Registration No.

200701032867 (790895-D)

AIA BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the annual audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of life insurance business, including investment-linked business.

The principal activities and the details of the subsidiaries are stated in Note 8 to the financial statements. There have been no significant changes in these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit after tax for the financial year	463,295	407,146

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The COVID-19 pandemic and associated economic impact continue posing challenges and uncertainties to the Malaysian economy and insurance industry. The Company has been taking necessary and thoughtful steps to strengthen its business resilience and adjust its operating models in managing the business in a very different market and dynamic operating landscape as concerns on job security remain heightened and consumers will be more cautious on their spending.

In considering the recent spike of COVID-19 cases, the Malaysian Government has re-imposed Movement Control Order ("MCO") from 13 January 2021 to 4 March 2021. It is certainly an expectation that economic activities will take some time to recover. Amid the uncertainties in current economic environment to support business expansion, the Company will continue to monitor the situation and remains vigilant and cautious in managing operating costs, business growth and risk profile of our portfolio.

SUBSEQUENT EVENT

On 11 November 2020, the Directors of the Company had approved the acquisition of equity interest of RM105 million in AIA PUBLIC Takaful Bhd. ("APTB") of which upon the completion of the capital injection exercise, the Company's investments in APTB will increase from RM210 million to RM315 million, maintaining a 70% effective interest in APTB. The Company had notified Bank Negara Malaysia of the proposed acquisition on 1 March 2021.

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

The amount of dividends declared and paid by the Company since the end of the previous financial year was as follows:

In respect of the financial year ended 31 December 2019:

	RM'000
Final single tier dividend of 135.52% (RM1.3552 per ordinary share) on 191,859,543 ordinary shares, paid on 12 August 2020 and 14 August 2020	260,000

The Directors have not recommended any final dividend to be paid for the current financial year under review.

SHARE CAPITAL

There were no changes in the issued share capital of the Company during the financial year.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Ching Yew Chye @ Chng Yew Chye (Chairman)
Dr. Chong Su-Lin
Ching Neng Shyan
Tan Hak Leh
Mahani binti Amat
Mohd Daruis bin Zainuddin (retired on 11 March 2020)
Shulamite N K Khoo (resigned on 21 February 2020)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration in Note 30) by reason of a contract made by the Company or a related corporation with any Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS AND DEBENTURES

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Number of ordinary shares			
	As at 1 January 2020	Acquired	Disposed	As at 31 December 2020
AIA Group Limited				
Indirect Interest				
Ching Yew Chye @ Chng Yew Chye	217,000	-	-	217,000
Tan Hak Leh	3,656	143,935	144,241	3,350

	Number of matching restricted stock purchase unit over ordinary shares under Employee Share Purchase Plan			
	As at 1 January 2020	Granted	Vested	As at 31 December 2020
AIA Group Limited				
Tan Hak Leh	1,886	774	985	1,675

	Number of restricted share units over ordinary shares			
	As at 1 January 2020	Granted	Vested	As at 31 December 2020
AIA Group Limited				
Tan Hak Leh	287,577	-	561	287,016

	Number of share options over ordinary shares			
	As at 1 January 2020	Granted	Exercised	As at 31 December 2020
AIA Group Limited				
Tan Hak Leh	-	495,812	71,303	424,509

Matching restricted stock purchase units, restricted share units and share options are granted to certain employees, Directors and Officers of the Company under the Employee Share Purchase Plan, Restricted Share Unit Scheme and Share Option Scheme of AIA Group Limited respectively. Details of the employee share purchase plan, restricted share units and share options are set out in Note 40 to the financial statements.

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

At the date of the statements of financial position, the immediate holding company of the Company is Orange Policy Sdn. Bhd. ("OPSB"), whose ultimate holding company is AIA Group Limited ("AIA Group"), a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") is satisfied that, the Company has complied with all the prescriptive requirements of, and adopts the Corporate Governance Policy Document, issued by Bank Negara Malaysia ("BNM").

(A) BOARD OF DIRECTORS

The brief profile of the Directors in office during the financial year and during the period from the end of the financial year to the date of the report are as follows:

1. Ching Yew Chye @ Chng Yew Chye (Chairman)
   Independent Non-Executive Director

   Mr Ching holds a Bachelor of Science (Honours) degree from the University of London, UK. Mr Ching has extensive consulting experience in retail and commercial banking as well as capital markets. Between 1997 and 2007, Mr. Ching assumed various regional senior management roles in Accenture, including the roles of Managing Partner of the Financial Services Industry Group-Asia, Geographic Council Chairman-Asia and Managing Partner for the South Asia Region.

2. Mohd Daruis bin Zainuddin (retired on 11 March 2020)
   Independent Non-Executive Director

   Encik Mohd Daruis is a Fellow of the Association of Chartered Certified Accountants as well as a Member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia. He is the Sole Practitioner in an audit firm MDZ & Co. Encik Daruis was with PricewaterhouseCoopers Malaysia between 1974 and 2004, when he held the position of Senior Partner. He was also a Member of the ACCA Malaysian Advisory Committee and Dewan Perniagaan Islam Malaysia Negeri Johor.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The brief profile of the Directors in office during the financial year and during the period from the end of the financial year to the date of the report are as follows: (continued)

3. Dr. Chong Su-Lin
Independent Non-Executive Director

Dr. Chong is a graduate from the Royal Free Hospital School of Medicine, London. She began her career in the National Health Services, UK, following which she took an MBA at the London Business School. This was followed by two years with Cambridge Pharma Consultancy, specialising in the field of pharmaco-economics. She has also served as Chief Executive Officer of Sunway Medical Centre Berhad and Prince Court Medical Centre Sdn. Bhd.

4. Ching Neng Shyan
Independent Non-Executive Director

Mr. Ching is a Fellow of the Institute of Chartered Accountants in England and Wales as well as a Member of the Malaysian Institute of Accountants. He holds a Master of Business Administration from Universiti Sains Malaysia and was the Managing Director of Kennedy, Burkill & Company Berhad from 2008 until 2019. Mr. Ching had worked with Pannell Kerr Forster, Chartered Accountants in Liverpool, England and Ernst & Young in Malaysia.

5. Tan Hak Leh
Executive Director

Mr Tan is the Regional Chief Executive responsible for AIA Group's business operating in Singapore, Brunei, Malaysia, Cambodia, Myanmar and Indonesia. Mr. Tan was the Chief Executive Officer of AIA's operation in Thailand from 2016 to 2020, AIA Group Chief Risk Officer in 2015 and Chief Executive Officer of AIA's operation in Singapore from 2011 to 2015. Prior to joining AIA Group, Mr. Tan was the Chief Executive Officer of Great Eastern Life, Singapore. Prior to joining Great Eastern Life, Mr. Tan was the Director of the Insurance Department of the Monetary Authority of Singapore. Mr. Tan has played an active role in the life insurance industry since 2005. His appointments include: President of the Life Insurance Association (LIA), Singapore from 2010 to 2013 and Vice Chair of Singapore College of Insurance from 2011 to 2013 and Vice President of Thailand Life Assurance Association from 2017 to 2019. He was also a Board member of Financial Industry Disputes Resolution Centre Ltd from 2008 to 2015.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The brief profile of the Directors in office during the financial year and during the period from the end of the financial year to the date of the report are as follows: (continued)

6. Mahani binti Amat
Independent Non-Executive Director

Mahani holds a Bachelor of Economics (majoring in Business Administration) from University of Malaya. She has over 27 years of working experience in the banking industry. She began her career with Bank Negara Malaysia in 1977 where she spent 7 years in Reserves Management. In 1984, she moved on to RHB Bank in Singapore and held various positions in the Treasury and Offshore Banking, and Consumer Banking. She returned to RHB Bank Kuala Lumpur in 2001, where she held senior management positions in premium banking and international divisions, up to her last designation in 2004 as the Executive Vice President of operations and services. Currently, she also serves as an Independent Director on three public listed companies on the Main Market of Bursa Securities, namely Unisem (M) Bhd, Scicom (MSC) Bhd and Leong Hup International Berhad. She is also an Independent Non-Executive Director of J.P. Morgan Chase Bank Berhad.

7. Shulamite N K Khoo (resigned on 21 February 2020)
Non-Independent Non-Executive Director

Ms Shu Khoo is a Chartered Fellow of the Chartered Institute of Personnel and Development since 2013 and previously a member of the International Advisory Panel of the Singapore Public Service Division from 2011 to 2019. She gained her Bachelor of Science degree from University of Toronto, Canada in 1983. She was previously the Group Chief Human Resource Officer of AIA Group Limited and a member of AIA Group's Executive Committee. Prior to joining AIA Group in 2011, Ms Shu Khoo was the Group Executive Vice President and Global Head of Human Resources of AXA Group SA. Between 1984 and 2004, she has served in different roles as Regional Head of Human Resource of Asia of Prudential Corporation Asia, as well as Head of Human Resource, Head of Insurance Operations and Head of Underwriting and Claims of Prudential Singapore.

In promoting independent oversight by the Board, the tenure limit for Independent Directors is nine (9) years from the date of the Director's initial appointment. The Board is also discouraged from having more than eight (8) Directors. However, a maximum of ten (10) Directors may be allowed provided the additional Directors are Independent Directors.

During the financial year, a total number of twenty-seven (27) Board and Board Committee Meetings were held, as set out below:

	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Board
Number of meetings	6	4	6	2	9

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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The Directors' attendance to the Board and Board Committee Meetings during the financial year was as follows:

Name of Director	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Board Meetings
Ching Yew Chye @ Chng Yew Chye	6/6	4/4	6/6	2/2	9/9
Mohd Daruis bin Zainuddin (retired on 11 March 2020)	1/1	1/1	1/1	1/1	1/1
Dr. Chong Su-Lin	N/A	4/4	6/6	2/2	9/9
Shulamite N K Khoo (resigned on 21 February 2020)	1/1	N/A	1/1	1/1	1/1
Ching Neng Shyan	6/6	4/4	6/6	2/2	9/9
Tan Hak Leh	N/A	N/A	6/6	N/A	9/9
Mahani binti Amat	6/6	4/4	6/6	2/2	9/9
Ching Yew Chye @ Chng Yew Chye	6/6	4/4	6/6	2/2	9/9

The Board is responsible for the overall governance of the Company and discharges this responsibility through compliance with the FSA and Corporate Governance Policy Document issued by BNM and other directives, in addition to adopting other best practices on corporate governance.

The Board has an overall responsibility to lead the Company, including setting the strategic future direction, review viability of the corporate objective and overseeing the conduct and performance of business.

As at the date of the report, the Board comprises four Independent Non-Executive Directors and one Executive Director to enable a balanced and objective consideration of issues, hence facilitating optimal decision-making.

The Board met nine times during the financial year, seven of which were scheduled and two Special Board Meetings. All Directors in office at the end of the financial year complied with the 75% minimum attendance requirement at such meeting.

** N/A – Not Applicable (Not a Member)*

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The Members of the Board had attended briefings, conferences, seminars and trainings during the financial year, which include the following:

No.	Description
1.	Strategies and Budget Session with Management.
2.	Risk Management & Internal Control System.
3.	FIDE Board Simulation Exercise, Insurance group.
4.	Discovering the Technical and Practical Application of Beneficial Ownership Framework
5.	Business Banking & Personal Financial Services Business Presentation.
6.	Technology Risk Management Briefing.
7.	Corporate Board Leadership Symposium 2020: Sustainability and Digitalisation – A New Normal
8.	New Era of Corporate Liability under Malaysian Anti Bribery Laws
9.	Transaction Banking Business Presentation.
10.	Digital Banking: Why Does it Matter?
11.	COVID-19 & Current Economic Reality: Implications for Financial Stability
12.	COVID-19: Now. Next. Beyond.
13.	Has COVID-19 Led to an Increase in RegTech Demand?
14.	ESG Trends & Regulatory Developments
15.	Understanding the Revisions to IFRS 17: Doing More with Less
16.	Financial Institutions Directors' Education (FIDE) Core Programme Module A
17.	Financial Institutions Directors' Education (FIDE) Core Programme Module B
18.	Risks: A Fresh Look From The Board's Perspective
19.	Digital Financial Institutions Series: Managing Virtual Banking and Insurance Businesses
20.	Anti-Money Laundering/Combating the Financing of Terrorism & Anti Corruption Update
21.	Cyber Security Awareness Update
22.	Training on Environmental Social Governance
23.	Digital Financial Institutions Series: Fidor's Experience.
24.	Sharing Session on IFRS17 and its implications to Products and Industry
25.	Annual Dialogue with the Governor of Bank Negara Malaysia
26.	Technical Update IFRS 2020
27.	Focus Group Discussion: Board Effectiveness Evaluation Project.
28.	Malaysian Institute of Accountants Series: IFRS/MFRS9
29.	Seminar on the Board's Leadership in Greening the Financial Sector

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The Members of the Board had attended briefings, conferences, seminars and trainings during the financial year, which include the following: (continued)

No.	Description
30.	Green Fintech: Ping An's Journey to Becoming a top ESG-Performing Financial Institution
31.	Training on the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001: Risk, Challenges, Governance & Transparency in Managing Business & Compliance
32.	2021 Budget Seminar

The Members of the Board were also regularly updated on the issuance of new related FSA and regulations as well as the requirements to be observed both by the Company and Directors.

The Company provides an in-house orientation to newly appointed Directors and the Directors may request trainings on specific subjects in facilitating the Directors to discharge their duties effectively. On an annual basis, the Nominating Committee ("NC") will conduct annual review of trainings attended by the Directors during each financial year.

To support sound corporate governance and processes, the Board formed various Board Committees namely the Nominating Committee, the Remuneration Committee, the Risk Management Committee and the Audit Committee ("the Committees") in accordance with the requirements of BNM's Corporate Governance Policy Document.

The roles and members of the Committees are as provided below.

Nominating Committee

As at the date of this report, the NC comprises five (5) members as follows:

Dr. Chong Su-Lin	Chairperson (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
Ching Neng Shyan	Member (Independent Non-Executive)
Mahani binti Amat	Member (Independent Non-Executive)
Tan Hak Leh	Member (Executive)

The objective of the NC is to establish a documented, formal and transparent procedure for the appointment of Directors, CEO and Key Senior Officers ("KSOs") and to assess the effectiveness of individual directors, the Board as a whole (including various committees of the Board), CEO and KSOs on an on-going basis.

The principal duties and responsibilities of the NC are:

(a) establishing the minimum requirements of the Directors and senior management at the time of appointment and on a continuing basis;

(b) ensuring that the composition of the board and the designated board-level committee should include at least a member with technology experience and competencies;

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Nominating Committee (continued)

The principal duties and responsibilities of the NC are: (continued)

(c) establishing and regularly reviewing succession plans for senior management and the Board to promote the Board's renewal and address any vacancies;

(d) establishing a rigorous process for the appointment and removal of Directors and senior management. The process must involve the assessment of candidates against the minimum requirements as set out in the Corporate Governance Policy Document to maintain the engagement between a candidate and the Committee and to ascertain the suitability of each candidate for the Board;

(e) assessing against the minimum requirements for each senior management and Director on an annual basis, and as and when the Board becomes aware of information that may materially compromise the individual/Director's fitness and propriety, or any circumstance that suggests that the Director is ineffective, errant or otherwise unsuited to carry out his responsibilities;

(f) recommending and assessing the appointment and reappointment of Directors and senior management as per the minimum requirements as set out in the Corporate Governance Policy Document before an application for approval is submitted to BNM;

(g) assessing the Board and the Board Committees in terms of the appropriate size that promotes effective deliberation and encourages the active participation of all Directors and allows the work of the various Board Committees to be discharged without giving rise to an over-extension of Directors that are required to serve on multiple Board Committees;

(h) assessing the performance and effectiveness of the Board, the Board Committees and individual Directors. This is important to enable the Board to identify areas for professional development and process improvements, having regard to the changing needs of the Company; and

(i) overseeing the effective implementation of the transfer of knowledge of expatriates to local employees.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Remuneration Committee

As at the date of this report, the Remuneration Committee ("RC") comprises four (4) members as follows:

Dr. Chong Su-Lin	Chairperson (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
Ching Neng Shyan	Member (Independent Non-Executive)
Mahani binti Amat	Member (Independent Non-Executive)

The objective of the RC is to provide a formal and transparent procedure for developing a remuneration policy for Directors, CEO and KSOs and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

The principal duties and responsibilities of the RC are to review and assess:

(a) the remuneration policy of the Company which must be approved by the Board and subject to periodic Board's review, including when material changes are made to the policy;

(b) the remuneration for each Director, members of senior management and other material risk taker must be approved by the Board annually. The Company must maintain and regularly review a list of officers who fall within the definition of "other material risk takers";

(c) the overall remuneration system for the Company which must:

  (i) be subject to the Board's active oversight to ensure that the system operates as intended;
  (ii) be in line with the business and risk strategies, corporate values and long-term interests of the Company;
  (iii) promote prudent risk-taking behaviour and encourage individuals to act in the interests of the Company as a whole, taking into account the interests of its customers; and
  (iv) be designed and implemented with input from the control functions and the Board's Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Remuneration Committee (continued)

The principal duties and responsibilities of the RC are to review and assess: (continued)

(d) the remuneration for individuals which must be aligned with prudent risk-taking. Hence, remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that:

(i) remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgment;
(ii) the size of the bonus pool is linked to the overall performance of the Company;
(iii) incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Company;
(iv) bonuses are not guaranteed, except in the context of sign-on bonuses; and
(v) for members of senior management and other material risk takers:
- a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business-unit and institution-wide measures that adequately assess performance; and
- the variable portion of remuneration increases along with the individual's level of accountability.

(e) the remuneration payout schedules which must reflect the time horizon of risks and take account of the potential for financial risks to crystallise over a longer period of time. As such, the Company must adopt a multi-year framework to measure the performance of members of senior management and other material risk takers. Such a framework must provide for:

(i) the deferment of payment of a portion of variable remuneration to the extent that risks are realised over long periods, with these deferred portions increasing along with the individual's level of accountability;
(ii) the calibration of an appropriate mix of cash, shares, share-linked instruments, and other forms of remuneration to reflect risk alignment; and
(iii) adjustments to the vested and unvested portions of variable remuneration (through malus, clawbacks and other reversals or downward revaluations of awards) in the event of bad performance of the business unit or institution attributable to the individual or if he commits serious legal, regulatory or internal policy breaches.

(f) the incentive structure to ensure that:

(i) variables used to measure risk and performance outcomes of an individual relate closely to the level of accountability of that individual;
(ii) the determination of performance measures and variable remuneration considers that certain indicators (such as share prices) may be influenced in the short term by factors like market sentiment or general economic conditions which are not specifically related to the Company's performance or an individual's actions, and the use of such indicators does not create incentives for individuals to take on excessive risk in the short term; and
(iii) members of senior management and other material risk takers commit not to undertake activities (such as personal hedging strategies and liability-related insurance) that will undermine the risk alignment effects embedded in their remuneration.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Risk Management Committee

As at the date of this report, the Risk Management Committee ("RMC") comprises four (4) members as follows:

Mahani binti Amat	Chairperson (Independent Non-Executive)
Ching Neng Shyan	Member (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
Dr. Chong Su-Lin	Member (Independent Non-Executive)

The objective of the RMC is to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that an appropriate risk management process is in place and functioning effectively. Risk Management Committee is also the designate board-level committee to oversee technology related matters and frameworks, ensure that risk assessments undertaken to material technology applications submitted to BNM are robust and comprehensive and to deliberate the outcome of Data Centre Risk Assessment and Network Resilience and Risk Assessment.

The principal duties and responsibilities of the RMC are:

(a) ensuring that the Company's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities;

(b) providing effective oversight of senior management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework;

(c) ensuring senior management oversight in the day-to-day management of the financial institution's activities is consistent with the risk strategy, including the risk appetite and policies approved by the Board;

(d) ensuring that the risk management framework enables the identification, measurement and continuous monitoring of all relevant and material risks on a group and firm-wide basis, supported by robust management information systems that facilitate the timely and reliable reporting of risks and the integration of information across the institution. The sophistication of the Company's risk management framework must keep pace with any changes in the institution's risk profile (including its business growth and complexity) and the external risk environment;

(e) ensuring that the risk management is well-integrated throughout the organisation and embedded into the culture and business operations of the institution;

(f) establishing an independent senior risk executive role (chief risk officer or its equivalent) with distinct responsibility for the risk management function and the institution's risk management framework across the entire organisation. The executive must have sufficient stature, authority and seniority within the organisation to meaningfully participate in and be able to influence decisions that affect the Company's exposures to risk;

(g) establishing and maintaining an effective risk management function with sufficient authority, stature, independence, resources and access to the Board;

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Risk Management Committee (continued)

The principal duties and responsibilities of the RMC are: (continued)

(h) effectively implementing the risk management framework that is reinforced with an effective compliance function and subjected to an independent internal audit review;

(i) ensuring that the Company has appropriate mechanisms in place for communicating risks across the organisation and for reporting risk developments to the Board and senior management;

(j) ensuring that the executive remuneration is aligned with prudent risk-taking and appropriately adjusted for risks. The Board must actively oversee the institution's remuneration structure and its implementation, and must monitor and review the remuneration structure to ensure that it operates as intended;

(k) ensuring that the Board and senior management are aware of and understand the Company's operational and organisational structure and the risks it poses and be satisfied that it is not overly complex or opaque such that it hampers effective risk management by the Company;

(l) ensuring that the Board and senior management understand the purpose, structure and unique risks of operations when the Company operates through special-purpose structures. Appropriate measures must be undertaken to mitigate the risks identified;

(m) exercising oversight over its subsidiaries with appropriate established processes to monitor the subsidiaries' compliance to the Group's risk management policies;

(n) establishing and approving the technology risk appetite and risk tolerance;

(o) overseeing the adequacy of the Company's IT and cybersecurity strategic plans covering a period of no less than three years;

(p) overseeing the effective implementation of a sound and robust technology risk management framework and cyber resilience framework; and

(q) discussing cyber risks and related issues, including the strategic and reputational risks associated with a cyber-incident.

Audit Committee

As at the date of this report, the Audit Committee ("AC") comprises three (3) members as follows:

Ching Neng Shyan	Chairman (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Indpendent Non-Executive)
Mahani Binti Amat	Member (Independent Non-Executive)

The primary objective of the AC is to ensure the integrity and transparency of the financial reporting process.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Audit Committee (continued)

The principal duties and responsibilities of the AC are:

(a) ensuring that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;

(b) reviewing and concurring the annual audit plan, audit charter and annual budget of the internal audit department and the appointment of the external auditors;

(c) ensuring that internal audit staff have free and unrestricted access to the Company's records, assets, personnel or processes relevant to and within the scope of the audits;

(d) reviewing and concurring with the appointment, removal and remuneration of the external auditors recommended by Group Audit Committee;

(e) reviewing various relationships between the external auditors and the Company or any other entity that may impair or appear to impair the external auditors' judgement or independence in respect of the Company;

(f) investigating reasons for any request made by management to dismiss the external auditor, or any resignation by the external auditor and disclosing the full Board and the Group Audit Committee the results of the investigation together with the Audit Committee's recommendations on proposed actions to be taken;

(g) maintaining regular, timely, open and honest communication with the external auditors, and require the external auditors to report to the AC on significant matters;

(h) reviewing with the external auditors that appropriate audit plans are in place and the scope of the audit plans reflect the terms of the engagement letter;

(i) reviewing with the external auditors on the financial statements (before the audited financial statements are presented to the Board) and discussing the findings and issues arising from their work done, including but not limited to, any opinions or qualifications, significant/material changes and fluctuations reported therein;

(j) audit reports, including obligation reports to BNM and discuss the findings and issues arising from the external audit;

(k) ensuring that management's remediation efforts with respect to all findings and recommendations are resolved effectively and in a timely manner;

(l) approving the provision of non-audit services by the external auditors and ensuring that the level of provision of non-audit services is compatible with maintaining auditor independence;

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Audit Committee (continued)

The principal duties and responsibilities of the AC are: (continued)

(m) reviewing the Chairman's statement, interim financial reports, preliminary announcements and corporate governance disclosures in the Directors' Report (where applicable);

(n) reviewing any related party transactions and conflicts of interest situations that may arise including any transaction, procedure or conduct that raises questions of management integrity;

(o) ensuring that the Company's accounts are prepared and published in a timely and accurate manner for regulatory, management and general reporting purposes;

(p) monitoring compliance with the Board's conflict of interest policy which would include monitoring the items set out below:

- (i) identifying circumstances which constitute or may give rise to conflicts of interests;
- (ii) clearly defining the process for Directors to keep the Board informed on any change of circumstances that may give rise to a conflict of interest;
- (iii) identifying those responsible for maintaining updated records on each Director's conflicts of interest; and
- (iv) articulating how any non-compliance with the policy will be addressed.

(q) reviewing third-party opinions on the design and effectiveness of the Company's internal control framework.

The AC has the authority to investigate any matter within its terms of reference and has unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Company.

During the financial year, the AC members have met twice with the external auditors without the presence of the management.

(B) MANAGEMENT ACCOUNTABILITY

The Company has an organisational structure that clearly establishes the job descriptions, authority limits and other operating boundaries of each management and executive employees and formal performance appraisal is done annually. Information is effectively communicated to the relevant employees within the Company. The Company has a formal and transparent procedure for developing policy on executive remuneration. None of the Directors and senior management of the Company has, in any circumstances, conflict of interest referred to in Sections 54 and 55 of the FSA.

The management meets all prescriptive requirements under this section, and has already adopted best practices in the areas of organisational structure and allocation of responsibilities, conflicts of interest, goal setting and the area of communication.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(C) CORPORATE INDEPENDENCE

All material related party transactions are conducted on agreed terms as specified under BNM's Guidelines on Related-Party Transactions and BNM's Corporate Governance Policy Document. Related parties' transactions and balances have been disclosed in the financial statements in compliance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

(D) INTERNAL CONTROL FRAMEWORK

The Board, assisted by its committees, is responsible for overseeing the Group's risk management and internal control systems and for reviewing its effectiveness. The criteria applied by the Directors in judging the effectiveness of these controls are that they allow the maximisation of shareholders' value by exploiting business opportunities whilst ensuring that risks are properly identified and managed. The controls are regularly reviewed to ensure that they enable the proper management of business risks without so restricting efficiency and entrepreneurial nature that they inhibit proper running of the business.

The Group has an internal audit function ("Internal Audit"). The key features of the Group's internal control system include independent reviews and testing of internal controls, taking a risk-based approach and developing an annual audit plan presented to the Audit Committee. Reports of significant audit findings are prepared and communicated to management and the Audit Committee and where control weaknesses or defects are identified, recommendations are provided to resolve them. This includes issues formally identified from internal audits, forensic investigatins, regulatory reports and special projects. Management is responsible for the design, implementation and evaluation fo the internal control system, including ongoing mitigation, across the business and processes.

The Group's Risk Management Framework ("RMF") does not seek to eliminate all risks, but rather to identify, understand and manage them within acceptable limits in order to support the sustainability of the business and the creation of long-term value, and can only provide reasonable and not absolute assurance against material misstatement or loss.The key features of the Group's RMF include:

(a) Risk Culture

The Group identifies desired risk behaviours for its employees and to promote the desired risk behaviours and foster mindsets and attitude which influence them, the Group has identified a set of drivers. The desired risk behaviours are promoted through broader culture programmes aligned to AIA's Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People…the Right Results will come."

(b) Risk Governance

Risk Governance establishes clear responsibility and accountability across the Group to execute its risk strategy and carry out its day-to-day risk management and compliance activities. The Group's Risk Governance is organised through the "Three Lines of Defence" model which clearly defines roles and responsibilities for the management of risk and compliance between the executive management ("First Line"), Risk and Compliance ("Second Line") and Internal Audit ("Third Line") functions. Whilst each line of defence is independent from the others, they work closely to ensure effective oversight.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK (CONTINUED)

The key features of the Group's RMF include: (continued)

(b) Risk Governance (continued)

Risk and compliance policies and standards, referred collectively as "Risk Policy Suite", sets out the approach and minimum expectations for managing the Group's risk profile. The Risk Policy Suite which supports the management of risk and establishmentof a robust control environment may be owned by the Risk and Compliance functions or other business functions. The following policies have been adopted by the Group:

(i) AIA Code of Conduct: AIA Code of Conduct lays the foundation for good business decisions and guides staff and agents in conducting business honourably, ethically and with utmost professionalism. The Code specifies the standards of behaviour to which every AIA employee and stakeholder is expected to adhere. The Code guides us on compliance, ethics and risk issues and allows us to contribute positively to the societies where we operate.

(ii) Whistleblower Protection Policy: Whistleblower Protection Policy aims to establish corporate values and culture that support ethical behaviour and to assure confidentiality and non-retaliation to whistleblowers. Every employee has the obligation to report unethical behaviour or suspected violations of law or Group policy connected with AIA Group's business activities.

(iii) Anti-Fraud Policy: The Group is committed to conducting all of its business with the highest level of ethics and integrity. To uphold this commitment and in particular, a zero-tolerance approach to fraud, the Group requires adherence to this Anti-Fraud Policy. The policy is intended to reinforce management procedures designed to aid in the prevention, detection and investigation of fraud, thereby safeguarding the Group's assets and providing protection from the legal and reputational consequences of fraudulent activities.

(iv) Anti-Corruption Policy: The Group is committed to conducting all of its business in an honest and ethical manner. Bribery or any improper payment to gain an advantage in any situation is never acceptable and may have serious legal, reputation and regulatory implications for the Group. The Anti-Corruption Policy also makes good business sense.

(v) Anti-money Laundering & Counter Financing of Terrorism (AML/CFT) Policy: The Group is committed to a strict programme of compliance with all applicable AML/CFT laws and regulations to prevent the use of its products and services for money laundering and terrorist financing purposes. The policy sets out the detailed requirements of the Group AML/CFT Programme, which includes a risk-based approach to conducting customer due diligence, ongoing monitoring, suspicious activity reporting, training and record keeping. AIA uses a comprehensive AML/CFT monitoring software and online tool to screen, risk profile and monitor customer activity. All staff and agents are also required to complete AML/CTF training. In addition, our Group Economic Sanctions Policy sets out standards to manage the risk of dealings with governments, individuals and entities subject to sanctions programmes.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK (CONTINUED)

The key features of the Group's RMF include: (continued)

(b) Risk Governance (continued)

(vi) Data Privacy Compliance Policy: AIA is committed to protecting the interests of our customers, partners, staff, agents and stakeholders, ensuring high standards of information security. The policy prescribes adequate safeguards for our customer and business data as well as compliance with data protection legislation. AIA's Group Information Security Policy is consistent with industry leading standards to ensure that our systems, processes and information are secured.

(c) Risk Strategy

Risk Strategy describes the types of risks, how and to what extent they are taken in order to pursue the Group's strategic objectives. The Group's risk appetite framework establishes the quantum and nature of risks the Company is prepared to take to achieve its strategic objectives.

The Group also maintains a detailed risk taxonomy to ensure all risks are identified and systematically managed.

(d) Risk Underwriting and Risk Control

The Group has a robust process that provides sufficient information, capability and tools to manage its key risks. Risks which the Group proactively accepts are identified, quantified and managed to support the creation of long-sterm value, while risks which the Group seeks to mitigate are managed through through an effective internal controls system to maintain expoures within an acceptable residual level.

In order to encourage good management and to embed a culture of iterative process of continuous improvement, all business functions must incorporate the key risk management process in their activities to identify, quantify, manage and monitor the risk exposures. This ensures that risk reviews undertaken by the Group are appropriate and contributes to optimisation of business decisions.

(e) Risk Disclosure

Risk disclosure represents the internal and external risk and compliance reporting processes which support an ongoing evaluation of the Group's risk profile, compliance status, and overall effectiveness of the RMF.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY

i. Objectives

The Group's executive remuneration policy is based on the principle of providing an equitable, motivating and competitive remuneration package to foster a strong performance-oriented culture within an appropriate risk management framework.

The policy aims to ensure that rewards and incentives relate directly to the performance of individuals, the operations and functions in which they work or for which they are responsible, and the overall performance of the Group. The compensation and benefits arrangements designed under the policy provides incentives that are consistent with the interests of the Group's stakeholders and do not encourage executives to take excessive risks that may threaten the value of the Group and impair the reputation of the brand.

ii. Main Components of Remuneration

The table below summarises the Group's remuneration polices regarding the elements of the remuneration structure as it applies to the CEO and Senior Management Team during the financial year.

Element	Purpose	Basis of determination	Notes on practices
Basic	Fixed cash element of remuneration to recruit and retain talent.	Basic salary is determined with reference to the specific roles and responsibilities of the position, internal relativities, market practice, individual experience, performance and other factors to attract and retain employees with required capabilities to achieve the Group's business objectives.	The Remuneration Committee reviews salaries annually for the CEO and Senior Management Team against relevant industry survey sources. Salary increases, where applicable, typically take effect from 1 March.
Short-term incentive	Short-term incentives are delivered in the form of a performance-based cash award to recognize and reward achievement of the Group's objectives and individual contribution.	Short-term incentive target and maximum opportunities are determined with reference to the market appropriateness of total compensation and the roles and responsibilities of the individual.	Annual short-term incentive is based on the achievement of financial performance measures and relevant strategic objectives, as well as individual contribution.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

ii. Main Components of Remuneration (continued)

The table below summarises the Group's remuneration polices regarding the elements of the remuneration structure as it applies to the CEO and Senior Management Team during the financial year. (continued)

Element	Purpose	Basis of determination	Notes on practices
Long-term incentive	Long-term incentive plan focuses key contributors on the long-term success of the Group and is used to align the interest of executives with those of shareholders using a combination of share-based awards and share mix options to deliver a balanced mix of ownership and incentives.	Long-term incentive target and maximum opportunities are determined with reference to the total competitiveness of the total compensation package and the roles and responsibilities of the individual.	Awards are discretionary and determined on an annual basis Awards are made in restricted share units and/or share options, and generally vest after a three-year period, with the restricted share units subject to pre-defined performance objectives.
Benefits	Benefits form part of the long-term employment relationship and contribute to the value of total remuneration provided at market competitive levels.	The benefits program is determined such that it is market competitive. It remains fully compliant with local regulations.	The CEO and Senior Management Team receive certain benefits, for example, medical and life insurance, use of company car and/or driver.
Employee share purchase plan ("ESPP")	Share purchase plan with matching offer to facilitate and encourage AIA share ownership by employees, and provide a long-term retention mechanism.	The ESPP is open to all employees who have completed probation and subject to a maximum contribution indicated as a percentage of basic salary or the plan maximum limit.	Participants receive matching shares for shares purchased at a rate approved by the Remuneration Committee. Matching shares vest after three (3) years.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

ii. Main Components of Remuneration (continued)

Short-Term Incentive Plan

The short-term incentive targets were determined and communicated to the CEO and Senior Management Team at the beginning of the financial year. The performance measures for short-term incentives were:

- Value of new business ("VONB")
- Operating profit after tax ("OPAT"); and
- Underlying Free Surplus Generation ("UFSG").

VONB is an estimate of the economic value of one (1) year's sales as published by the Group; OPAT is the IFRS operating profit after tax based on the IFRS results published by the Group; and UFSG is the free surplus generated by the business excluding the free surplus invested in new business, investment return variances and other items.

The weighting of the three (3) performance measures described above is fifty per cent (50%), twenty per cent (20%) and fifteen per cent (15%) for VONB, OPAT and UFSG respectively. The remaining weighting is fifteen per cent (15%) for Active New Agent (7.5%) and Expense Ratio (7.5%). Based on the level of achievement of the performance measures, short-term incentive awards in respect of the financial year ended 31 December 2020 will be paid to the CEO and Senior Management Team in March 2021.

The total value of the short-term incentive awards accrued for the CEO and Senior Management Team for the financial year ended 31 December 2020 is RM6,132,442.

Long-Term Incentive Plan

The Restricted Share Unit Scheme and the Share Option Scheme were adopted on 28 September 2010 and are effective for a period of ten (10) years from the date of adoption.

The 2020 Restricted Share Unit Scheme, under substantially the same terms as the 2010 Restricted Share Unit Scheme, was adopted by the Company on 1 August 2020 in place of the 2010 RSU Scheme. The 2020 Restricted Share Unit Scheme is effective for a period of 10 years from the date of adoption.

These schemes are designed to motivate and reward participants who have not only made an important contribution to AIA Group's success but are expected to play a significant role in the future.

Awards made under these schemes are discretionary and are determined on an annual basis with reference to the magnitude of overall variable remuneration, the competitiveness of the total remuneration package, the roles, responsibilities, performance and potential of the individual.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) REMUNERATION POLICY (CONTINUED)

ii. Main Components of Remuneration (continued)

Long-Term Incentive Plan (continued)

The schemes operate through the award of restricted share units and share options to deliver a balanced mix of incentives and ownership. The rewards are subject to eligibility criteria and generally vest after a three-year period.

As applicable to other remuneration payments, long-term incentive vesting is subject to the AIA Group's Remuneration Committee's approval and is in compliance with all relevant AIA Group's policies.

The schemes are reviewed regularly to ensure that the design, process, structure and governance work together to balance risk and incentives.

a. Restricted Share Unit Scheme

Under the Restricted Share Unit Scheme, AIA Group may award restricted share units to selected employees, CEO, Directors (excluding Independent Non-executive Directors) or officers of the Group or any of its subsidiaries. The objectives of the Restricted Share Unit Scheme is to retain participants, align their interests with those of AIA Group's investors and reward the creation of sustainable value for shareholders through the award of restricted share units to participants.

Performance Measures and Vesting

Vesting of performance-based restricted share unit awards will be contingent on the extent of achievement of three-year performance targets as outlined below for the following AIA Group metrics:

(i) Value of new business;
(ii) Equity attributable to shareholders on the embedded value basis; and
(iii) Total shareholder return.

VONB is an estimate of the economic value of one (1) year's sales as published by the AIA Group.

Equity attributable to shareholders of AIA Group on the embedded value basis ("EV Equity") is the total of embedded value, goodwill and other intangible assets. Embedded value is an estimate of the economic value of in-force life insurance business, including the net worth on AIA Group's balance sheet but excluding any economic value attributable to future new business.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

ii. Main Components of Remuneration (continued)

Long-Term Incentive Plan (continued)

a. Restricted Share Unit Scheme (continued)

Performance Measures and Vesting (continued)

The VONB and EV Equity performance considered in determining incentive awards are based on AIA Group's VONB and AIA Group's EV Equity results published by AIA Group.

Total shareholder return ("TSR") is the compound annual return from the ownership of a share over a period of time, measured by calculating the change in the share price and the gross value of dividends received (and reinvested) during that period. AIA Group's TSR will be calculated in the same way and compared with the TSR of the peer companies in the Dow Jones Insurance Titans 30 Index ("DJTINN") over the performance period.

The three (3) performance measures are equally weighted. Achievement of each performance measure will independently determine the vesting of one-third of the award. Threshold performance levels (for TSR, twenty fifth (25^{th}) percentile relative performance measured against the TSR of the peer companies in DJTINN), are required for restricted share units to vest; at target performance levels, fifty per cent (50%) of the restricted share units will vest; and at maximum performance levels (for TSR, seventy fifth (75^{th}) percentile or above relative performance measured against the TSR of the peer companies in the DJTINN), the full allocation of restricted share units will vest.

b. Share Option Scheme

The objective of the Share Option Scheme is to align the interests of the Scheme participants with those of the AIA Group's shareholders. Under the Share Option Scheme, AIA Group may award share options to Directors (excluding Independent Non-Executive Directors) or selected officers of the Group or any of its subsidiaries. No amount is payable by the eligible participants on the acceptance of a share option.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY(CONTINUED)

ii. Main Components of Remuneration (continued)

Long-Term Incentive Plan (continued)

b. Share Option Scheme (continued)

During the financial year end, share options were awarded by AIA Group under the Share Option Scheme to Directors or selected officers of the Company. The exercise price of such share options was determined by applying the highest of:

(i) The closing price of the shares on the date of grant;
(ii) The average closing price of the shares for the five (5) business days immediately preceding the date of grant; or
(iii) The nominal value of a share.

The total number of share options that can be awarded under the AIA Group scheme is 302,264,978 representing approximately two-point-five per cent (2.5%) of the number of shares in issue as at the date of this report. Unless shareholders' approval is obtained in accordance with the relevant procedural requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the maximum number of shares that may be awarded to any employee in any twelve (12) month period up to and including a proposed date of grant is point-two-five per cent (0.25%) of the number of shares in issue as of the proposed date of grant. No share options have been awarded to substantial shareholders, or in excess of the individual limit.

Performance Measures and Vesting

Share options awarded under the Share Option Scheme have a minimum holding period of six (6) months from date of acceptance, and a maximum life of ten (10) years before expiry. Generally, share options become exercisable three (3) years after the date of grant and remain exercisable for another seven (7) years, subject to participants continued employment in good standing or retirement. There are no performance conditions attached to the vesting of share options. Each share option entitles the eligible participant to subscribe for one (1) ordinary share. Benefits are realized only to the extent that share price exceeds the exercise price.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

ii. Main Components of Remuneration (continued)

Long-Term Incentive Plan (continued)

c. Employee Share Purchase Plan

AIA Group adopted the Employee Share Purchase Plan ("ESPP") on 25 July 2011 (ESPP adoption date), with a term of 10 years from the date of adoption and expiration date in 2021. In view of the upcoming expiry of the 2011 ESPP, the 2020 ESPP, under substantially the same term as the 2011 ESPP, was adopted by AIA Group on 1 August 2020 in place of the 2011 ESPP. The 2020 ESPP is effective for a period of 10 years from the date of adoption.

Under the ESPPs, eligible employees of the Group may elect to purchase the AIA Group's shares and receive one (1) matching share for each two (2) shares purchased after having been in the plan for a period of three (3) years through the award of matching restricted stock purchase units ("RSPUs"). Each eligible employee's participation level is currently capped at a maximum purchase in any plan year of eight (8) per cent of his or her base salary or Hong Kong Dollars Nine Thousand Seven Hundred Fifty (HK$9,750) (or local currency equivalent), whichever is lower. Under the 2011 ESPP, or the lower of the ten (10) per cent of his or her base salary or Hong Kong Dollars Twelve Thousand Five Hundred (HK$12,500) (or local currency equivalent) per calendar month under the 2020 ESPP.

Upon vesting of the matching RSPUs, those employees who are still in employment with the Group will receive one (1) matching share for each RSPU which he or she holds. The matching shares can either be purchased on market by the trustee of the ESPP or through the issuance of new shares by AIA Group. The aggregate number of shares which can be issued by AIA Group under the ESPP for the ten-year period shall not exceed two-point-five per cent (2.5%) of the number of shares in issue on the ESPP adoption date.

iii. Remuneration Procedure

The levels of remuneration should be sufficient to attract, retain and motivate all levels of the management and staff of the quality required to run the Group effectively. In this respect, the Group has an independent, objective and robust review process for assessing the remuneration package for the financial year known as the Total Compensation Review ("TCR") process. The TCR process ensures linking remuneration to corporate and individual performance coupled with appropriate consideration of AIA's Group policy during the annual appraisal.

The Board and its respective Committees provide the necessary oversight in the formulation and implementation of the remuneration practices.

- Nominating Committee reviews the performance of the CEO and Senior Management Team, KSO and Key Responsible Persons ("KRP") to ensure alignment with strategies, goals and culture.
- Remuneration Committee reviews policy and practices before recommending remuneration package for the Board's approval.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

iii. Remuneration Procedure (continued)

The Board and its respective Committees provide the necessary oversight in the formulation and implementation of the remuneration practices. (continued)

- Audit Committee and Risk Committee reviews the relevant KRPs' performance before approval by the Board.
- At the management level, the Management Risk Committee reviews the Risk dashboard reports escalated by the Operational Risk Management Committee for all departments.

With effect from 1 June 2020, Officers in control functions with discretionary Short Term Incentive awards will be based on a combination of AIA Group's business performance and the Group's business performance; thereby ensuring the impartiality of the actions of the Officers in control functions.

iv. Quantification of Remuneration

The Directors' remuneration for the financial year is required to be tabled to the Remuneration Committee, Board and Members of the Company for approval. Set out below is the breakdown of the total amount of remuneration for the following Directors during the financial year:

Name of Director	Fixed Remuneration (RM)	Variable Remuneration (RM)	Total Remuneration (RM)
Ching Yew Chye @ Chng Yew Chye	265,000	56,100	321,100
Dr. Chong Su-Lin	165,000	44,200	209,200
Ching Neng Shyan	203,220	52,700	255,920
Mahani Binti Amat	175,444	52,700	228,144
Mohd Daruis bin Zainuddin (retired on 11 March 2020)	48,836	8,500	57,336
Shulamite N K Khoo (resigned on 21 February 2020)	17,241	5,100	22,341
TOTAL	874,741	219,300	1,094,041

The Directors and Officers' liability insurance policy with a total premium of RM54,000 is taken and borne by the Company covering all Directors and Officers of the Company and its subsidiaries and related companies incorporated in Malaysia, collectively.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

iv. Quantification of Remuneration (continued)

The following breakdown provides the remuneration awarded to the CEO and Senior Management Team during the financial year:

Total value of remuneration awards	Unrestricted (RM)	Deferred (RM)
Fixed remuneration		
• Cash-based	12,716,326	-
• Other	2,867,457	-
Variable remuneration		
• Cash-based	6,132,442	-
• Shares and share-linked instruments	-	4,634,897

(F) PUBLIC ACCOUNTABILITY

As a custodian of public funds, the Group's dealings with the public are always conducted fairly, honestly and professionally. The Group meets all prescriptive and best practice requirements under this section relating to unfair practices.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that:

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

(ii) any current assets which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected to realise.

OTHER STATUTORY INFORMATION (CONTINUED)

(b) At the date of this report, the Directors of the Group and of the Company are not aware of any circumstances:

 (i) which would render the amounts written off for bad debts or the amount of impairment losses in the Group and in the Company inadequate to any substantial extent; or

 (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

 (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

 (iv) not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

(c) As at the date of this report, there does not exist:

 (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

 (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

 (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

 (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

 (iii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

 For the purpose of paragraphs (c) and (d), contingent and other liabilities do not include liabilities arising from insurance contracts underwritten in the ordinary course of business of the Company.

(e) Before the income statements and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for its insurance contract liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework for Insurers/ Takaful Operators.

AIA BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 30 to the financial statements.

There was no indemnity given to, or insurance effected for auditors of the Group and of the Company in respect of the liability for any act or omission in their capacity as auditors of the Group and of the Company during the financial year.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 26 March 2021. Signed on behalf of the Board of Directors:

CHING NENG SHYAN DIRECTOR	CHING YEW CHYE @ CHNG YEW CHYE DIRECTOR

AIA BHD.
(Incorporated in Malaysia)

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

We, Ching Neng Shyan and Ching Yew Chye @ Chng Yew Chye, two of the Directors of AIA Bhd., do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 37 to 223 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and financial performance of the Group and of the Company for the financial year ended 31 December 2020 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated on 26 March 2021.

CHING NENG SHYAN
DIRECTOR

CHING YEW CHYE @ CHNG YEW CHYE
DIRECTOR

Registration No.

200701032867 (790895-D)

AIA BHD.
(Incorporated in Malaysia)

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

I, Andrew Loh Tse Yeow, the officer primarily responsible for the financial management of AIA Bhd., do solemnly and sincerely declare that, the financial statements set out on pages 37 to 223 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

ANDREW LOH TSE YEOW

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 26 March 2021.

Before me:

COMMISSIONER FOR OATH

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIA BHD.

(Incorporated in Malaysia)
(Registration No. 200701032867 (790895-D))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of AIA Bhd. ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 37 to 223.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIA BHD. (CONTINUED)
(Incorporated in Malaysia)
(Registration No. 200701032867 (790895-D))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIA BHD. (CONTINUED)
(Incorporated in Malaysia)
(Registration No. 200701032867 (790895-D))

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

WONG HUI CHERN
03252/05/2022 J
Chartered Accountant

Kuala Lumpur
26 March 2021

Registration No.
200701032867 (790895-D)

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		Group		Company	
	Note	**2020**	**2019**	**2020**	**2019**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	3	420,267	446,272	418,548	444,966
Right-of-use assets	4	133,504	134,388	133,388	133,917
Investment properties	5	345,200	363,130	345,200	363,130
Prepaid land lease payments	6	-	-	-	-
Intangible assets	7	170,559	129,487	159,450	118,087
Investment in subsidiaries	8	-	-	487,859	487,859
Investment in associate	9	8,281	16,397	88	88
Available-for-sale financial assets	10	10,679,697	9,243,675	9,961,767	8,652,624
Fair value through profit or loss financial assets	11	44,582,006	40,109,127	42,856,929	39,021,935
Derivative financial instrument	21	7,175	-	7,175	-
Loans and receivables	12	4,027,682	4,525,445	4,019,503	4,483,243
Reinsurance/retakaful assets	13	423,369	405,827	383,804	375,679
Insurance/takaful receivables	14	218,766	324,950	180,508	278,331
Deferred tax assets	19	2,427	2,384	-	-
Current tax assets		184,260	173,115	177,998	159,305
Cash and cash equivalents		1,491,810	1,287,050	1,055,241	799,146
Total assets		62,695,003	57,161,247	60,187,458	55,318,310
Equity and liabilities					
Share capital	16	810,000	810,000	810,000	810,000
Retained earnings	17	3,554,520	3,365,427	3,514,927	3,369,914
Asset revaluation reserve		30,902	32,026	30,902	32,026
Available-for-sale fair value reserve		656,577	480,060	639,019	467,322
Total equity attributable to:					
Owners of the parent		5,051,999	4,687,513	4,994,848	4,679,262
Non-controlling interest		72,873	59,548	-	-
Total equity		5,124,872	4,747,061	4,994,848	4,679,262
Insurance/takaful contract liabilities	18	48,288,767	43,877,289	46,160,088	42,265,173
Deferred tax liabilities	19	877,224	675,244	854,560	666,694
Insurance/takaful payables	20	7,287,302	6,826,113	7,260,867	6,788,201
Derivative financial instrument	21	-	9,213	-	9,213
Current tax liabilities		4,041	-	-	-
Other payables	22	974,253	889,263	778,668	773,178
Lease liabilities	4	138,544	137,064	138,427	136,589
Total liabilities		57,570,131	52,414,186	55,192,610	50,639,048
Total equity and liabilities		62,695,003	57,161,247	60,187,458	55,318,310

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

AIA BHD.
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Gross earned premiums/contributions	24(a)	11,527,196	9,983,933	10,117,787	9,630,259
Premiums/contributions ceded to reinsurers/ retakaful operators	24(b)	(1,181,105)	(1,039,469)	(1,127,541)	(1,018,693)
Net earned premiums/ contributions revenue		10,346,091	8,944,464	8,990,246	8,611,566
Investment income	25	2,255,148	2,248,044	2,239,707	2,236,583
Net realised gains	26	80,994	13,226	60,328	13,047
Fair value gains	27	2,471,777	1,818,965	2,323,051	1,818,741
Other operating income	28	60,836	42,907	33,496	71,033
Total net revenue		15,214,846	13,067,606	13,646,828	12,750,970
Gross benefits and claims paid	29(a)	(8,289,264)	(7,849,194)	(7,831,684)	(7,743,995)
Claims ceded to reinsurers/retakaful operators	29(b)	738,668	689,208	715,160	683,007
Gross change to insurance/takaful contract liabilities	29(c)	(4,422,713)	(3,636,848)	(3,901,558)	(3,623,634)
Change in insurance/takaful contract liabilities ceded to reinsurers/ retakaful operators	29(d)	17,523	109,935	8,125	107,664
Net insurance/takaful benefits and claims		(11,955,786)	(10,686,899)	(11,009,957)	(10,576,958)
Fee and commission expenses		(1,253,375)	(999,413)	(949,776)	(914,230)
Management expenses	30	(1,128,144)	(929,158)	(908,598)	(887,522)
Other expenses		(2,381,519)	(1,928,571)	(1,858,374)	(1,801,752)

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INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Profit before share of profit from associate		877,541	452,136	778,497	372,260
Share of profit from associate		2,384	4,940	-	-
Profit before tax		879,925	457,076	778,497	372,260
Tax expense attributable to policyholders and unitholders		(277,370)	(233,241)	(265,752)	(233,241)
Profit before tax attributable to shareholders		602,555	223,835	512,745	139,019
Tax expense	31	(416,630)	(285,967)	(371,351)	(270,679)
Tax expense attributable to policyholders and unitholders		277,370	233,241	265,752	233,241
Tax expense attributable to shareholders		(139,260)	(52,726)	(105,599)	(37,438)
Profit after tax for the financial year		463,295	171,109	407,146	101,581
Profit attributable to:					
Owners of the parent		451,226	170,871	407,146	101,581
Non-controlling interest		12,069	238	-	-
		463,295	171,109	407,146	101,581
Basic earnings per share (sen)	16	235	89		

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

AIA BHD.
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STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit after tax for the financial year	463,295	171,109	407,146	101,581
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Net gains arising during the financial year	307,179	583,751	284,068	572,606
Net realised gains transferred to income statements	(74,341)	(13,153)	(60,195)	(12,972)
Deferred taxation	(55,154)	(135,187)	(52,176)	(132,556)
Change in insurance/takaful contract liabilities	89	-	-	-
Change in available-for-sale fair value reserve	177,773	435,411	171,697	427,078
Share of other comprehensive income from associate	-	1,356	-	-
	177,773	436,767	171,697	427,078
Items that will not be subsequently reclassified to profit or loss				
Net (losses)/gains arising during the financial year	(9,340)	7,682	(9,340)	7,682
Deferred taxation	1,573	(245)	1,573	(245)
Change in insurance/takaful contract liabilities	6,643	(6,264)	6,643	(6,264)
Change in asset revaluation reserve	(1,124)	1,173	(1,124)	1,173
Remeasurements	(2,571)	1,706	(2,571)	1,706
Deferred taxation	438	(292)	438	(292)
Post employment benefit obligations	(2,133)	1,414	(2,133)	1,414
Total other comprehensive income - net of tax, for the financial year	174,516	439,354	168,440	429,665
Total comprehensive income for the financial year	637,811	610,463	575,586	531,246
Total comprehensive income attributable to:				
Owners of the parent	624,486	610,225	575,586	531,246
Non-controlling interest	13,325	238	-	-
	637,811	610,463	575,586	531,246

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

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company							
		Non-distributable			Distributable			
Group	**Share capital**	**Available-for-sale fair value reserve**	**Asset revaluation reserve**	**Share-based reserves**	**Retained earnings***	**Total**	**Non-controlling interest**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2020	810,000	480,060	32,026	-	3,365,427	4,687,513	59,548	4,747,061
Profit after tax for the financial year	-	-	-	-	451,226	451,226	12,069	463,295
Other comprehensive income for the financial year	-	176,517	(1,124)	-	(2,133)	173,260	1,256	174,516
Total comprehensive income for the financial year	-	176,517	(1,124)	-	449,093	624,486	13,325	637,811
Share based compensation:								
- value of employee services	-	-	-	4,678	-	4,678	-	4,678
- repayment to ultimate parent company	-	-	-	(4,678)	-	(4,678)	-	(4,678)
Capital reduction (Note 16)	-	-	-	-	-	-	-	-
Dividend paid (Note 32)	-	-	-	-	(260,000)	(260,000)	-	(260,000)
At 31 December 2020	810,000	656,577	30,902	-	3,554,520	5,051,999	72,873	5,124,872

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Attributable to owners of the Company							
		Non-distributable			Distributable			
Group	Share capital	Available-for-sale fair value reserve	Asset revaluation reserve	Share-based reserves	Retained earnings*	Total	Non-controlling interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019								
- As previously reported	1,450,890	41,642	28,618	-	3,261,029	4,782,179	-	4,782,179
- Opening adjustment on adoption of MFRS 16	-	-	2,235	-	-	2,235	-	2,235
- As adjusted	1,450,890	41,642	30,853	-	3,261,029	4,784,414	-	4,784,414
Profit after tax for the financial year	-	-	-	-	170,871	170,871	238	171,109
Other comprehensive income for the financial year	-	436,767	1,173	-	1,414	439,354	-	439,354
Total comprehensive income for the financial year	-	436,767	1,173	-	172,285	610,225	238	610,463
Share based compensation:								
- value of employee services	-	-	-	12,480	-	12,480	-	12,480
- repayment to ultimate parent company	-	-	-	(12,480)	-	(12,480)	-	(12,480)
Capital reduction (Note 16)	(640,890)	-	-	-	-	(640,890)	-	(640,890)
Reserves arising from acquisition of subsidiaries	-	1,651	-	-	(67,887)	(66,236)	-	(66,236)
Acquisition of subsidiaries	-	-	-	-	-	-	59,310	59,310
At 31 December 2019	810,000	480,060	32,026	-	3,365,427	4,687,513	59,548	4,747,061

* Included in retained earnings is RM1,540 million (2019: RM1,798 million) which comprise surplus from the Life Non-Participating Fund (net of deferred tax). This amount is only distributable to the shareholders upon the actual transfer of surplus from the Life Non-Participating Fund to the Shareholder's Fund as approved by the Appointed Actuary and Board of Directors of the Company.

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Company	Non-distributable				Distributable	
	Share capital	Available-for-sale fair value reserve	Asset revaluation reserve	Share-based reserves	Retained earnings*	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	810,000	467,322	32,026	-	3,369,914	4,679,262
Profit after tax for the financial year	-	-	-	-	407,146	407,146
Other comprehensive income for the financial year	-	171,697	(1,124)	-	(2,133)	168,440
Total comprehensive income for the financial year	-	171,697	(1,124)	-	405,013	575,586
Share based compensation:						
- value of employee services	-	-	-	4,678	-	4,678
- repayment to ultimate parent company	-	-	-	(4,678)	-	(4,678)
Dividend paid (Note 32)	-	-	-	-	(260,000)	(260,000)
At 31 December 2020	**810,000**	**639,019**	**30,902**	**-**	**3,514,927**	**4,994,848**

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Company			Non-distributable		Distributable	
	Share capital RM'000	Available-for-sale fair value reserve RM'000	Asset revaluation reserve RM'000	Share-based reserves RM'000	Retained earnings* RM'000	Total RM'000
At 1 January 2019						
- As previously reported	1,450,890	40,244	28,618	-	3,266,919	4,786,671
- Opening adjustment on adoption of MFRS 16	-	-	2,235	-	-	2,235
- As adjusted	1,450,890	40,244	30,853	-	3,266,919	4,788,906
Profit after tax for the financial year	-	-	-	-	101,581	101,581
Other comprehensive income for the financial year	-	427,078	1,173	-	1,414	429,665
Total comprehensive income for the financial year	-	427,078	1,173	-	102,995	531,246
Share based compensation:						
- value of employee services	-	-	-	12,424	-	12,424
- repayment to ultimate parent company	-	-	-	(12,424)	-	(12,424)
Capital reduction (Note 16)	(640,890)	-	-	-	-	(640,890)
At 31 December 2019	810,000	467,322	32,026	-	3,369,914	4,679,262

* Included in retained earnings is RM1,540 million (2019: RM1,798 million) which comprise surplus from the Life Non-Participating Fund (net of deferred tax). This amount is only distributable to the shareholders upon the actual transfer of surplus from the Life Non-Participating Fund to the Shareholder's Fund as approved by the Appointed Actuary and Board of Directors of the Company.

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

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		602,555	223,835	512,745	139,019
Tax expense attributable to policyholders and unitholders		277,370	233,241	265,752	233,241
Rental, interest and dividend income		(2,313,468)	(2,240,744)	(2,290,647)	(2,224,492)
Realised gains	26	(80,861)	(13,153)	(60,195)	(12,974)
Fair value (gains)/losses	27	(2,471,777)	(1,818,965)	(2,323,051)	(1,818,741)
Impairment losses on property, plant and equipment		-	4	-	4
Bad debts recovery from insurance receivable		-	1,518	-	-
Allowance for impairment losses	28	32,000	(10,913)	(2,283)	(8,372)
Interest expense on lease liabilities	4	5,928	5,881	5,705	5,879
Write off of intangible assets	28	4,452	-	4,452	-
Depreciation					
- property, plant and equipment	30	30,476	31,983	29,974	31,878
- right of use assets	30	24,350	21,395	22,116	21,393
Amortisation					
- premium on investments	25	32,758	22,142	25,784	21,401
- intangible assets	30	21,174	15,135	16,304	13,445
Share of profit from associate		(2,384)	(4,940)	-	-
Write off of property, plant and equipment	28	99	9	2	9
(Gain)/Loss on sale of property, plant and equipment	26	(133)	(73)	(133)	(73)

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Changes in working capital:					
Increase in AFS and FVTPL financial assets		(3,091,523)	(1,602,471)	(2,518,336)	(1,509,177)
Increase in reinsurance /retakaful assets		(17,542)	(109,463)	(8,125)	(107,664)
Decrease in insurance/takaful receivables		103,720	23,671	97,442	21,573
Decrease in loans and receivables		461,657	354,721	460,306	227,004
Increase in insurance/takaful payables		461,189	392,093	472,666	391,287
Increase in insurance/takaful contract liabilities		4,418,210	3,622,271	3,901,558	3,623,633
Increase/(Decrease) in other payables		82,419	(263,709)	2,919	(146,416)
Cash used in operating activities		(1,419,331)	(1,116,532)	(1,385,045)	(1,098,143)
Income taxes paid		(274,940)	(278,445)	(252,343)	(272,416)
Rental income received		14,617	29,405	14,617	29,405
Interest income received		1,857,938	1,860,619	1,778,128	1,843,351
Interest paid		(5,928)	(5,881)	(5,705)	(5,879)
Dividend income received		414,632	428,088	480,843	427,801
Net cash inflows from operating activities		586,988	917,254	630,495	924,119
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of intangible assets		(66,698)	(38,101)	(62,119)	(37,255)
Purchase of property, plant and equipment		(13,915)	(22,068)	(12,979)	(21,960)
Purchase of investment properties		(12,033)	(10,457)	(12,033)	(10,457)
Payment for acquisition of subsidiaries, net of cash acquired		-	228,319	-	(234,859)
Proceed from disposal of property, plant and equipment		138	79	214	79
Settlement of derivative instruments		(7,734)	(693)	(7,734)	(693)
Net cash (outflows)/inflows from investing activities		(100,242)	157,079	(94,651)	(305,145)

AIA BHD.
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment for lease liabilities		(21,986)	(18,725)	(19,749)	(18,721)
Capital reduction		-	(640,890)	-	(640,890)
Dividends paid		(260,000)	-	(260,000)	-
Net cash outflows from financing activities		(281,986)	(659,615)	(279,749)	(659,611)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		204,760	414,718	256,095	(40,637)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		1,287,050	872,332	799,146	839,783
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		1,491,810	1,287,050	1,055,241	799,146
Cash and cash equivalents comprised:					
Cash and bank balances		1,081,397	344,919	769,220	205,786
Fixed and call deposits with licensed financial institutions		410,413	942,131	286,021	593,360
		1,491,810	1,287,050	1,055,241	799,146

The Group and Company classifies cash flows from the acquisition and disposal of financial assets as operating cash flows as the purchases are funded from cash flows predominantly associated with the origination of insurance contracts, net of cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under the operating activities.

Analysis of changes in liabilities arising from financing activities is as follows:

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
As at 1 January	137,064	97,939	136,589	97,939
Non-cash changes:				
Addition	23,712	57,378	21,587	57,371
Additions arising from acquisition of subsidiaries	-	472	-	-
Interest expense	5,928	5,881	5,705	5,879
Derecognition on lease liability	(246)	-	-	-
Cash changes:				
Net cash flows from operating activities	(5,928)	(5,881)	(5,705)	(5,879)
Net cash flows from financing activities	(21,986)	(18,725)	(19,749)	(18,721)
As at 31 December	138,544	137,064	138,427	136,589

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

AIA BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of life insurance business, including investment-linked business. The principal activities of the subsidiaries are stated in Note 8 to the financial statements.

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

The Company is a public limited liability company, incorporated on 4 October 2007 under the Companies Act 2016 and the Financial Services Act, 2013 (“FSA”) and domiciled in Malaysia. The registered office and principal place of business of the Company are located at Level 29, Menara AIA, 99 Jalan Ampang, 50450 Kuala Lumpur and Menara AIA, 99 Jalan Ampang, 50450 Kuala Lumpur respectively.

The immediate holding company of the Company is Orange Policy Sdn. Bhd. (“OPSB”), whose ultimate holding company is AIA Group Limited, a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited.

The financial statements are authorised for issue by the Board on 26th March 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements of all the years presented.

2.1 Basis of preparation

The financial statements of the Group and the Company are prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies and comply with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise judgement in the process of applying the Company’s accounting policies. Although these estimates and judgement are based on the Directors’ best knowledge of current events and actions, actual result may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.4 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Non-controlling interests are presented within equity and represent the portion of profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. Non-controlling interests are measured at the non-controlling interests’ share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and their share of change in the subsidiaries' equity since that date. Acquisition and disposal of non-controlling interests are treated as transactions between equity holders.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries’ accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the Group's financial statements using the equity method of accounting and are initially recognised at cost. Under the equity method, the investment in associates is carried in the Group's statements of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' post-acquisition profit is recognised in the Group's income statements and its share of post-acquisition movement in other comprehensive income is recognised in the Group's statements of comprehensive income.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment losses with respect to the Group's net investment in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of loss in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further loss, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not consistent with those of the Group, the share of results is arrived at from the last audited financial statements available and/or management accounts up to the end of the accounting period. Uniform accounting policies are adopted for transactions and events in similar circumstances.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Business combination under common control

Business combinations under common control are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, the income statements include the results of the acquired business from the date of combinations. The assets and liabilities of the acquired business are accounted for at the date of combination, based on the carrying amounts of the acquiree adjusted for alignment of accounting policies, if any. The excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combination is taken to equity.

(c) Investment in subsidiaries and associates under the Company's separate financial statements

In the Company's separate financial statements, investments in subsidiaries and associates are stated at cost less impairment losses. Income from investment in associates is recognised in the income statements to the extent of dividends received subsequent to the date of acquisition.

(d) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statements during the financial year in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the original assessed standard of performance of the existing asset will flow to the Group.

Subsequent to initial recognition, property, plant and equipment except for land and owner occupied buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Land and owner occupied buildings are stated at revalued amount, which is the fair value at the date of the revaluation less subsequent depreciation and accumulated impairment losses, if any. The Group records its interest in leasehold land and land use rights associated with owner occupied buildings as right-of-use assets, which are reported as a component of property, plant and equipment and carried at fair value at last valuation date less accumulated depreciation.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment and depreciation (continued)

Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income to the extent of the decrease previously recognised. When an asset is adjusted for the latest fair value, any accumulated depreciation at the date of valuation is eliminated against the gross carrying amount of the asset. Upon disposal or retirement of an asset, any asset revaluation reserve relating to the particular asset is transferred directly to the retained earnings.

The residual values, useful life and depreciation method are reviewed and adjusted, if applicable, at each date of the statements of financial position. An asset’s carrying amount is written down to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

The gains and losses on disposal of an asset is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statements and presented within net realised gains/(losses).

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is depreciated over its remaining lease term. Major building improvements are depreciated over the shorter of the remaining useful lives of the related assets or 10 years. Depreciation of other property and equipment is calculated using the straight-line method to allocate cost less any residual value over the estimated useful life, as summarised as follows:

Leasehold land	60 – 912 years
Buildings	30 years
Furniture, fixtures and fittings	5 – 10 years
Office equipments	3 – 5 years
Motor vehicles	5 years

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Fair value is arrived at by reference to market evidence of transactions priced for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and/or periodic intervening valuation by internal qualified professionals as appropriate.

Gains and losses arising from changes in the fair values of the investment properties are recognised in the income statements in the financial year in which they arise and presented within the fair value gains/(losses).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statements and presented within net realised gains/(losses) in the financial year in which they arise.

(f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each date of the statements of financial position. The amortisation expense on intangible assets with finite lives is recognised in the income statements.

Gains or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statements and presented within net realised gains/(losses) when the asset is derecognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Intangible assets (continued)

Software

The cost of acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life, generally not exceeding a period of 5 years.

The cost of significant development of knowledge-based software and computer application to meet the unique requirements of the insurance/takaful business is capitalised and recognised as an intangible asset in accordance with MFRS 138. The Group establishes that these development costs will generate economic benefits beyond one year and are associated with identifiable software applications controlled by the commissioning, on a straight-line basis over its useful economic life. The carrying amount is assessed for impairment when there is an indication of impairment.

Membership fees

The membership fees are in relation to club membership subscription. The membership fees with finite lives are amortised over its useful life using the straight-line method and those with infinite lives are subject to impairment test.

(g) Impairment of non-financial assets

Property, plant and equipment, investment properties, intangible assets and other non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's or cash generating unit's fair value less costs of disposal and its value in use. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statements. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Financial assets and financial liabilities

The Group classifies its financial assets into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR"), held to maturity ("HTM") and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired or originated. Management determines the classification of its investments at initial recognition.

The significant accounting policies by the categories above are as follows:

FVTPL

Financial assets at FVTPL comprise two sub-categories:

- financial assets designated at fair value through profit or loss; and

- financial assets held for trading, including derivatives not designated as hedges.

The Group designates financial assets at FVTPL if this eliminates a measurement inconsistency or if the related assets and liabilities are actively managed on a fair value basis, including:

- financial assets held to back investment-linked contracts and participating funds; and

- other financial assets managed on a fair value basis; consisting of the Group's equity portfolio and investments held by the Group's fully consolidated investment-linked fund.

Financial assets at FVTPL are initially recorded at fair value. Subsequent to initial recognition, financial assets at FVTPL are remeasured at fair value. Fair value adjustments and realised gains and losses on derecognition are recognised in the income statements and presented within fair value gains/(losses). Transaction costs in respect of financial assets at FVTPL are expensed as they are incurred.

Fair value changes of financial assets at FVTPL are analysed between change resulting from foreign currency fluctuation and other fair value changes. Foreign currency fluctuation and other fair value changes are included under other operating income/(expense) and fair value gains/(losses) in the income statements respectively.

Dividend income from equity instruments designated at fair value through profit or loss is recognised as investment income in the income statements, generally when the security becomes ex-dividend or the right to receive payment is established. Interest income is recognised as investment income in the income statements using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

LAR

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those the Group intends to sell in the short term or that it has designated as FVTPL. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest rate method less any impairment losses.

Interest income from loans and receivables is recognised as investment income in the income statements using the effective interest rate method. Gains and losses are recognised in the income statements when the investments are derecognised or impaired, as well as through the amortisation process.

AFS

Financial assets, other than those at FVTPL, LAR and HTM, are classified as AFS. AFS category is used where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consist of the Group's debt securities (other than those backing participating funds and investment-linked contracts). AFS financial assets are initially recognised at fair value plus attributable transaction costs. For AFS debt securities, the difference between their cost and par value is amortised. AFS financial assets are subsequently measured at fair value.

Interest income from debt securities classified as AFS is recognised as investment income in the income statements using the effective interest method.

Unrealised gains and losses on securities classified as AFS are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences on monetary AFS investments, such as debt securities, and impairment of AFS financial assets are recognised under "other operating income/(expense)" in the income statements.

Changes in the fair value of securities classified as AFS, except for impairment losses and relevant foreign exchange gains and losses on monetary AFS investments, are recorded in a separate fair value reserve within equity.

On derecognition, the cumulative fair value gains and losses previously reported in equity are transferred to the income statements and presented within net realised gains/(losses).

Financial liabilities

All financial liabilities are initially recorded at fair value. Subsequent to initial recognition, financial liabilities are carried at amortised cost using effective interest rate method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

Derivative financial instruments

Derivative financial instruments primarily include foreign exchange contracts that derive their value mainly from underlying foreign exchange rates. All derivatives are initially recognized at their fair value, which represents their cost excluding transaction costs, which are expensed, giving rise to a day one loss. They are subsequently remeasured at their fair value, with movements in this value recognized in profit or loss. Fair values are obtained from quoted market prices or, if there are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Whilst the Group enters into derivative transactions to provide economic hedges under the Group's risk management framework, it adopts hedge accounting to these transactions only in limited circumstances. This is either because the transactions would not meet the specific IFRS/MFRS rules to be eligible for hedge accounting or the documentation requirements to meet hedge accounting criteria would be unduly onerous. Where hedge accounting does not apply, these transactions are treated as held for trading and fair value movements are recognized immediately in investment experience.

(i) Fair value of financial instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Group has access. The fair values of financial instruments traded in active markets (such as financial instruments at FVTPL and AFS) are based on quoted market prices at the date of the statements of financial position. The quoted market price used for financial assets held by the Group is the current bid price. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions at the date of each statements of financial position. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the statement of financial position.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value i.e. the cost of the deposits/placements and accrued interest.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Impairment of financial assets

General

Financial assets are assessed for impairment on a regular basis. A financial asset is impaired if its carrying value exceeds the estimated recoverable amount and there is objective evidence of impairment to the financial asset. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset, or group of financial assets, is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset, or group of assets, is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or debtor; or
- a breach of contract, such as a default or delinquency in payments; or
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data, including market prices, indicating that there is a potential decrease in the estimated future cash flows since the initial recognition of those assets, including:
  - adverse changes in the payment status of issuers; and
  - national or local economic conditions that correlate with increased default risk.

The Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, impairment is considered to have taken place if it is probable that the Group will not be able to collect principal and/or interest due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount is decreased through a charge to the income statements. The carrying amount of mortgage loans or receivables is reduced through the use of an allowance account, and the amount of any allowance is recognised as an impairment loss in the income statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statements, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

AFS financial assets

When a decline in the fair value of an AFS financial asset has been recognised in shareholders' equity and there is objective evidence that the financial asset is impaired, the cumulative loss already recognised directly in shareholders' equity is recognised in the current financial year's income statements. The Group generally considers an AFS debt security for evidence of impairment when it is identified as credit impaired. In the absence of any other evidence of credit impairment, a debt security would be assessed for impairment when there is a significant decline in fair value.

If the fair value of a debt security classified as AFS increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statements, the impairment loss is reversed through the income statements.

Where, following the recognition of an impairment loss in respect of an AFS debt security, the financial asset suffers further decline in value, such further decline are recognised as an impairment only in the case when objective evidence exists of a further impairment event to which the losses can be attributed.

(k) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

(l) Equity instruments

Ordinary share capital

Issued capital represents the nominal value of shares issued plus any share premium received from the issue of share capital, if any. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the date of the statement of financial position. A dividend proposed or declared after the date of the statement of financial position, but before the financial statements are authorised for issue, is not recognised as a liability at the date of statement of financial position. Upon the dividend becoming payable, it will be accounted for as a liability.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Repurchase agreement

Obligations on securities sold under repurchase agreements are securities which have been sold from the Group's portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the statements of financial position.

The securities sold under repurchase agreements are treated as pledged assets and are not derecognised from the statements of financial position.

(n) Product classification

Insurance/takaful contracts are those contracts that transfer significant insurance/takaful risk. These contracts may also transfer financial risk. Significant insurance/takaful risk is defined as the possibility of paying significantly more in a scenario when the insured/takaful event occurs than in a scenario in which it does not. Scenarios considered are those with commercial substance.

Investment contracts are those contracts without significant insurance/takaful risk. Once a contract has been classified as an insurance/takaful or investment contract, no reclassification is subsequently performed unless the terms of the agreement are later amended.

Certain contracts with discretionary participation features ("DPF") supplement the amount of guaranteed benefits due to the policyholders. These contracts are distinct from other insurance/takaful and investment contracts as the Group has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of policyholders. Customers may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on:
    - the performance of a specified pool of contracts or a specified type of contract; or
    - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
    - the income statements of the Company, fund or other entity that issues the contract.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(n) Product classification (continued)

Approximately 90% of surpluses in the DPF funds must be distributed to the policyholders as a group in accordance with the relevant terms under the FSA. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within the insurance contract liabilities.

Certain derivatives embedded in insurance contracts are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statements.

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Group with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

The recognition and measurement of life insurance/family takaful contracts and general insurance contracts are set out in Note 2.2(o) and 2.2(p) to the financial statements respectively.

(o) Life insurance/family takaful contracts

Gross premium/contribution

Premium/contribution income includes premium/contribution recognised in the ordinary life/family takaful and investment-linked business. Gross premium/contribution is recognised as soon as the amount of the premium/contribution can be reliably measured. First premium/contribution is recognised from inception date and subsequent premium/contribution is recognised when it is due.

At the end of the period, all due premiums/contribution are accounted for to the extent that they can be reliably measured.

Premium/contribution income of investment-linked business is in respect of the net creation of units which represents premiums/contributions paid by policyholders/certificate holders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance/family takaful contracts (continued)

Commission and agency expenses of life insurance business

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies are charged to the income statements in the financial year in which they are incurred.

Management expenses, commission expenses and wakalah fee of family takaful business

Acquisition costs, commissions and management expenses are borne by the family takaful fund at an agreed percentage of the gross contribution, in accordance with the principles of Wakalah as approved by the Shariah Committee of the subsidiary engaged in the takaful business and agreed between the participants and the subsidiary. These expenses are allocated to the shareholders' fund via wakalah fee and recognised as income by the shareholders' fund upon issuance of certificates.

At each reporting date, the Group estimates its net future expense cash flow required on the maintenance of the family takaful fund. If the estimate shows that there is deficiency in the net future expense cash flow, the deficiency is immediately charged to the income statements with a corresponding credit to a provision of expense liabilities.

Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer/takaful operator is notified.

Benefits and claims arising on life insurance policies/family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy/family takaful certificate is recognised as follows:

(i) maturity or other policy benefits payments due on specified dates are treated as claims payable on the due dates;

(ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;

(iii) benefits payable under investment-linked business include net cancellation of units and are recognised as surrender; and

(iv) bonus on DPF policy upon declaration.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance/family takaful contracts (continued)

Life insurance contract liabilities

Life insurance contract liabilities comprise (i) claims liabilities, (ii) actuarial liabilities, (iii) unallocated surplus, and (iv) net asset value attributable to unitholders.

(i) Claims liabilities

Claims liabilities represent the amounts payable under a life insurance policy in respect of claims including settlement costs, and are accounted for using the case-by-case method as set out above under benefits, claims and expenses.

(ii) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged.

Actuarial liabilities are valued, where appropriate by using a prospective actuarial valuation based on the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate.

The expected future cash flows are determined using best estimate assumptions. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is provided for in the valuation of non-participating policies and non-unit liabilities of investment-linked policies, and in the valuation of participating policies on guaranteed benefits only.

Actuarial liabilities in respect of a participating insurance contract is taken as the higher of the guaranteed benefits insurance liabilities or the total benefits insurance liabilities at the fund level derived as stated above.

In the case of a life policy where the future premiums are not determinable, the reserve is determined as the higher of the gross premium valuation (“GPV”) reserve or the accumulated amount, plus the unearned cost of insurance. The GPV calculation includes assumptions regarding the pattern of premium payments as the product has a flexible premium nature. In this regard, assumptions are made on the proportion of policyholders taking premium holidays in the future.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, this asset value is eliminated at fund level.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance/family takaful contracts (continued)

<u>Life insurance contract liabilities</u> **(continued)**

(ii) Actuarial liabilities (continued)

The valuation of the non-unit liability is conducted for each investment-linked policy by a cash flow projection. The liability in respect of the non-unit component of an investment-linked policy is valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the reserves shall be the higher of the current accumulated amount, or the sum of the current accumulated amount and a reserve calculated on the net cash flows. These cash flows shall, where appropriate, be determined by considering the projected future values of the accumulated amount, at the relevant confidence level.

The actuarial liabilities are derecognised when the insurance contract expires, is discharged or is cancelled.

Adjustments to the actuarial liabilities at each reporting date are recorded in the income statements.

The liability adequacy test has been in-built in the valuation of actuarial liabilities and hence no separate assessment is carried out.

(iii) Unallocated surplus

Surpluses of contracts with DPF are attributable to policyholders and shareholders and the amount and timing of the distribution to both the policyholders and shareholders are determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statements of financial position is made in accordance with the provision of the Financial Services Act, 2013 and related regulations by the Company’s Appointed Actuary.

Unallocated surplus of contracts with DPF, where the amount are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial year, are held within the insurance contract liabilities.

(iv) Net asset value attributable to unitholders

The unit liability of investment-linked policy is equal to the net asset value of the investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality and morbidity costs and expense charges.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance/family takaful contracts (continued)

Family takaful contract liabilities

Family takaful contract liabilities comprise (i) claims liabilities, (ii) actuarial liabilities, (iii) AFS fair value reserves, (iv) net asset value attributable to participants and (v) unallocated surplus.

(i) Claims liabilities

Claims liabilities represent the amounts payable under a family takaful contract in respect of claims including settlement costs, are accounted for using the case-by-case method as set out above under benefits, claims and expenses.

(ii) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and contributions are charged.

Actuarial liabilities as determined by the annual actuarial valuation are based on the Guidelines on Valuation Basis for Liabilities of Family Takaful Business by BNM pursuant to the Islamic Financial Services Act, 2013 (“IFSA”).

Actuarial liabilities are valued, where appropriate by using a prospective actuarial valuation based on the sum of the present value of future gross benefits (with investment returns net of tax), less the present value of future gross tabarru arising from the policy discounted at the appropriate risk discount rate plus unearned tabarru.

The expected future cash flows are determined using best estimate assumptions after taking into account of all future contractual cash flows and investment returns net of tax from assets backing such liabilities. An appropriate allowance for provision of risk margin adverse deviation from expected experience is provided for in the valuation.

The principal uncertainty in the Shareholder’s fund (“SHF”) Takaful contract liabilities arises from the technical provisions which includes the unearned wakalah fees reserve and expenses liabilities of Family Takaful fund.

The cash flow reserves for SHF were set up using a discounted cash flow method to ensure the present value of expected future expenses payable from SHF in managing the Family Takaful fund for the full contractual obligation of the Family Takaful contract can be covered by present value of expected future income.

The expense liabilities for Family Takaful business are estimated assuming that the block of in-force contracts are to be maintained on a 'going concern' basis. Under a 'going concern' scenario, the contracts so valued are taken as a particular sub-block of contracts and the cashflows are valued to the point the last certificate goes off the books.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance/family takaful contracts (continued)

Family takaful contract liabilities (continued)

(ii) Actuarial liabilities (continued)

The maintenance expenses related to such contracts include the cost of functions that would normally be associated with operation of the business on a 'going concern' basis.

The expense liabilities are calculated using adjusted parameters to provide sufficiency at the appropriate percentile of statistical variation that is higher than the best estimate values.

The expense liabilities are the present value of future maintenance expenses on the current in-force Family Takaful contracts and are further reduced by the present value of future SHF income realisable with reasonable certainty relating to those in-force Family Takaful contracts.

The present value of the future Shareholders' Fund income relates to future renewal wakalah fees, certificate fee and fund management charges of Investment-Linked Participant's Account (PA).

The actuarial liabilities are derecognised when the Takaful contract expires, is discharged or is cancelled.

Adjustment to the actuarial liabilities at each reporting date are recorded in income statement of Takaful fund.

The liability adequacy test has been in-built in the valuation of actuarial liabilities and hence no separate assessment is to be carried out.

(iii) AFS fair value reserves

Where unrealised gain or losses arise on AFS financial assets of the Family Takaful fund, the adjustment to the Takaful contract liabilities equal to the effect that the realization of those gains or losses at the end of the reporting period would have on those liabilities is recognised directly in the statement of comprehensive income.

(iv) Net asset value attributable to participants

Net asset value represents contribution received and investment surplus credited to the certificate less deduction for mortality and morbility cost and expenses charges. The net asset value attributable to participants of Investment-linked certificate is equal to the net asset value of the investment-linked funds.

(v) Unallocated surplus

Unallocated surplus represents undistributable underwriting surplus set aside in accordance with the terms of the contract while accumulated deficits represent underwriting loss which will be made good by SHF via *al-qard al-hasan*.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) General insurance contracts

Gross premium

Gross premium income is recognised in the period in respect of risks assumed during that particular period.

Acquisition costs and deferred acquisition costs ("DAC")

The costs of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums, are recognised as incurred and properly allocated to the period in which it is probable they give rise to income.

Commission costs are deferred to the extent that these costs are recoverable out of future premium. All other acquisition costs are charged to the income statements in the period in which they are incurred.

Subsequent to initial recognition, these costs are amortised on a straight-line basis based on the terms of expected future premiums. Amortisation is recognised in the income statements.

An impairment review is performed at each date of the statements of financial position or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statements.

DAC is also considered in the liability adequacy test for each accounting period. DAC is derecognised when the related contracts are either settled or disposed of.

DAC is insignificant, predominantly short-term in nature and hence is netted against premium liabilities in the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) General insurance contracts (continued)

Claims and expenses

Claims and losses adjustment expenses are charged to the income statements as incurred based on the estimated liabilities for compensation owed to policyholders or third parties damaged by the policyholders. They include direct and indirect claims settlements costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group.

General insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise of (i) unearned premium reserves and (ii) claims liabilities.

(i) Unearned premium reserves

Unearned Premium Reserves ("UPR") represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial year. In determining UPR at the date of the statements of financial position, the method that most accurately reflects the actual unearned premiums is used as follows:

(i) 1/24th method for all other classes of Malaysian policies; and

(ii) time apportionment method for non-annual policies.

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premium. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions and a Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall fund level. The current estimate of future contractual cash flow is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and shall allow for expected future premium refunds.

If these estimates show that the carrying amount of the unearned premium less related deferred acquisition costs is inadequate, the deficiency is recognised in the income statements by setting up a provision for liability adequacy.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) General insurance contracts (continued)

Claims and expenses (continued)

(ii) Claims liabilities

Claims liabilities are determined based on the estimated ultimate cost of all claims incurred but not settled at the date of the statements of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of the statements of financial position.

The liabilities are calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions at best estimate and a PRAD calculated at the overall fund level. The liabilities are not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised.

The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The liability adequacy test has been in-built in the estimation of claims liabilities and hence no separate assessment is carried out.

(q) Reinsurance/retakaful

The Group cedes reinsurance/retakaful in the normal course of business, with retentions varying by line of business. The cost of reinsurance/retakaful is accounted for over the life of the underlying reinsured policies/retakaful contracts, using assumptions consistent with those used to account for such policies/contracts.

Premiums/contributions ceded and claims reimbursed are recognised in the same accounting period as the original policy/contract in which the reinsurance/retakaful relates, and are presented on a gross basis in the income statements and statements of financial position.

Fee income derived from reinsurers/retakaful operators in the course of reinsurance/retakaful are credited to the income statements in the financial year in which they are earned.

Reinsurance/retakaful assets consist of amounts receivable in respect of ceded insurance/takaful liabilities. Amounts recoverable from reinsurers/retakaful operators are estimated in a manner consistent with the reinsured's insurance/takaful's contract or investment contract liabilities or benefits paid and in accordance with the relevant reinsurance/retakaful contract.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Reinsurance/retakaful (continued)

To the extent that reinsurance/retakaful contracts principally transfer financial risk (as opposed to insurance risk), they are accounted for directly through the statements of financial position and are not included in reinsurance/retakaful assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums/contributions or fees to be retained by the reinsured/takaful operator.

If a reinsurance/retakaful asset is impaired, the Group reduces the carrying amount accordingly and recognises that impairment losses in the income statements. A reinsurance/retakaful asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance/retakaful asset, that the Group may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Group will receive from the reinsurer/retakaful operator can be reliably measured.

The Group also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed facultative reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Premiums, claims and other transactions costs on assumed treaty reinsurance are accounted for upon notification by the ceding companies or upon receipt of the statements of accounts.

(r) Insurance/takaful receivables

Insurance/takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance/takaful receivables are measured at amortised cost, using the effective interest method.

If there is objective evidence that the insurance/takaful receivable is impaired, the Group reduces the carrying amount of the insurance/takaful receivable accordingly and recognises that impairment losses in the income statements. The Group gathers the objective evidence that an insurance/takaful receivables is impaired using the same process adopted for financial assets carried at amortised cost. These processes are described in Note 2.2(j) to the financial statements.

(s) Other financial liabilities and insurance payables

Other liabilities and payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(t) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of the statements of financial position and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(u) Cash and cash equivalents

Cash and cash equivalents consist of cash in hands, deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purposes. The Group classifies the cash flows for purchase and disposal of investments in financial assets in its operating cash flows as the purchases are funded from the cash flows predominantly associated with the origination of insurance/takaful contracts, net of the cash flows for payments of insurance/takaful benefits and claims benefits.

(v) Leases

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

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (iii) below).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(v) Leases (continued)

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

Leasehold land and prepayments for land use rights that are held for the Group's own occupancy are recognised at cost and measured subsequently using the revaluation model in MFRS 16 Property, plant and equipment, where changes in fair values in subsequent periods are generally recognised in other comprehensive income. ROU assets that are not investment properties or property, plant and equipment are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(v) Leases (continued)

(iii) Lease liabilities (continued)

Variable lease payments that depend on sales are recognised in statement of comprehensive income in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of comprehensive income.

(iv) Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(v) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Post retirement benefit obligations

Defined contribution plans

As required by law, the Group makes contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statements as incurred. Once the contributions have been paid, the Group has no further payment obligations.

The Group operates one unfunded post retirement employee benefit schemes, whose members receive benefits on a defined benefit basis (related to length of service). The defined benefit plans provide life and medical benefits for employees after retirement.

(iii) Share-based compensation plans

AIA Group Limited ("AIAGL") launched a number of share-based compensation plans, under which the Company receives services from the employees, Directors and Officers as consideration for the shares and/or options of AIAGL. These share-based compensation plans comprise the Share Option Scheme ("SO Scheme"), the Restricted Share Unit Scheme ("RSU Scheme") and the Employee Share Purchase Plan ("ESPP").

The AIA Group's share compensation plans offered to the Group's employees are equity-settled plans. Under the equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of AIAGL's shares and/or options is recognised as an expense in the income statements over the vesting period with a corresponding amount recorded in equity. Any amounts recharged from AIAGL related to equity-settled share-based payment arrangements are offsetted against the amounts recorded in equity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Employee benefits (continued)

(iii) Share-based compensation plans (continued)

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share and/or options granted. Non-market vesting conditions are included in assumptions for the number of shares and/or options that are expected to be vested. At each period end, the Group revises its estimates of the number of shares and/or options that are expected to be vested. Any impact of the revision to original estimates is recognised in income statements with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

The Group estimates the fair value of options using a binomial lattice model. This model requires inputs such as share price, implied volatility, risk free interest rate, expected dividend rate and the expected life of the option.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

(x) Provision for agents’ retirement benefits

Provision for agents’ retirement benefits is calculated in accordance with the terms and conditions in the respective agents’ agreements. The scheme is not separately funded. The Group pays fixed contributions into the Agency Provident Fund.

Provision for agents' retirement benefits is charged to profit or loss in the period in which it relates.

(y) Non-current assets (or disposal group) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amounts are recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount or fair value less costs to sell.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(z) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the consolidated financial statements are presented in thousands of Ringgit Malaysia ("RM"), which is the Group's and the Company's presentation currency.

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

Translation differences on non-monetary items carried at fair value are translated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

(iii) Operations denominated in functional currency other than Ringgit Malaysia

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) equity items are translated at their respective historical rates;

(ii) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the statements of financial position;

(iii) income and expenses for each income statements are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iv) all resulting exchange differences are recognised as a separate component of equity under the foreign currency translation reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(aa) Taxation

Income tax on the income statements for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the date of statements of financial position.

Deferred tax is provided for, using the liability method, on temporary differences at the date of the statements of financial position between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the statements of financial position. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity in which case the deferred tax is also charged or credited in other comprehensive income.

(ab) Other revenue recognition

(i) Rental income

Rental income is recognised on accrual basis and presented within the investment income in the income statements.

(ii) Gains and losses on disposal of investments

Gains and losses on disposal of investments are determined by comparing the sales proceeds and the carrying amounts of the investments and the resulting difference is credited or charged to the income statements. Cost is determined by specific identification.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies and effects arising from adoption of revised MFRS

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Group's financial year beginning on or after 1 January 2020

The following accounting standards, amendments and interpretations have been adopted for the first time for the financial year beginning on 1 January 2020.

- Amendments to MFRS 3 "Definition of a Business"
- Amendments to MFRS 9, 139 & 7 "Interest Rate Benchmark Reform"
- Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 4 "Extension of the Temporary Exemption from Applying MFRS 9"

The adoption of the above accounting standards, amendments and interpretations does not have any significant financial impact to the financial statements.

- MFRS 9 "Financial Instruments" replaces MFRS 139 "Financial Instruments: Recognition and Measurement"

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies and effects arising from adoption of revised MFRS (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Group's financial year beginning on or after 1 January 2020 (continued)

- MFRS 9 "Financial Instruments replaces MFRS 139 "Financial Instruments: Recognition and Measurement" (continued)

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

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

  - When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in income statement.

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

  The standard is mandatorily effective for financial periods beginning on or after 1 January 2018, but the Group and the Company qualifies for a temporary exemption as explained below:

- Amendments to MFRS 4 - Applying MFRS 9 "Financial Instruments" with MFRS 4 ("Insurance Contracts") and Amendment to MFRS 4 "Extension of the temporary exempton from applying MFRS 9"

  The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 "Financial Instruments" before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 'Insurance Contracts', the related liabilities from insurance contracts are often measured on amortised cost basis.

  The amendments provide 2 different approaches for entities: (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and (ii) the overlay approach. Both approaches are optional.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies and effects arising from adoption of revised MFRS (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Group's financial year beginning on or after 1 January 2020 (continued)

- Amendments to MFRS 4 - Applying MFRS 9 "Financial Instruments" with MFRS 4 ("Insurance Contracts") and Amendment to MFRS 4 "Extension of the temporary exempton from applying MFRS 9" (continued)

  The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2023 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

  An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

  The Group and the Company's business activity is predominantly insurance as the liabilities connected with the Group and the Company's insurance businesses made up of more than 90% of the Company's total liabilities. Hence, the Group and the Company qualifies for the temporary exemption from applying MFRS 9 and intends to defer and adopt MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2023. On 17 August 2020, the Malaysian Accounting Standards Board ("MASB") has decided to defer the effective date of MFRS 17 and the temporary exemption of the adoption of MFRS 9 for insurers to annual reporting periods beginning on or after 1 January 2023. The amendments to MFRS 17 has been issued on 17 August 2020.

  Additional disclosures as required under Amendments to MFRS 4 are included in the financial statements of the Group as stated in Note 44.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies and effects arising from adoption of revised MFRS (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Group but are not effective for the financial year ended 31 December 2020 and have not been early adopted

The Group will apply the new standards, amendments to standards and interpretations in the following period:

Financial year beginning on/after 1 January 2022

- Annual Improvements to MFRS 9 “Fees in the 10% test for derecognition of financial liabilities”

  Annual Improvements to MFRS 9 “Fees in the 10% test for derecognition of financial liabilities” clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other’s behalf, are included in the cash flow of the new loan when performing the 10% test.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 “Reference to Conceptual Framework”

  Amendments to MFRS 3 “Reference to Conceptual Framework” replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 “Provisions, contingent liabilities and contingent assets” and IC Interpretation 21 “Levies” when falls within their scope. It also clarifies that contingent assets should not be recognized at the acquisition date.

  The amendments shall be applied prospectively.

- Amendments to MFRS 116 “Proceeds before intended use”

  Amendments to MFRS 116 “Proceeds before intended use” prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognized in profit or loss.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  The amendments shall be applied retrospectively.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies and effects arising from adoption of revised MFRS (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Group but are not effective for the financial year ended 31 December 2020 and have not been early adopted (continued)

The Group will apply the new standards, amendments to standards and interpretations in the following period (continued):

Financial year beginning on/after 1 January 2022 (continued)

- Amendments to MFRS 137 “Onerous contracts – cost of fulfilling a contract”

  Amendments to MFRS 137 “Onerous contracts – cost of fulfilling a contract” clarify that directo costs of fulfilling a contract include both the incremental cost of fulfilling the contracts as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognizing a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognized.

  The amendments shall be applied retrospectively.

Financial year beginning on/after 1 January 2023

- MFRS 17 “Insurance Contracts” replaces MFRS 4 “Insurance Contracts” and the related interpretations

  MFRS 17 “Insurance Contracts” replaces MFRS 4 “Insurance Contracts” applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 “Revenue”.

  An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be ‘unbundled’ and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

  MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin (“CSM”) representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that are related to financial risks either in profit or loss or in other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies and effects arising from adoption of revised MFRS (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Group but are not effective for the financial year ended 31 December 2020 and have not been early adopted (continued)

The Group will apply the new standards, amendments to standards and interpretations in the following period (continued):

Financial year beginning on/after 1 January 2023 (continued)

- MFRS 17 “Insurance Contracts” replaces MFRS 4 “Insurance Contracts” and the related interpretations (continued)

  Alternative measurement models are provided for the different insurance coverages:

  a) Simplified premium allocation approach if the insurance coverage period is a year or less; and

  b) Variable fee approach should be applied for insurance contracts that specify a link between payments to the policyholders and the returns on the underlying items.

  The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

  Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

  On 17 August 2020, the Malaysian Accounting Standards Board issued the Amendments to MFRS 17 and the Amendments to MFRS 4 that defers the effective date of MFRS 17 and the temporary exemption from applying MFRS 9 to annual reporting periods beginning on or after 1 January 2023.

  The Group is in the midst of conducting a detailed assessment of the new standard.

- Amendments to MFRS 17 ‘Insurance Contracts’

  Amendments to MFRS17 Insurance Contracts defers the effective date of MFRS 17 Insurance Contracts. An entity shall apply MFRS 17 and Amendments to MFRS 17 for annual reporting periods beginning on or after 1 January 2023. If an entity applies MFRS 17 earlier, it shall disclose that fact. Early application is permitted for entities that apply MFRS 9 Financial Instruments on or before the date of initial application of MFRS 17.

  The Group is in the process of assessing the financial impact on to the Group’s financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies and effects arising from adoption of revised MFRS (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Group but are not effective for the financial year ended 31 December 2020 and have not been early adopted (continued)

- Amendments to MFRS 101 'Classification of liabilities as current or non-current'

  Amendments to MFRS 101 'Classification of liabilities as current or non-current' clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

  A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

2.4 Critical accounting estimates and judgements in applying accounting policies

In the preparation of the financial statements, management has made judgements and estimates in applying accounting policies in respect of the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the judgements made by management that have the most significant effect on the amounts recognised in the financial statements:

Key sources of estimation uncertainty

(a) Actuarial liabilities for life insurance contracts and premium liabilities for accident & health contracts

There are several sources of uncertainty in the estimation of these liabilities, including future mortality and morbidity, withdrawals, expenses and discount rates. In developing the operating assumptions, management has utilised the Company's actual historical experience wherever available. For certain products where experience is limited, experience for similar products or pricing assumptions has been used.

Prescribed risk-free discount rates are used for discounting of cash flows to value Ringgit Malaysia denominated liabilities of non-DPF life policies, the guaranteed liabilities under participating policies and the non-unit liabilities of investment-linked policies. The risk-free discount rate was based on a weighted average of zero-coupon spot yields of Malaysian Government Securities ("MGS"). Where total guaranteed and non-guaranteed benefits of the DPF funds are considered, the discount rate assumed is the current portfolio yield graded to the long-term interest rate assumption for the DPF fund.

The key assumptions used and the sensitivity analysis on the key assumptions as at 31 December 2020, based on the change in one specific assumption while holding all other assumptions constant are disclosed in Note 37 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Critical accounting estimates and judgements in applying accounting policies

(b) Actuarial liabilities of family takaful contracts (continued)

The estimation of the actuarial liabilities of family takaful is made in accordance with the guidelines issued by BNM.

For Shareholders' fund, the cash flow reserves for operator fund were set up using a discounted cash flow to ensure the present value of expected future expenses payable from Shareholders' fund in managing the family takaful fund for the full contractual obligation of the family takaful contracts can be covered by present value of expected future income.

For family takaful fund, the cash flow reserves were set up using a discounted cash flow method, with sufficient PRAD, to ensure that any future negative cash flow resulting from insufficiency of tabarru' charges to meet expected family takaful contract benefits are eliminated.

(c) Valuation of general insurance contract liabilities

For general insurance contracts, Bornheutter-Ferguson ("BF") methods are used to estimate the ultimate cost of outstanding claims.

BF method basically assumes that the claim experience for an accident year will produce a particular loss ratio and adjusted with subsequent actual claim experience.

The estimates of general insurance contract liabilities are therefore sensitive to various factors and uncertainties. These uncertainties may arise from changes in expected loss ratio used for each accident years and changes in average claim settlement period. Thus, the general settlement of eventual insurance contract liabilities may vary from the estimates.

The key assumptions used and the sensitivity analysis on the key assumptions as at 31 December 2020, based on the change in one specific assumption while holding all other assumptions constant are disclosed in Note 37 to the financial statements.

(d) Valuation of investment properties and properties held for own use

The Group uses independent professional valuers to determine the fair value of properties on the basis of highest and best use of the properties that is physically possible, legally permissible and financially feasible. In most cases, current use of the properties are considered to be its highest and best use. Different valuation approaches may be adopted to reach the fair value of a property. Under the market data approach, records of recent sales and offerings of similar properties are analysed and comparisons are made for factors such as size, location, quality and prospective use.

For investment properties, the discounted cash flow approach is used by reference to net rental income allowing for reversionary income potential to estimate the fair value of the properties. In some occasions, the cost approach is used as well to calculate the fair value which reflects the cost that would be required to replace the service capacity of the property.

3 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold Land* RM'000	Buildings owner occupied properties RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Work-in-progress RM'000	Total RM'000
At 31 December 2020								
Cost/Valuation								
At 1 January 2020	150,201	23,465	191,721	2,223	183,698	73,201	3,219	627,728
Additions	-	-	-	-	803	7,714	5,398	13,915
Revaluation loss recognised in other comprehensive income	(6,902)	-	(2,438)	-	-	-	-	(9,340)
Elimination of accumulated depreciation and impairment on revaluation	-	(337)	(7,373)	-	-	-	-	(7,710)
Disposal	-	-	-	(358)	-	(186)	-	(544)
Written off	-	-	-	-	(2)	(248)	-	(250)
Reclassification	-	-	-	-	1,039	1,018	(2,057)	-
At 31 December 2020	143,299	23,128	181,910	1,865	185,538	81,499	6,560	623,799

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)	Freehold land RM'000	Leasehold Land* RM'000	Buildings owner occupied properties RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Work-in-progress RM'000	Total RM'000
At 31 December 2020								
Accumulated depreciation and impairment								
At 1 January 2020	-	-	-	1,679	120,606	59,171	-	181,456
Depreciation charge for the financial year (Note 30)	-	337	7,373	246	16,108	6,412	-	30,476
Disposal	-	-	-	(358)	-	(181)	-	(539)
Written off	-	-	-	-	-	(151)	-	(151)
Elimination of accumulated depreciation and impairment on revaluation	-	(337)	(7,373)	-	-	-	-	(7,710)
At 31 December 2020	-	-	-	1,567	136,714	65,251	-	203,532
Net Book Value at 31 December 2020	143,299	23,128	181,910	298	48,824	16,248	6,560	420,267

*Right-of-use assets in relation to leasehold land are reported within property, plant and equipment

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)	Freehold land RM'000	Leasehold Land* RM'000	Buildings owner occupied properties RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Work-in-progress RM'000	Total RM'000
At 31 December 2019								
Cost/Valuation								
At 1 January 2019								
- As previously reported	148,565	10,530	193,360	2,172	170,743	65,453	1,127	591,950
- Opening adjustment on adoption of MFRS 16	-	12,761	-	-	-	-	-	12,761
At 1 January 2019 (as restated)	148,565	23,291	193,360	2,172	170,743	65,453	1,127	604,711
Additions	-	-	-	188	11,514	7,220	3,146	22,068
Revaluation surplus recognised in other comprehensive income	1,636	506	5,540	-	-	-	-	7,682
Elimination of accumulated depreciation and impairment on revaluation	-	(332)	(7,179)	-	-	-	-	(7,511)
Disposal	-	-	-	(137)	(44)	-	-	(181)
Written off	-	-	-	-	(12)	(15)	-	(27)
Reclassification	-	-	-	-	961	93	(1,054)	-
Reclass from intangible assets (Note 7)	-	-	-	-	-	42	-	42
Acquisition of subsidiaries	-	-	-	-	536	408	-	944
At 31 December 2019	150,201	23,465	191,721	2,223	183,698	73,201	3,219	627,728

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)	Freehold land RM'000	Leasehold Land* RM'000	Buildings owner occupied properties RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Work-in-progress RM'000	Total RM'000
At 31 December 2019								
Accumulated depreciation and impairment								
At 1 January 2019	-	-	-	1,582	102,965	52,626	-	157,173
Depreciation charge for the financial year (Note 30)	-	328	7,179	234	17,685	6,557	-	31,983
Impairment loss	-	4	-	-	-	-	-	4
Disposal	-	-	-	(137)	(38)	-	-	(175)
Written off	-	-	-	-	(6)	(12)	-	(18)
Elimination of accumulated depreciation and impairment on revaluation	-	(332)	(7,179)	-	-	-	-	(7,511)
At 31 December 2019	-	-	-	1,679	120,606	59,171	-	181,456
Net Book Value at 31 December 2019	150,201	23,465	191,721	544	63,092	14,030	3,219	446,272

*Right-of-use assets in relation to leasehold land are reported within property, plant and equipment

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM'000	Leasehold Land* RM'000	Buildings owner occupied properties RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Work-in-progress RM'000	Total RM'000
As at 31 December 2020								
Cost/Valuation								
At 1 January 2020	150,201	23,465	191,721	2,223	182,454	72,390	3,173	625,627
Additions	-	-	-	-	797	6,785	5,397	12,979
Revaluation loss recognised in other comprehensive income	(6,889)	(13)	(2,438)	-	-	-	-	(9,340)
Elimination of accumulated depreciation and impairment on revaluation	(13)	(324)	(7,373)	-	-	-	-	(7,710)
Disposal	-	-	-	(358)	-	(186)	-	(544)
Written off	-	-	-	-	-	(201)	-	(201)
Reclassification	-	-	-	-	1,039	972	(2,011)	-
At 31 December 2020	143,299	23,128	181,910	1,865	184,290	79,760	6,559	620,811

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company (continued)	Freehold land RM'000	Leasehold Land* RM'000	Buildings owner occupied properties RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Work-in-progress RM'000	Total RM'000
Accumulated depreciation and impairment								
At 1 January 2020	-	-	-	1,679	120,148	58,834	-	180,661
Depreciation charge for the financial year (Note 30)	-	337	7,373	246	15,935	6,083	-	29,974
Disposal	-	-	-	(358)	-	(182)	-	(540)
Written off	-	-	-	-	-	(122)	-	(122)
Elimination of accumulated depreciation and impairment on revaluation	-	(337)	(7,373)	-	-	-	-	(7,710)
At 31 December 2020	-	-	-	1,567	136,083	64,613	-	202,263
Net Book Value at 31 December 2020	143,299	23,128	181,910	298	48,207	15,147	6,559	418,548

* Right-of-use assets in relation to leasehold land are reported within property, plant and equipment

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company (continued)	Freehold land RM'000	Leasehold Land* RM'000	Buildings owner occupied properties RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Work-in-progress RM'000	Total RM'000
As at 31 December 2019								
Cost/Valuation								
At 1 January 2019								
- As previously reported	148,565	10,530	193,360	2,172	170,037	65,110	1,127	590,901
- Opening adjustment on adoption of MFRS 16	-	12,761	-	-	-	-	-	12,761
At 1 January 2019 (as restated)	148,565	23,291	193,360	2,172	170,037	65,110	1,127	603,662
Additions	-	-	-	188	11,512	7,160	3,100	21,960
Revaluation surplus recognised in other comprehensive income	1,636	506	5,540	-	-	-	-	7,682
Elimination of accumulated depreciation and impairment on revaluation	-	(332)	(7,179)	-	-	-	-	(7,511)
Disposal	-	-	-	(137)	(44)	-	-	(181)
Written off	-	-	-	-	(12)	(15)	-	(27)
Reclassification	-	-	-	-	961	93	(1,054)	-
Reclass from intangible assets (Note 7)	-	-	-	-	-	42	-	42
At 31 December 2019	150,201	23,465	191,721	2,223	182,454	72,390	3,173	625,627

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company (continued)	Freehold land RM'000	Leasehold Land* RM'000	Buildings owner occupied properties RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Work-in-progress RM'000	Total RM'000
Accumulated depreciation and impairment								
At 1 January 2019	-	-	-	1,582	102,582	52,319	-	156,483
Depreciation charge for the financial year (Note 30)	-	328	7,179	234	17,610	6,527	-	31,878
Impairment loss	-	4	-	-	-	-	-	4
Disposal	-	-	-	(137)	(38)	-	-	(175)
Written off	-	-	-	-	(6)	(12)	-	(18)
Elimination of accumulated depreciation and impairment on revaluation	-	(332)	(7,179)	-	-	-	-	(7,511)
At 31 December 2019	-	-	-	1,679	120,148	58,834	-	180,661
Net Book Value at 31 December 2019	150,201	23,465	191,721	544	62,306	13,556	3,173	444,966

*Right-of-use assets in relation to leasehold land are reported within property, plant and equipment

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties held for own use are carried at fair value at the reporting date less accumulated depreciation. The Group and the Company use independent professional valuers to determine the fair value of properties on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible.

In most cases, current use of the properties is considered to be the highest and best use for determining the fair values and are determined based on appropriate valuation techniques which may consider among other income projection, value of comparable property and adjustments for factors such as size, location, quality and prospective use. These valuation inputs are deemed unobservable inputs under the level 3 fair value hierarchy.

Decreases in revaluation surplus on properties held for own use of RM9 million (2019: Increased RM8 million) for the Group and Company were recognised in other comprehensive income during the financial year.

The net book value of revalued buildings had these assets been carried at cost less accumulated depreciation are as follows:

	Group and Company	
	2020	**2019**
	RM'000	**RM'000**
Freehold land	6,440	6,440
Leasehold land	6,279	6,616
Buildings owner occupied properties	146,238	153,611

The table below sets out the summary of changes in level 3 fair value for non-financial assets during the financial year.

	Freehold land	**Leasehold land**	**Building owner occupied properties**
	RM'000	**RM'000**	**RM'000**
At 1 January 2020	150,201	23,465	191,721
Depreciation charge for the financial year	-	(337)	(7,373)
Revaluation loss for the financial year recognised in other comprehensive income	(6,902)	-	(2,438)
At 31 December 2020	143,299	23,128	181,910

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The table below sets out the summary of changes in level 3 fair value for non-financial assets during the financial year. (continued)

	Freehold land RM'000	Leasehold land RM'000	Building owner occupied properties RM'000
At 1 January 2019			
- As previously reported	148,565	10,530	193,360
- Opening adjustment on adoption of MFRS 16	-	12,761	-
At 1 January 2019 (as restated)	148,565	23,291	193,360
Depreciation charge for the financial year	-	(328)	(7,179)
Impairment loss	-	(4)	-
Revaluation surplus for the financial year recognised in other comprehensive income	1,636	506	5,540
At 31 December 2019	150,201	23,465	191,721

4 LEASES

This note provides information for leases where the Group and Company are lessees. For leases where the Group and Company are lessors, see note 34.

(i) Amounts recognised in the statements of financial position

The statements of financial position show the following amounts relating to leases:

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Rights-of-use assets				
Properties	132,735	134,083	132,731	133,781
Others	769	305	657	136
	133,504	134,388	133,388	133,917
Lease liabilities				
Current	14,272	19,296	20,604	19,160
Non-current	124,272	117,768	117,823	117,429
	138,544	137,064	138,427	136,589

Additions to the right-of-use assets during the 2020 financial year for Group were RM23.7 million (2019: RM57.4 million) and for Company were RM21.6 million (2019: RM57.4 million).

Included in property, plant and equipment, there are RM23.1 million (2019: RM23.5 million) of right-of-use assets in relation to leasehold land.

4 LEASES (CONTINUED)

(ii) Amounts recognised in the income statements

The income statements show the following amounts relating to leases:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Depreciation charge of right-of-use assets				
Properties	24,009	21,085	21,828	21,085
Others	341	310	288	308
	24,350	21,395	22,116	21,393
Interest expense (included in finance cost)	5,928	5,881	5,705	5,879
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	62	707	30	707

The total cash outflow for leases for 2020 for Group was RM27.9 million (2019: RM24.6 million) and Company were RM25.5 million (2019: RM24.6 million).

5 INVESTMENT PROPERTIES

Group and Company	Freehold land RM'000	Buildings RM'000	Work-in-progress RM'000	Total RM'000
At 31 December 2020				
At 1 January 2020	196,358	155,812	10,960	363,130
Fair value changes (Note 27)	(12,298)	(17,665)	-	(29,963)
Addition	-	(1)	12,034	12,033
Reclassification	-	-	-	-
At 31 December 2020	184,060	138,146	22,994	345,200
At 31 December 2019				
At 1 January 2019	193,831	168,742	647	363,220
Fair value changes (Note 27)	2,527	(13,074)	-	(10,547)
Addition	-	45	10,412	10,457
Reclassification	-	99	(99)	-
At 31 December 2019	196,358	155,812	10,960	363,130

5 INVESTMENT PROPERTIES (CONTINUED)

Investment properties are carried at fair value at the reporting date as determined by independent professional valuers. Fair value of the Group and the Company's investment properties are determined based on appropriate valuation techniques which may consider among other income projection, value of comparable property and adjustments for factors such as size, location, quality and prospective use. These valuation inputs are deemed unobservable inputs under the level 3 fair value hierarchy.

No investment properties were pledged as security for banking facilities as at the date of the statements of financial position.

The following are amounts arising from investment properties that have been recognised in the income statements during the financial year:

	Group and Company	
	2020	2019
	RM'000	RM'000
Rental income	10,136	20,933
Direct operating expenses arising from investment properties that generate rental income	(5,896)	(7,572)

6 PREPAID LAND LEASE PAYMENTS

	Group and Company	
	2020 RM'000	2019 RM'000
At beginning of the financial year/period		
- As previously reported	-	1,146
- Opening adjustment on adoption of MFRS 16	-	(1,146)
At 1 January 2020 (as restated)	-	-
Amortisation for the financial year	-	-
At end of the financial year	-	-
Analysed as:		
Medium term leasehold land	-	-
Long term leasehold land	-	-
	-	-

	Group and Company	
	2020 RM'000	2019 RM'000
Current	-	-
Non-current	-	-
	-	-

No leasehold land of the Group and the Company were pledged as security for banking facilities as at the date of the statements of financial position.

7 INTANGIBLE ASSETS

Group	Software RM'000	Membership RM'000	Work- in-progress RM'000	Total RM'000
At 31 December 2020				
Cost				
At 1 January 2020	226,008	1,439	37,960	265,407
Additions	30,178	-	36,520	66,698
Written off	(4,857)	-	-	(4,857)
Reclassification	17,796	-	(17,796)	-
At 31 December 2020	269,125	1,439	56,684	327,248

7 INTANGIBLE ASSETS (CONTINUED)

Group (continued)	Software RM'000	Membership RM'000	Work-in-progress RM'000	Total RM'000
At 31 December 2020				
Accumulated amortisation				
At 1 January 2020	135,613	307	-	135,920
Amortisation for the financial year (Note 30)	21,152	22	-	21,174
Written off	(405)	-	-	(405)
At 31 December 2020	156,360	329	-	156,689
Net Book Value at 31 December 2020	112,765	1,110	56,684	170,559

Group	Software RM'000	Membership RM'000	Work-in-progress RM'000	Total RM'000
At 31 December 2019				
Cost				
At 1 January 2019	190,786	1,439	26,577	218,802
Additions	6,081	-	32,020	38,101
Reclassification to property, plant and equipment (Note 3)	-	-	(42)	(42)
Acquisition of subsidiaries	7,558	-	988	8,546
Reclassification	21,583	-	(21,583)	-
At 31 December 2019	226,008	1,439	37,960	265,407
Accumulated amortisation				
At 1 January 2019	120,500	285	-	120,785
Amortisation for the financial year (Note 30)	15,113	22	-	15,135
At 31 December 2019	135,613	307	-	135,920
Net Book Value at 31 December 2019	90,395	1,132	37,960	129,487

7 INTANGIBLE ASSETS (CONTINUED)

Company	Software RM'000	Membership RM'000	Work-in-progress RM'000	Total RM'000
At 31 December 2020				
Cost				
At 1 January 2020	208,433	1,439	36,064	245,936
Additions	29,049	-	33,070	62,119
Written off	(4,857)	-	-	(4,857)
Reclassification	17,711	-	(17,711)	-
At 31 December 2020	250,336	1,439	51,423	303,198
Accumulated amortisation				
At 1 January 2020	127,543	306	-	127,849
Amortisation for the financial year (Note 30)	16,282	22	-	16,304
Written off	(405)	-	-	(405)
At 31 December 2020	143,420	328	-	143,748
Net Book Value at 31 December 2020	106,916	1,111	51,423	159,450
At 31 December 2019				
Cost				
At 1 January 2019	180,769	1,439	26,515	208,723
Additions	6,081	-	31,174	37,255
Reclass to property, plant and equipment (Note 3)	-	-	(42)	(42)
Reclassification	21,583	-	(21,583)	-
At 31 December 2019	208,433	1,439	36,064	245,936
Accumulated amortisation				
At 1 January 2019	114,120	284	-	114,404
Amortisation for the financial year (Note 30)	13,423	22	-	13,445
At 31 December 2019	127,543	306	-	127,849
Net Book Value at 31 December 2019	80,890	1,133	36,064	118,087

8 INVESTMENT IN SUBSIDIARIES

	Company 2020 RM'000	Company 2019 RM'000
Unquoted shares, at cost	487,859	487,859

(i) Details of the subsidiaries are as follows:

Name	Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	Principal activities
AIA General Berhad ("AIAGB")	Malaysia	100	100	Underwriting of general insurance business.
AIA Pension and Asset Management Sdn. Bhd. ("APAM")	Malaysia	100	100	Managing private retirement scheme and asset management business.
AIA PUBLIC Takaful Bhd. ("APTB")	Malaysia	70	70	Management of family takaful including takaful investment-linked business.
AIA Health Services Sdn. Bhd. ("AHS")	Malaysia	100	100	Provision of healthcare marketing and management services.

8 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(ii) Non-controlling interest

Set out below is the Group's subsidiary company that has material non-controlling interest:

	Proportion of equity ownership held by owners of non-controlling interest	
	2020	2019
	%	%
AIA PUBLIC Takaful Bhd.	30	30

Summarised financial information for the subsidiary company that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

	AIA PUBLIC Takaful Bhd.	
	2020	2019
	RM'000	RM'000
Assets and liabilities		
Total assets	2,273,765	1,656,207
Total liabilities	2,030,858	1,457,741
Net assets	242,907	198,466
Equity attributable to owners of the Company	170,034	138,918
Non-controlling interest	72,873	59,548
Results		
Revenue	1,311,174	1,051,198
Profit after tax	40,252	15,251
Total comprehensive income	44,441	19,772
Attributable to owners of non-controlling interests:		
Profit after tax	12,076	4,575
Total comprehensive income	13,332	5,932
Cash flows		
Net cash (used in)/generated from operating activities	(69,147)	63,346
Net cash used in investing activities	(4,087)	(3,937)
Net cash used in financing activities	(592)	(589)
Net (decrease)/increase in cash and cash equivalents	(73,826)	58,820

8 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(iii) Interests in structured entities

Controlled structured entities

The Company has determined that its investment in wholesale unit trust funds amounting to RM776,540,000 (2019: RM nil) as disclosed in Note 10 to the financial statements as investment in structured entities ("investee funds"). The Company invests in an investee fund whose objective is to achieve medium to long-term returns while preserving capital and whose investment strategy does not include the use of leverage. The investee fund is managed by Affin Hwang Asset Management Berhad and applies various investment strategies to accomplish the investment objectives. The investee fund finances its operations through the creation of investee fund units which entitles the holder to variable returns and available for sale value in the investee fund's net assets.

The Company holds 78% of the Affin Hwang Income Fund 4, a fund established in Malaysia, and thus has control over the investee fund. The remaining investment of 22% is by virtue of the shareholding through the Company's wholly-owned subsidiary company, AIA General Berhad. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The investee fund is classified as available-for-sale investment and the change in fair value of the investee fund is included in the statement of financial position in the Company's financial statements.

The Company's exposure to investments in the investee funds is disclosed below.

	2020
Number of wholesale unit trust funds	1
Average net asset value per unit of wholesale unit trust funds:	
Affin Hwang Income Fund 4 (RM)	1.0264
Fair value of underlying net assets:	**RM'000**
Malaysian Government Securities	709,029
Unquoted corporate debt securities	34,718
Cash and cash equivalents	49,347
Payables	(16,554)
	776,540
Total fair value gain for the financial year	6,164

The Company's maximum exposure to loss from its interests in the investee fund is equivalent to the fair value of its investment in the investee fund.

As the Company has control over the investee fund which is considered a controlled structured entity, the structured entity is consolidated at the Group level. The underlying assets of the structured entity are duly consolidated in the financial statements.

8 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(iii) Interests in structured entities (continued)

Unconsolidated structured entities
The Group has determined that the investment funds and structured securities, such as mortgage-backed securities, mutual funds and real estate investment trust funds that the Group has interest are structured entities.

The following tables summarise the Group's and the Company's interest in unconsolidated structured entities as at 31 December 2020:

	Group	
	Investment funds RM'000	Structured securities[1] RM'000
At 31 December 2020		
Available for sale debt securities	-	42,741
Debt securities at fair value through profit or loss	-	224,479
Equity securities at fair value through profit or loss	3,543,273[2]	-
	3,543,273	267,220

	Company	
	Investment funds RM'000	Structured securities[1] RM'000
At 31 December 2020		
Available for sale debt securities	-	42,721
Debt securities at fair value through profit or loss	-	224,479
Equity securities at fair value through profit or loss	3,562,843[2]	-
	3,562,843	267,220

The following tables summarise the Group's and the Company's interest in unconsolidated structured entities as at 31 December 2019:

	Group	
	Investment funds RM'000	Structured securities[1] RM'000
At 31 December 2019		
Available for sale debt securities	-	76,659
Debt securities at fair value through profit or loss	-	491,629
Equity securities at fair value through profit or loss	2,751,527[2]	-
	2,761,527	568,288

8 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(iii) Interests in structured entities (continued)

Unconsolidated structured entities (continued)

	Company	
	Investment funds	Structured securities[1]
	RM'000	RM'000
At 31 December 2019		
Available for sale debt securities	-	76,659
Debt securities at fair value through profit or loss	-	491,629
Equity securities at fair value through profit or loss	2,734,504[2]	-
	2,734,504	568,288

Notes:

(1) Structured securities include mortgage-backed securities.

(2) Balance represents the Group's interests in mutual funds and real estate investment trusts.

The Group's maximum exposure to loss arising from its interests in these unconsolidated structured entities is limited to the carrying amount of the assets. Dividend income and interest income are received during the reporting period from these interests in unconsolidated structured entities.

In addition, the Group receives management fees in respect of providing management and administrative services to certain investment funds. As the investment funds are not held by the Group and the associated investment risks are not borne by the Group, the Group does not have exposure to losses in these funds.

9 INVESTMENT IN ASSOCIATE

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted shares, at cost	88	88	88	88
Share of post-acquisition reserve	8,193	16,309	-	-
	8,281	16,397	88	88

Details of the associate company are as follows:

Name	Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	Principal activities
Panareno Sdn. Bhd.	Malaysia	35	35	Property management and development

The summarised financial information of the associate are as follows:

	2020 RM'000	**2019 RM'000**
Assets and liabilities		
Total assets	24,773	63,008
Total liabilities	1,113	16,159
Net assets	23,660	46,849

Results

	2020 RM'000	**2019 RM'000**
Revenue	8,925	999,452
Profit for the financial year	6,812	16,181
Other comprehensive income	-	4,521
Total other comprehensive income	6,164	20,702

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At fair value				
Malaysian government securities	3,093,053	2,308,533	2,127,409	2,061,777
Cagamas papers	145,966	254,249	135,884	233,830
Unquoted corporate debt securities	7,218,387	6,470,027	6,715,394	6,151,680
Unquoted equity securities	4,295	4,625	4,295	4,625
Controlled structured entities	-	-	776,540	-
Deposits with licensed bank	100,450	101,010	100,450	101,010
Accrued interest	117,546	105,231	101,795	99,702
	10,679,697	9,243,675	9,961,767	8,652,624
Carrying values of financial instruments				
At 1 January	9,243,675	8,766,691	8,652,624	8,416,978
Purchases	3,447,746	946,499	2,421,870	783,565
Maturities	(255,116)	(281,553)	(267,425)	(256,453)
Disposals at amortised cost	(1,984,392)	(887,304)	(1,059,069)	(842,201)
Fair value gains recorded in:				
Other comprehensive income	232,927	570,598	223,873	559,634
Unrealised foreign exchange gain	(4,401)	(567)	(4,401)	(567)
Movement in accrued interest	12,315	(2,153)	2,093	(3,087)
Net amortisation of premiums (Note 25)	(13,057)	(5,986)	(7,798)	(5,245)
Acquisition of subsidiaries	-	137,450	-	-
At 31 December	10,679,697	9,243,675	9,961,767	8,652,624
Current	421,403	325,705	1,144,904	291,660
Non-current	10,258,294	8,917,970	8,816,863	8,360,964
	10,679,697	9,243,675	9,961,767	8,652,624

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Fair value of financial instruments

The following tables show the financial instruments recorded at fair value analysed by the different level of fair values as follows:

Group

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2020				
Malaysian government securities	3,093,053	-	3,093,053	-
Cagamas papers	145,966	-	145,966	-
Unquoted equity securities	4,295	-	-	4,295
Unquoted corporate debt securities	7,218,387	-	7,218,387	-
Deposits with licensed bank	100,450	-	100,450	-
Accrued interest	117,546	-	117,546	-
Total assets on a recurring fair value measurement basis	10,679,697	-	10,675,402	4,295

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Fair value of financial instruments (continued)

The following tables show the financial instruments recorded at fair value analysed by the different level of fair values as follows:

Group (continued)

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2019				
Malaysian government securities	2,308,533	-	2,308,533	-
Cagamas papers	254,249	-	254,249	-
Unquoted equity securities	4,625	-	-	4,625
Unquoted corporate debt				
Securities	6,470,027	-	6,470,027	-
Deposits with licensed bank	101,010	-	101,010	-
Accrued interest	105,231	-	105,231	-
Total assets on a recurring fair value measurement basis	9,243,675	-	9,239,050	4,625

Company

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2020				
Malaysian government securities	2,127,409	-	2,127,409	-
Cagamas papers	135,884	-	135,884	-
Unquoted equity securities	4,295	-	-	4,295
Unquoted corporate debt		-		
securities	6,715,394		6,715,394	-
Controlled Structured Entities	776,540	-	776,540	-
Deposits with licensed bank	100,450	-	100,450	-
Accrued interest	101,795	-	101,795	-
Total assets on a recurring fair value measurement basis	9,961,767	-	9,957,472	4,295

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Fair value of financial instruments (continued)

Company (continued)

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2019				
Malaysian government securities	2,061,777	-	2,061,777	-
Cagamas papers	233,830	-	233,830	-
Unquoted equity securities	4,625	-	-	4,625
Unquoted corporate debt securities	6,151,680	-	6,151,680	-
Deposits with licensed bank	101,010	-	101,010	-
Accrued interest	99,702	-	99,702	-
Total assets on a recurring fair value measurement basis	8,652,624	-	8,647,999	4,625

The table below sets out the summary of changes in level 3 fair value for financial assets during the financial year.

	Group and Company Unquoted equity securities RM'000
At 31 December 2018/31 December 2019	4,625
Disposal during the financial year	(330)
At 31 December 2020	4,295

Fair value hierarchy for financial and non-financial instruments

A level is assigned to each fair value measurement based on the significance of the input to the fair value measurement in its entirety. The three-level hierarchy is defined in Note 15 to the financial statements.

11 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At fair value				
Malaysian government securities	6,388,948	5,741,633	6,112,813	5,575,662
Cagamas papers	917,738	1,283,329	917,738	1,283,329
Equity securities of corporations				
- Quoted	12,808,579	9,907,872	12,236,759	9,570,146
- Unquoted	528,832	477,175	494,036	448,564
Quoted real estate investment trust funds	319,492	551,598	311,006	544,671
Unquoted corporate debt securities	20,088,507	19,660,668	19,278,764	19,131,165
Mutual funds				
- Quoted	2,477,846	1,698,243	2,466,763	1,688,147
- Unquoted	765,505	501,687	765,505	501,687
Accrued interest	286,559	286,922	273,545	278,564
	44,582,006	40,109,127	42,856,929	39,021,935
Carrying values of financial instruments				
At 1 January	40,109,127	35,393,740	39,021,935	35,388,499
Purchases	12,762,869	7,785,332	11,828,949	7,785,333
Maturities	(917,400)	(920,900)	(917,400)	(920,900)
Disposals at fair value	(9,833,771)	(5,051,538)	(9,386,069)	(5,051,538)
Fair value gains/(losses) recorded in income statements (Note 27)	2,485,912	1,839,418	2,337,186	1,839,194
Unrealised foreign exchange loss	(4,667)	(355)	(4,667)	(355)
Movement in accrued interest	(363)	(2,141)	(5,019)	(2,142)
Net amortisation of premiums (Note 25)	(19,701)	(16,156)	(17,986)	(16,156)
Acquisition of subsidiaries	-	1,081,727	-	-
At 31 December	44,582,006	40,109,127	42,856,929	39,021,935
Current	17,302,998	13,762,149	17,218,139	13,727,743
Non-current	27,279,008	26,346,978	25,638,790	25,294,192
	44,582,006	40,109,127	42,856,929	39,021,935

11 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS (CONTINUED)

Fair value of financial instruments

The following tables show the financial instruments recorded at fair value analysed by the different level of fair values as follows:

Group

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2020				
Malaysian government securities	6,388,948	-	6,388,948	-
Cagamas papers	917,738	-	917,738	-
Equity securities of corporations				
- Quoted	12,808,579	12,791,598	16,981	-
- Unquoted	528,832	-	528,799	33
Quoted real estate investment trust funds	319,492	319,492	-	-
Unquoted corporate debt securities	20,088,507	-	20,088,507	-
Mutual funds				
- Quoted	2,477,846	2,477,846	-	-
- Unquoted	765,505	208,960	-	556,545
Accrued interest	286,559	1,481	285,078	-
Total assets on a recurring fair value measurement basis	44,582,006	15,799,377	28,226,051	556,578

11 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS (CONTINUED)

Fair value of financial instruments (continued)

The following tables show the financial instruments recorded at fair value analysed by the different level of fair values as follows (continued):

Group

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2019				
Malaysian government securities	5,741,633	-	5,741,633	-
Cagamas papers	1,283,329	-	1,283,329	-
Equity securities of corporations				
- Quoted	9,907,872	9,906,625	1,247	-
- Unquoted	477,175	-	477,142	33
Quoted real estate investment trust funds	551,598	551,598	-	-
Unquoted corporate debt securities	19,660,668	-	19,660,668	-
Mutual funds				
- Quoted	1,698,243	1,698,243	-	-
- Unquoted	501,687	-	-	501,687
Accrued interest	286,922	779	286,143	-
Total assets on a recurring fair value measurement basis	40,109,127	12,157,245	27,450,162	501,720

Company

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2020				
Malaysian government securities	6,112,813	-	6,112,813	-
Cagamas papers	917,738	-	917,738	-
Equity securities of corporations				
- Quoted	12,236,759	12,219,778	16,981	-
- Unquoted	494,036	-	494,003	33
Quoted real estate investment trust funds	311,006	311,006	-	-
Unquoted corporate debt securities	19,278,764	-	19,278,764	-
Mutual funds				
- Quoted	2,466,763	2,466,763	-	-
- Unquoted	765,505	208,960	-	556,545
Accrued interest	273,545	-	273,545	-
Total assets on a recurring fair value measurement basis	42,856,929	15,206,507	27,093,844	556,578

11 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS (CONTINUED)

Fair value of financial instruments (continued)

Company (continued)

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2019				
Malaysian government securities	5,575,662	-	5,575,662	-
Cagamas papers	1,283,329	-	1,283,329	-
Equity securities of corporations				
- Quoted	9,570,146	9,568,899	1,247	-
- Unquoted	448,564	-	448,531	33
Quoted real estate investment trust funds	544,671	544,671	-	-
Unquoted corporate debt securities	19,131,165	-	19,131,165	-
Mutual funds				
- Quoted	1,688,147	1,688,147	-	-
- Unquoted	501,687	-	-	501,687
Accrued interest	278,564	-	278,564	-
Total assets on a recurring fair value measurement basis	39,021,935	11,801,717	26,718,498	501,720

The table below set out the summary of changes in level 3 fair value for financial assets during the financial year.

	Group and Company		
	Malaysian government guaranteed loans RM'000	Equity securities RM'000	Mutual funds RM'000
At 31 December 2018	8,000	33	424,322
Acquisition during the financial year	-	-	64,695
Disposal during the financial year	-	-	(2,174)
Maturity during the financial year	(8,000)	-	-
Fair value gains recorded in income statements	-	-	14,844
At 31 December 2019	-	33	501,687
Acquisition during the financial year	-	-	28,093
Disposal during the financial year	-	-	(2,049)
Maturity during the financial year	-	-	-
Fair value gains recorded in income statements	-	-	28,814
At 31 December 2020	-	33	556,545

11 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS (CONTINUED)

Fair value hierarchy for financial and non-financial instruments

A level is assigned to each fair value measurement based on the significance of the input to the fair value measurement in its entirety. The three-level hierarchy is defined in Note 15 to the financial statements.

12 LOANS AND RECEIVABLES

	Group		Company	
At amortised cost	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Malaysian government guaranteed loans	-	325,000	-	325,000
Policy loans	1,367,235	1,430,501	1,367,235	1,430,501
Mortgage loans	2,284,276	2,417,476	2,284,276	2,417,476
Staff loans	27,359	31,765	23,970	27,701
Unsecured loans	4,534	7,112	4,534	7,112
Accrued interest	34,189	40,759	33,946	40,044
	3,717,593	4,252,613	3,713,961	4,247,834
Allowance for impairment losses	(38,383)	(42,356)	(38,383)	(42,356)
	3,679,210	4,210,257	3,675,578	4,205,478
Fixed and call deposits with licensed financial institutions	32,498	91,486	-	-
Other receivables*:				
Accrued dividend	35,282	9,199	35,282	9,199
Other receivables	273,926	210,363	300,847	263,425
Deposits and prepayments	21,067	17,409	20,997	17,339
	330,275	236,971	357,126	289,963
Allowance for impairment losses	(14,301)	(13,269)	(13,201)	(12,198)
	315,974	223,702	343,925	277,765
Total	4,027,682	4,525,445	4,019,503	4,483,243
Current	322,592	311,437	333,130	269,055
Non-current	3,705,090	4,214,008	3,686,373	4,214,188
	4,027,682	4,525,445	4,019,503	4,483,243

* The carrying amounts of other receivables approximate their fair values as at the date of the statements of financial position due to the relatively short-term maturity of these balances.

13 REINSURANCE/RETAKAFUL ASSETS

Group

	2020 RM'000	2019 RM'000
Reinsurance/retakaful of insurance contracts	423,369	405,827
Receivable within 12 months	411,909	395,063
Receivable after 12 months	11,460	10,764
	423,369	405,827

Company

	2020 RM'000	2019 RM'000
Reinsurance of insurance contracts	383,804	375,679
Receivable within 12 months	383,804	375,679

14 INSURANCE/TAKAFUL RECEIVABLES

Group

	2020 RM'000	2019 RM'000
Outstanding premiums/contributions including agents' balances	199,149	289,408
Amount due from reinsurers/retakaful operators	46,921	60,382
	246,070	349,790
Allowance for impairment losses	(27,304)	(24,840)
	218,766	324,950
Receivable within 12 months	218,766	324,950

Company

	2020 RM'000	2019 RM'000
Outstanding premiums including agents' balances	156,317	239,902
Amount due from reinsurers	45,297	59,154
	201,614	299,056
Allowance for impairment losses	(21,106)	(20,725)
	180,508	278,331
Receivable within 12 months	180,508	278,331

14 INSURANCE/TAKAFUL RECEIVABLES (CONTINUED)

Offsetting of financial assets and financial liabilities

The following table shows the financial assets and financial liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements at each financial year/period end:

Group

	Gross amount of recognised financial assets/ (liabilities) RM'000	Gross amount of recognised financial assets/(liabilities) set off in the statements of financial position RM'000	Net amount of financial assets/(liabilities) presented in the statements of financial position RM'000
2020			
Insurance/takaful receivables	365,621	(119,551)	246,070
Insurance/takaful payables	(7,406,853)	119,551	(7,287,302)
	(7,041,232)	-	(7,041,232)
2019			
Insurance/takaful receivables	401,863	(52,073)	349,790
Insurance/takaful payables	(6,878,186)	52,073	(6,826,113)
	(6,476,323)	-	(6,476,323)

Company

	Gross amount of recognised financial assets/ (liabilities) RM'000	Gross amount of recognised financial assets/(liabilities) set off in the statements of financial position RM'000	Net amount of financial assets/(liabilities) presented in the statements of financial position RM'000
2020			
Insurance receivables	310,060	(108,446)	201,614
Insurance payables	(7,369,313)	108,446	(7,260,867)
	(7,059,253)	-	(7,059,253)
2019			
Insurance receivables	341,967	(42,911)	299,056
Insurance payables	(6,831,112)	42,911	(6,788,201)
	(6,489,145)	-	(6,489,145)

Certain amount due from reinsurers/retakaful operators and amount due to reinsurers/retakaful operators were set off for presentation purpose because they have enforceable right to set off and they intend either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

15 FAIR VALUE MEASUREMENTS

Fair value measurements on a recurring basis

The Group measures at fair value for financial instruments classified at fair value through profit or loss, available for sale and investments in non-consolidated investment funds on a recurring basis. The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the financial year ended 31 December 2020.

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments:

Level 1 - Financial instruments measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Level 2 - Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Group’s own models whereby the majority of assumptions are market observable.

15 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements on a recurring basis (continued)

Level 3 - Financial instruments measured in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the financial year ended 31 December 2020, there is no transfer of assets measured at fair value from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. There is no transfer of assets from Level 2 to Level 1 during the financial year ended 31 December 2020.

The Group's Level 2 financial instruments include debt securities, deposits with licensed bank and Malaysian government guarantee loans. The fair values of Level 2 financial instruments are estimated using values obtained from private pricing services and brokers corroborated with internal review as necessary. When the quotes from third-party pricing services and brokers are not available, internal valuation techniques and observable inputs will be used to derive the fair value for the financial instruments.

Significant unobservable inputs for Level 3 fair value measurements

The following table shows the valuation techniques used in determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models:

Description	Valuation techniques	Valuation Unobservable input	2020	2019
Private equity funds	Net asset value	Net asset value	N/A	N/A
Common and preferred shares of private companies	Cost	Cost	N/A	N/A
Investment properties and properties held for own use	Discounted cash flows	Expected market rental growth	1.2% - 2%	1.2% - 2%
		Discount rate	6.75% - 7.5%	6.75% - 7.25%
		Yield cost	5.5% - 5.75%	5.25% - 5.55%
Malaysian government guaranteed loan	Cost	Cost	N/A	N/A

15 FAIR VALUE MEASUREMENTS (CONTINUED)

Valuation processes

The Group has the valuation policies, procedures and analyses in place to govern the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. In determining the fair values of financial assets, the Group in general uses third-party pricing providers and, only in rare cases when no third-party prices exist, will use prices derived from internal models. Chief Investment Officers of the Group are required to review the reasonableness of the prices used and report price exceptions, if any. The Group's investment team analyses reported price exceptions and reviews price challenge responses from third party pricing providers and provides the final recommendation on the appropriate price to be used. Any changes in valuation policies are reviewed and approved by the Group Pricing Committee ("GPC") which is part of the Group's wider financial risk governance processes. Changes in Level 2 and 3 fair values are analysed at each reporting date.

A significant increase/(decrease) in any of the unobservable input may result in a significantly lower/(higher) fair value measurement. The Group has subscriptions to private pricing services for gathering such information. If the information from private pricing services is not available, the Group uses the proxy pricing method based on internally-developed valuation inputs.

Fair value for assets and liabilities for which fair value is disclosed at reporting date

A summary of the fair value hierarchy of assets and liabilities not carried at fair value but for which fair value is disclosed as at 31 December 2020 is set out below.

Group

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2020				
Financial assets				
Loans and receivables	-	362,773	3,717,593	4,080,366
Financial liabilities/takaful				
Insurance payables	-	-	7,287,302	7,287,302
Other payables	-	978,980	-	978,980
	-	978,980	7,287,302	8,266,282
At 31 December 2019				
Financial assets				
Loans and receivables	-	328,457	4,252,613	4,581,070
Financial liabilities/takaful				
Insurance payables	-	-	6,826,113	6,826,113
Other payables	-	889,263	-	889,263
	-	889,263	6,826,113	7,715,376

15 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value for assets and liabilities for which fair value is disclosed at reporting date (continued)

A summary of the fair value hierarchy of assets and liabilities not carried at fair value but for which fair value is disclosed as at 31 December 2020 is set out below. (continued)

Company

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2020				
Financial assets				
Loans and receivables	-	357,126	3,713,961	4,071,087
Financial liabilities				
Insurance payables	-	-	7,260,867	7,260,867
Other payables	-	778,668	-	778,668
	-	778,668	7,260,867	8,039,535
At 31 December 2019				
Financial assets				
Loans and receivables	-	289,963	4,247,834	4,537,797
Financial liabilities				
Insurance payables	-	-	6,788,201	6,788,201
Other payables	-	773,178	-	773,178
	-	773,178	6,788,201	7,561,379

16 SHARE CAPITAL

	Number of shares		Amount	
	2020	2019	2020	2019
	'000	'000	RM'000	RM'000
Group and Company				
Issued and paid up share capital				
At 1 January	191,860	767,438	810,000	1,450,890
Share consolidation	-	(575,578)	-	-
Capital reduction	-	-	-	(640,890)
At 31 December	191,860	191,860	810,000	810,000

During the financial year ended 31 December 2019, the Company reduced its issued share capital from RM1,450,890,000 to RM810,000,000 by cancelling RM640,890,000 as confirmed in the Court order and consolidated every 4 ordinary shares into 1 ordinary share ("Share Consolidation"). The fractional entitlements of shares were disregarded. Upon completion of Share Consolidation, the number of issued and paid-up shares of the Company reduced from 767,438,174 to 191,859,543.

	Group	
	2020	2019
	RM'000	RM'000
Profit after tax attributable to the shareholders	451,226	170,871
Number of shares in issue as at 31 December	191,860	191,860
Basic earnings per share (sen)	235	89

17 RETAINED EARNINGS

Under the single tier system, there are no restrictions on the Company to frank the payment of dividends out of its entire retained earnings as at the date of the statements of financial position.

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend with effect from financial year beginning 1 December 2016. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio ("CAR") position is less than its internal target capital level or if the payment of dividend would impair its CAR position to below its internal target.

18 INSURANCE/TAKAFUL CONTRACT LIABILITIES

Group

	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000
At 31 December 2020			
Life insurance/family takaful	47,969,857	(404,695)	47,565,162
General insurance	305,337	(18,674)	286,663
Expense liabilities	13,573	-	13,573
	48,288,767	(423,369)	47,865,398
At 31 December 2019			
Life insurance/family takaful	43,564,789	(389,033)	43,175,756
General insurance	303,411	(16,794)	286,617
Expense liabilities	9,089	-	9,089
	43,877,289	(405,827)	43,471,462

Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 31 December 2020			
Life insurance	46,160,088	(383,804)	45,776,284
	46,160,088	(383,804)	45,776,284
At 31 December 2019			
Life insurance	42,265,173	(375,679)	41,889,494
	42,265,173	(375,679)	41,889,494

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current	1,296,280	1,417,343	978,492	1,151,379
Non-current	46,992,487	42,459,946	45,181,596	41,113,794
	48,288,767	43,877,289	46,160,088	42,265,173

18 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/family takaful

The life insurance/family takaful contract liabilities and their movements are further analysed as follows:

(i) Life insurance/family takaful contract liabilities

Group	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000
At 31 December 2020			
Claims liabilities	461,615	(161,682)	299,933
Actuarial liabilities	32,682,148	(243,013)	32,439,135
Unallocated surplus	2,876,243	-	2,876,243
Asset revaluation reserve	158,386	-	158,386
Available for sales reserve	150	-	150
Net asset value attributable to unitholders	11,776,319	-	11,776,319
Surplus attributable to participants	14,996	-	14,996
	47,969,857	(404,695)	47,565,162
At 31 December 2019			
Claims liabilities	456,026	(146,649)	309,377
Actuarial liabilities	32,607,357	(242,384)	32,364,973
Unallocated surplus	1,414,042	-	1,414,042
Asset revaluation reserve	165,029	-	165,029
Available for sales reserve	61	-	61
Net asset value attributable to unitholders	8,910,024	-	8,910,024
Surplus attributable to participants	12,250	-	12,250
	43,564,789	(389,033)	43,175,756

18 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/family takaful (continued)

The life insurance/family takaful contract liabilities and their movements are further analysed as follows: (continued)

(i) Life insurance/family takaful contract liabilities (continued)

Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 31 December 2020			
Claims liabilities	374,067	(141,286)	232,781
Actuarial liabilities (Note 37 (i))	32,434,249	(242,518)	32,191,731
Unallocated surplus	2,689,180	-	2,689,180
Asset revaluation reserve	158,386	-	158,386
Net asset value attributable to unitholders	10,504,206	-	10,504,206
	46,160,088	(383,804)	45,776,284
At 31 December 2019			
Claims liabilities	385,213	(133,867)	251,346
Actuarial liabilities (Note 37 (i))	32,435,957	(241,812)	32,194,145
Unallocated surplus	1,293,992	-	1,293,992
Asset revaluation reserve	165,029	-	165,029
Net asset value attributable to unitholders	7,984,982	-	7,984,982
	42,265,173	(375,679)	41,889,494

18 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/family takaful (continued)

The life insurance/family takaful contract liabilities and their movements are further analysed as follows: (continued)

(ii) Movements of life insurance/family takaful contract liabilities

Group			Gross
	With DPF RM'000	Without DPF RM'000	Total RM'000
At 31 December 2020			
At 1 January 2020	29,557,017	14,007,772	43,564,789
Policy movement	(444,594)	446,227	1,633
Movement in claims liabilities	19,803	(14,214)	5,589
Model refinement	(21)	119	98
Adjustments due to changes in assumptions:			
Lapse and surrender rates	-	68,883	68,883
Discount rate	300,358	254,453	554,811
Fund growth rate	-	1,412	1,412
Mortality/morbidity	-	294	294
M&H and accident claim development	-	(2,412)	(2,412)
Expenses	-	30,551	30,551
Change in bonus	(697,124)	-	(697,124)
Others	(155,783)	272,428	116,645
Change in net asset value attributable to unitholders		2,519,224	2,519,224
Change in net asset value attributable to participants	347,071	-	347,071
Change in asset revaluation reserve	(6,553)	-	(6,553)
Acquisition of subsidiaries			
Surplus attributable to participants	2,746	-	2,746
Unallocated surplus	1,462,200	-	1,462,200
At 31 December 2020	30,385,120	17,584,737	47,969,857

			Reinsurance/Retakaful
	With DPF RM'000	Without DPF RM'000	Total RM'000
At 1 January 2020	22,287	366,747	389,033
Policy movement			
Movement in claims liabilities	(952)	1,581	629
Acquisition of subsidiaries	7,973	7,059	15,032
At 31 December 2020	29,308	375,387	404,695

18 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/family takaful (continued)

The life insurance/family takaful contract liabilities and their movements are further analysed as follows: (continued)

(ii) Movements of life insurance/family takaful contract liabilities (continued)

Group	With DPF RM'000	Without DPF RM'000	Gross Total RM'000
At 31 December 2019			
At 1 January 2019			
- As previously reported	27,435,813	11,217,614	38,653,427
- Opening adjustment on adoption of MFRS 16	8,055	-	8,055
- As adjusted	27,443,868	11,217,614	38,661,482
Policy movement	(336,788)	419,527	82,739
Movement in claims liabilities	(2,681)	37,748	35,067
Model refinement	3,106	2,529	5,635
Adjustments due to changes in assumptions:			
Lapse and surrender rates	-	70,242	70,242
Discount rate	1,095,301	568,505	1,663,806
Fund growth rate	-	(1,093)	(1,093)
Mortality/morbidity			
Change in bonus	47,563	-	47,563
Others	77	75,052	75,129
Change in net asset value attributable to unitholders	-	1,617,648	1,617,648
Change in asset revaluation reserve	6,264	-	6,264
Acquisition of subsidiaries	1,283,307	-	1,283,307
Unallocated surplus	17,000	-	17,000
At 31 December 2019	29,557,017	14,007,772	43,564,789

	With DPF RM'000	Without DPF RM'000	Reinsurance/Retakaful Total RM'000
At 1 January 2019	(7,071)	(260,944)	(268,015)
Policy movement	(2,022)	(67,626)	(69,648)
Movement in claims liabilities	161	(38,177)	(38,016)
Acquisition of subsidiaries	(13,354)	-	(13,354)
At 31 December 2019	(22,286)	(366,747)	(389,033)

18 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/family takaful (continued)

The life insurance/family takaful contract liabilities and its movements are further analysed as follows: (continued)

(ii) Movements of life insurance/family takaful contract liabilities (continued)

			Gross
Company	**With DPF**	**Without DPF**	**Total**
	RM'000	**RM'000**	**RM'000**
At 31 December 2020			
At 1 January 2020	28,257,401	14,007,772	42,265,173
Policy movement	(521,093)	446,227	(74,866)
Movement in claims liabilities	3,068	(14,214)	(11,146)
Model refinement	(21)	119	98
Adjustments due to changes in assumptions:			
Lapse and surrender rates	-	68,883	68,883
Discount rate	300,358	254,453	554,811
Fund growth rate	-	1,412	1,412
M&H and accident claim development	-	(2,412)	(2,412)
Mortality/morbidity	-	294	294
Expenses	-	30,551	30,551
Change in bonus	(697,124)	-	(697,124)
Others	(155,783)	272,428	116,645
Change in net asset value attributable to unitholders	-	2,519,224	2,519,224
Change in asset revaluation reserve	(6,642)	-	(6,642)
Surplus arising during the year	1,395,187	-	1,395,187
At 31 December 2020	28,575,351	17,584,737	46,160,088

			Reinsurance
	With DPF	**Without DPF**	**Total**
	RM'000	**RM'000**	**RM'000**
At 1 January 2020	8,932	366,747	375,679
Policy movement	(875)	1,581	706
Movement in claims liabilities	360	7,059	7,419
At 31 December 2020	8,417	375,387	383,804

18 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/family takaful (continued)

The life insurance/family takaful contract liabilities and its movements are further analysed as follows: (continued)

(ii) Movements of life insurance/family takaful contract liabilities (continued)

Company			**Gross**
	With DPF	**Without DPF**	**Total**
	RM'000	**RM'000**	**RM'000**
At 31 December 2019			
At 1 January 2019			
- As previously reported	27,409,607	11,217,614	38,627,221
- Opening adjustment on adoption of MFRS 16	8,055	-	8,055
- As adjusted	27,417,662	11,217,614	38,635,276
Policy movement	(336,788)	419,527	82,739
Movement in claims liabilities	(2,681)	37,748	35,067
Model refinement	3,106	2,529	5,635
Adjustments due to changes in assumptions:			
Lapse and surrender rates	-	70,242	70,242
Discount rate	1,095,301	568,505	1,663,806
Fund growth rate	-	(1,093)	(1,093)
Change in bonus	47,563	-	47,563
Others	77	75,052	75,129
Change in net asset value attributable to unitholders	-	1,617,648	1,617,648
Change in asset revaluation reserve	6,264	-	6,264
Unallocated surplus	26,897	-	26,897
At 31 December 2019	28,257,401	14,007,772	42,265,173

			Reinsurance
	With DPF	**Without DPF**	**Total**
	RM'000	**RM'000**	**RM'000**
At 1 January 2019	(7,071)	(260,944)	(268,015)
Policy movement	(2,022)	(67,626)	(69,648)
Movement in claims liabilities	161	(38,177)	(38,016)
At 31 December 2019	(8,932)	(366,747)	(375,679)

18 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance

Group

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 31 December 2020			
Provision for claims reported by policyholders	121,566	(10,979)	110,587
Provision for incurred but not reported ("IBNR") claims	69,557	(4,794)	64,763
Claims liabilities (i)	191,123	(15,773)	175,350
Premium liabilities (ii)	114,214	(2,901)	111,313
	305,337	(18,674)	286,663
At 31 December 2019			
Provision for claims reported by policyholders	111,225	(11,462)	99,763
Provision for incurred but not reported ("IBNR") claims	80,840	(2,449)	78,391
Claims liabilities (i)	192,065	(13,911)	178,154
Premium liabilities (ii)	111,346	(2,883)	108,463
	303,411	(16,794)	286,617

18 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance (continued)

(i) Claim liabilities

Group

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 31 December 2020			
At 1 January 2020	192,065	(13,911)	178,154
Claims incurred in the current accident year	60,073	(3,624)	56,449
Movement in claims incurred in prior accident years	16,885	(430)	16,455
Claims paid during the financial Year (Note 29)	(73,862)	2,312	(71,550)
Others	(3,887)	-	(3,887)
Change in expense liabilities and risk margin	(151)	(120)	(271)
At 31 December 2020	191,123	(15,773)	175,350
At 31 December 2019			
At 1 January 2019	188,323	(11,831)	176,492
Claims incurred in the current accident year	62,265	(2,282)	59,983
Movement in claims incurred in prior accident years	33,846	(4,741)	29,105
Claims paid during the financial Year (Note 29)	(87,209)	5,045	(82,164)
Others	(5,665)	-	(5,665)
Change in expense liabilities and risk margin	505	(102)	403
At 31 December 2019	192,065	(13,911)	178,154

18 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance (continued)

(ii) Premium liabilities

Group

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 31 December 2020			
At 1 January 2020	111,346	(2,883)	108,463
Premium written during the financial year (Note 24)	293,999	(17,951)	276,048
Premium earned during the financial year	(291,131)	17,933	(273,198)
At 31 December 2020	114,214	(2,901)	111,313
At 31 December 2019			
At 1 January 2019	117,054	(3,164)	113,890
Premium written during the financial period (Note 24)	297,727	(18,912)	278,815
Premium earned during the financial period	(303,435)	19,193	(284,242)
At 31 December 2019	111,346	(2,883)	108,463

19 DEFERRED TAX (ASSETS)/LIABILITIES

Deferred tax assets and liabilities are offsetted when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax (assets)/liabilities shown in the statements of financial position are determined after appropriate offsetting.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	877,224	675,244	854,560	666,694
Deferred tax assets	(2,427)	(2,384)	-	-
	874,797	672,860	854,560	666,694
Current	304,071	(2,552)	306,472	54,438
Non-current	570,726	675,412	548,088	612,256
	874,797	672,860	854,560	666,694

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January				
- As previously reported	672,860	478,284	666,694	485,362
- Opening adjustment on adoption of MFRS 16	-	1,325	-	1,325
At 1 January 2020 (as restated)	672,860	479,609	666,694	486,687
Recognised in:				
Income statements (Note 31)	148,794	54,479	137,701	46,914
Other comprehensive income	53,143	135,724	50,165	133,093
Acquisition of subsidiaries	-	3,048	-	-
At 31 December	874,797	672,860	854,560	666,694

19 DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

Group	Fair value of properties RM'000	Unallocated surplus RM'000	Revaluation of investments RM'000	Accelerated depreciation RM'000	Total RM'000
At 31 December 2020					
Deferred tax liabilities at 1 January 2020	7,641	368,339	303,063	7,063	686,106
Recognised in:					
Income statements	(2,396)	(51,860)	353,415	143	299,302
Other comprehensive income	(1,573)	(438)	200,202	-	198,191
Deferred tax liabilities at 31 December 2020 (before offsetting)	3,672	316,041	856,680	7,206	1,183,599
Offsetting					(306,375)
Deferred tax liabilities at 31 December 2020 (after offsetting)					877,224

	Unutilised capital allowance and tax losses RM'000	Impairment allowance RM'000	Revaluation of investments RM'000	Unrealised amortisation RM'000	Total RM'000
Deferred tax assets at 1 January 2020	-	-	-	(13,246)	(13,246)
Recognised in:					
Income statements	-	-	(149,241)	(1,267)	(150,508)
Other comprehensive income	-	-	(145,048)	-	(145,048)
Acquisition of subsidiaries	-	-	-	-	-
Deferred tax assets at 31 December 2020 (before offsetting)	-	-	(294,289)	(14,513)	(308,802)
Offsetting					306,375
Deferred tax assets at 31 December 2020 (after offsetting)					(2,427)

19 DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

Group	Fair value of properties RM'000	Unallocated surplus RM'000	Revaluation of investments RM'000	Accelerated depreciation RM'000	Total RM'000
At 31 December 2019					
Deferred tax liabilities at 1 January 2019					
- As previously reported	6,915	500,035	365	7,358	514,673
- Opening adjustment on adoption of MFRS 16	1,325	-	-	-	1,325
At 1 January 2019 (as restated)	8,240	500,035	365	7,358	515,998
Recognised in:					
Income statements	(844)	(131,988)	149,257	(725)	15,700
Other comprehensive income	245	292	147,680	-	148,217
Acquisition of subsidiaries	-	-	5,761	430	6,191
Deferred tax liabilities at 31 December 2019 (before offsetting)	7,641	368,339	303,063	7,063	686,106
Offsetting					(10,862)
Deferred tax liabilities at 31 December 2020 (after offsetting)					675,244

	Unutilised capital allowance and tax losses RM'000	Impairment allowance RM'000	Revaluation of investments RM'000	Unrealised amortisation RM'000	Total RM'000
Deferred tax assets at 1 January 2019	(8,022)	-	(18,995)	(9,372)	(36,389)
Recognised in:					
Income statements	8,022	-	31,488	(731)	38,779
Other comprehensive income	-	-	(12,493)	-	(12,493)
Acquisition of subsidiaries	-	-	-	(3,143)	(3,143)
Deferred tax assets at 31 December 2019 (before offsetting)	-	-	-	(13,246)	(13,246)
Offsetting					10,862
Deferred tax assets at 31 December 2019 (after offsetting)					(2,384)

19 DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

Company	Fair value of properties RM'000	Unallocated surplus RM'000	Revaluation of investments RM'000	Accelerated depreciation RM'000	Total RM'000
At 31 December 2020					
Deferred tax liabilities at 1 January 2020	7,641	368,339	294,254	6,348	676,582
Recognised in:					
Income statements	(2,396)	(51,860)	341,790	605	288,139
Other comprehensive income	(1,573)	(438)	197,224	-	195,213
Deferred tax liabilities at 31 December 2020 (before offsetting)	3,672	316,042	833,268	6,953	1,159,934
Offsetting					(305,374)
Deferred tax liabilities at 31 December 2020 (after offsetting)					854,560

	Impairment allowance RM'000	Revaluation of investments RM'000	Unrealised amortisation RM'000	Total RM'000
Deferred tax assets at 1 January 2020	-	-	(9,888)	(9,888)
Recognised in:				
Income statements	-	(149,241)	(1,197)	(150,438)
Other comprehensive income	-	(145,048)	-	(145,048)
Deferred tax assets at 31 December 2020 (before offsetting)	-	(294,289)	(11,085)	(305,374)
Offsetting				305,374
Deferred tax assets at 31 December 2020 (after offsetting)				-

19 DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

Company	Fair value of properties RM'000	Unallocated surplus RM'000	Revaluation of investments RM'000	Accelerated depreciation RM'000	Total RM'000
At 31 December 2019					
Deferred tax liabilities at 1 January 2019					
- As previously reported	6,915	500,035	-	6,695	513,645
- Opening adjustment on adoption of MFRS 16	1,325	-	-	-	1,325
At 1 January 2019 (as restated)	8,240	500,035	-	6,695	514,970
Recognised in:					
Income statements	(844)	(131,988)	149,205	(347)	16,026
Other comprehensive income	245	292	145,049	-	145,586
Deferred tax liabilities at 31 December 2019 (before offsetting)	7,641	368,339	294,254	6,348	676,582
Offsetting					(9,888)
Deferred tax liabilities at 31 December 2019 (after offsetting)					666,694

	Impairment allowance RM'000	Revaluation of investments RM'000	Unrealised amortisation RM'000	Total RM'000
Deferred tax assets at 1 January 2019	-	(18,995)	(9,288)	(28,283)
Recognised in:				
Income statements	-	31,488	(600)	30,888
Other comprehensive income	-	(12,493)	-	(12,493)
Deferred tax assets at 31 December 2019 (before offsetting)	-	-	(9,888)	(9,888)
Offsetting				9,888
Deferred tax assets at 31 December 2019 (after offsetting)				-

20 INSURANCE/TAKAFUL PAYABLES

Group

	2020 RM'000	2019 RM'000
Dividend payable to policyholders	6,436,584	6,002,222
Due to reinsurers/retakaful operators	248,680	213,108
Due to agents and insureds	415,849	426,090
Premium deposits	186,189	184,693
	7,287,302	6,826,113

Company

	2020 RM'000	2019 RM'000
Dividend payable to policyholders	6,436,098	6,001,936
Due to reinsurers	241,439	194,460
Due to agents and insureds	411,396	418,051
Premium deposits	171,934	173,754
	7,260,867	6,788,201

The carrying amounts disclosed above approximate their fair values as at the date of the statements of financial position. All amounts are payable within one year.

Offsetting of financial assets and financial liabilities

Certain amounts due from reinsurers/retakaful operators and amounts due to reinsurers/retakaful operators were set off for presentation purpose because they have the enforceable right to set off and they intend either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously as disclosed in Note 14 to the financial statements.

21 DERIVATIVE FINANCIAL INSTRUMENTS

		Group and Company Fair Value	
	Notional amount RM'000	Assets RM'000	Liabilities RM'000
At 31 December 2020			
Foreign exchange contracts:			
Cross-currency swaps	418,152	9,079	1,904
Total	418,152	9,079	1,904
At 31 December 2019			
Foreign exchange contracts:			
Cross-currency swaps	335,629	-	9,213
Total	335,629	-	9,213

21 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The column "notional amount" in the above table represents the pay leg of derivative transactions. The derivatives in the table above are over-the-counter (OTC) derivatives which consists of cross currency swaps. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

Derivative assets and derivative liabilities are recognized at fair value through profit or loss. The Group's derivative contracts are established to economic hedge financial exposures, The Group adopts hedge accounting in limited circumstances. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the balance sheet as they do not represent the fair value of these transactions. The notional amounts in the table above reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of derivative transactions.

Currency swaps are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to gains and losses on these foreign exchange contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, implied volatilities of the underlying indices and the timing of payments.

22 OTHER PAYABLES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amount due to ultimate holding company	56	7,206	-	7,156
Amount due to penultimate holding company	36,521	89,308	35,571	87,833
Post employment benefit obligation - defined benefit plan	39,314	35,264	39,314	34,984
Accruals	354,111	307,345	264,235	240,643
Other payables	544,251	450,140	439,548	402,562
	974,253	889,263	778,668	773,178

The carrying amounts disclosed above approximate their fair values as at the date of the statements of financial position. All amounts are payable within one year.

23 OPERATING REVENUE

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gross earned premiums/ contributions (Note 24)	11,527,196	9,983,933	10,117,787	9,630,259
Investment income (Note 25)	2,255,148	2,248,044	2,239,707	2,236,583
	13,782,344	12,231,977	12,357,494	11,866,842

24 NET EARNED PREMIUMS/CONTRIBUTIONS REVENUE

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
(a) Gross earned premiums/contributions				
Insurance/takaful contracts:				
Life/family takaful	11,236,065	9,680,498	10,117,787	9,630,259
General (Note 18(B)(ii))	293,999	297,727	-	-
Gross premium/contributions	11,530,066	9,978,225	10,117,787	9,630,259
Change in premium liabilities	(2,868)	5,708	-	-
	11,527,196	9,983,933	10,117,787	9,630,259
(b) Premiums/contributions ceded to reinsurers/ retakaful operators				
Insurance/takaful contracts:				
Life/family takaful	(1,163,173)	(1,020,276)	(1,127,541)	(1,018,693)
General (Note 18(B)(ii))	(17,951)	(18,912)	-	-
Premiums/contributions ceded	(1,181,124)	(1,039,188)	(1,127,541)	(1,018,693)
Change in premium liabilities	18	(281)	-	-
	(1,181,105)	(1,039,469)	(1,127,541)	(1,018,693)
Net earned premiums/ contributions revenue	10,346,091	8,944,464	8,990,246	8,611,566

25 INVESTMENT INCOME

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Rental income	14,617	29,405	14,617	29,405
Financial assets at FVTPL – designated upon initial recognition:				
Interest income	1,182,745	1,186,509	1,145,045	1,186,509
Dividend income:				
- equity securities quoted in Malaysia	334,366	215,461	334,366	215,461
- equity securities quoted outside Malaysia	327	849	327	849
- equity securities unquoted in Malaysia	66,201	163,433	52,412	163,146
- unit and property trusts	29,321	33,979	29,321	33,979
Amortisation of premiums – net (Note 11)	(19,701)	(16,156)	(17,986)	(16,156)
AFS financial assets:				
Interest income	411,834	377,135	364,966	360,518
Dividend income:				
- equity securities quoted in Malaysia	5,316	-	-	-
Amortisation of premiums – net (Note 10)	(13,057)	(5,986)	(7,798)	(5,245)
Loan and receivables:				
Interest income	209,754	245,615	209,648	245,526
Investment in associates:				
Dividend income	-	-	10,500	10,500
Investment in subsidiaries:				
Dividend income	-	-	80,000	-
Cash and cash equivalents:				
Interest income	40,979	44,078	34,069	43,226
Others	18,008	4,879	15,376	-
	2,280,710	2,279,201	2,264,863	2,267,718
Less:				
Investment expenses	(25,562)	(31,157)	(25,156)	(31,135)
	2,255,148	2,248,044	2,239,707	2,236,583

26 NET REALISED GAINS

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment				
Realised gains	133	73	133	73
AFS financial assets				
Realised gains:				
Debt securities				
- unquoted in Malaysia	79,569	13,153	60,195	12,974
Mutual funds	1,292	-	-	-
	80,861	13,153	60,195	12,974
Total net realised gains	80,994	13,226	60,328	13,047

27 FAIR VALUE GAINS/(LOSSES)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Investment properties (Note 5)	(29,963)	(10,547)	(29,963)	(10,547)
Financial assets at FVTPL (Note 11)				
- designated upon initial recognition	2,485,912	1,839,418	2,337,186	1,839,194
Derivatives	15,828	(9,906)	15,828	(9,906)
	2,471,777	1,818,965	2,323,051	1,818,741

28 OTHER OPERATING INCOME

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Foreign exchange (losses)/gains:				
- realised	(1,216)	(12,327)	(1,348)	(12,366)
- unrealised	(16,988)	8,817	(16,988)	8,817
(Allowance)/ reversal of allowance for impairment losses:				
- loans and receivables	3,667	831	3,667	831
- insurance receivables	(2,464)	11,412	(381)	8,871
- other receivables	(1,003)	(1,330)	(1,003)	(1,330)
Writeback/(write off):				
- loans and receivables	(2,457)	(1,766)	(2,457)	(1,766)
- insurance receivables	191	(4,971)	(424)	(3,453)
- other receivables	64	(3,334)	175	(3,334)
- others	(14)	(13)	(14)	(13)
Service level agreement charges and other service fees from related companies	40,038	63,350	86,172	99,575
Write off of property, plant and equipment	(99)	(9)	(79)	(9)
Write off of intangible assets	(4,452)	-	(4,452)	-
Others	45,569	(17,753)	(29,372)	(24,790)
	60,836	42,907	33,496	71,033

29 NET INSURANCE/TAKAFUL BENEFITS AND CLAIMS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) Gross benefits and claims paid				
Insurance/takaful contracts:				
Life/family takaful	(8,215,402)	(7,761,985)	(7,837,684)	(7,743,995)
General (Note 18(B)(i))	(73,862)	(87,209)	-	-
	(8,289,264)	(7,849,194)	(7,837,694)	(7,743,995)
(b) Claims ceded to reinsurers/ retakaful operators				
Insurance/takaful contracts:				
Life/family takaful	736,356	684,163	715,160	683,007
General (Note 18(B)(i))	2,312	5,045	-	-
	738,668	689,208	715,160	683,007
(c) Gross change to insurance/takaful contract liabilities:				
Insurance/takaful contracts:				
Life/family takaful	(4,423,655)	(3,633,106)	(3,901,558)	(3,623,634)
General	942	(3,742)	-	-
	(4,422,713)	(3,636,848)	(3,901,558)	(3,623,634)
(d) Change in insurance/takaful contract liabilities ceded to reinsurers/ retakaful operators				
Insurance/takaful contracts:				
Life/family takaful	15,661	107,855	8,125	107,664
General	1,862	2,080	-	-
	17,523	109,935	8,125	107,664

30 MANAGEMENT EXPENSES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Advertising	40,300	10,707	10,246	9,740
Fees payable to PricewaterhouseCoopers Malaysia				
- statutory audit				
- current financial year	1,893	1,441	1,194	1,152
- audit related services	136	5	125	5
- non-audit services	461	574	419	515
Staff salaries and bonuses	341,961	270,041	278,389	257,300
Contribution to EPF	43,269	42,256	41,460	40,731
Pension benefits	1,654	1,717	1,256	1,199
Post-employment medical benefits	588	907	588	907
Share-based payments	11,333	12,444	11,326	12,424
Staff benefits	22,627	19,504	19,285	18,511
Travelling expenses	1,402	4,622	1,256	4,378
Office rental lease payments	205	998	67	579
Printing and stationery	9,300	8,447	6,686	7,793
Postage	15,938	13,812	15,589	13,307
Directors' remuneration and other emoluments	1,472	6,490	1,094	6,282
Depreciation				
- property, plant and equipment (Note 3)	30,476	31,983	29,974	31,878
- right of use assets (Note 4)	24,350	21,395	22,116	21,393
Amortisation				
- intangible assets (Note 7)	21,174	15,135	16,304	13,445
IT expenses	110,247	96,250	100,907	94,420
Medical fees	5,359	4,052	4,342	4,052
Legal expenses	2,331	475	1,520	461
Repairs and maintenance	14,904	16,943	14,703	16,920
Shariah committee remuneration	286	-	-	-
Entertainment expenses	1,168	1,105	1,168	1,105
Training expenses	5,988	9,877	5,988	9,877
Management fees	57,347	10,075	19,002	10,075
Other expenses	361,975	327,903	303,594	309,078
	1,128,144	929,158	908,598	887,522

30 MANAGEMENT EXPENSES (CONTINUED)

(i) The Directors' remuneration and other emoluments are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive Director:				
- Remuneration	-	1,927	-	1,927
- Share-based payments	-	2,700	-	2,700
- Other remuneration or emoluments	-	328	-	328
	-	4,955	-	4,955
Non-Executive Directors:				
Directors' fees				
Mohd Daruis bin Zainuddin	197	227	49	215
Ching Yew Chye @ Chng Yew Chye	425	425	265	265
Dr. Chong Su-Lin	165	165	165	165
Ching Neng Shyan	203	170	203	170
Shulamite N K Khoo	17	145	17	145
Mahani binti Amat	175	21	175	21
	1,182	1,153	874	981

30 MANAGEMENT EXPENSES (CONTINUED)

(i) The Directors' remuneration and other emoluments are as follows: (Continue)

	Group		Company	
	2020 **RM'000**	**2019** **RM'000**	**2020** **RM'000**	**2019** **RM'000**
Non-Executive Directors:				
Other remuneration or emoluments				
Mohd Daruis bin Zainuddin	54	79	9	72
Ching Yew Chye @ Chng Yew Chye	81	106	56	77
Dr. Chong Su-Lin	44	60	44	60
Ching Neng Shyan	53	72	53	72
Shulamite N K Khoo	5	59	5	59
Mahani binti Amat	53	6	53	6
	290	382	220	346
Total	1,472	6,490	1,094	6,282

(ii) The number of Executive and Non-Executive Directors whose total remuneration received during the financial year that fall within the following bands are as follows:

	Number of Directors			
	Group		Company	
	2020 **RM'000**	**2019** **RM'000**	**2020** **RM'000**	**2019** **RM'000**
Executive Director:				
RM2,000,001 – RM5,000,000	-	1	-	1
Non-Executive Directors:				
RM 0 – RM100,000	2	1	3	1
RM100,001 – RM200,000	-	-	-	-
RM200,001 – RM300,000	4	4	3	4
RM300,001 – RM400,000	-	1	1	1
RM400,001 – RM500,000	-	-	-	-
RM500,001 – RM600,000	1	-	-	-

Total staff costs of the Group and Company (including the Executive Directors) is RM421,432,000 and RM352,304,000 respectively (2019: RM346,869,000 and RM331,072,000).

31 TAX EXPENSE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Tax expense:				
- current	267,836	231,488	233,650	223,765
- deferred (Note 19)	148,794	54,479	137,701	46,914
	416,630	285,967	371,351	270,679
Current tax				
Current financial year/period	258,676	232,465	225,538	224,742
Under/(Over) provision in prior financial years	9,160	(977)	8,112	(977)
	267,836	231,488	233,650	223,765
Deferred tax				
Origination and reversal of temporary differences	149,876	54,479	137,701	46,914
Over provision in prior financial years	(82)	-	-	-
	148,794	54,479	137,701	46,914
Total	416,630	285,967	371,351	270,679

Under provision in prior financial years include the recognition of tax expense for prior years of assessment arising from a change in tax position taken upon clarification by the tax authority.

The Inland Revenue Board ("IRB") had, in September 2020, issued to the Company notices of additional assessment for certain prior years of assessment on the tax treatment of certain transactions adopted by the Company, which are also industry wide issues. The Company has submitted its appeal to Special Commissioner of Income Tax against the notices of assessment in October 2020.

Concurrently, the Company has filed a judicial review application with the High Court of Malaya in October 2020. The matter has been fixed for hearing at the Court on a date subsequent to date of the financial statements.

No provision is made on the additional assessments as the Company is of the view that there are strong justifications for its appeal against the additional assessments raised by IRB.

31 TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	879,925	452,076	778,497	372,260
Tax at Malaysian statutory tax rate of 24%	211,182	108,498	186,839	89,342
Income not subject to tax	(713,288)	(424,565)	(460,722)	(420,784)
Expenses not deductible for tax purposes	1,021,092	667,855	716,670	667,371
Tax relief on actuarial surplus transferred to Shareholders' fund	(24,891)	(14,093)	(24,891)	(14,093)
Single tier tax relief	(6,034)	(7,520)	(6,034)	(7,520)
Effect of difference in tax rate	(83,614)	(42,660)	(48,623)	(42,660)
Under/(Over) provision of tax expense in prior financial years	9,078	(1,548)	8,112	(977)
Deferred tax assets not recognised on unabsorbed losses	3,105	-	-	-
Tax expense	416,630	285,967	371,351	270,679

32 DIVIDENDS

	Group and Company	
	2020	2019
	RM'000	RM'000
Dividends paid:		
In respect of the financial year ended 31 December 2019:		
Final single tier dividend on 191,859,543 ordinary shares	260,000	--
	260,000	--
Dividend per share (sen)	136	--

33 CAPITAL COMMITMENTS

	Group and Company	
	2020	2019
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	3,369	1,954
Investment properties	15,561	30,156
Intangible assets	11,586	4,981
Investments	118,763	171,678
	149,279	208,769
Approved but not contracted for:		
Property, plant and equipment	2,419	1,705
Investment properties	177	5,840
Intangible assets	9,850	28,411
	12,446	35,956
Total	161,726	244,725

34 OPERATING LEASE ARRANGEMENTS

(a) The Company as lessee

The Company has entered into operating lease agreements for the use of buildings, computers and printers.

From 1 January 2020, the Company has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 4 for further information.

The lease payments recognised in the income statements during the financial year are disclosed in Note 30 to the financial statements.

(b) The Company as lessor

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

	Group	
	2020	**2019**
	RM'000	**RM'000**
Not later than 1 year	10,154	10,353
Later than 1 year and not later than 6 years	13,302	11,781
More than 6 years	2,620	2,359
	26,075	24,493

	Company	
	2020	**2019**
	RM'000	**RM'000**
Not later than 1 year	13,218	10,953
Later than 1 year and not later than 6 years	17,155	11,781
More than 6 years	2,620	2,359
	32,993	25,093

Rental income recognised in the income statements during the financial year are disclosed in Note 25 to the financial statements.

35 RELATED PARTY DISCLOSURES

In the normal course of business, the Group and the Company undertake various transactions with the immediate holding company and other related corporations deemed related parties by virtue of them being members of AIA Group Limited and its subsidiaries ("AIA Group"). These transactions were carried out on terms and conditions negotiated between the related parties.

(a) Significant related party transactions

The following are the significant transactions held by the Group and the Company with the related parties during the financial year:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Ultimate holding company:				
AIA Group Ltd.				
- Employees benefits	(11,326)	(12,424)	(11,326)	(12,424)
- Managerial, secretarial or like services	(311)	(207)	(311)	(207)
Penultimate holding company:				
AIA Company Ltd.				
- Group service fee	(68,220)	(54,293)	(68,215)	(54,293)
- Computer services	(11,886)	(542)	(11,886)	(542)
- Reinsurance	(17,636)	(7,168)	(17,636)	(7,168)
- Technical consultation services	(24,857)	(42,075)	(24,853)	(40,837)
Fellow related companies:				
AIA Shared Services (Hong Kong) Ltd.				
- Computer services	(5,381)	(5,622)	(5,371)	(5,622)
- Managerial, secretarial or like services	(3,116)	(2,809)	(3,116)	(2,809)
AIA Information Technology (Guangzhou) Co. Ltd.				
- Computer services	(11,002)	(7,868)	(11,001)	(7,868)
AIA Information Technology (Beijing) Co. Ltd.				
- Computer services	(10,871)	(10,041)	(10,868)	(10,041)

35 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

The following are the significant transactions held by the Group and the Company with the related parties during the financial year: (continued)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fellow related companies: (continued)				
AIA Shared Services Sdn. Bhd.				
- Computer services				
- paid	(8,263)	(6,164)	(8,263)	(6,164)
- received	16	16	16	16
- Rental income	314	294	314	294
- Premium income	853	730	853	730
- Managerial, secretarial or like services				
- paid	(1,410)	(1,671)	(1,409)	(1,620)
- received	145	151	145	151
- Technical consultation services	(312)	-	(312)	-
AIA Investment Management Private Ltd.				
- Managerial, secretarial or like services paid	(224)	-	(224)	-
AIA Reinsurancel Ltd.				
- Reinsurance arrangement	(160,607)	(93,883)	(160,607)	(93,883)

35 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

The following are the significant transactions held by the Group and the Company with the related parties during the financial year: (continued)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Subsidiary companies:				
AIA General Berhad				
- Managerial, secretarial or like services received	-	-	27,749	33,050
- Rental income	-	-	627	558
- Vitality and Group Insurance received			33	
- Premium	-	-	(58)	(106)
- Computer services income	-	-	243	-
- Technical consultation services	-	-	128	149
AIA Health Services Sdn. Bhd.				
- Claims administration fee	-	-	(43,009)	(2,572)
- Managerial, secretarial or like services received	-	-	4,488	423
- Rental income	-	-	1,703	74
- Premium income	-	-	113	19
- Vitality fee	-	-	(2,580)	(158)
AIA PUBLIC Takaful Bhd.				
- Managerial, secretarial or like services received	-	-	53,396	3,012
- Rental income	-	-	798	37
- Premium expense	-	-	(60)	-
- Technical consultation services	-	-	358	30
- Computer services	-	-	1,662	-

35 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

The following are the significant transactions held by the Group and the Company with the related parties during the financial year: (continued)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Subsidiary companies: (continued)				
AIA Pension and Asset Management Sdn. Bhd.				
- Rental income	-	-	237	195
- Computer services income	-	-	76	-
- Managerial, secretarial or like services received	-	-	398	391
- Premium income	-	-	6	44

(b) Related party balances

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Receivables				
Other receivables	377	369	91,355	120,726
Payables				
Insurance payables	-	(135,900)	-	(135,900)
Other payables	(210,507)	(120,515)	(210,503)	(118,127)
	(210,130)	(256,415)	(119,148)	(254,027)

The amounts due from/(to) related parties are unsecured, interest free and repayable within 30 days.

35 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

Members of key management personnel comprise those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly, including any director (whether executive or otherwise) of the Group and the Company.

Compensation of key management personnel during the financial year are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Short-term employee benefits	29,211	21,971	18,801	19,109
Post-employment benefits				
- Defined contribution plan	3,880	3,043	2,292	2,560
Share-based payments	5,887	10,826	4,635	10,574
Allowances	2,335	1,535	1,717	1,327
	41,313	37,375	27,445	33,570

Included in the compensation of key management personnel are:

	Group and Company	
	2020 RM'000	2019 RM'000
Executive Director: (Note 30)		
Anusha a/p Thavarajah *(resigned on 12 June 2019)*		
- Remuneration	-	1,927
- Share-based payments	-	2,700
- Other remuneration or emoluments	-	328
	-	4,955
Chief Executive Officer:		
Ben Ng *(appointed 15 August 2019)*		
- Remuneration	3,782	1,492
- Share-based payments	698	5
- Other remuneration or emoluments	370	185
	4,850	1,682

36 RISK MANAGEMENT

Risk Management Framework

The Company's Risk Management Framework consist of the following key components – Risk Culture, Risk Management Process, Risk Governance, Risk Appetite and Risk Landscape as set out in part of the Directors' Report on Statement on Corporate Governance on Internal Control Framework.

Capital Management Framework

The Company actively manages its capital adequacy by taking into account the potential impact of business strategies on the Company's risk profile and overall resilience. This is in line with BNM Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") for Insurers/Takaful Operators and the Risk-Based Capital Framework for Insurers/Takaful Operators ("RBC Framework").

Under the RBC Framework, the Company and its insurance/takaful subsidiaries have to maintain a capital adequacy level that is commensurate with its risk profiles at all times. The Capital Adequacy Ratio of the Company and its insurance/takaful subsidiaries remained well above the minimum capital requirement of 130% under the RBC Framework, regulated by BNM.

The ICAAP is the overall process (including oversight and operational frameworks and processes) by which the Company and its insurance/takaful subsidiaries ensure adequate capital to meet their capital requirements on an ongoing basis. The key elements of ICAAP includes Board and senior management oversight; comprehensive risk assessment; individual target capital level and stress testing; sound capital management and ongoing monitoring, reporting and review of the ICAAP.

A capital management plan has been established which lists the thresholds that act as triggers for actions to ensure maintenance of appropriate capital levels at all times as well as the corresponding corrective actions that are required for different scenarios and at each specified thresholds. Results of stress tests shall be considered when evaluating the appropriateness of capital thresholds and corrective actions with consideration of the particular stage of the business cycle in which the Company and its insurance/takaful subsidiaries are operating, given the potential changes in the external environment that could affect the risk profile.

The Company and its insurance/takaful subsidiaries set an Individual Target Capital Level ("ITCL") that reflects the overall risk tolerance and risk appetite set by the Board, its own risk profile and risk management practices. The Company and its insurance/takaful subsidiaries shall operate at capital levels above ITCL at all times. The ITCL provides a robust threshold in the management of capital adequacy, where a breach of this level would trigger timely responses by management to restore capital to the ITCL and heighten the Board's scrutiny based on the Capital Management Plan.

The planning and assessment of capital and ITCL will be formally conducted by senior management at least annually or as and when the need arises. The result will be reported to the Board and/or the Board's RMC.

36 RISK MANAGEMENT (CONTINUED)

Governance and Regulatory Framework

The Company and its insurance/takaful subsidiaries' risk governance framework is built on the "three lines of defence" model. With regards to risk management, the objective is to ensure that an appropriate framework is in place, including an independent system of checks and balances to provide assurance that risks are identified, assessed, managed and governed properly. The framework clearly defines roles and responsibilities for the management of risks between the Executive Management, Compliance and Enterprise Risk Management and Internal Audit functions. While each line of defence is independent from the others, they work closely to ensure effective oversight.

The Company and its insurance/takaful subsidiaries are required to comply with the requirements of the relevant regulations, laws and guidelines including those from BNM, Securities Commission, Life Insurance Association of Malaysia ("LIAM"), Persatuan Insurans Am Malaysia ("PIAM") and Malaysian Takaful Association ("MTA").

The Company and its insurance/takaful subsidiaries have complied with the capital requirements prescribed by BNM during the reported financial year.

37 INSURANCE/TAKAFUL RISK

Insurance/takaful risk is the risk arising from changes in claims experience as well as more general exposure relating to the acquisition and persistency of insurance/takaful business. This also includes changes to actuarial and investment assumptions regarding future experience for these risks.

The Group considers insurance/takaful risk to be a combination of the following component risks:

(a) Product design risk;
(b) Pricing and underwriting risk;
(c) Lapse risk; and
(d) Claims volatility risk

The Group manages its exposure to insurance/takaful risk across a spectrum of components. The Group has significant underwriting and actuarial resources, and has implemented well-defined underwriting and actuarial guidelines and practices. The Group has accumulated substantial experience which assists in the evaluation, pricing and underwriting of its products. The Group's Product Development Committee ("PDC") and Financial Risk Committee ("FRC") play an important oversight role in relation to these insurance/takaful related risks, as discussed below. Insurance/takaful risk exposure is also considered when FRC reviews the strategic asset allocation plan and asset-liability management strategies.

(a) Product design risk

Product design risk refers to potential defects in the development of a particular insurance/takaful product. Product development process is overseen by PDC, which oversees the pricing guidelines set by the Group. The Group seeks to manage this risk by completing pre-launch reviews of each new product including product management, actuarial, legal and underwriting. The Group has substantial experience and has developed significant expertise in identifying potential flaws in product development that could expose the Group to excessive risks. The Group monitors closely the performance of new products and focus on actively managing each part of the actuarial control cycle to minimise risk in both in-force policies and new products.

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(b) Pricing and underwriting risk

Pricing and underwriting risk refers to the possibility of product related income being inadequate to support future obligations arising from an insurance/takaful product. The Group seeks to manage pricing and underwriting risk by adhering to its underwriting guidelines.

The Group maintains a team of professional underwriters who review and select risks consistent with acceptable risk profile and underwriting strategy. In certain circumstances, such as when the Group enters into new lines of business, products or markets and do not have sufficient experience data, it makes use of reinsurers/retakaful to obtain product pricing expertise. The use of reinsurance/retakaful subjects the Group to the risk that the reinsurers/retakaful operators become insolvent or fail to make any payment when due to the Group. The credit risk of the reinsurer/retakaful operator is addressed via the established Credit Risk management process. The Group allows for an appropriate level of expenses in its product pricing that reflects a realistic medium to long term view of its cost structure. In the daily operations, the Group adheres to a disciplined expense budgeting and management process that controls expenses within the product pricing allowances over the medium to long term.

(c) Lapse risk

Lapse risk refers to the possibility of actual lapse experience that diverges from the anticipated experience assumed when products were priced. It includes the potential financial loss incurred due to early termination of policies or contracts in circumstances where the acquisition costs incurred are no longer recoverable from future revenue. The Group carries out regular reviews of persistency experience and the results are assimilated into new and in-force product management. In addition, many of the Group's products include surrender charges that entitle the Group to additional fees upon early termination by policyholders, thereby reducing its exposure to lapse risk.

(d) Claims volatility risk

Claims volatility risk refers to the possibility that the frequency or severity of claims arising from insurance/takaful products exceed the levels assumed when the products were priced. Firstly, the Group seeks to mitigate claims risk by conducting regular experience studies, including reviews of mortality and morbidity experience, reviewing internal and external data, and considering the impact of such information on reinsurance/retakaful needs, product design and pricing. Secondly, the Group mitigates this risk by adhering to the underwriting and claims management policies and procedures that have been developed based on its extensive historical experience. Thirdly, broad product offering and large in-force product portfolio also reduce the Group’s exposure to concentration risk. The Group also uses reinsurance/retakaful solutions to help reduce concentration risk.

37 INSURANCE RISK (CONTINUED)

(i) Life insurance/family takaful contracts

The insurance/takaful risk of life insurance/family takaful contracts consists of mortality/longevity and calamity risks. Mortality/longevity risk represents the risk of loss attributable to positive or negative changes in the assumed medical prognosis for life expectancy, occupational disability, illness and the need for long-term care as well as under-estimation of these probabilities. Calamity risk represents the risk of loss because of strong short-term fluctuation in the mortality rate, for example as a result of war or epidemics.

The table below shows the concentration of actuarial liabilities by types of contract reflecting product features of insurance/takaful risk associated.

Group

	Gross			Reinsurance			
31 December 2020	**With DPF RM'000**	**Without DPF RM'000**	**Total RM'000**	**With DPF RM'000**	**Without DPF RM'000**	**Total RM'000**	**Net RM'000**
Whole life	20,963,848	2,025,472	22,989,320	7,208	4,757	11,965	22,977,354
Endowment	4,228,314	831,516	5,059,830	42	800	842	5,058,988
Term assurance	-	3,000,479	3,000,479	-	169,739	169,739	2,830,740
Riders	483,320	355,794	839,114	26	47,790	47,816	791,298
Others	32,309	513,199	545,508	-	12,156	12,156	533,352
Family takaful plans	(8,857)	-	(8,857)	-	-	-	(8,857)
Credit takaful plans	251,922	-	251,922	-	-	-	251,922
Group credit takaful plans	43,660	-	43,660	-	-	-	43,660
Investment-linked takaful plans	897,720	-	897,720	-	-	-	897,720
Total	26,892,236	6,726,460	33,618,696	7,276	235,242	242,518	33,376,177

37 INSURANCE RISK (CONTINUED)

(i) Life insurance/family takaful contracts (continued)

Group

31 December 2019	Gross With DPF RM'000	Gross Without DPF RM'000	Gross Total RM'000	Reinsurance With DPF RM'000	Reinsurance Without DPF RM'000	Reinsurance Total RM'000	Net RM'000
Whole life	21,128,434	1,840,222	22,968,656	8,084	15,322	23,406	22,945,250
Endowment	4,843,948	619,088	5,463,036	46	1,035	1,081	5,461,955
Term assurance	-	2,786,660	2,786,660	-	164,904	164,904	2,621,756
Riders	618,209	347,456	965,665	21	34,009	34,030	931,635
Others	190,864	61,076	251,940	-	18,391	18,391	233,549
Family takaful plans	(6,596)	-	(6,596)	-	-	-	(6,596)
Credit takaful plans	181,581	-	181,581	-	-	-	181,581
Group credit takaful plans	22,131	-	22,131	-	-	-	22,131
Investment-linked takaful plans	551,190	-	551,190	-	-	-	551,190
Total	27,529,761	5,654,502	33,184,263	8,151	233,661	241,812	32,942,451

37 INSURANCE RISK (CONTINUED)

(i) Life insurance/family takaful contracts (continued)

Company

31 December 2020	Gross With DPF RM'000	Gross Without DPF RM'000	Gross Total RM'000	Reinsurance With DPF RM'000	Reinsurance Without DPF RM'000	Reinsurance Total RM'000	Net RM'000
Whole life	20,963,848	2,025,470	22,989,318	7,208	4,757	11,965	22,977,353
Endowment	4,228,314	831,516	5,059,830	42	800	842	5,058,988
Term assurance	-	3,000,479	3,000,479	-	169,739	169,739	2,830,740
Riders	483,320	355,794	839,114	26	47,790	47,816	791,298
Others	32,309	513,199	545,508	-	12,156	12,156	533,352
Total	25,707,791	6,726,458	32,434,249	7,276	235,242	242,518	32,191,731

31 December 2019	Gross With DPF RM'000	Gross Without DPF RM'000	Gross Total RM'000	Reinsurance With DPF RM'000	Reinsurance Without DPF RM'000	Reinsurance Total RM'000	Net RM'000
Whole life	21,128,434	1,840,222	22,968,656	8,084	15,322	23,406	22,945,250
Endowment	4,843,948	619,088	5,463,036	46	1,035	1,081	5,461,955
Term assurance	-	2,786,660	2,786,660	-	164,904	164,904	2,621,756
Riders	618,209	347,456	965,665	21	34,009	34,030	931,635
Others	190,864	61,076	251,940	-	18,391	18,391	233,549
Total	26,781,455	5,654,502	32,435,957	8,151	233,661	241,812	32,194,145

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(i) Life insurance/family takaful contracts (continued)

Key assumptions

Mortality, total permanent disability and critical illness

Mortality, total permanent disability and critical illness assumptions were derived based on past experience, and expectation of current and future experience. For assumptions related to new morbidity risk, in the absence of credible experience, reference has been made to pricing assumptions.

Expense

Expense assumption was derived based on actual expense analysis which was translated into unit cost factors with appropriate expense carriers (e.g. per premium, per sum assured and per policy) and expense inflation rate was based on expectation of long-term consumer price index. In the absence of credible experience, reference has been made to pricing assumptions.

Lapse and surrender rates

Lapse rate assumption was derived based on past experience and best estimate of current and future experience. Lapse rate assumption vary by policy year, product type and/or premium/contribution payment method with different rates for regular and single premium products. Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions. In the case of surrenders, the valuation assumes that current surrender value basis will continue to apply in the future.

Discount/Profit rate

The risk-free discount/profit rate was derived from a yield curve, as follows:

1. For policies'/certificates' duration of less than 15 years: zero-coupon spot yields of MGS/Government Islamic Instruments ("GII") with matching duration; and
2. For policies'/certificates' duration of 15 years or more: zero-coupon spot yields of MGS/GII with 15 years term to maturity.

Where total guaranteed and non-guaranteed benefits were considered, the discount rate used was the current portfolio yield (as at the valuation date) of the participating life funds graded linearly to the long-term interest rate over 9 years for AIA Participating Fund and 7 years for Business Acquired Participating Fund respectively. Long-term interest rate refers to the long-term interest assumption for the participating funds, which was determined based on the expected long term asset mix for the participating funds, historical yields on these asset classes over the last 5 years, as well as current market yields and future outlook. The graded period was determined based on the duration of the existing fixed income portfolio with reference to the relationship between asset and liability durations of the participating fund. The methodology for determining the participating portfolio interest rate, the grading period and the long-term interest rate assumption is consistent with the methodology adopted in the insurer's annual bonus investigations.

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(i) Life insurances/family takaful contracts (continued)

Key assumptions (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and included in insurance/takaful contract liabilities and profit after tax. The correlation of assumptions will have a significant effect in determining the insurance/takaful contract liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

		Group	
	Change in assumption	Impact on gross/net actuarial liabilities	Impact on profit after tax
	%	RM'000	RM'000
2020			
Mortality	+10	297,195	(269,653)
Expense	+10	75,967	(43,371)
Lapse rate	+10	(67,679)	(36,530)
Discount rate	-0.5	93,195	(347,247)
2019			
Mortality	+10	288,789	(269,105)
Expense	+10	80,646	(42,963)
Lapse rate	+10	(128,348)	(32,898)
Discount rate	-0.5	90,840	(323,205)

		Company	
	Change in assumption	Impact on gross/net actuarial liabilities	Impact on profit after tax
	%	RM'000	RM'000
2020			
Mortality	+10	290,435	(266,875)
Expense	+10	75,967	(43,371)
Lapse rate	+10	(83,781)	(28,482)
Discount rate	-0.5	77,093	(339,199)
2019			
Mortality	+10	277,640	(264,187)
Expense	+10	80,646	(42,963)
Lapse rate	+10	(127,678)	(33,229)
Discount rate	-0.5	78,234	(316,907)

The impact from changes in the above assumptions to insurance/takaful contracts with DPF has taken into consideration of the flexibility to adjust the policyholders'/certificate holders' bonuses or dividends.

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance contracts

The insurance risk of general insurance contracts consists of premium and reserve risks. Premium risk represents the risk of loss because of an unexpected high loss volume resulting in an insufficient coverage of premiums. Reserve risks represents the risk of loss resulting from deviations between payments for incurred losses that have not yet been definitely settled and the reserves set up to cover these payments, or the use of an insufficient basis for the calculation of reserves.

The table below shows the concentration of General insurance contract liabilities by type of contract.

Group

	31 December 2020			31 December 2019		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities						
Personal accident	123,821	12,999	109,823	123,932	(12,265)	111,667
Motor	64,284	1,700	62,584	64,691	(1,561)	63,130
Fire	2,809	69	2,740	3,244	(80)	3,164
Miscellaneous and liabilities	67	1	66	198	(5)	193
Total	191,123	15,773	175,350	192,065	(13,911)	178,154
Premium liabilities						
Personal accident	86,103	3,588	82,515	84,039	(1,964)	82,075
Motor	23,843	919	22,924	22,637	(827)	21,810
Fire	3,857	115	3,742	4,420	(86)	4,334
Miscellaneous and liabilities	58	2	56	250	(6)	244
Total	114,013	4,631	109,382	111,346	(2,883)	108,463

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance contracts (continued)

Key assumptions

Expenses

Three elements of management expenses were considered, namely marketing, claims-related and premium-related expense. The premium-related expense is further segregated into two parts, i.e. a one-off expense incurred at the policy issuance and an on-going expense incurred during the policy period. Expense provision only takes into account the provision for claims-related expenses and the on-going premium-related expenses in outstanding claims liabilities and unexpired premium liabilities, respectively.

Premium liabilities

Premium liabilities for all classes of general insurance is the higher of Unexpired Risk Reserves ("URR") at 75% probability of adequacy or Unearned Premium Reserves ("UPR").

URR is assumed as the adjusted unearned premium reserve (net of reinsurance after adjustment for non-qualifying offshore reinsurance but gross of commission) multiplied by the resultant Ultimate Loss Ratio ("ULR") for the most recent loss year.

Provision for claims related expenses and overhead expenses are added to the ultimate unexpired risk reserves plus Provision of Risk Margin for Adverse Deviation ("PRAD") as follows:

- Provision for claims related expense at 10.0% of the unexpired risk to allow for internal claims expenses including staff costs and administrative expenses expected to be incurred in settling claims on the unexpired portion of risk. This rate was based on the most recent financial year's data of claims-related expenses against outstanding claims reserves held at the beginning of the financial year.

- Provision for overhead expense at 10.0% of the UPR (gross of reinsurance and commission) to allow for on-going premium related expenses including staff costs and administrative expenses not related to settling claims. This rate is based on a historic comparison of management expenses against gross written premiums over the most recent financial year, apportioned to exclude claims expenses and upfront expenses like marketing and underwriting costs.

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance contracts (continued)

Key assumptions (continued)

Claim liabilities

Claim liabilities include provision for outstanding claims of Incurred But Not Reported ("IBNR") and Incurred But Not Enough Reported ("IBNER") claims on best estimate basis using primarily the Link Ratio method for all classes of business, coupled with the Bornhueter-Ferguson and/or Expected Loss Ratio methods where deemed necessary and appropriate. Provision for claims-related expense plus a Provision of Risk Margin for Adverse Deviation ("PRAD") are included to derive the total claims liabilities.

Explicit allowance is not made for future inflation. However an implicit allowance is made based on projection of past development rates of claim inflation contained within the historical claims development data.

Sensitivities

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net claim liabilities included in insurance contract liabilities and profit after tax. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

				Group
	Change in assumption %	Impact on gross insurance contract liabilities RM'000	Impact on net insurance contract liabilities RM'000	Impact on profit after tax RM'000
2020				
Expected loss ratio	+10	11,783	11,267	(8,563)
Provision for expenses	+10	876	876	(665)
PRAD	+10	1,224	1,107	(842)
2019				
Expected loss ratio	+10	13,502	12,955	(9,846)
Provision for expenses	+10	911	911	(692)
PRAD	+10	1,203	1,098	(834)

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance contracts (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each date of the statement of financial position, together with cumulative payments to-date.

In setting provisions for claims, the Group gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance contracts (continued)

Claims development table - Group

Gross Claims Liabilities as at 2020:

Accident year	Before 2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		257,497	169,793	108,657	107,920	109,160	84,252	68,563	
One year later		240,380	161,191	102,693	103,746	104,021	99,060	-	
Two years later		236,933	158,326	97,380	111,829	104,586	-	-	
Three years later		236,751	156,335	94,331	108,742	-	-	-	
Four years later		237,193	160,381	94,374	-	-	-	-	
Five years later		241,008	159,429	-	-	-	-	-	
Six years later		236,647	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		236,647	159,492	94,374	108,742	104,586	99,060	68,563	
At end of accident year		(169,749)	(96,783)	(36,488)	(46,816)	(38,548)	(41,336)	(30,941)	
One year later		(216,580)	(133,213)	(75,669)	(76,252)	(66,886)	(64,808)	-	
Two years later		(225,861)	(147,752)	(84,467)	(84,379)	(77,829)	-	-	
Three years later		(230,010)	(151,376)	(87,327)	(87,724)	-	-	-	
Four years later		(233,749)	(153,048)	(87,856)	-	-	-	-	
Five years later		(234,229)	(153,574)	-	-	-	-	-	
Six years later		(234,434)	-	-	-	-	-	-	
Cumulative payments to-date		(234,434)	(153,574)	(87,856)	(87,724)	(77,829)	(64,808)	(30,941)	
Gross claims liabilities	7,963	2,214	5,854	6,519	21,019	26,757	34,253	37,622	142,199
Treaty inwards and MMIP									23,700
Best estimate of claims liabilities									165,899
Claims handling expenses									8,755
PRAD at 75% confidence level									16,469
Gross claims liabilities									191,123

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance contracts (continued)

Claims development table - Group (continued)

Net Claims Liabilities as at 2020:

Accident year	Before 2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		248,076	163,819	103,548	102,102	104,354	80,574	66,307	
One year later		230,865	155,047	97,224	94,641	97,610	93,984	-	
Two years later		227,940	150,699	92,487	103,073	96,832	-	-	
Three years later		227,707	148,675	89,879	100,958	-	-	-	
Four years later		228,147	152,381	89,711	-	-	-	-	
Five years later		231,799	151,408	-	-	-	-	-	
Six years later		227,481	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		227,481	151,408	89,711	100,958	96,832	93,984	66,307	
At end of accident year		(164,546)	(93,632)	(35,307)	(44,365)	(35,974)	(38,270)	(30,161)	
One year later		(209,064)	(128,679)	(72,866)	(70,676)	(62,932)	(61,071)	-	
Two years later		(217,879)	(140,908)	(80,639)	(80,519)	(73,598)	-	-	
Three years later		(221,904)	(143,974)	(82,945)	(83,585)	-	-	-	
Four years later		(225,552)	(145,557)	(83,460)	-	-	-	-	
Five years later		(225,812)	(146,033)	-	-	-	-	-	
Six years later		(225,901)	-	-	-	-	-	-	
Cumulative payments to-date		(225,901)	(146,033)	(83,460)	(83,585)	(73,598)	(61,071)	(30,161)	
Net claims liabilities	4,809	1,490	5,375	6,251	17,373	23,234	31,914	36,147	127,594
Treaty inwards and MMIP									23,700
Best estimate of claims liabilities									151,293
Claims handling expenses									8,755
PRAD at 75% confidence level									15,301
Net claims liabilities									175,350

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance contracts (continued)

Claims development table - Group (continued)

Gross Claims Liabilities as at 2019:

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		276,542	257,497	169,793	108,657	107,920	109,160	84,252	
One year later		280,151	240,380	161,191	102,693	103,746	104,021	-	
Two years later		278,308	236,933	158,326	97,380	111,829	-	-	
Three years later		276,243	236,751	156,335	94,331	-	-	-	
Four years later		275,406	237,193	160,381	-	-	-	-	
Five years later		275,885	241,008	-	-	-	-	-	
Six years later		277,697	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		277,697	241,008	160,381	94,331	111,829	104,021	84,252	
At end of accident year		(183,774)	(169,749)	(96,783)	(36,488)	(46,816)	(38,548)	(41,336)	
One year later		(254,384)	(216,580)	(133,213)	(75,669)	(76,252)	(66,886)	-	
Two years later		(265,715)	(225,861)	(147,752)	(84,467)	(84,379)	-	-	
Three years later		(270,390)	(230,010)	(151,376)	(87,327)	-	-	-	
Four years later		(271,508)	(233,749)	(153,048)	-	-	-	-	
Five years later		(272,800)	(234,229)	-	-	-	-	-	
Six years later		(274.097)	-	-	-	-	-	-	
Cumulative payments to-date		(274,097)	(234,229)	(153,048)	(87,327)	(84,379)	(66,886)	(41,336)	
Gross claims liabilities	6,884	3,600	6,779	7,333	7,004	27,450	37,135	42,916	139,101
Treaty inwards and MMIP									26,706
Best estimate of claims liabilities									165,807
Claims handling expenses									9,114
PRAD at 75% confidence level									17,144
Gross claims liabilities									192,065

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(i) General insurance contracts (continued)

Claims development table - Group (continued)

Net Claims Liabilities as at 2019:

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		256,068	248,076	163,819	103,548	102,102	104,354	80,574	
One year later		245,302	230,865	155,047	97,224	94,641	97,610	-	
Two years later		243,233	227,940	150,699	92,487	103,073	-	-	
Three years later		239,890	227,707	148,675	89,879	-	-	-	
Four years later		239,898	228,147	152,381	-	-	-	-	
Five years later		240,284	231,799	-	-	-	-	-	
Six years later		241,814	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		241,814	231,799	152,381	89,879	103,073	97,610	80,574	
At end of accident year		(171,511)	(164,546)	(93,632)	(35,307)	(44,365)	(35,974)	(38,270)	
One year later		(223,021)	(209,064)	(128,679)	(72,866)	(70,676)	(62,932)	-	
Two years later		(232,156)	(217,879)	(140,908)	(80,639)	(80,519)	-	-	
Three years later		(235,870)	(221,904)	(143,974)	(82,945)	-	-	-	
Four years later		(236,821)	(225,552)	(145,557)	-	-	-	-	
Five years later		(237,844)	(225,812)	-	-	-	-	-	
Six years later		(239,089)	-	-	-	-	-	-	
Cumulative payments to-date		(239,089)	(225,812)	(145,557)	(82,945)	(80,519)	(62,932)	(38,270)	
Net claims liabilities	4,232	2,725	5,987	6,824	6,934	22,554	34,678	42,304	126,238
Treaty inwards and MMIP									26,706
Best estimate of claims liabilities									152,944
Claims handling expenses									9,114
PRAD at 75% confidence level									16,096
Net claims liabilities									178,154

38 FINANCIAL RISKS

The Group is exposed to a range of financial risks, including credit risk, liquidity risk and market risk. The Group applies a consistent risk management philosophy that is embedded in management's processes and controls such that both existing and emerging risks are considered and addressed.

Financial risks of investment-linked investments are not further provided and analysed as the financial risks in respect of investment-linked investments are generally wholly borne by the policyholders/participants, and do not directly affect the profit before tax. Furthermore, investment-linked policyholders/participants are responsible for allocation of their policy/certificate values amongst investment options offered by the Group. Although profit before tax is not affected by investment-linked investments, the investment return from such financial investments is included in the Group's income statements, as the Group has selected the fair value option for all investment-linked investments with corresponding change in insurance/takaful contract liabilities for investment-linked contracts.

(a) Credit risk

Credit risk arises from the possibility of financial loss arising from default by borrowers and transactional counterparties and decrease in the value of financial instruments due to deterioration in credit quality. The key areas where the Group is exposed to credit risk include repayment risk are in respect of:

- cash and cash equivalents;
- investments in debt securities;
- loans and receivables (including insurance/takaful receivables); and
- reinsurance/retakaful receivables.

The Group only takes risks that it understands and can manage effectively. In credit risk management this means combining a detailed, bottom-up approach to market and credit analysis that considers individual counterparties with a portfolio approach focusing on sectors, countries and concentrations.

The Group manages credit risk consistent with the AIA Group's investment philosophy and risk appetite, as endorsed by the Board and the Board of Directors of the Group.

With respect to investing activities, investment objectives including asset allocation limits and permitted variances from such limits ("Investment Guidelines") undergo through the governance process which includes the Investment Committee ("IC"), Asset Liability Committee ("ALCO"), FRC and the Board.

The Group Investment (being the investment team in the Company and in AIA Group Office) manages the investment assets of the AIA Group within the Investment Guidelines, utilising a discipline consistent with an outsourced service provider.

Within the investment guidelines, credit risk-based risk tolerances are set by the FRC. Such tolerances are based on the AIA Group's internal credit ratings framework as approved by the AIA Group's FRC (the "AIA Credit Ratings Framework").

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statements of financial position. The maximum exposure is shown at gross, before the effect of mitigation through the use of master netting or collateral agreements.

Group	Insurance and shareholders' fund RM'000	Investment-linked RM'000	Total RM'000
At 31 December 2020			
Available-for-sale financial assets	10,679,697	-	10,679,697
Fair value through profit or loss financial assets	33,967,301	10,614,705	44,582,006
Loans and receivables	3,984,949	42,733	4,027,682
Derivatives	7,175	-	7,175
Reinsurance/retakaful assets	420,468	-	420,468
Insurance/takaful receivables	218,766	-	218,766
Cash and cash equivalents	708,425	783,385	1,491,810
	49,986,781	11,440,823	61,427,604
At 31 December 2019			
Available-for-sale financial assets	9,196,675	-	9,196,675
Fair value through profit or loss financial assets	32,299,789	7,856,338	40,156,127
Loans and receivables	4,516,260	9,185	4,525,445
Reinsurance assets	402,945	-	402,945
Insurance receivables	324,950	-	324,950
Cash and cash equivalents	675,922	611,128	1,287,050
	47,416,541	8,476,651	55,893,192

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

Company	Insurance and shareholders' fund RM'000	Investment-linked RM'000	Total RM'000
At 31 December 2020			
Available-for-sale financial assets	9,961,767	-	9,961,767
Fair value through profit or loss financial assets	32,881,689	9,975,240	42,856,929
Loans and receivables	3,976,782	42,721	4,019,503
Derivatives	7,175	-	7,175
Reinsurance assets	383,804	-	383,804
Insurance receivables	180,508	-	180,508
Cash and cash equivalents	371,751	683,490	1,055,241
	47,763,476	10,701,451	58,464,927
At 31 December 2019			
Available-for-sale financial assets	8,610,624	-	8,610,624
Fair value through profit or loss financial assets	31,593,822	7,470,113	39,063,935
Loans and receivables	4,475,846	7,397	4,483,243
Reinsurance assets	375,679	-	375,679
Insurance receivables	278,331	-	278,331
Cash and cash equivalents	263,364	535,782	799,146
	45,597,666	8,013,292	53,610,958

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

The table below provides information on the credit risk exposure of the Group and the Company by classifying assets according to Rating Agency of Malaysia and Malaysian Rating Corporation Berhad's and other equivalent rating agencies. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

Group	Neither past due nor impaired						
	Investment grade (AAA-A)	Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Investment-linked	Not subject to credit risks	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2020							
AFS financial assets							
Malaysian government securities	-	3,093,053	-	-	-	-	3,093,053
Cagamas papers	145,966	-	-	-	-	-	145,966
Unquoted equity securities	-	-	-	-	-	4,295	4,295
Corporate debt securities	3,865,180	3,353,207	-	-	-	-	7,218,387
Deposits with licensed banks	100,450	-	-	-	-	-	100,450
Accrued interest	46,893	70,653	-	-	-	-	117,546

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

	Neither past due nor impaired						
Group (continued)	**Investment grade (AAA-A)**	**Not rated**	**Past due but not impaired**	**Past due and impaired/ partially impaired**	**Investment-linked**	**Not subject to credit risks**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 31 December 2020 (continued)							
FVTPL financial assets							
Malaysian government securities	-	5,713,429	-	-	675,519	-	6,388,948
Cagamas papers	917,493	-	-	-	245	-	917,738
Equity securities	310	-	-	-	6,203,133	7,133,968	13,337,411
Real estate investment trust funds	-	-	-	-	138,431	181,061	319,492
Corporate debt securities	10,661,458	7,313,773	-	-	2,113,276	-	20,088,507
Mutual funds	-	-	-	-	1,458,324	1,785,027	3,243,351
Accrued interest	127,954	132,610	-	-	25,777	218	286,559

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Group (continued)	Neither past due nor impaired						
	Investment grade (AAA-A)	Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Investment-linked	Not subject to credit risks	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2020 (continued)							
Derivatives	-	7,175	-	-	-	-	7,175
Loans and receivables							
Loan receivables	-	3,568,412	76,612	38,383	-	-	3,683,407
Fixed and call deposits with licensed banks	17,000	15,498	-	-	-	-	32,498
Other receivables	-	273,238	-	13,201	42,733	-	329,172
Reinsurance/retakaful assets	-	420,468	-	-	-	-	420,468
Insurance/takaful receivables	-	218,931	(165)	22,418	-	-	241,184
Cash and cash equivalents	567,017	141,408	-	-	783,385	-	1,491,810
Accrued interest	216	33,973	-	-	-	-	34,189
Allowance for impairment losses	-	-	-	(74,002)	-	-	(74,002)
	16,449,937	24,355,828	76,447	-	11,440,823	9,104,569	61,427,604

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Group	Neither past due nor impaired: Investment grade (AAA-A) RM'000	Neither past due nor impaired: Not rated RM'000	Past due but not impaired RM'000	Past due and impaired/ partially impaired RM'000	Investment-linked RM'000	Not subject to credit risks RM'000	Total RM'000
At 31 December 2019							
AFS financial assets							
Malaysian government securities	15,902	2,292,631	-	-	-	-	2,308,533
Cagamas papers	254,249	-	-	-	-	-	254,249
Unquoted equity securities	-	-	-	-	-	4,625	4,625
Corporate debt securities	3,240,935	3,182,092	-	-	-	-	6,423,027
Deposits with licensed banks	101,010	-	-	-	-	-	101,010
Accrued interest	43,876	61,355	-	-	-	-	105,231

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Group (continued)	Neither past due nor impaired						
	Investment grade (AAA-A)	Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Investment-linked	Not subject to credit risks	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2019 (continued)							
FVTPL financial assets							
Malaysian government securities	93,947	5,363,428	-	-	284,258	-	5,741,633
Cagamas papers	1,282,871	-	-	-	458	-	1,283,329
Equity securities	-	24,732	-	-	4,414,880	6,189,893	10,629,505
Real estate investment trust funds	-	-	-	-	164,408	387,190	551,598
Corporate debt securities	10,303,255	7,226,147	-	-	1,933,808	-	19,463,210
Mutual funds	-	-	-	-	1,035,682	1,164,248	2,199,930
Accrued interest	131,421	131,762	-	-	22,844	895	286,922

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Group (continued)	Neither past due nor impaired: Investment grade (AAA-A) RM'000	Neither past due nor impaired: Not rated RM'000	Past due but not impaired RM'000	Past due and impaired/ partially impaired RM'000	Investment-linked RM'000	Not subject to credit risks RM'000	Total RM'000
At 31 December 2019 (continued)							
Loans and receivables							
Loan receivables	-	4,097,303	72,195	42,356	-	-	4,211,854
Fixed and call deposits with licensed banks	-	91,486	-	-	-	-	91,486
Other receivables	-	214,517	-	13,269	9,185	-	236,971
Reinsurance/retakaful assets	-	402,945	-	-	-	-	402,945
Insurance/takaful receivables	-	324,811	139	24,840	-	-	349,790
Cash and cash equivalents	354,530	321,392	-	-	611,128	-	1,287,050
Accrued interest	-	40,759	-	-	-	-	40,759
Allowance for impairment losses	-	-	-	(80,465)	-	-	(80,465)
	15,821,996	23,775,360	72,334	-	8,476,651	7,746,851	55,893,192

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company	Neither past due nor impaired: Investment grade (AAA-A) RM'000	Neither past due nor impaired: Not rated RM'000	Past due but not impaired RM'000	Past due and impaired/ partially impaired RM'000	Investment-linked RM'000	Not subject to credit risks RM'000	Total RM'000
At 31 December 2020							
AFS financial assets							
Malaysian government securities	-	2,127,409	-	-	-	-	2,127,409
Cagamas papers	135,884	-	-	-	-	-	135,884
Unquoted equity securities	-	-	-	-	-	4,295	4,295
Corporate debt securities	3,559,812	3,155,582	-	-	-	-	6,715,394
Controlled Structured Entities	-	776,540	-	-	-	-	776,540
Deposits with licensed banks	100,450	-	-	-	-	-	100,450
Accrued interest	43,531	58,264	-	-	-	-	101,795

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company (continued)	**Neither past due nor impaired** Investment grade (AAA-A)	**Neither past due nor impaired** Not rated	**Past due but not impaired**	**Past due and impaired/ partially impaired**	**Investment-linked**	**Not subject to credit risks**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 31 December 2020 (continued)							
FVTPL financial assets							
Malaysian government securities	-	5,480,019	-	-	632,794	-	6,112,813
Cagamas papers	917,494	-	-	-	245	-	917,739
Equity securities	-	-	-	-	5,709,455	7,033,653	12,743,108
Real estate investment trust funds	-	-	-	-	131,440	179,566	311,006
Corporate debt securities	10,251,748	6,984,002	-	-	2,030,700	-	19,266,450
Mutual funds	-	-	-	-	1,447,241	1,785,027	3,232,268
Accrued interest	123,523	126,657	-	-	23,365	-	273,545

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

	Neither past due nor impaired						
Company (continued)	**Investment grade (AAA-A)**	**Not rated**	**Past due but not impaired**	**Past due and impaired/ partially impaired**	**Investment-linked**	**Not subject to credit risks**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 31 December 2020 (continued)							
Derivatives	-	7,175	-	-	-	-	7,175
Loans and receivables							
Loan receivables	-	3,565,018	76,612	38,383	-	-	3,680,013
Other receivables	-	301,206	-	13,201	42,721	-	357,128
Reinsurance assets	-	383,804	-	-	-	-	383,804
Insurance receivables	-	180,508	-	21,106	-	-	201,614
Cash and cash equivalents	369,350	2,401	-	-	683,490	-	1,055,241
Accrued interest	-	33,946	-	-	-	-	33,946
Allowance for impairment losses	-	-	-	(72,690)	-	-	(72,690)
	15,501,792	23,182,531	76,612	-	10,701,451	9,002,541	58,464,927

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company	Neither past due nor impaired: Investment grade (AAA-A) RM'000	Neither past due nor impaired: Not rated RM'000	Past due but not impaired RM'000	Past due and impaired/ partially impaired RM'000	Investment-linked RM'000	Not subject to credit risks RM'000	Total RM'000
At 31 December 2019							
AFS financial assets							
Malaysian government securities	-	2,061,777	-	-	-	-	2,061,777
Cagamas papers	233,830	-	-	-	-	-	233,830
Unquoted equity securities	-	-	-	-	-	4,625	4,625
Corporate debt securities	3,074,512	3,035,168	-	-	-	-	6,109,680
Deposits with licensed banks	101,010	-	-	-	-	-	101,010
Accrued interest	41,673	58,029	-	-	-	-	99,702

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

	Neither past due nor impaired						
Company (continued)	**Investment grade (AAA-A)**	**Not rated**	**Past due but not impaired**	**Past due and impaired/ partially impaired**	**Investment-linked**	**Not subject to credit risks**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 31 December 2019 (continued)							
FVTPL financial assets							
Malaysian government securities	-	5,296,803	-	-	278,859	-	5,575,662
Cagamas papers	1,282,871	-	-	-	458	-	1,283,329
Equity securities	-	-	-	-	4,127,125	6,118,846	10,245,971
Real estate investment trust funds	-	-	-	-	158,694	385,977	544,671
Corporate debt securities	10,054,814	7,033,844	-	-	1,857,246	-	18,945,904
Mutual funds	-	-	-	-	1,025,586	1,164,248	2,189,834
Accrued interest	127,550	128,869	-	-	22,145	-	278,564

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company (continued)	**Neither past due nor impaired** Investment grade (AAA-A)	Not rated	**Past due but not impaired**	**Past due and impaired/ partially impaired**	**Investment-linked**	**Not subject to credit risks**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 31 December 2019 (continued)							
Loans and receivables							
Loan receivables	-	4,093,239	72,195	42,356	-	-	4,207,790
Other receivables	-	270,368	-	12,198	7,397	-	289,963
Reinsurance assets	-	375,679	-	-	-	-	375,679
Insurance receivables	-	278,331	-	20,725	-	-	299,056
Cash and cash equivalents	260,747	2,617	-	-	535,782	-	799,146
Accrued interest	-	40,044	-	-	-	-	40,044
Allowance for impairment losses	-	-	-	(75,279)	-	-	(75,279)
	15,177,007	22,674,768	72,195	-	8,013,292	7,673,696	53,610,958

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

The financial assets are classified according to the credit rating assessed by rating agencies approved by BNM.

The financial assets comprise Malaysian Government Securities and certain corporate debt securities which are not rated as these investments are issued by the government or guaranteed by government which were exempted from the need of getting rating from rating agencies. Other financial assets which are not rated comprise fixed and call deposits with licensed bank, and loans and receivables as the issuer did not obtain any credit rating from the respective rating agencies. Such financial assets although not rated are issued by companies which have sound financial and high creditworthiness. The creditworthiness of the issuer is monitored on any downgrade news related to any investment in the debt portfolio.

The Group's loans and receivables include policy loans, mortgage loans, other secured loans, staff loans and unsecured loans. Policy loans, mortgage loans, other secured loans and secured staff loans are generally secured by collateral. The amount of loan is based on the valuation of collateral as well as an assessment of the credit risk of the counterparty. Guidelines are implemented on the acceptability of the types of collateral and the valuation parameters.

The type of collaterals, held by the Group as lender, for which it is entitled to in the event of default is as follows:

	Type of collateral	Group 2020 RM'000	Group 2019 RM'000
Policy loans	Cash surrender value	1,367,235	1,430,501
Mortgage loans	Properties	2,284,276	2,417,476
Staff loans	Motor vehicles and properties	27,321	31,765
Unsecured loans	Nil	4,534	7,112
Accrued interest	Nil	34,189	40,759
		3,717,555	3,927,613

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

The type of collaterals, held by the Company as lender, for which it is entitled to in the event of default is as follows:

	Type of collateral	Company 2020 RM'000	Company 2019 RM'000
Policy loans	Cash surrender value	1,367,235	1,430,501
Mortgage loans	Properties	2,284,276	2,417,476
Staff loans	Motor vehicles and properties	23,931	27,701
Unsecured loans	Nil	4,534	7,112
Accrued interest	Nil	33,946	40,044
		3,713,922	3,922,834

Age analysis of financial assets past-due but not impaired

	Group 30 days RM'000	60 days RM'000	> 90 days RM'000	Total RM'000
At 31 December 2020				
Loan receivables	17	640	1,228	1,885
At 31 December 2019				
Loan receivables	204	125	1,367	1,696

	Company 30 days RM'000	60 days RM'000	> 90 days RM'000	Total RM'000
At 31 December 2020				
Loan receivables	12	8	2,030	2,050
At 31 December 2019				
Loan receivables	185	5	1,367	1,557

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Impaired financial assets

For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than three (3) months. The Group records impairment allowance for loan receivables, other receivables and insurance/takaful receivables in separate allowance for impairment accounts. A reconciliation of the allowance for impairment losses is as follows:

Group

	Loan receivables		Other receivables		Insurance/takaful receivables	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	42,356	43,187	13,269	10,868	24,840	36,900
Acquisition of subsidiaries	-	-	-	1,071	-	2,988
Net (recovery)/ charge for the financial year	(3,667)	(831)	1,003	1,330	(2,422)	(11,412)
Writeback/ (write off) of allowance for impairment losses	(306)	-	-	-	-	(3,636)
At 31 December	38,383	42,356	13,201	13,269	22,418	24,840

Company

	Loan receivables		Other receivables		Insurance/takaful receivables	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	42,356	43,187	12,198	10,868	20,725	33,232
Net (recovery)/ charge for the financial year	(3,667)	(831)	1,003	1,330	381	(8,871)
Writeback/ (write off) of allowance for impairment losses	(306)	4,046	-	-	-	(503)
At 31 December	38,383	43,187	13,201	10,868	21,106	33,232

38 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk

Liquidity risk primarily refers to the possibility of having insufficient cash available to meet the payment obligations to counterparties when they become due. This can arise when internal funds are insufficient to meet cash outflow obligations and where the Group is unable to obtain funding at market rates or liquidate assets at fair value resulting in the forced liquidation of assets at depressed prices. The Group is exposed to liquidity risk in respect of insurance/takaful and investment policies that permit surrender, withdrawal or other forms of early termination for cash surrender value specified in the contractual terms and conditions.

The Group's liquidity position is monitored in compliance with regulatory and internal requirements in combination with maturity gap analysis. To manage liquidity risk, the Group has implemented a variety of measures, including emphasising flexible insurance/takaful product design so that it can retain the greatest flexibility to adjust contract pricing or crediting rates.

The Group continuously seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of insurance/takaful policies issued. The Group constantly monitors its liquidity position and has in place several contingency sources of liquidity in order to minimise the impact of any liquidity risk.

Investment-linked liabilities are repayable or transferable upon notice by policyholders/participants and are disclosed separately under the "Investment-linked" column. Liquidity risk of investment-linked liabilities is managed as part of the Group-wide established framework, process and procedures as detailed above. The Group constantly monitors the liquidity position of the respective funds and has in place several contingency sources of liquidity in order to minimise the impact of any liquidity risk, which includes but not limited to funding from the operating fund and repurchase agreement ("Repo") as well as catastrophe excess-of-loss reinsurance/retakaful cover.

38 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Group and Company based on remaining contractual obligations, including interest payable and receivable. For insurance/takaful contract liabilities, maturity profiles are determined based on the estimated timing of discounted net cash outflows from the recognised insurance/takaful liabilities.

Group At 31 December 2020	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Investment-linked RM'000	Total RM'000
Available-for-sale financial assets	10,679,697	573,147	1,233,465	1,267,793	10,117,165	4,625	-	13,196,195
Fair value through profit or loss financial assets	44,582,006	1,624,262	3,712,409	3,363,632	23,723,971	179,566	9,975,240	42,579,080
Derivatices	7,175	-	-	(557)	7,732	-	-	7,175
Loans and receivables	4,027,682	585,288	400,934	384,374	2,857,856	1,340,504	42,720	5,611,676
Reinsurance/retakaful assets	420,468	411,690	5,650	1,873	1,255	-	-	420,468
Insurance/takaful receivables	218,766	218,766	-	-	-	-	-	218,766
Cash and cash equivalents	1,491,810	708,425	-	-	-	-	783,385	1,491,810
Total assets	61,427,604	4,121,578	5,352,458	5,017,115	36,707,979	1,524,695	10,801,345	63,525,170
Insurance/takaful contract liabilities:								
With DPF	30,385,120	785,528	769,511	518,647	24,541,540	3,041,581	728,313	30,385,120
Without DPF	17,890,075	514,523	198,387	162,561	6,510,398	-	10,504,206	17,890,075
Insurance/takaful payables	7,287,302	7,287,302	-	-	-	-	-	7,287,302
Other payables	974,254	931,268	-	-	-	-	42,986	974,254
Expense liabilities	13,573	4,423	124	96	8,930	-	-	13,573
Lease liabilities	138,544	15,055	48,389	43,133	31,967	-	-	138,544
Total liabilities	56,688,868	9,538,099	1,016,411	724,437	31,092,835	3,041,581	11,275,505	56,688,868

38 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Group	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Investment-linked RM'000	Total RM'000
At 31 December 2019								
Available-for-sale financial assets	9,196,675	606,974	1,516,450	1,451,909	9,560,655	4,625	-	13,140,613
Fair value through profit or loss financial assets	40,156,127	1,788,579	3,956,157	3,040,924	25,303,453	7,669,819	7,470,113	49,229,045
Loans and receivables	4,525,445	917,319	430,443	412,245	2,964,042	1,403,069	7,397	6,134,515
Reinsurance/retakaful assets	402,945	394,314	6,345	1,232	1,054	-	-	402,945
Insurance/takaful receivables	324,950	324,950	-	-	-	-	-	324,950
Cash and cash equivalents	1,287,050	675,922	-	-	-	-	611,128	1,287,050
Total assets	55,893,192	4,708,058	5,909,395	4,906,310	37,829,204	9,077,513	8,088,638	70,519,118
Insurance/takaful contract liabilities:								
With DPF	29,557,017	875,910	970,322	648,432	25,008,680	1,591,381	462,292	29,557,017
Without DPF	14,311,183	537,499	188,723	148,441	5,451,538	-	7,984,982	14,311,183
Insurance/takaful payables	6,826,113	6,826,113	-	-	-	-	-	6,826,113
Other payables	889,263	878,421	-	-	-	-	10,842	889,263
Expense liabilities	9,089	3,935	-	285	4,869	-	-	9,089
Lease liabilities	137,064	19,296	38,671	37,499	41,598	-	-	137,064
Total liabilities	51,729,729	9,141,174	1,197,716	834,657	30,506,685	1,591,381	8,458,116	51,729,729

38 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

At 31 December 2020	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Investment-linked RM'000	Total RM'000
Company								
Available-for-sale financial assets	9,961,767	540,074	1,136,871	1,154,059	9,769,769	4,625	-	12,605,398
Fair value through profit or loss financial assets	42,856,929	1,576,345	3,711,967	3,363,343	23,723,682	179,566	9,975,240	42,530,143
Derivatives	7,175	-	-	(557)	7,732	-	-	7,175
Loans and receivables	4,019,503	507,287	400,934	384,374	2,857,856	1,340,504	42,720	5,533,675
Reinsurance assets	383,804	383,804	-	-	-	-	-	383,804
Insurance receivables	180,508	180,508	-	-	-	-	-	180,508
Cash and cash equivalents	1,055,241	371,751	-	-	-	-	683,490	1,055,241
Total assets	58,464,927	3,559,769	5,249,772	4,901,219	36,359,039	1,524,695	10,701,450	62,295,944
Insurance contract liabilities:								
With DPF	28,575,351	602,440	761,880	500,881	23,862,585	2,847,565	-	28,575,351
Without DPF	17,584,737	376,052	71,517	134,803	6,498,159	-	10,504,206	17,548,737
Insurance payables	7,260,867	7,260,867	-	-	-	-	-	7,260,867
Other payables	778,668	735,681	-	-	-	-	42,987	778,668
Lease liabilities	138,427	20,603	43,482	42,532	31,810	-	-	138,427
Total liabilities	54,338,050	8,995,643	876,879	678,216	30,392,554	2,847,565	10,547,193	54,338,050

38 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

At 31 December 2019	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Investment-linked RM'000	Total RM'000
Company								
Available-for-sale financial assets	8,610,624	568,037	1,342,498	1,294,894	9,393,389	4,625	-	12,603,443
Fair value through profit or loss financial assets	39,063,935	1,736,007	3,955,874	3,040,695	25,303,224	7,669,819	7,470,113	49,175,732
Loans and receivables	4,483,243	824,215	430,443	412,245	2,964,042	1,403,069	7,397	6,041,411
Reinsurance assets	375,679	375,679	-	-	-	-	-	375,679
Insurance receivables	278,331	278,331	-	-	-	-	-	278,331
Cash and cash equivalents	799,146	263,364	-	-	-	-	535,782	799,146
Total assets	53,610,958	4,045,633	5,728,815	4,747,834	37,660,655	9,077,513	8,013,292	69,273,742
Insurance contract liabilities:								
With DPF	28,257,401	751,973	970,322	625,943	24,450,143	1,459,020	-	28,257,401
Without DPF	14,007,772	399,406	63,628	120,986	5,438,770	-	7,984,982	14,007,772
Insurance payables	6,788,201	6,788,201	-	-	-	-	-	6,788,201
Other payables	773,178	762,336	-	-	-	-	10,842	773,178
Lease liabilities	136,589	19,160	38,576	37,255	41,598	-	-	136,589
Total liabilities	49,963,141	8,721,076	1,072,526	784,184	29,930,511	1,459,020	7,995,824	49,963,141

38 FINANCIAL RISKS (CONTINUED)

(c) Market risk

Market risk arises from the possibility of financial losses caused by changes in the financial instruments' fair values or future cash flows due to fluctuations in key variables, including interest/profit rates, equity market prices, foreign exchange rates and real estate property market prices. The Group manages the risk of market-based fluctuations in the value of the Group's investments, as well as liabilities with exposure to market risk.

The Group uses various quantitative measures to assess market risk, including sensitivity analysis. The level of movements in market factors on which the sensitivity analysis is based were determined based on economic forecasts and historical experience of variations in these factors. The Group routinely conducts sensitivity analysis of its fixed income portfolios to estimate its exposure to movements in interest/profit rates. The Group's fixed income sensitivity analysis is primarily a duration-based approach.

Policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Group's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

(i) Interest/profit rate risk

Interest/profit risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rate yield.

The Group's exposure to interest/profit risk predominantly arises from the Group's duration gap between the liabilities and assets for interest/profit rate sensitive products, especially those providing interest/profit rate guarantees. For other products, including those with participation or investment-linked features, interest/profit rate risk is significantly reduced due to the non-guaranteed nature of additional policyholder benefits.

The Group manages its interest/profit rate risk by investing in financial instruments with tenors that match the duration of its liabilities as much as practicable and appropriate. The Group also considers the effect of interest/profit rate risk in its overall product strategy. Certain products such as investment-linked, universal life and participating business, inherently have lower interest rate risk as their design provides flexibility as to crediting rates and policyholder dividend scales. For new products, the Group emphasises flexibility in product design and generally designs products to avoid excessive long-term interest/profit rate guarantees. For in-force policies/certificates, bonus payout and credit interest/profit rates applicable to policyholders'/participants' account balances are regularly adjusted by considering, amongst others, the earned yields and policyholders'/participants' communications and reasonable expectations.

38 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest/profit rate risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after tax (due to changes in fair value of floating rate/yield financial instruments), AFS fair value reserves and unallocated surplus of contract with DPF included in insurance/takaful contract liabilities (that reflects re-valuing fixed rate/yield financial assets of life/family takaful fund) and equity (that reflects adjustments to profit after tax and re-valuing fixed rate/yield AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest/profit rate yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Change in variable	Impact on Insurance/ takaful contract liabilities RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
Group			
At 31 December 2020			
+50 basis points shift in yield curves	-	(861,012)	(323,419)
- 50 basis points shift in yield curves	-	919,208	346,138
At 31 December 2019			
+50 basis points shift in yield curves	(865,917)	-	(281,941)
- 50 basis points shift in yield curves	918,193	-	301,373
Company			
At 31 December 2020			
+50 basis points shift in yield curves	-	(833,178)	(307,640)
- 50 basis points shift in yield curves	-	886,296	329,152

38 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest/profit rate risk (continued)

Change in variable	Impact on Insurance/ takaful contract liabilities RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
Company			
At 31 December 2019			
+50 basis points shift in yield curves	(841,344)	-	(271,110)
- 50 basis points shift in yield curves	895,621	-	290,534

(ii) Equity price risk

Equity price risk arises from changes in the market value of equity securities and equity funds. Investments in equity securities on a long-term basis are expected to provide diversification benefits and enhance returns. The extent of exposure to equities at any time is subject to the terms of the Group's strategic asset allocations.

The Group manages equity price risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector, market and issuer, having regard also to such limits stipulated by BNM. The Group complies with BNM's stipulated limits during the financial year and has no significant concentration risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after tax (due to changes in fair value of foreign currency financial instruments) and unallocated surplus included in insurance/takaful contract liabilities (due to changes in fair value of financial assets and liabilities of life/family takaful fund whose changes in fair values are retained in the life insurance/takaful contract liabilities). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, the variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

38 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Equity price risk (continued)

	Impact on Insurance/ takaful contract liabilities RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
Group			
At 31 December 2020			
+ 10% shift in equity price	43,013	814,427	33,317
- 10% shift in equity price	(43,013)	(814,427)	(33,317)
At 31 December 2019			
+ 10% shift in equity price	635,186	86,555	66,841
- 10% shift in equity price	(635,186)	(86,555)	(66,841)
Company			
At 31 December 2020			
+ 10% shift in equity price	42,205	809,270	32,226
- 10% shift in equity price	(42,205)	(809,270)	(32,226)
At 31 December 2019			
+ 10% shift in equity price	628,076	85,760	65,484
- 10% shift in equity price	(628,076)	(85,760)	(65,484)

38 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(iii) Currency risks

Currency risk is the risk that the fair value of future cash flows of a financial instrument denominated in currencies other than RM, will fluctuate because of movements in foreign exchange rates vis-à-vis RM. The Group's primary transactions are carried out in RM and its exposure to currency risk arises principally with respect to Australian Dollar ("AUD"), United State Dollar ("USD"), EURO ("EUR"), Hong Kong Dollar ("HKD") and Singapore Dollar ("SGD"). The Group manages currency risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after tax (due to changes in fair value of foreign currency financial instruments) and unallocated surplus included in insurance contract liabilities (due to changes in fair value of foreign currency financial instruments of the Life Fund are retained in life insurance contract liabilities). The correlation of variables will have a significant effect in determining the ultimate impact on currency risk but to demonstrate the impact due to changes in variables, the variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Change in variable	Impact on Insurance/ takaful contract liabilities RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
Group				
At 31 December 2020				
AUD	10% strengthening	23	82	23
USD	10% strengthening	28,802	135,960	28,802
EUR	10% strengthening	15	54	15
HKD	10% strengthening	6,053	49,234	6,053
SGD	10% strengthening	-	-	-
At 31 December 2019				
AUD	10% strengthening	5,038	539	539
USD	10% strengthening	92,630	23,225	23,225
EUR	10% strengthening	87	24	24
HKD	10% strengthening	27,005	5,611	5,611
SGD	10% strengthening	1,223	113	113

38 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(iii) Currency risks (continued)

Company

	Change in variable	Impact on Insurance contract liabilities RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
At 31 December 2020				
AUD	10% strengthening	23	82	23
USD	10% strengthening	28,802	135,960	28,802
EUR	10% strengthening	15	54	15
HKD	10% strengthening	6,053	49,234	6,053
SGD	10% strengthening	-	-	-
At 31 December 2019				
AUD	10% strengthening	5,038	539	539
USD	10% strengthening	92,630	23,225	23,225
EUR	10% strengthening	87	24	24
HKD	10% strengthening	27,005	5,611	5,611
SGD	10% strengthening	1,223	113	113

39 NON FINANCIAL RISKS

The Company's non-financial risks comprise operational risk and strategic risk.

(a) Operational risk

Operational risk is the risk arising from business processes including inadequate procedures or policies, people conduct, system failures, fraud, criminal activity or from external events which may result in direct or indirect business impact.

The Group protects itself against financial losses by purchasing insurance/takaful cover against a range of operational loss events including business disruption, property damage and internal fraud. The coverage is determined after taking into consideration the Group's operational risk profile.

(b) Strategic risk

Strategic risk is identified as part of the business plan processes and is defined as the potential impact of the business strategy on the Group's earnings, capital and reputation. This also takes into consideration the wider social, economic, political, regulatory, competitive or technological trends that could impact the Group's business strategy within a set time period.

40 SHARE-BASED PAYMENT

During the financial year, the AIA Group made further grants of share options, restricted share units and restricted share purchase units to certain employees, Directors and Officers of the Group under the Share Option ("SO") Scheme, the Restricted Share Unit ("RSU") Scheme and Employee Share Purchase Plan ("ESPP").

(a) RSU Scheme

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the AIA Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period. If the RSU grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. For certain RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the employees at the end of vesting period depending on the actual achievement of the performance conditions. During the vesting period, the eligible participants are not entitled to dividends of the underlying shares. The maximum number of shares that can be granted under the RSU scheme is 302,264,978 (2019: 301,100,000), representing approximately 2.5% (2019: 2.5%) of the number of shares in issue of AIA Group Ltd. ("AIAGL") as at 31 December 2020.

	Group		Company	
	2020	2019	2020	2019
	Number of shares	Number of shares	Number of shares	Number of shares
Outstanding at beginning of financial year	1,407,762	1,602,318	1,297,417	1,491,973
Granted	471,896	428,464	471,896	428,464
Vested	(420,020)	(503,811)	(420,020)	(503,811)
Transferred in	25,014	190,157	25,014	190,157
Transferred out	(40,842)	(64,775)	(40,842)	(64,775)
Forfeited or expired	(96,483)	(244,591)	(96,483)	(244,591)
Outstanding at end of financial year	1,347,327	1,407,762	1,236,982	1,297,417

40 SHARE-BASED PAYMENT (CONTINUED)

(b) SO Scheme

The objectives of the SO Scheme are to align eligible participants' interests with those of the shareholders of the Company by allowing eligible participants to share in the value created at the point they exercise their options. SO grants are vested either entirely after a specific period of time or in tranches over the vesting period, during which, the eligible participants are required to remain in employment with the AIA Group. If the SO grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. The granted share options expire ten years from the date of grant. The total number of shares under options that can be granted under the scheme is 302,264,978 (2019: 301,100,000), representing approximately 2.5% (2019: 2.5%) of the number of shares in issue of AIAGL as at 31 December 2020.

Information about options outstanding and options exercisable by the Company's employees and Directors as at the end of the reporting period are as follows:

	31 December 2020		31 December 2019	
	Number of share options	Weighted average exercise price (HK$)	Number of share options	Weighted average exercise price (HK$)
Group and Company				
Outstanding at beginning of financial year/period	223,691	58.77	112,312	51.96
Granted	48,275	68.10	28,912	78.38
Exercised	-	-	(214,505)	39.48
Transferred in	-	-	395,654	-
Forfeited or expired	-	-	(98,682)	63.46
Outstanding at end of financial year/period	271,966	60.42	223,691	58.77

40 SHARE-BASED PAYMENT (CONTINUED)

(b) SO Scheme (continued)

The range of exercise prices for the share options outstanding as of 31 December 2020 is summarised in the table below.

	31 December 2020		31 December 2019	
	Number of share options outstanding	Weighted average remaining contractual life (years)	Number of share options outstanding	Weighted average remaining contractual life (years)
Range of exercise price				
HK$46 – HK$55	127,673	5.34	127,673	6.34
HK$56 – HK$65	-	-	-	-
HK$66 – HK$75	99,287	7,43	51,012	8.20
HK$76 - HK$85	45,006	8,23	45,006	9.24
Outstanding at end of financial year/period	271,966	6,86	223,691	7.35

(c) ESPP

Under the plan, eligible employees of the Company can purchase ordinary shares of AIAGL with qualified employees' contributions and the AIA Group will award one matching restricted stock purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employees' contributions (contribution shares). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the AIA Group. Under the 2010 ESPP, the level of qualified employee contribution is limited to not more than 8% of the monthly base salary or HK$9,750 (or local currency equivalent) per month, whichever is lower. Under the 2020 ESPP, the level of qualified employee contribution is subject to a maximum amount equal to 10 per cent of the monthly base salary or HK$12,500 (or local currency equivalent) per month, whichever is lower. For the financial year ended 31 December 2020, eligible employees paid RM5,791,100 (2019: RM5,084,045) to purchase 140,626 (2019: 123,145) ordinary shares of AIAGL.

Valuation methodology

The Company utilises a binomial lattice model to calculate the fair value of the share options grant, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU and ESPP, taking into account the terms and conditions upon which the awards were granted. The price volatility is estimated on the basis of implied volatility of AIAGL's shares which is based on an analysis of historical data since they are traded in the Stock Exchange of Hong Kong and takes into consideration the historical volatility of peer companies. The expected life of the options is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company's employees. The estimate of market condition for performance based RSUs is based on one-year historical data preceding the grant date.

40 SHARE-BASED PAYMENT (CONTINUED)

Valuation methodology (continued)

Group and Company	Share Options	Restricted Share Units	ESPP Restricted Stock Purchase Units
Assumptions			
2020			
Risk free interest rate	0.85%	0.78%	0.09% - 1.68%
Volatility	24%	24%	N/A
Dividend yield	1.60%	1.60%	1.60%
Option life (in years)	10	N/A	N/A
Exercise price (HK$)	68.1	N/A	N/A
Expected life (in years)	7.84	N/A	N/A
Weighted average fair value per option/unit at measurement date (HK$)	15.51	62.78	79.78
2019			
Risk free interest rate	1.59%	1.67%	1.44%-1.76%
Volatility	20%	20%	20%-24%
Dividend yield	1.50%	1.50%	1.50%-1.60%
Option life (in years)	10	N/A	N/A
Exercise price (HK$)	78.70	N/A	N/A
Expected life (in years)	7.97	N/A	N/A
Weighted average fair value per option/unit at measurement date (HK$)	15.59	67.09	75.53

* *Applicable to RSU with market condition.*

The weighted average share price for share option valuation is HK$68.10 (2019: HK$78.70).

Recognised compensation cost

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards granted under the RSU Scheme, SO Scheme and ESPP by the Group and the Company for the financial year ended 31 December 2020 are RM11,550,000 (2019: RM12,480,000) and RM11,326,000 (2019: RM12,424,000) respectively.

41 REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2020, as prescribed under the RBC Framework is provided below:

	Company	
	2020	2019
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	810,000	810,000
Reserves, including retained earnings	11,612,806	10,910,255
	12,422,806	11,720,255
Tier 2 Capital		
Revaluation reserves	195,579	203,580
Available-for-sale fair value reserves	761,342	551,463
	956,921	755,043
Amount deducted from capital	(647,309)	(605,946)
Total capital available	12,732,418	11,869,352

42 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The COVID-19 pandemic and associated economic impact continue posing challenges and uncertainties to the Malaysian economy and insurance industry. The Company has been taking necessary and thoughtful steps to strengthen its business resilience and adjust its operating models in managing the business in a very different market and dynamic operating landscape as concerns on job security remain heightened and consumers will be more cautious on their spending.

In considering the recent spike of COVID-19 cases, the Malaysian Government has re-imposed Movement Control Order ("MCO") from 13 January 2021 to 4 March 2021. It is certainly an expectation that economic activities will take some time to recover. Amid the uncertainties in current economic environment to support business expansion, the Company will continue to monitor the situation and remains vigilant and cautious in managing operating costs, business growth and risk profile of our portfolio.

43 INSURANCE/TAKAFUL FUNDS

The Group's principal activities are organised by funds and segregated into Shareholders, General, Life, Family Takaful and Investment-linked funds in accordance with the FSA.

The Group's statements of financial position and income statements analysed by Life/Family Takaful Fund, Shareholders' and General Funds have been presented together as one fund.

The life insurance/family takaful business offers a wide range of participating and non-participating whole life, term assurance, endowment as well as investment-linked products.

The General insurance business offers general insurance products which include personal accident, motor, fire and other classes.

Individual fund's revenue, expense, assets and liabilities are those amounts resulting from the operating activities of the respective funds that are directly attributable to the respective funds and the relevant portion that can be allocated on a reasonable basis to the respective funds. Individual fund's revenue, expense, assets and liabilities are determined before inter-fund balances and inter-fund transactions are eliminated as part of the consolidation process.

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2020

At 31 December 2020

Group	Shareholders' and General Fund RM'000	Life/Family Takaful Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	2,779	417,488	-	420,267
Right of use assets	116	133,388	-	133,504
Investment properties	-	345,200	-	345,200
Intangible assets	11,109	159,450	-	170,559
Investment in associates	-	8,281	-	8,281
Available-for-sale financial assets	2,313,772	8,395,393	(29,468)	10,679,697
Fair value through profit or loss financial assets	13,487	44,568,519	-	44,582,006
Derivative financial instrument	-	7,175	-	7,175
Loans and receivables	3,337,959	4,037,728	(3,348,005)	4,027,682
Reinsurance/retakaful assets	18,674	404,695	-	423,369
Insurance/takaful receivables	36,189	182,577	-	218,766
Deferred tax assets	3,146	-	(719)	2,427
Current tax assets	51,724	132,536	-	184,260
Cash and cash equivalents	302,271	1,189,539	-	1,491,810
Total assets	6,091,226	59,981,969	(3,378,192)	62,695,003

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2020 (CONTINUED)

At 31 December 2020

Equity and liabilities

Group	Shareholders' and General Fund RM'000	Life/Family Takaful Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Total equity	5,192,624	(67,325)	(427)	5,124,872
Insurance/takaful contract liabilities	318,910	47,998,898	(29,041)	48,288,767
Deferred tax liabilities	466,474	411,469	(719)	877,224
Insurance/takaful payables	6,392	7,280,910	-	7,287,302
Derivative	-	-	-	-
Current tax liabilities	4,041	-	-	4,041
Other payables	102,668	4,219,590	(3,348,005)	974,253
Lease liabilities	117	138,427	-	138,544
Total liabilities	898,602	60,049,294	(3,377,765)	57,570,131
Total equity and liabilities	6,091,226	59,981,969	(3,378,192)	62,695,003

At 31 December 2019

Group	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	2,376	443,896	-	446,272
Investment properties	-	363,130	-	363,130
Right of use assets	471	133,917	-	134,388
Intangible assets	11,400	118,087	-	129,487
Investment in associates	-	16,397	-	16,397
Available-for-sale financial assets	1,671,947	7,524,728	-	9,196,675
Fair value through profit or loss financial assets	18,500	40,137,627	-	40,156,127
Loans and receivables	3,671,186	4,523,230	(3,668,971)	4,525,445
Reinsurance/retakaful assets	16,793	389,034	-	405,827
Insurance/takaful receivables	40,334	284,616	-	324,950
Deferred tax assets	3,713	-	(1,329)	2,384
Current tax assets	39,318	133,797	-	173,115
Cash and cash equivalents	222,531	1,064,519	-	1,287,050
Total assets	5,698,569	55,132,978	(3,670,300)	57,161,247

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2020 (CONTINUED)

At 31 December 2019

Equity and liabilities

Group	Shareholders' and General Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Total equity	4,819,131	(72,070)	-	4,747,061
Insurance/takaful contract liabilities	312,500	43,564,789	-	43,877,289
Deferred tax liabilities	481,896	194,677	(1,329)	675,244
Insurance/takaful payables	10,866	6,815,247	-	6,826,113
Derivative	-	9,213	-	9,213
Other payables	73,701	4,484,533	(3,668,971)	889,263
Lease liabilities	475	136,589	-	137,064
Total liabilities	879,438	55,205,048	(3,670,300)	52,414,186
Total equity and liabilities	5,698,569	55,132,978	(3,670,300)	57,161,247

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2020 (CONTINUED)

At 31 December 2020

Company	Shareholders' Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	1,060	417,488	-	418,548
Right of use assets	-	133,388	-	133,388
Investment properties	-	345,200	-	345,200
Intangible assets	-	159,450	-	159,450
Investment in subsidiaries	487,859	-	-	487,859
Investment in associates	-	88	-	88
Available-for-sale financial assets	1,599,216	8,392,019	(29,468)	9,961,767
Fair value through profit or loss financial assets	-	42,856,929	-	42,856,929
Derivative	-	7,175	-	7,175
Loans and receivables	3,240,150	4,015,230	(3,235,877)	4,019,503
Reinsurance assets	-	383,804	-	383,804
Insurance receivables	-	180,508	-	180,508
Current tax assets	44,208	133,790	-	177,998
Cash and cash equivalents	106,343	948,898	-	1,055,241
Total assets	5,478,836	57,973,967	(3,265,345)	60,187,458
Equity and liabilities				
Total equity	4,995,275	-	(427)	4,994,848
Insurance contract liabilities	-	46,189,129	(29,041)	46,160,088
Deferred tax liabilities	458,631	395,929	-	854,560
Insurance payables	-	7,260,867	-	7,260,867
Other payables	24,930	3,989,615	(3,235,877)	778,668
Lease liabilities	-	138,427	-	138,427
Total liabilities	483,561	57,973,967	(3,264,918)	55,192,610
Total equity and liabilities	5,478,836	57,973,967	(3,265,345)	60,187,458

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2020 (CONTINUED)

At 31 December 2019

Company	Shareholders' Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	1,070	443,896	-	444,966
Investment properties	-	363,130	-	363,130
Right of use assets	-	133,917	-	133,917
Intangible assets	-	118,087	-	118,087
Investment in subsidiaries	487,859	-	-	487,859
Investment in associates	-	88	-	88
Available-for-sale financial assets	1,089,695	7,520,929	-	8,610,624
Fair value through profit or loss financial assets	-	39,063,935	-	39,063,935
Loans and receivables	3,553,139	4,476,315	(3,546,211)	4,483,243
Reinsurance assets	-	375,679	-	375,679
Insurance receivables	-	278,331	-	278,331
Current tax assets	24,361	134,944	-	159,305
Cash and cash equivalents	5,049	794,097	-	799,146
Total assets	5,161,173	53,703,348	(3,546,211)	55,318,310
Equity and liabilities				
Total equity	4,679,262	-	-	4,679,262
Insurance contract liabilities	-	42,265,173	-	42,265,173
Deferred tax liabilities	476,039	190,655	-	666,694
Insurance payables	-	6,788,201	-	6,788,201
Derivative	-	9,213	-	9,213
Other payables	5,872	4,313,517	(3,546,211)	773,178
Lease liabilities	-	136,589	-	136,589
Total liabilities	481,911	53,703,348	(3,546,211)	50,639,048
Total equity and liabilities	5,161,173	53,703,348	(3,546,211)	55,318,310

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2020

Group	Shareholders' and General Fund RM'000	Life/Family Takaful Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Gross earned premiums/ contributions	291,129	11,266,067	(30,000)	11,527,196
Premiums/contributions ceded to reinsurers/retakaful operators	(17,932)	(1,163,173)	-	(1,181,105)
Net earned premiums/ contributions revenue	273,197	10,102,894	(30,000)	10,346,091
Investment income	103,453	2,151,695	-	2,255,148
Net realised gains	41,493	39,927	(426)	80,994
Fair value gains	(13)	2,471,790	-	2,471,777
Fees and commission income	362,248	98,074	(460,322)	-
Other operating income/ (expenses)	106,115	(31,344)	(13,935)	60,836
Total net revenue	886,493	14,803,036	(504,683)	15,214,846
Gross benefits and claims paid	(73,862)	(8,215,402)	-	(8,289,264)
Claims ceded to reinsurers/ retakaful operators	2,312	736,356	-	738,668
Gross change to insurance/ takaful contract liabilities	(3,542)	(4,419,171)	-	(4,422,713)
Change in insurance/takaful contract liabilities ceded to reinsurers/retakaful operators	1,862	15,661	-	17,523
Net insurance/takaful benefits and claims	(73,230)	(11,882,556)	-	(11,955,786)
Wakalah fee expense				
Fee and commission expenses	(303,600)	(1,312,024)	362,249	(1,253,375)
Management expenses	(351,228)	(918,904)	141,988	(1,128,144)
Other expenses	(654,828)	(2,230,928)	504,237	(2,381,519)
Profit before share of profit from associate	158,435	719,552	(446)	877,541
Share of gains from associate	-	2,384	-	2,384
Profit before tax	158,435	721,936	(446)	879,925
Tax credit attributable to policyholders and unitholders	-	(277,370)	-	(277,370)
Profit before tax attributable to shareholders	158,435	444,566	(446)	602,555
Transfer from Revenue Accounts	650,000	(650,000)	-	-
Profit before tax attributable to shareholders	808,435	(205,434)	(446)	602,555
Tax expense attributable to shareholders	(153,164)	13,904	-	(139,260)
Profit after tax for the financial year	655,271	(191,530)	(446)	463,295

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2020

Group	Shareholders' and General Fund RM'000	Life/Family Takaful Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Profit after tax for the financial year	655,271	(191,530)	(446)	463,295
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Net gains arising during the financial year	307,179	-		307,179
Net realised gains transferred to income statements	(74,341)	-	-	(74,341)
Deferred taxation	(55,147)	(7)	-	(55,154)
Change in insurance/takaful contract liabilities	-	89	-	89
Change in available-for-sale fair value reserves	177,691	82	-	177,773
	177,691	82	-	177,773
Items that will not be subsequently reclassified to profit or loss				
Net gains arising during the financial year	(9,340)	-	-	(9,340)
Deferred taxation	1,573	-	-	1,573
Change in insurance/takaful contract liabilities	6,643	-	-	6,643
Change in asset revaluation reserves	(1,124)	-	-	(1,124)
Remeasurements	(2,571)	-	-	(2,571)
Deferred taxation	438	-	-	438
Post employment benefit obligations	(2,133)	-	-	(2,133)
Total other comprehensive income – net of tax, for the financial year	174,434	82	-	174,516
Total comprehensive income for the financial year	829,705	(191,448)	(446)	637,811

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2019

Group	Shareholders' and General Fund RM'000	Life/Family Takaful Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Gross earned premiums/ contributions	303,435	9,680,498	-	9,983,933
Premiums/contributions ceded to reinsurers/retakaful operators	(19,193)	(1,020,276)	-	(1,039,469)
Net earned premiums/ contributions revenue	284,242	8,660,222	-	8,944,464
Investment income	84,750	2,163,294	-	2,248,044
Net realised gains	661	12,565	-	13,226
Fair value gains	224	1,818,741	-	1,818,965
Other operating income/ (expenses)	88,316	(9,184)	(36,225)	42,907
Total net revenue	458,193	12,645,638	(36,225)	13,067,606
Gross benefits and claims paid	(87,209)	(7,761,985)	-	(7,849,194)
Claims ceded to reinsurers/ retakaful operators	5,045	684,163	-	689,208
Gross change to insurance/ takaful contract liabilities	(3,742)	(3,633,106)	-	(3,636,848)
Change in insurance/takaful contract liabilities ceded to reinsurers/retakaful operators	2,079	107,856	-	109,935
Net insurance/takaful benefits and claims	(83,827)	(10,603,072)	-	(10,686,899)
Wakalah fee expense				
Fee and commission expenses	(72,692)	(926,721)	-	(999,413)
Management expenses	(190,164)	(775,219)	36,225	(929,158)
Other expenses	(262,856)	(1,701,940)	36,225	(1,928,571)
Profit before share of profit from associate	111,510	340,626	-	452,136
Share of gains from associate	4,337	603	-	4,940
Profit before tax	115,847	341,229	-	457,076
Tax credit attributable to policyholders and unitholders	-	(233,241)	-	(233,241)
Profit before tax attributable to shareholders	115,847	107,988	-	223,835
Transfer from Revenue Accounts	107,988	(107,988)	-	-
Profit before tax attributable to shareholders	223,835	-	-	223,835
Tax expense attributable to shareholders	(52,726)	-	-	(52,726)
Profit after tax for the financial year	171,109	-	-	171,109

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS (CONTINUED)

2019

Group	Shareholders' and General Fund RM'000	Life/Family Takaful Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Profit after tax for the financial year	171,109	-	-	171,109
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Net gains arising during the financial year	583,751	-	-	583,751
Net realised gains transferred to income statements	(13,153)	-	-	(13,153)
Deferred taxation	(135,187)			(135,187)
Change in available-for-sale fair value reserves	435,411	-	-	435,411
Share of other comprehensive income from associate	1,356			1,356
	436,767	-	-	436,767
Items that will not be subsequently reclassified to profit or loss				
Net gains arising during the financial year	7,682	-	-	7,682
Deferred taxation	(245)	-	-	(245)
Change in insurance/takaful contract liabilities	(6,264)	-	-	(6,264)
Change in asset revaluation reserves	1,173	-	-	1,173
Remeasurements	1,706	-	-	1,706
Deferred taxation	(292)	-	-	(292)
Post employment benefit obligations	1,414	-	-	1,414
Total other comprehensive income – net of tax, for the financial year	439,354	-	-	439,354
Total comprehensive income for the financial year	610,463	-	-	610,463

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2020

Company	Shareholders' Fund RM'000	Life Fun RM'00	Inter-fund Elimination RM'000	Total RM'000
Gross earned premiums	-	10,147,787	(30,000)	10,117,78
Premiums ceded to reinsurers	-	(1,127,541)	-	(1,127,541)
Net earned premiums	-	9,020,246	(30,000)	8,990,246
Investment income	129,706	2,110,001	-	2,239,707
Net realised gains	27,340	33,414	(426)	60,328
Fair value gains	-	2,323,051	-	2,323,051
Fee and commission income		98,074	(98,074)	-
Other operating income/ (expenses)	61,173	(27,677)	-	33,496
Total net revenue	218,219	13,557,109	(128,500)	13,646,828
Gross benefits and claims paid	-	(7,837,110)	5,426	(7,831,684)
Claims ceded to reinsurers	-	715,160	-	715,160
Gross change to insurance contract liabilities	-	(3,930,599)	29,041	(3,901,558)
Change in insurance contract liabilities ceded to reinsurers	-	8,125	-	8,125
Net insurance benefits and claims	-	(11,044,424)	34,467	(11,009,957)
Fee and commission expenses	-	(949,776)	-	(949,776)
Management expenses	(90,259)	(916,412)	98,073	(908,598)
Other expenses	(90,259)	(1,866,188)	98,073	(1,858,374)
Profit before tax	127,960	646,497	4,040	778,497
Tax credit attributable to policyholders and unitholders	-	(265,752)		(265,752)
Profit before tax attributable to shareholders	127,960	380,745	4,040	512,745
Transfer from Revenue Accounts	650,000	(650,000)	-	-
Profit before tax attributable to shareholders	777,960	(269,255)	4,040	512,745
Tax expense attributable to shareholders	(119,503)	13,904	-	(105,599)
Profit after tax for the financial year	658,457	(255,351)	4,040	407,146

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2020

Company	Shareholders' Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Profit after tax for the financial Year	658,457	(255,351)	4,040	407,146
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Net gains arising during the financial year	37,381	251,154	(4,467)	284,068
Net realised gains transferred to income statements	(26,914)	(33,281)	-	(60,195)
Deferred taxation	(1,033)	(51,143)	-	(52,176)
Change in available-for-sale fair value reserves	9,434	166,730	(4,467)	171,697
Items that will not be subsequently reclassified to profit or loss				
Net gains arising during the financial year	(9,340)	-	-	(9,340)
Deferred taxation	1,573	-	-	1,573
Change in insurance contract liabilities	6,643	-	-	6,643
	(1,124)	-	-	(1,124)
Remeasurements	(2,571)	-	-	(2,571)
Deferred taxation	438	-	-	438
Post employment benefit obligations	(2,133)	-	-	(2,133)
Total other comprehensive Income – net of tax, for the financial year	6,177	166,730	(4,467)	168,440
Total comprehensive income for the financial year	664,634	(88,621)	(427)	575,586

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2019

Company	Shareholders' Fund RM'000	Life Fund RM'000	Total RM'000
Gross earned premiums	-	9,630,259	9,630,259
Premiums ceded to reinsurers	-	(1,018,693)	(1,018,693)
Net earned premiums	-	8,611,566	8,611,566
Investment income	62,789	2,173,794	2,236,583
Net realised gains	481	12,566	13,047
Fair value gains	-	1,818,741	1,818,741
Other operating income/ (expenses)	80,216	(9,183)	71,033
Total net revenue	143,486	12,607,484	12,750,970
Gross benefits and claims paid	-	(7,743,994)	(7,743,994)
Claims ceded to reinsurers	-	683,007	683,007
Gross change to insurance contract liabilities	-	(3,623,635)	(3,623,635)
Change in insurance contract liabilities ceded to reinsurers	-	107,664	107,664
Net insurance benefits and claims	-	(10,576,958)	(10,576,958)
Fee and commission expenses	-	(914,230)	(914,230)
Management expenses	(113,344)	(774,178)	(887,522)
Other expenses	(113,344)	(1,688,408)	(1,801,752)
Profit before tax	30,142	342,118	372,260
Tax credit attributable to policyholders and unitholders	-	(233,241)	(233,241)
Profit before tax attributable to shareholders	30,142	108,877	139,019
Transfer from Revenue Accounts	108,877	(108,877)	-
Profit before tax attributable to shareholders	139,019	-	139,019
Tax expense attributable to shareholders	(37,438)	-	(37,438)
Profit after tax for the financial year	101,581	-	101,581

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2019

Company	Shareholders' Fund RM'000	Life Fund RM'000	Total RM'000
Profit after tax for the financial Year	101,581	-	101,581
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Net gains arising during the financial year	572,606	-	572,606
Net realised gains transferred to income statements	(12,972)	-	(12,972)
Deferred taxation	(132,556)	-	(132,556)
Change in available-for-sale fair value reserves	427,078	-	427,078
Net gains arising during the financial year	7,682	-	7,682
Deferred taxation	(245)	-	(245)
Change in insurance contract liabilities	(6,264)	-	(6,264)
	1,173		1,173
Remeasurements	1,706	-	1,706
Deferred taxation	(292)	-	(292)
Post employment benefit obligations	1,414	-	1,414
Total other comprehensive Income – net of tax, for the financial year	429,665	-	429,665
Total comprehensive income for the financial year	531,246	-	531,246

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

Included in the Income Statements for the financial year ended 31 December 2019 and financial year ended 31 December 2020, and the Statements of Financial Position as at 31 December 2019 and 31 December 2020 of the Life fund are the segmental information for the investment-linked funds.

STATEMENT OF FINANCIAL POSITION FOR INVESTMENT-LINKED FUNDS AS AT 31 DECEMBER 2020

	Group	
	2020 RM'000	2019 RM'000
Assets		
Fair value through profit or loss financial assets	10,614,705	7,857,116
Other receivables	48,058	24,593
Current tax assets	3	7,900
Cash and cash equivalents	783,385	611,128
Total assets	11,446,151	8,500,737
Less: Liabilities		
Other payables	44,707	11,469
Deferred tax liabilities	122,976	41,995
Current tax liabilities	16,908	-
Total liabilities	184,591	53,464
Net asset value	11,261,560	8,447,273

INCOME STATEMENT FOR INVESTMENT-LINKED FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group	
	2020 RM'000	2019 RM'000
Investment income	272,253	241,924
Fair value gains	1,265,882	344,412
Other operating income	5,415	4,829
	1,543,550	591,165
Management expenses	(105,816)	(77,280)
Profit before tax	1,437,734	513,885
Tax expenses	(105,751)	(32,220)
Profit after tax for the financial year	1,331,983	481,665

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

Included in the Income Statements for the financial year ended 31 December 2019 and financial year ended 31 December 2020, and the Statements of Financial Position as at 31 December 2019 and 31 December 2020 of the Life fund are the segmental information for the investment-linked funds.

STATEMENT OF FINANCIAL POSITION FOR INVESTMENT-LINKED FUNDS
AS AT 31 DECEMBER 2020

	Company	
	2020	**2019**
	RM'000	**RM'000**
Assets		
Fair value through profit or loss financial assets	9,975,240	7,470,113
Other receivables	48,046	22,805
Current tax assets	-	7,897
Cash and cash equivalents	683,490	535,782
Total assets	10,706,776	8,036,597
Less: Liabilities		
Other payables	42,987	10,842
Deferred tax liab ilities	113,634	40,773
Current tax liabilities	16,908	-
Total liabilities	173,529	51,615
Less: Interfund Elimination	(29,041)	-
Net asset value	10,504,206	7,984,982

INCOME STATEMENT FOR INVESTMENT-LINKED FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Company	
	2020	**2019**
	RM'000	**RM'000**
Investment income	255,849	241,358
Fair value gains	1,157,478	343,273
Other operating income	5,415	5,077
	1,418,742	589,708
Management expenses	(98,227)	(77,280)
Profit before tax	1,320,515	512,428
Tax expenses	(96,663)	(32,111)
Profit after tax for the financial year/period	1,223,852	480,317

44 ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 "INSURANCE CONTRACT"

The following additional disclosures, required by the Amendments to MFRS 4 for qualified entity who have elected temporary exemption from applying MFRS 9, to present the Group's and the Company's financial assets by their contractual cash flows characteristics.

Financial assets of the Group and Company are separated into the following two groups:

(i) financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") in accordance with MFRS 9 and are not held-for-trading or managed on fair value basis, which consist of cash and cash equivalents, receivables, accrued investment income, loans and deposits, and debt securities; and

(ii) all financial assets other than those specified in (i), which consist of derivative assets, equity securities, debt securities, and accrued investment income.

The following table shows the fair value and change in fair value of these two groups of financial assets.

Group		**Fair value**		**Change in fair value**
RM'000	**As at 31 December 2020**	**As at 31 December 2019**	**For the year ended 31 December 2020**	**For the year ended 31 December 2019**
Financial assets that met SPPI criteria and not held-for-trading or managed on fair value basis	16,316,367	15,334,120	232,927	570,598
Others*	44,695,227	40,156,127	2,485,912	1.839,418
Total	61,011,594	55,490,247	2,718,839	2,410,016

Company		**Fair value**		**Change in fair value**
RM'000	**As at 31 December 2020**	**As at 31 December 2019**	**For the year ended 31 December 2020**	**For the year ended 31 December 2019**
Financial assets that met SPPI criteria and not held-for-trading or managed on fair value basis	15,116,205	14,171,344	223,873	559,634
Others*	42,964,918	39,063,935	2,337,186	1,839,194
Total	58,081,123	53,235,279	2,561,059	2,398,828

* Others include financial assets that fail SPPI test, those that are held for trading and those that are managed on a fair value basis

Reinsurance/ retakaful assets have been excluded from the above assessments as they will be under the scope of MFRS 17, Insurance Contracts. Other than the financial assets listed in the table above and the assets that are within the scope of MFRS 17, Insurance Contracts, all other assets in the statement of financial position are non-financial assets.

44 ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 "INSURANCE CONTRACT" (CONTINUED)

The following table sets out the credit quality analysis for financial assets that met the SPPI criteria and are not held for trading or managed on fair value basis.

Group	**2020**	**2019**
	RM'000	**RM'000**
AAA	3,244,118	2,728,602
AA	1,259,433	1,281,254
A	50,513	46
BAA	43,418	-
BBB	49,153	-
Below investment grade	-	-
Not rated	10,843,884	10,703,305
Investment linked	826,117	620,313
Total	**16,316,636**	**15,334,120**

Company	**2020**	**2019**
	RM'000	**RM'000**
AAA	2,906,364	2,539,458
AA	1,058,765	1,172,268
A	50,513	46
BAA	43,418	-
BBB	49,153	-
Below investment grade	-	-
Not rated	10,281,782	9,916,393
Investment linked	726,210	543,179
Total	**15,116,205**	**14,171,344**

45 SUBSEQUENT EVENT

On 11 November 2020, the Directors of the Company had approved the acquisition of equity interest of RM105 million in AIA PUBLIC Takaful Bhd. ("APTB") of which upon the completion of the capital injection exercise, the Company's investments in APTB will increase from RM210 million to RM315 million, maintaining a 70% effective interest in APTB. The Company had notified Bank Negara Malaysia of the proposed acquisition on 1 March 2021.