities	834,973	(251,894)	583,079
Current tax liabilities	13,571	-	13,571
Total liabilities	19,499,334	(1,054,114)	18,445,220
Total equity and liabilities	23,643,487	(712,925)	22,930,562

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

2. Statement of compliance (continued)

2.1.4 Overall impact on the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income (continued)

Statement of financial position

	31 December 2022		
	As previously reported RM'000	Effect of adoption of MFRS 17 and MFRS 9 RM'000	Restated balance RM'000
Assets			
Property, plant and equipment	110,682	-	110,682
Right-of-use assets	33,657	-	33,657
Intangible assets	421,835	-	421,835
Deferred tax assets	48,994	(37,359)	11,635
Investments	20,386,957	(57,535)	20,329,422
Derivative financial assets	18,996	-	18,996
Reinsurance contract assets	887,623	(223,943)	663,680
Current tax assets	12,165	-	12,165
Insurance receivables	219,442	(219,442)	-
Other assets	152,786	(24,129)	128,657
Deferred acquisitions costs	131,020	(131,020)	-
Cash and cash equivalents	2,258,900	40	2,258,940
Total assets	24,683,057	(693,388)	23,989,669
Equity			
Share capital:			
Ordinary Shares	236,037	-	236,037
ICPS	534,992	-	534,992
Reserves	3,458,998	447,127	3,906,125
Total equity attributable to owners of the Company	4,230,027	447,127	4,677,154
Liabilities			
Deferred tax liabilities	395,960	75,935	471,895
Insurance contract liabilities	18,528,102	(516,284)	18,011,818
Reinsurance contract liabilities	-	150,591	150,591
Derivatives financial liabilities	1,293	-	1,293
Lease liabilities	19,171	-	19,171
Insurance payables	603,173	(603,173)	-
Other liabilities	895,893	(247,584)	648,309
Current tax liabilities	9,438	-	9,438
Total liabilities	20,453,030	(1,140,515)	19,312,515
Total equity and liabilities	24,683,057	(693,388)	23,989,669

Statement of profit or loss and other comprehensive income

	Effect to the financial year ended 31 December 2022		
	As previously reported RM'000	Effect of adoption of MFRS 17 and MFRS 9 RM'000	Restated balance RM'000
Profit for the year	472,831	140,840	613,671
Other comprehensive income, net of tax			
FVOCI reserve, net of tax	(64,454)	(174,077)	(238,531)
Expected credit losses, net of tax	-	(56)	(56)
Insurance finance expense, net of tax	-	139,231	139,231
Items that will not be reclassified subsequently to profit or loss	373	-	373
Total comprehensive income for the year, net of tax	408,750	105,938	514,688

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 year 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 year that have a material effect in the current year.

5. Seasonal or cyclical factors

The operations of the Group for the financial year 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. During the financial year under review, the Group has revalued its property, plant and equipment and the revaluation surpluses amounting to:

	RM'000
Life insurance segment	1,092

7. Changes in group composition

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

8. Capital commitments

	Transactions value Twelve months ended 31 December	
	2023 RM'000	2022 RM'000
Property, plant and equipment:		
Contracted but not provided for	3,550	7,167
Software development:		
Contracted but not provided for	2,248	5,239

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value Twelve months ended 31 December	
	2023 RM'000	2022 RM'000
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(317,053)	(261,717)

* 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 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 imposed financial penalties for the said infringement on each of the 22 general insurers ("MyCC's Decision").

In view of the impact of the Covid-19 pandemic, MyCC had granted a reduction of 25% of the said financial penalties imposed 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 to the stay 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, the CAT allowed the Stay Application, pending the disposal of the Appeal.

As for the appeal proceedings before the 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 withdrew 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.

At the Hearing on 30 November 2023, the parties' solicitors made their respective oral submissions to the Court which then fixed 16 January 2024 to deliver its decision.

On 16 January 2024, the Court dismissed MyCC's Leave Application with the cost of RM10,000.00 to each insurer (including AGIC) and PIAM.

On 15 February 2024, MYCC filed an appeal at the Court of Appeal against the High Court's decision in dismissing MYCC's Leave Application.

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 thereby bringing this proceeding to an end.

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 year under review.

12. Subsequent event

Pursuant to an internal group re-organisation exercise of Allianz SE, the ultimate holding company of the Company, Allianz SE had on 6 February 2024 transferred 115,362,295 ordinary shares and 144,202,868 ICPS of the Company to Allianz Europe B.V.. On 8 February 2024, Allianz Europe B.V. transferred the same number of ordinary shares and ICPS of the Company to Allianz Asia Holding Pte. Ltd.. As a result of these transactions, Allianz Asia Holding Pte. Ltd. and Allianz SE became the Company's immediate holding company and ultimate holding company, respectively.

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 first single tier interim dividend of 31.5 sen per ordinary share and a first single tier interim dividend of 37.8 sen per ICPS for the financial year ended 31 December 2023 were paid on 28 June 2023 to the entitled ordinary shareholders and ICPS holders of the Company respectively.

(c) A second single tier interim dividend of 69.0 sen per ordinary share and a second single tier interim dividend of 82.8 sen per ICPS for the financial year ended 31 December 2023 were paid on 8 February 2024 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 year ended 31 December 2023 - audited

	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	-	-	2,772,793	2,566,476	2,168,848	1,852,347	4,941,641	4,418,823
Segment results	(10,450)	(19,259)	556,172	515,336	411,167	377,649	956,889	873,726
Segment assets	740,186	783,775	7,183,853	6,760,858	17,997,909	16,445,036	25,921,948	23,989,669
Segment liabilities	173,372	346,110	4,464,610	4,167,683	16,143,346	14,798,722	20,781,328	19,312,515

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 year to date

RM'million	Individual Period Three months ended 31 December 2023	Individual Period Three months ended 31 December 2022 (Restated)	Changes Amount	Changes %	Cumulative period Twelve months ended 31 December 2023	Cumulative period Twelve months ended 31 December 2022 (Restated)	Changes Amount	Changes %
Insurance revenue	1,309.5	1,154.5	155.0	13.4%	4,941.6	4,418.8	522.8	11.8%
Profit before tax	239.4	242.9	(3.5)	(1.4%)	956.9	873.7	83.2	9.5%
Profit after tax	193.7	173.5	20.2	11.6%	730.9	613.7	117.2	19.1%
Profit for the year attributable to owners of the Company	193.7	173.5	20.2	11.6%	730.9	613.7	117.2	19.1%

RM'million	Individual Period Three months ended 31 December 2023	Individual Period Three months ended 31 December 2022 (Restated)	Changes Amount	Changes %	Cumulative period Twelve months ended 31 December 2023	Cumulative period Twelve months ended 31 December 2022 (Restated)	Changes Amount	Changes %
Insurance revenue by segments								
General insurance	738.5	677.7	60.8	9.0%	2,772.8	2,566.5	206.3	8.0%
Life insurance	571.0	476.8	94.2	19.8%	2,168.8	1,852.3	316.5	17.1%
Total insurance revenue	1,309.5	1,154.5	155.0	13.4%	4,941.6	4,418.8	522.8	11.8%

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 (Fourth Quarter 2023 versus Fourth Quarter 2022)

For the fourth quarter ended 31 December 2023, the Group recorded an insurance revenue of RM1.31 billion, an increase of 13.4% or RM155.0 million as compared to the preceding year quarter ended 31 December 2022 of RM1.15 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 RM738.5 million, an increase of 9.0% or RM60.8 million as compared to the preceding year quarter ended 31 December 2022 of RM677.7 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 RM571.0 million, an increase of 19.8% or RM94.2 million as compared to the preceding year quarter ended 31 December 2022 of RM476.8 million. This increase was mainly attributed to higher insurance revenue from investment-linked protection business and employee benefit business.

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

The Group recorded an insurance revenue of RM4.94 billion for the financial year ended 31 December 2023, an increase of 11.8% or RM522.8 million as compared to the preceding financial year ended 31 December 2022 of RM4.42 billion due mainly to higher insurance revenue from both insurance segments.

The general insurance segment recorded an insurance revenue of RM2.77 billion for the financial year ended 31 December 2023, an increase of 8.0% or RM206.3 million as compared to the preceding financial year ended 31 December 2022 of RM2.57 billion due mainly to increase in gross earned premiums from motor business.

The life insurance segment recorded an insurance revenue of RM2.17 billion for the financial year ended 31 December 2023, an increase of 17.1% or RM316.5 million as compared to the preceding financial year ended 31 December 2022 of RM1.85 billion. This increase was mainly attributed to higher insurance revenue resulting 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 year to date (continued)

RM'million	Individual Period Three months ended 31 December 2023	2022 (Restated)	Changes Amount	%	Cumulative period Twelve months ended 31 December 2023	2022 (Restated)	Changes Amount	%
Profit before tax by segments								
General insurance	151.2	174.5	(23.3)	(13.4%)	556.2	515.3	40.9	7.9%
Life insurance	91.2	69.8	21.4	30.7%	411.2	377.6	33.6	8.9%
Investment holding	(3.0)	(1.4)	(1.6)	(>100%)	(10.5)	(19.2)	8.7	45.3%
Total profit before tax	239.4	242.9	(3.5)	(1.4%)	956.9	873.7	83.2	9.5%
General Insurance								
Gross written premium	752.4	636.3	116.1	18.2%	3,003.5	2,656.3	347.2	13.1%
Reinsurance ratio	7.4%	17.4%	N/A	(10.0 pts)	10.3%	9.8%	N/A	0.5 pts
Claims ratio	51.7%	38.9%	N/A	12.8 pts	49.1%	48.6%	N/A	0.5 pts
Expense ratio	26.6%	25.1%	N/A	1.5 pts	26.3%	26.6%	N/A	(0.3 pts)
Combined ratio *	85.7%	81.4%	N/A	4.3 pts	85.7%	85.0%	N/A	0.7 pts
Life Insurance								
Annualised new premium ("ANP")	204.8	194.5	10.3	5.3%	757.6	661.0	96.6	14.6%
Expense ratio #	14.6%	10.4%	N/A	4.2 pts	12.1%	9.8%	N/A	2.3 pts
Gross written premium	846.2	818.8	27.4	3.3%	3,543.0	3,366.7	176.3	5.2%
Block persistency ratio	83.4%	81.2%	N/A	2.2 pts	84.8%	85.3%	N/A	(0.5 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 year to date

	Investment holding Individual Period Three months ended 31 December		General insurance Individual Period Three months ended 31 December		Life insurance Individual Period Three months ended 31 December		Consolidated Individual Period Three months ended 31 December	
	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	-	-	**738,530**	**677,678**	**570,976**	**476,779**	**1,309,506**	**1,154,457**
Claims and benefits	(3)	(880)	(385,806)	(269,496)	(390,628)	(336,194)	(776,437)	(606,570)
Acquisition and administrative expenses (net)	-	-	(179,130)	(152,109)	(152,845)	(110,002)	(331,975)	(262,111)
Reversal of losses on onerous contracts	-	-	3,953	6,056	1,133	4,793	5,086	10,849
Insurance service expenses	**(3)**	**(880)**	**(560,983)**	**(415,549)**	**(542,340)**	**(441,403)**	**(1,103,326)**	**(857,832)**
Net (expenses)/income from reinsurance contracts held	-	-	(54,868)	(118,064)	26,295	(2,567)	(28,573)	(120,631)
Insurance service result	**(3)**	**(880)**	**122,679**	**144,065**	**54,931**	**32,809**	**177,607**	**175,994**
Net investment income	3,225	3,352	58,965	57,282	304,976	386,623	367,166	447,257
Net (re-)insurance finance expenses	-	-	(7,507)	(5,987)	(229,236)	(324,222)	(236,743)	(330,209)
Net insurance and investment results	**3,222**	**2,472**	**174,137**	**195,360**	**130,671**	**95,210**	**308,030**	**293,042**
Other operating income	2	7	256	432	18	19	276	458
Other operating expenses	(6,219)	(3,977)	(23,206)	(21,267)	(39,517)	(25,387)	(68,942)	(50,631)
(Loss)/Profit before tax	**(2,995)**	**(1,498)**	**151,187**	**174,525**	**91,172**	**69,842**	**239,364**	**242,869**

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 year to date (continued)

	Investment holding Cumulative period Twelve months ended 31 December		General insurance Cumulative period Twelve months ended 31 December		Life insurance Cumulative period Twelve months ended 31 December		Consolidated Cumulative period Twelve months ended 31 December	
	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	-	-	**2,772,793**	**2,566,476**	**2,168,848**	**1,852,347**	**4,941,641**	**4,418,823**
Claims and benefits	(346)	(5,613)	(1,395,811)	(1,258,959)	(1,279,438)	(1,031,586)	(2,675,595)	(2,296,158)
Acquisition and administrative expenses (net)	-	-	(671,860)	(623,122)	(580,137)	(447,851)	(1,251,997)	(1,070,973)
Reversal of losses/(Losses) on onerous contracts	-	-	35,059	10,920	(4,020)	8,556	31,039	19,476
Insurance service expenses	**(346)**	**(5,613)**	**(2,032,612)**	**(1,871,161)**	**(1,863,595)**	**(1,470,881)**	**(3,896,553)**	**(3,347,655)**
Net (expenses)/income from reinsurance contracts held	-	-	(285,156)	(252,015)	56,617	(25,321)	(228,539)	(277,336)
Insurance service result	**(346)**	**(5,613)**	**455,025**	**443,300**	**361,870**	**356,145**	**816,549**	**793,832**
Net investment income	13,141	13,238	221,032	183,564	907,688	424,586	1,141,861	621,388
Net (re-)insurance finance expenses	-	-	(49,412)	(40,371)	(782,934)	(328,360)	(832,346)	(368,731)
Net insurance and investment results	**12,795**	**7,625**	**626,645**	**586,493**	**486,624**	**452,371**	**1,126,064**	**1,046,489**
Other operating income	16	27	1,042	1,197	74	84	1,132	1,308
Other operating expenses	(23,261)	(26,911)	(71,515)	(72,354)	(75,531)	(74,806)	(170,307)	(174,071)
(Loss)/Profit before tax	**(10,450)**	**(19,259)**	**556,172**	**515,336**	**411,167**	**377,649**	**956,889**	**873,726**

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 (Fourth Quarter 2023 versus Fourth Quarter 2022)

For the fourth quarter ended 31 December 2023, the Group recorded a profit before tax of RM239.4 million, a decrease of 1.4% or RM3.5 million as compared to the preceding year quarter ended 31 December 2022 of RM242.9 million.

For the quarter under review, the general insurance segment recorded a lower profit before tax of RM151.2 million, a decrease of 13.4% or RM23.3 million as compared to a profit before tax of the preceding year quarter ended 31 December 2022 of RM174.5 million. The lower profit before tax was mainly contributed by higher claims and expenses for the quarter.

For the quarter under review, the life insurance segment recorded a higher profit before tax of RM91.2 million, an increase of 30.7% or RM21.4 million as compared to a profit before tax of the preceding year quarter ended 31 December 2022 of RM69.8 million due mainly to higher net insurance and investment results from investment-linked protection business and employee benefit business, partially offset by higher other operating expenses.

For the quarter under review, the investment holding segment registered a loss before tax of RM3.0 million as compared to a loss before tax of the preceding year quarter ended 31 December 2022 of RM1.4 million due mainly to higher 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 RM956.9 million for the year ended 31 December 2023, an increase of 9.5% or RM83.2 million as compared to the preceding year ended 31 December 2022 of RM873.7 million due mainly to higher profit contribution from both insurance segments.

The general insurance segment delivered a profit before tax of RM556.2 million for the year ended 31 December 2023, an increase of 7.9% or RM40.9 million as compared to the preceding year ended 31 December 2022 of RM515.3 million. The higher profit before tax was mainly driven by higher earned premium from Motor business and higher investment income.

The life insurance segment recorded a higher profit before tax of RM411.2 million for the year ended 31 December 2023, an increase of 8.9% or RM33.6 million as compared to the preceding year ended 31 December 2022 of RM377.6 million due mainly to higher net insurance and investment results.

The investment holding segment registered a loss before tax of RM10.5 million for the year ended 31 December 2023, as compared to a loss before tax of RM19.2 million for the preceding year ended 31 December 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 31 December 2023	Immediate Preceding Quarter 30 September 2023	Changes Amount	%
Insurance revenue	1,309.5	1,306.1	3.4	0.3%
Insurance service expenses	(1,103.3)	(1,034.6)	(68.7)	(6.6%)
Net expenses from reinsurance contracts held	(28.6)	(62.1)	33.5	53.9%
Insurance service result	177.6	209.4	(31.8)	(15.2%)
Net investment income	367.2	304.0	63.2	20.8%
Net insurance and investment results	308.0	285.3	22.7	8.0%
Net other operating income and expense	(68.6)	(22.9)	(45.7)	(>100%)
Profit before tax	239.4	262.4	(23.0)	(8.8%)
Profit for the period attributable to owners of the Company	193.7	197.9	(4.2)	(2.1%)

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

The Group recorded an insurance revenue of RM1.31 billion for the quarter under review, a marginal increase of 0.3% or RM3.4 million as compared to the preceding quarter ended 30 September 2023 of RM1.31 billion.

The general insurance segment recorded an insurance revenue of RM738.5 million for the quarter under review, an increase of 4.5% or RM31.6 million as compared to the preceding quarter ended 30 September 2023 of RM706.9 million due mainly to higher gross earned premiums from motor business in the current quarter.

The life insurance segment registered an insurance revenue of RM571.0 million for the quarter under review, a decrease of 4.7% or RM28.1 million as compared to the preceding quarter ended 30 September 2023 of RM599.1 million due mainly to lower insurance revenue from investment-linked protection and saving products, offset by higher contribution from employee benefits business.

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

The Group recorded a profit before tax of RM239.4 million for the quarter under review, a decrease of 8.8% or RM23.0 million as compared to the preceding quarter ended 30 September 2023 of RM262.4 million.

The profit before tax of general insurance segment for the quarter under review of RM151.2 million, an increase of 7.1% or RM10.0 million as compared to the preceding quarter ended 30 September 2023 of RM141.2 million. The higher profit before tax was mainly contributed by lower claims from Motor business and higher investment income.

The profit before tax of life insurance segment for the quarter under review of RM91.2 million, a decrease of 26.9% or RM33.6 million as compared to the preceding quarter ended 30 September 2023 of RM124.8 million due mainly to higher claim experience from investment-linked protection business.

The investment holding segment registered a loss before tax of RM3.0 million as compared to a loss before tax of RM3.6 million in the preceding quarter ended 30 September 2023 due to lower expenses in the current quarter.

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

1. Review of results (continued)

1.7 Review of other comprehensive income

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

RM'million	Individual period Three months ended 31 December 2023	Individual period Three months ended 31 December 2022 (Restated)	Cumulative period Twelve months ended 31 December 2023	Cumulative period Twelve months ended 31 December 2022 (Restated)
Other comprehensive income/(losses), net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Net gains/(losses) on investments in debt securities measured at FVOCI	95.2	191.2	244.9	(274.8)
Net realised losses transferred to profit or loss	1.2	1.1	1.7	7.4
Tax effects thereon	(11.1)	(21.5)	(28.9)	35.3
Fair value (losses)/gains on cash flow hedge	(0.1)	5.1	(5.8)	(7.3)
Tax effects thereon	-	(0.4)	0.5	0.6
Changes in expected credit losses	(0.1)	(0.7)	-	(0.1)
Tax effects thereon	-	0.1	-	-
Finance (expenses)/income from insurance contract issued	(64.7)	(134.9)	(122.1)	182.7
Tax effects thereon	7.2	10.5	15.2	(26.3)
Finance (expenses)/income from reinsurance contract held	(0.2)	(0.1)	2.1	(22.6)
Tax effects thereon	-	-	(0.5)	5.4
Items that will not be reclassified subsequently to profit or loss				
Net gains on investments in equity instruments measured at FVOCI	16.0	39.8	3.6	0.3
Tax effects thereon	(1.3)	(3.2)	(0.3)	-
Revaluation of property, plant and equipment and right-of-use assets	4.3	-	4.3	-
Tax effects thereon	(0.4)	-	(0.4)	-
Reversal of deferred tax on revaluation surplus of land and buildings upon disposal	-	0.4	-	0.4
Total other comprehensive income/(losses) for the year, net of tax	46.0	87.4	114.3	(99.0)

The Group recorded a total OCI of RM114.3 million for the year ended 31 December 2023, an increase of RM213.3 million as compared to the total other comprehensive loss of the preceding year ended 31 December 2022 of RM99.0 million due to fair value gains from Malaysian government securities, quoted equities and unquoted corporate bonds in Malaysia, offset by movement in finance expenses from insurance contract issued, from both insurance segments for the financial year 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 31 December 2023	As at 31 December 2022 (Restated)	Changes Amount	Changes %
Total assets	25,921.9	23,989.7	1,932.2	8.1%
Total liabilities	20,781.3	19,312.5	1,468.8	7.6%
- Contractual service margin ("CSM")	3,248.2	2,931.2	317.0	10.8%
Total equity	5,140.6	4,677.2	463.4	9.9%

Total assets

As at 31 December 2023, the Group's total assets increased by RM1.93 billion to RM25.92 billion from RM23.99 billion as at 31 December 2022, mainly attributable to increase in investments for the financial year under review.

Total liabilities

As at 31 December 2023, the Group's total liabilities increased by RM1.47 billion to RM20.78 billion from RM19.31 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 31 December 2023, CSM was at RM3.25 billion, an increase of RM317.0 million from the end of 2022.The growth in CSM is contributed by new business generated, in-force movements including update in non-financial assumption offset by releases for the period.

Total equity

The Group's total equity as at 31 December 2023 increased by 9.9% or RM463.4 million to RM5.14 billion from RM4.68 billion as at 31 December 2022. This is mainly attributable to the net profit generated for the year ended 31 December 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% in the fourth quarter of 2023 (3Q 2023: 3.3%; 2Q 2023: 2.9%). Household spending remained supported by improving labour market conditions and easing cost pressures. The unemployment rate declined to the pre-pandemic level of 3.3% while the labour force participation rate was at a historic high in 2023. Meanwhile, growth in investment activity was underpinned by the progressive realisation of multi-year projects and capacity expansion by firms. In terms of monthly GDP, December recorded a growth of 1.4%, lower than November (3.8%) and October (3.9%), attributed mainly to the shorter school holiday period during the month and weaker export-oriented manufacturing sector. On a quarter-on-quarter seasonally-adjusted basis, the economy contracted by 2.1% (3Q 2023: +2.6%).Overall, the 2023 growth for the Malaysian economy normalised to 3.7%, following a strong growth registered in the previous year (2022: 8.7%). Growth moderated amid a challenging external environment.

The Group achieved strong financial performance during the financial year ended 31 December 2023 with a growth of 11.8% on insurance revenue, reaffirming its position as a leading insurance and financial services provider in Malaysia despite challenging operating environment.

The general insurance segment recorded premium growth of 13.0% for the year ended 31 December 2023 which is higher than industry growth of 7.8%. Meanwhile the life insurance segment annualised new business increased by 14.6%, outperformed the industry growth of 11.1% for the year ended 31 December 2023 with the market share of 9.8% mainly contributed from agency and employee benefit business.

All key distribution channels in both the general and life business segment have posted strong growth for 2023 with major contribution from the motor business and investment-linked protection business respectively.

Moving into 2024, the Group continues to expand its distribution channels to accelerate growth. The Group continues to pursue profitable growth through various strategic initiatives with the focus on operational scalability and efficiency to provide better services to our customers. Efforts will also be dedicated to product portfolio to ensure product offerings continually meet the needs of customers. There has also been a continued effort within the Group to promote digital innovation. The Group expects to continue a positive trajectory by continuing the momentum of the current year. Both subsidiaries are expected to build on the success of the last two years and continue to achieve new heights.

3. Profit forecast

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

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

4. Net investment income

	Individual period Three months ended 31 December		Cumulative period Twelve months ended 31 December	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Investment income from financial assets not measured at FVTPL	131,371	107,067	518,588	489,181
Interest revenue on financial assets not measured at FVTPL	132,590	108,194	520,291	496,601
- Interest income	135,950	126,554	520,387	479,473
- Interest expense	(1,068)	(1,045)	(4,680)	(4,518)
- Other investment (expense)/income	(2,292)	(17,315)	4,584	21,646
Net losses on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	(1,219)	(1,127)	(1,703)	(7,420)
- Realised gains	243	254	9,878	3,207
- Realised losses	(1,462)	(1,381)	(11,581)	(10,627)
Net credit impairment gains on financial assets	68	666	41	43
Net investment income - not measured at FVTPL	131,439	107,733	518,629	489,224
Net gains/(losses) on FVTPL investments	211,658	304,578	475,705	(10,118)
- Interest income	64,072	57,240	244,332	216,198
- Realised gains	247	4,962	4,065	8,561
- Other investment income	820	495	2,734	1,839
- Fair value gains/(losses)	146,519	241,881	224,574	(236,716)
Net investment income/(expenses) - other investment	211,658	304,578	475,705	(10,118)
Dividend income	24,069	34,946	147,527	142,282
- Dividend income not measured at FVTPL	3,540	7,763	28,695	30,630
- Dividend income measured at FVTPL	20,529	27,183	118,832	111,652
Total net investment income	367,166	447,257	1,141,861	621,388

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

Malaysian government securities	54,811	48,991	210,598	181,943
Malaysian government guaranteed bonds	22,962	24,407	93,645	96,326
Unquoted bonds of corporations in Malaysia	41,291	40,385	161,889	157,489
Unquoted bonds of corporations outside Malaysia	907	920	3,733	3,695
Fixed and call deposits with licensed financial institutions	11,511	7,279	36,838	22,692
Other investments	(111)	(14,915)	11,885	27,036
Investment income from financial assets not measured at FVTPL	131,371	107,067	518,588	489,181

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

4. Net investment income (continued)

	Individual period Three months ended 31 December		Cumulative period Twelve months ended 31 December	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Malaysian government securities	61,352	92,367	157,618	27,080
Malaysian government guaranteed bonds	22,717	39,061	76,988	12,854
Quoted equity securities of corporations in Malaysia	64,523	107,978	45,728	(24,921)
Quoted equity securities of corporations outside Malaysia	1,524	283	4,323	951
Quoted unit trusts in Malaysia	127	68,290	4,760	(158)
Unquoted unit trusts in Malaysia	(2,395)	5,041	8,126	(3,272)
Unquoted unit trusts outside Malaysia	20,223	(54,360)	18,024	(55,251)
Unquoted bonds of corporations in Malaysia	34,544	36,397	137,716	29,534
Fixed and call deposits with licensed financial institutions	3,771	3,806	13,847	10,573
Other investments	661	367	2,869	1,712
Derivative financial assets/liabilities:				
Collateralised interest rate swap	4,409	5,118	4,947	(10,070)
Cross currency swap	202	230	759	850
Net gains/(losses) on FVTPL investments	211,658	304,578	475,705	(10,118)
Quoted equity securities of corporations in Malaysia	2,859	6,519	28,014	29,386
Unquoted equity securities of corporations in Malaysia	681	1,244	681	1,244
Dividend income not measured at FVTPL	3,540	7,763	28,695	30,630
Quoted equity securities of corporations in Malaysia	11,006	19,950	88,772	83,466
Quoted equity securities of corporations outside Malaysia	319	3	7,360	1,461
Quoted unit trusts in Malaysia	1,506	2,927	6,344	11,779
Unquoted unit trusts in Malaysia	7,698	4,303	16,356	14,946
Dividend income measured at FVTPL	20,529	27,183	118,832	111,652
Malaysian government securities	1	(82)	(97)	(108)
Malaysian government guaranteed bonds	24	6	80	(101)
Unquoted bonds of corporations in Malaysia	53	744	119	229
Fixed and call deposits with licensed financial institutions	(12)	6	(90)	43
Other investments	2	(8)	29	(20)
Net credit impairment gains on financial assets	68	666	41	43
Total interest revenue and investment income	367,166	447,257	1,141,861	621,388

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

5. Profit before tax

Profit before tax for the current quarter and financial year under review is arrived at after charging/(crediting):

	Individual period Three months ended 31 December 2023 RM'000	Individual period Three months ended 31 December 2022 RM'000 (Restated)	Cumulative period Twelve months ended 31 December 2023 RM'000	Cumulative period Twelve months ended 31 December 2022 RM'000 (Restated)
Amortisation of intangible assets	8,827	7,273	28,092	26,735
Depreciation of property, plant and equipment	4,685	4,491	16,201	16,013
Depreciation of right-of-use assets	3,815	5,275	20,745	21,136
Impairment of property, plant and equipment	60	-	60	-
Reversal for impairment loss on receivables	(6,126)	(7,306)	(3,455)	(28,142)
Bad debts recovered on LRC receivables	(16)	(5)	(26)	(52)
Bad debts written off on LRC receivables	2,798	-	2,798	-
Bad debts written off on receivables	-	-	-	69
Interest on lease liabilities	272	142	753	791
Interest income	(200,022)	(183,794)	(764,719)	(695,671)
Interest expenses	1,068	1,045	4,680	4,518
Property, plant and equipment written off	233	3	448	270
Unrealised foreign exchange (gains)/losses	(11,580)	4,084	(18,322)	(7,056)

6. Tax expense

	Individual period Three months ended 31 December 2023 RM'000	Individual period Three months ended 31 December 2022 RM'000 (Restated)	Cumulative period Twelve months ended 31 December 2023 RM'000	Cumulative period Twelve months ended 31 December 2022 RM'000 (Restated)
Profit before tax	239,364	242,869	956,889	873,726
Tax expense				
Income tax	74,354	79,941	179,207	196,877
Deferred tax	(28,681)	(10,532)	46,774	63,178
Total tax expense	45,673	69,409	225,981	260,055
Effective tax rate	19%	29%	24%	30%

The Group's consolidated effective tax rate for the financial year under review is close to the statutory tax rate of 24% (2022: 24%). Lower effective tax rate compared to previous year due mainly to impact of Cukai Makmur for Year of Assessment 2022 (one-off tax of 33% that had imposed on chargeable income in excess of RM100 million (2023: 24%)).

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 year 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 31 December		Cumulative period Twelve months ended 31 December	
		2023	2022 (Restated)	2023	2022 (Restated)
Profit attributable to ordinary shareholders	(RM'000)	193,691	173,460	730,908	613,671
Adjustment:					
- Preference dividends declared		(139,300)	(139,300)	(202,893)	(171,603)
Adjusted profit attributable to ordinary shareholders		54,391	34,160	528,015	442,068
Weighted average number of ordinary shares in issue	('000)	177,969	177,511	177,969	177,911
Basic earnings per ordinary share	(sen)	30.56	19.24	296.69	248.48

(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 31 December		Cumulative period Twelve months ended 31 December	
		2023	2022 (Restated)	2023	2022 (Restated)
Profit attributable to ordinary shareholders	(RM'000)	193,691	173,460	730,908	613,671
Weighted average number of ordinary shares in issue	('000)	177,969	177,511	177,969	177,911
Effect of conversion of ICPS	('000)	168,237	168,237	168,237	168,237
Diluted weighted average number of ordinary shares during the year	('000)	346,206	345,748	346,206	346,148
Diluted earnings per ordinary share	(sen)	55.95	50.17	211.12	177.29

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

11. Dividend

The Board of Directors of the Company has declared the following first single tier interim dividends for the financial year ended 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

The Board of Directors of the Company has also declared the following second single tier interim dividends for the financial year ended 31 December 2023 which were paid on 8 February 2024 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 24 January 2024:

(a) 69.0 sen per ordinary share; and
(b) 82.8 sen per ICPS

The Board of Directors have not recommended any payment of final dividend for the financial year ended 31 December 2023.

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 year ended 31 December 2023 (2022: no transfer in either direction).

The carrying amounts of mortgage loans, other secured loans and 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 31 December 2023	**Fair value of financial instruments carried at fair value**				**Total**	**Carrying**
	Level 1	**Level 2**	**Level 3**	**Total**	**fair value**	**amount**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets						
Malaysian government securities	-	8,922,906	-	8,922,906	8,922,906	8,922,906
Malaysian government guaranteed bonds	-	3,161,120	-	3,161,120	3,161,120	3,161,120
Quoted equity securities of corporations in Malaysia	3,129,958	-	-	3,129,958	3,129,958	3,129,958
Quoted equity securities of corporations outside Malaysia	88,998	-	-	88,998	88,998	88,998
Unquoted equity securities of corporations in Malaysia	-	-	14,511	14,511	14,511	14,511
Unquoted bonds of corporations in Malaysia	-	6,012,173	-	6,012,173	6,012,173	6,012,173
Unquoted bonds of corporations outside Malaysia	-	106,385	-	106,385	106,385	106,385
Quoted unit trusts in Malaysia	90,911	-	-	90,911	90,911	90,911
Unquoted unit trusts in Malaysia	-	479,451	-	479,451	479,451	479,451
Unquoted unit trusts outside Malaysia	-	305,435	-	305,435	305,435	305,435
Collateralised interest rate swap	-	16,857	-	16,857	16,857	16,857
Cross currency swap	-	171	-	171	171	171
Commercial paper	-	4,957	-	4,957	4,957	4,957
Other investments	-	-	14,772	14,772	14,772	14,772
Fixed deposits with licensed banks	-	368,775	352,106	720,881	720,881	720,881
	3,309,867	19,378,230	381,389	23,069,486	23,069,486	23,069,486
Financial liabilities						
Cross currency swap	-	4,875	-	4,875	4,875	4,875
	-	4,875	-	4,875	4,875	4,875

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. (continued)

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	-	7,372,304	-	7,372,304	7,372,304	7,372,304
Malaysian government guaranteed bonds	-	3,542,427	-	3,542,427	3,542,427	3,542,427
Quoted equity securities of corporations in Malaysia	2,558,921	-	-	2,558,921	2,558,921	2,558,921
Quoted equity securities of corporations outside Malaysia	155,513	-	-	155,513	155,513	155,513
Unquoted equity securities of corporations in Malaysia	-	-	10,232	10,232	10,232	10,232
Unquoted bonds of corporations in Malaysia	-	5,681,248	-	5,681,248	5,681,248	5,681,248
Unquoted bonds of corporations outside Malaysia	-	100,446	-	100,446	100,446	100,446
Quoted unit trusts in Malaysia	70,463	-	-	70,463	70,463	70,463
Unquoted unit trusts in Malaysia	-	567,640	-	567,640	567,640	567,640
Unquoted unit trusts outside Malaysia	-	226,104	-	226,104	226,104	226,104
Collateralised interest rate swap	-	16,590	-	16,590	16,590	16,590
Cross currency swap	-	2,406	-	2,406	2,406	2,406
Other investments	-	-	19,796	19,796	19,796	19,796
Fixed deposits with licensed banks	-	12,746	11,582	24,328	24,328	24,328
	2,784,897	17,521,911	41,610	20,348,418	20,348,418	20,348,418
Financial liabilities						
Cross currency swap	-	1,293	-	1,293	1,293	1,293
	-	1,293	-	1,293	1,293	1,293

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 31 December 2023	Nominal value				Assets				Liabilities			
	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000
Derivatives held for trading at FVTPL												
Collateralised interest rate swap	-	-	400,000	400,000	-	-	16,857	16,857	-	-	-	-
Cross currency swap	-	56,697	42,043	98,740	-	171	-	171	-	3,912	963	4,875
Total	-	56,697	442,043	498,740	-	171	16,857	17,028	-	3,912	963	4,875

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	-	-	16,590	16,590	-	-	-	-
Cross currency swap	-	8,037	90,703	98,740	-	671	1,735	2,406	-	-	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)

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

As at 31 December 2023, the Group has positions in the following types of derivative financial instruments:

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

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

Market Risk

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

Credit Risk

Credit risk is the risk of a financial loss if the counterparties to the derivative financial instruments fail to meet its contractual obligations. As at the reporting date, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM17,028,000 (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 RM5,967,000 (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
26 February 2024