Registration No.
200701032867 (790895-D)

AIA BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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CONTENTS

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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 2022.

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 7 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	840,097	778,232

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 AND SUBSEQUENT EVENTS

There were no material events subsequent to or from the reporting date that require disclosures or adjustments to the financial statements.

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

The Directors had on 2 June 2022 recommended the payment of final dividend of RM534,000,000 for the financial year ended 31 December 2021. 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 2021:

	RM'000
Final single tier dividend of RM2.7833 per ordinary share on 191,859,543 ordinary shares, paid on 13 June 2022, 25 July 2022 and 11 August 2022 respectively.	534,000

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
Mahani binti Amat
Dato' (Dr) Wee Hoe Soon @ Gooi Hoe Soon (appointed on 5 January 2023)
Tan Hak Leh

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 2022	Acquired	Disposed	As at 31 December 2022
AIA Group Limited				
Indirect Interest				
Ching Yew Chye @ Chng Yew Chye	217,000	-	-	217,000
Direct Interest				
Tan Hak Leh	98,349	184,388	77,160	205,577

	Number of matching restricted stock purchase unit over ordinary shares under Employee Share Purchase Plan			
	As at 1 January 2022	Granted	Vested	As at 31 December 2022
AIA Group Limited				
Direct Interest				
Tan Hak Leh	2,496	863	-	3,359

	Number of restricted share units over ordinary shares			
	As at 1 January 2022	Granted	Vested	As at 31 December 2022
AIA Group Limited				
Direct Interest				
Tan Hak Leh	292,572	142,713	52,759	382,526

	Number of share options over ordinary shares			
	As at 1 January 2022	Granted	Exercised	As at 31 December 2022
AIA Group Limited				
Direct Interest				
Tan Hak Leh	478,222	77,205	52,081	503,346

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.

DIRECTORS' REPORT (CONTINUED)

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. 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.

3. 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 2018. Mr. Ching had worked with Pannell Kerr Forster, Chartered Accountants in Liverpool, England and Ernst & Young in Malaysia.

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)

4. 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 division, up to her last designation in 2004 as Executive Vice President of operations and services.

5. Dato' (Dr) Wee Hoe Soon @ Gooi Hoe Soon (appointed on 5 January 2023)
Independent Non-Executive Director

Dato' Gooi has over 38 years of experience in the fields of accounting and corporate finance. Dato' Gooi was instrumental in the successful implementation of several corporate exercises which included merger and acquisition and corporate debt restructuring exercises by PLCs. Dato' Gooi currently sits on the Board of Securities Commission, Yinson Holdings Bhd, Red Ideas Holdings Berhad and Perusahaan Sadur Timah Malaysia Berhad. Dato' Gooi was also a member of the National Debt and Liability Management Committee and is a member of the investment panel of EPF Malaysia. Dato' Gooi was former Chairman of the Board of EON Bank Bhd from 2009 to 2012, Chairman of Amity Bond Sdn Bhd, and Deputy Chairman of Avenue Capital Resources Bhd. Dato' Gooi was also the CEO/Executive Director-Dealing of Avenue Securities Sdn Bhd. Dato' Gooi is a Member of the Malaysian Association of Certified Public Accountants and Malaysian Institute of Accountants.

6. 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 Chief Executive Officer of AIA's operation in Thailand from 2016 to 2019, 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 Chief Executive Officer of Great Eastern Life, Singapore. Prior to joining Great Eastern Life, Mr. Tan was Director 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 2018. 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)

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 thirty-three (33) Board and Board Committee Meetings were held, as set out below:

	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Board
Number of meetings	7	4	8	4	10

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	7/7	4/4	8/8	4/4	10/10
Dr. Chong Su-Lin	2/2	4/4	8/8	4/4	10/10
Ching Neng Shyan	7/7	4/4	8/8	4/4	10/10
Mahani binti Amat	7/7	4/4	8/8	4/4	10/10
Dato' (Dr) Wee Hoe Soon @ Gooi Hoe Soon (appointed on 5 January 2023)	0/0	0/0	0/0	0/0	0/0
Tan Hak Leh	N/A	N/A	8/8	N/A	10/10

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The Board is responsible for the overall governance of the Company and discharges this responsibility through compliance with the Financial Services Act ("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 ten (10) times during the financial year, seven of which were scheduled and three 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)*

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

No.	Description
1.	Internal Training Session on Cybersecurity Predictions for 2022 and Top Cyber Security Principles and Live Demonstration of My AIA App and AIA Life Planner App
2.	BNM-FIDE FORUM Dialogue: Licensing Framework for Digital Insurers and Takaful Operators.
3.	BNM-FIDE FORUM Dialogue: Climate Risk Management and Scenario Analysis.
4.	Bank Negara's Annual Report 2021, Economic & Monetary Review 2021, and Financial Stability Review Second Half 2021 Engagement Session
5.	Internal Sharing Session on Environmental Social Governance Session
6.	Internal Sharing Session on Embedded Value and Outsourcing Framework (AIA PUBLIC Takaful Bhd.)
7.	MIA Webinar Series: IFRS9/MFRS9 Financial Instruments
8.	FIDE Elective: Risk Management in Technology (RMiT): Sharing of Insights and Discussion on the Strategic Aspects of IT Risks
9.	Internal Session on Case Studies of Success and Failure Stories in Digital Transformation by Gartner
10.	FIDE FORUM Board Effectiveness Evaluation - Post-launch Workshop (Session 1)
11.	ASAS-AIA BOD: Shariah Training: What it Means for Financial Institutions in Financial Services
12.	The Institute of Enterprise Risk Practitioners 2022 Global Conference ERM
13.	Internal Briefing on Cybersecurity Threat Landscape and Cyber Risk Oversight Board Perspective by PwC
14.	The Emerging Trends Threats and Risks to the Financial Services Industry - Managing Global Risk Investment and Payment

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
15.	Internal Briefing on IFRS17

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.

<u>Nominating Committee</u>

As at the date of this report, the NC comprises six (6) 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)
Dato' (Dr) Wee Hoe Soon @ Gooi Hoe Soon (appointed on 5 January 2023)	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;

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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Nominating Committee (continued)

(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.

Remuneration Committee

As at the date of this report, the Remuneration Committee ("RC") 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)
Dato' (Dr) Wee Hoe Soon @ Gooi Hoe Soon (appointed on 5 January 2023)	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.

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:

(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.

(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

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)

(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.

Risk Management Committee

As at the date of this report, the Risk Management Committee ("RMC") comprises five (5) 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)
Dato' (Dr) Wee Hoe Soon @ Gooi Hoe Soon (appointed on 5 January 2023)	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;

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Risk Management Committee (continued)

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

(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;

(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;

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Risk Management Committee (continued)

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

(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 five (5) members as follows:

Ching Neng Shyan	Chairman (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
Mahani Binti Amat	Member (Independent Non-Executive)
Dr. Chong Su-Lin (appointed as Member of AC on 19 August 2022)	Member (Independent Non-Executive)
Dato' (Dr) Wee Hoe Soon @ Gooi Hoe Soon (appointed on 5 January 2023)	Member (Independent Non-Executive)

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

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;

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Audit Committee (continued)

(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;

(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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Audit Committee (continued)

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.

(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 investigations, regulatory reports and special projects. Management is responsible for the design, implementation and evaluation of the internal control system, including ongoing mitigation, across the business and processes.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK (CONTINUED)

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.

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 establishment of 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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK (CONTINUED)

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

(b) Risk Governance (continued)

(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.

(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-term value, while risks which the Group seeks to mitigate are managed through an effective internal controls system to maintain expoures within an acceptable residual level.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK (CONTINUED)

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

(d) Risk Underwriting and Risk Control (continued)

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.

(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 policies 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.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

ii. Main Components of Remuneration (continued)

The table below summarises the Group's remuneration policies 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
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.
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.

DIRECTORS' REPORT (CONTINUED)

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 Individual Medical Loss Ratio. Based on the level of achievement of the performance measures, short-term incentive awards in respect of the financial year ended 31 December 2022 will be paid to the CEO and Senior Management Team in March 2023.

Long-Term Incentive Plan

The new Restricted Share Unit Scheme ("RSU") and the new Share Option Scheme ("SO") were adopted on 1 August 2020 and 29 May 2020 respectively, in place of the 2010 RSU Scheme and 2010 SO, which were terminated with effect from 31 July 2020 and 31 October 2020 respectively. Both the 2020 RSU Scheme and 2020 SO are also effective for a period of ten (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)

(E) 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 are 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.

DIRECTORS' REPORT (CONTINUED)

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 objectives of the 2010 and 2020 Share Option Schemes are to align eligible participants' interests with those of the AIA Group's shareholders by allowing eligible participants to share in the value created at the point they exercise their options.

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 a new employee share purchase plan (2020 ESPP) on 1 August 2020 in place of the 2011 ESPP, which were terminated with effect from 31 October 2020. The 2020 ESPP is effective for a period of 10 years from the date of adoption. However, the 2011 ESPP shall remain in full force and effect for all RSUs and RSPUs granted prior to their terminations, and the vesting of such RSUs and RSPUs shall be subject to and in accordance with the terms on which they were granted under the provisions of the 2011 ESPP.

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"). Under the 2011 ESPP, 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 2020 ESPP, 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.

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.

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	71,400	336,400
Dr. Chong Su-Lin	173,599	57,800	231,399
Ching Neng Shyan	195,000	64,600	259,600
Mahani Binti Amat	190,000	66,300	256,300
TOTAL	823,599	260,100	1,083,699

The Directors and Officers' liability insurance policy with a total premium of RM49,000 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.

DIRECTORS' REPORT (CONTINUED)

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	14,123,608	-
• Other	3,395,410	-
Variable remuneration		
• Cash-based	8,970,423	-
• Shares and share-linked instruments	-	4,709,601

(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.

DIRECTORS' REPORT (CONTINUED)

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

The auditor's remuneration are as follow:

	Group RM'000	Company RM'000
Fees payable to PricewaterhouseCoopers Malaysia		
- statutory audit	2,166	1,372
- audit related services	2,760	1,268
- non-audit related services	144	28
Fees payable to other member Firms of PricewaterhouseCoopers Malaysia		
- audit related services	2,328	2,328
	7,398	4,996

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 24 March 2023.
Signed on behalf of the Board of Directors:

CHING NENG SHYAN
DIRECTOR

CHING YEW CHYE @ CHNG YEW CHYE
DIRECTOR

Registration No.
200701032867 (790895-D)

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 35 to 218 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 2022 and financial performance of the Group and of the Company for the financial year ended 31 December 2022 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 24 March 2023.

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, Chai Tze Siang, the officer primarily responsible for the financial management of AIA Bhd., do solemnly and sincerely declare that, the financial statements set out on pages 35 to 218 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.

CHAI TZE SIANG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 24 March 2023.

Before me:

COMMISSIONER FOR OATH

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 2022, 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 2022 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 35 to 218.

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.

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.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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)

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.

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)

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.

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 03252/05/2024 J Chartered Accountant

Kuala Lumpur
24 March 2023

Registration No.
200701032867 (790895-D)

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Property, plant and equipment	3	389,433	403,032	388,594	401,593
Right-of-use assets	4	97,374	114,771	97,247	114,643
Investment properties	5	346,990	345,200	346,990	345,200
Intangible assets	6	358,769	264,067	341,474	250,093
Investment in subsidiaries	7	-	-	597,859	597,859
Investment in associate	9	2,756	8,049	88	88
Available-for-sale financial assets	10	10,765,424	10,923,537	9,862,004	10,096,397
Fair value through profit or loss financial assets	11	44,494,923	43,935,995	41,795,195	41,772,323
Derivative financial instrument	21	3,381	-	3,381	-
Loans and receivables	12	3,596,731	3,921,832	3,515,447	3,815,346
Reinsurance/retakaful assets	13	615,664	569,135	533,342	509,319
Insurance/takaful receivables	14	334,523	203,993	267,422	154,084
Deferred tax assets	19	16,993	3,202	-	-
Current tax assets		287,434	203,030	279,109	194,135
Cash and cash equivalents		3,076,488	3,384,795	2,689,063	2,940,143
Total assets		64,386,883	64,280,638	60,717,215	61,191,223
Equity and liabilities					
Share capital	16	810,000	810,000	810,000	810,000
Retained earnings	17	4,319,519	4,021,629	4,245,744	4,000,185
Asset revaluation reserve		31,964	31,597	31,964	31,597
Available-for-sale fair value reserve		(63,126)	182,919	(44,858)	188,560
Total equity attributable to:					
Owners of the parent		5,098,357	5,046,145	5,042,850	5,030,342
Non-controlling interest		122,024	114,290	-	-
Total equity		5,220,381	5,160,435	5,042,850	5,030,342
Insurance/takaful contract liabilities	18	49,213,302	49,131,354	45,965,246	46,432,949
Deferred tax liabilities	19	539,605	732,174	539,601	731,506
Insurance/takaful payables	20	8,217,698	7,920,404	8,183,185	7,888,434
Derivative financial instrument	21	-	3,450	-	3,450
Current tax liabilities		1,820	4,317	-	-
Other payables	22	1,089,389	1,207,181	881,582	983,156
Lease liabilities	4	104,688	121,323	104,751	121,386
Total liabilities		59,166,502	59,120,203	55,674,365	56,160,881
Total equity and liabilities		64,386,883	64,280,638	60,717,215	61,191,223

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 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Gross earned premiums/contributions	24(a)	11,945,808	11,508,547	9,900,809	9,692,298
Premiums/contributions ceded to reinsurers/ retakaful operators	24(b)	(1,300,461)	(1,198,008)	(1,227,591)	(1,136,765)
Net earned premiums/ contributions revenue		10,645,347	10,310,539	8,673,218	8,555,533
Investment income	25	2,450,293	2,376,246	2,328,458	2,321,898
Net realised (losses)/ gains	26	(51,482)	99,493	(13,549)	65,486
Fair value losses	27	(2,228,960)	(1,517,611)	(2,127,844)	(1,396,411)
Other operating income	28	90,819	49,576	106,591	54,015
Total net revenue		10,906,017	11,318,243	8,966,874	9,600,521
Gross benefits and claims paid	29(a)	(7,805,180)	(6,857,656)	(7,132,125)	(6,358,527)
Claims ceded to reinsurers/retakaful operators	29(b)	1,010,500	742,030	958,435	699,030
Gross change to insurance/takaful contract liabilities	29(c)	(58,829)	(852,979)	481,379	(269,206)
Change in insurance/takaful contract liabilities ceded to reinsurers/ retakaful operators	29(d)	43,654	145,560	24,023	125,514
Net insurance/takaful benefits and claims		(6,809,855)	(6,823,045)	(5,668,288)	(5,803,189)
Fee and commission expenses		(1,732,730)	(1,736,258)	(1,240,140)	(1,259,018)
Management expenses	30	(1,415,156)	(1,322,080)	(1,187,192)	(1,102,313)
Other expenses		(3,147,886)	(3,058,338)	(2,427,332)	(2,361,331)

AIA BHD.
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INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Profit before share of profit from associate		948,276	1,436,860	871,254	1,436,001
Share of loss from associate		(43)	(232)	-	-
Profit before tax		948,233	1,436,628	871,254	1,436,001
Tax credit attributable to policyholders and unitholders		97,048	44,260	90,102	38,790
Profit before tax attributable to shareholders		1,045,281	1,480,888	961,356	1,474,791
Tax expense	31	(108,136)	(298,604)	(93,022)	(278,842)
Tax credit attributable to policyholders and unitholders		(97,048)	(44,260)	(90,102)	(38,790)
Tax expense attributable to shareholders		(205,184)	(342,864)	(183,124)	(317,632)
Profit after tax for the financial year		840,097	1,138,024	778,232	1,157,159
Profit attributable to:					
Owners of the parent		830,562	1,139,010	778,232	1,157,159
Non-controlling interest		9,535	(986)	-	-
		840,097	1,138,024	778,232	1,157,159
Basic earnings per share (sen)	16	433	594		

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

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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit after tax for the financial year	840,097	1,138,024	778,232	1,157,159
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Net fair value losses arising during the financial year	(336,084)	(554,692)	(315,825)	(522,390)
Net realised gains /(losses) transferred to income statements	15,709	(66,759)	12,678	(66,907)
Deferred taxation	72,529	145,300	69,729	138,838
Change in insurance/takaful contract liabilities	-	(104)		-
Change in available-for-sale fair value reserve	(247,846)	(476,255)	(233,418)	(450,459)
Items that will not be subsequently reclassified to profit or loss				
Net fair value gains arising during the financial year	5,389	4,454	5,389	4,454
Deferred taxation	(274)	(105)	(274)	(105)
Change in insurance/takaful contract liabilities	(4,503)	(3,654)	(4,503)	(3,654)
Change in asset revaluation reserve	612	695	612	695
Remeasurements	1,244	3,744	1,244	3,744
Deferred taxation	(161)	(645)	(161)	(645)
Post employment benefit obligations	1,083	3,099	1,083	3,099
Total other comprehensive expense - net of tax, for the financial year	(246,151)	(472,461)	(231,723)	(446,665)
Total comprehensive income for the financial year	593,946	665,563	546,509	710,494
Total comprehensive income attributable to:				
Owners of the parent	586,212	669,146	546,509	710,494
Non-controlling interest	7,734	(3,583)	-	-
	593,946	665,563	546,509	710,494

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

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AIA BHD.
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Group	Attributable to owners of the Company							
	Non-distributable							
	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 2022	810,000	182,919	31,597	-	4,021,629	5,046,145	114,290	5,160,435
Profit after tax for the financial year	-	-	-	-	830,562	830,562	9,535	840,097
Other comprehensive income for the financial year	-	(246,045)	612	-	1,083	(244,350)	(1,801)	(246,151)
Total comprehensive income for the financial year	-	(246,045)	612	-	831,645	586,212	7,734	593,946
Transfer of gain on disposal of self occupied property through other comprehensive income to retained earnings.	-	-	(245)	-	245	-	-	-
Share based compensation:								
- value of employee services	-	-	-	10,436	-	10,436	-	10,436
- repayment to ultimate parent company	-	-	-	(10,436)	-	(10,436)	-	(10,436)
Dividend paid (Note 32)	-	-	-	-	(534,000)	(534,000)	-	(534,000)
At 31 December 2022	810,000	(63,126)	31,964	-	4,319,519	5,098,357	122,024	5,220,381

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Attributable to owners of the Company							
	Non-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 2021	810,000	656,577	30,902	-	3,554,520	5,051,999	72,873	5,124,872
Profit after tax for the financial year	-	-	-	-	1,139,010	1,139,010	(986)	1,138,024
Other comprehensive income for the financial year	-	(473,658)	695	-	3,099	(469,864)	(2,597)	(472,461)
Total comprehensive income for the financial year	-	(473,658)	695	-	1,142,109	669,146	(3,583)	665,563
Share based compensation:								
- value of employee services	-	-	-	9,097	-	9,097	-	9,097
- repayment to ultimate parent company	-	-	-	(9,097)	-	(9,097)	-	(9,097)
Capital injection	-	-	-	-	-	-	45,000	45,000
Dividend paid (Note 32)	-	-	-	-	(675,000)	(675,000)	-	(675,000)
At 31 December 2021	810,000	182,919	31,597	-	4,021,629	5,046,145	114,290	5,160,435

* Included in retained earnings is RM2,566 million (2021: RM2,155 million) which comprise surplus from the Life Non-Participating Fund (net of deferred tax). This amount is onlydistributable 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. Balances that are distributable for the financial year ended 31 December 2022 amount to RM1,754million (2021: RM1,867 million).

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AIA BHD.
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Company

	Non-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 2022	810,000	188,560	31,597	-	4,000,185	5,030,342
Profit after tax for the financial year	-	-	-	-	778,232	778,232
Other comprehensive income for the financial year	-	(233,418)	612	-	1,083	(231,723)
Total comprehensive income for the financial year	-	(233,418)	612	-	779,315	546,509
Transfer of loss on disposal of self occupied property through other comprehensive income to retained earnings.	-	-	(245)	-	245	-
Share based compensation:						
- value of employee services	-	-	-	10,436	-	10,436
- repayment to ultimate parent company	-	-	-	(10,436)	-	(10,436)
Dividend paid (Note 32)	-	-	-	-	(534,000)	(534,000)
At 31 December 2022	810,000	(44,858)	31,964	-	4,245,744	5,042,850

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Company

	Non-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 2021	810,000	639,019	30,902	-	3,514,927	4,994,848
Profit after tax for the financial year	-	-	-	-	1,157,159	1,157,159
Other comprehensive income for the financial year	-	(450,459)	695	-	3,099	(446,665)
Total comprehensive income for the financial year	-	(450,459)	695	-	1,160,258	710,494
Share based compensation:						
- value of employee services	-	-	-	9,097	-	9,097
- repayment to ultimate parent company	-	-	-	(9,097)	-	(9,097)
Dividend paid (Note 32)	-	-	-	-	(675,000)	(675,000)
At 31 December 2021	810,000	188,560	31,597	-	4,000,185	5,030,342

* Included in retained earnings is RM2,566 million (2021: RM2,155 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. Balances that are distributable for the financial year ended 31 December 2022 amount to RM1,680 million (2021: RM1,845 million).

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

Registration No.
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AIA BHD.
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		1,045,281	1,480,888	961,356	1,474,791
Tax expense attributable to policyholders and unitholders		(97,048)	(44,260)	(90,102)	(38,790)
Rental, interest and dividend income		(2,382,149)	(2,318,755)	(2,246,301)	(2,380,501)
Realised losses/(gains)	26	51,421	(99,981)	13,612	(65,974)
Fair value losses	27	2,228,960	1,517,611	2,127,844	1,396,411
Allowance for impairment losses	28	(21,874)	(1,120)	(17,283)	(2,047)
Interest expense on lease liabilities	4	3,812	4,957	3,812	4,928
Depreciation					
- property, plant and equipment	30	28,581	29,773	27,893	29,130
- right of use assets	30	22,173	22,409	22,171	22,385
Amortisation					
- premium on investments	25	36,692	43,228	25,001	30,271
- intangible assets	30	35,981	27,523	31,526	22,416
Share of profit from associate		43	680	-	-
Write off of property, plant and equipment	28	309	663	309	663
Loss/(gain) on sale of property, plant and equipment	26	61	488	(63)	488

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Changes in working capital:					
Increase in AFS and FVTPL financial assets		(3,036,655)	(1,187,391)	(2,258,859)	(1,010,226)
Increase in reinsurance /retakaful assets		(45,919)	(145,766)	(24,023)	(125,515)
Increase/(Decrease) in insurance/takaful receivables		(106,148)	9,871	(100,403)	21,527
Decrease in loans and receivables		231,488	143,740	235,036	155,276
Increase in insurance/takaful payables		311,306	642,034	294,751	627,567
Increase/(Decrease) in insurance/takaful contract liabilities		45,457	824,553	(472,206)	269,207
Increase/(Decrease) in other Payables		(45,516)	(394,221)	(100,331)	208,233
Cash generated from/(used in) operating activities		(1,693,744)	556,924	(1,566,260)	640,240
Income taxes paid		(328,884)	(318,265)	(300,607)	(279,711)
Rental income received		14,477	14,340	14,477	14,340
Interest income received		1,809,974	1,866,542	1,688,354	1,752,491
Interest paid		(3,785)	(4,924)	(3,812)	(4,928)
Zakat Paid		(50)	-	-	-
Dividend income received		587,752	730,025	601,507	706,007
Net cash inflows from operating activities		385,740	2,844,642	433,659	2,828,439
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of intangible assets		(132,024)	(121,589)	(122,907)	(113,073)
Purchase of property, plant and equipment		(13,614)	(8,725)	(13,413)	(8,370)
Purchase of investment properties		(2,799)	(8,752)	(2,799)	(8,752)
Payment for increased in investment of subsidiaries, net of cash acquired		-	(110,000)	-	(110,000)
Proceed from disposal of property, plant and equipment		1,472	173	1,472	(488)
Proceed from disposal of intangible assets		60	-	-	-
Settlement of derivative instruments		8,318	(7,173)	8,318	(7,173)
Net cash outflows from investing activities		(138,587)	(256,066)	(129,329)	(247,856)

AIA BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment for lease liabilities		(21,460)	(20,588)	(21,410)	(20,681)
Dividends paid		(534,000)	(675,000)	(534,000)	(675,000)
Net cash outflows from financing activities		(555,460)	(695,588)	(555,410)	(695,681)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(308,307)	1,892,988	(251,080)	1,884,902
CASH AND CASH EQUIVALENTS AT 1 JANUARY		3,384,795	1,491,807	2,940,143	1,055,241
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		3,076,488	3,384,795	2,689,063	2,940,143

Cash and cash equivalents comprised:

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash and bank balances	2,545,351	2,859,151	2,370,271	2,685,537
Fixed and call deposits with licensed financial institutions	531,137	525,644	318,792	254,606
	3,076,488	3,384,795	2,689,063	2,940,142

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 lease liabilities arising from financing activities is as follows:

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
As at 1 January	121,323	138,544	121,386	138,427
Non-cash changes:				
Addition	4,825	3,680	4,775	3,640
Interest expense	3,812	4,957	3,812	4,928
Derecognition on lease liability	-	(313)	-	-
Cash changes:				
Net cash flows from operating activities	(3,812)	(4,957)	(3,812)	(4,928)
Net cash flows from financing activities	(21,460)	(20,588)	(21,410)	(20,681)
As at 31 December	104,688	121,323	104,751	121,386

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 7 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 24 March 2023.

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 and 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 and 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 and 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 and 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 and 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

<u>Gross premium/contribution</u>

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)

<u>**Life insurance contract liabilities**</u>

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 rate 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

<u>**Defined contribution plans**</u>

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 2022

The following accounting standards, amendments and interpretations have been adopted for the first time for the financial year beginning on 1 January 2022.

- Amendments to MFRS 116, Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to MFRS 137, Onerous Contracts - Cost of Fulfilling a Contract;
- Amendment to MFRS 141, Taxation in Fair Value Measurements;
- Amendments to MFRS 3, Reference to the Conceptual Framework; and
- Amendment to MFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021.

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

With effect from 2023, the Group will apply MFRS 9 and MFRS 17. These standards will have a material impact on the Group's financial statements. Further information on these standards is given below:

(i) MFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. MFRS 9 is mandatorily effective for financial periods beginning on or after 1 January 2018 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition which are effective for financial periods beginning on or after 1 January 2019), but the Group has elected to apply the temporary exemption described further below:

- MFRS 9 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes either recognised in profit or loss (FVTPL) or in other comprehensive income (FVOCI) and those measured at amortised cost. These supersede MFRS 139's categories of held to maturity investments, loans and receivables, available for sale financial assets and financial assets measured at FVTPL. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. An option is also available at initial recognition to irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. In addition, an expected credit loss (ECL) model replaces the incurred loss impairment model under MFRS 139.

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 2022 (continued)

- The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises credit losses earlier than under MFRS 139. The new impairment model applies to financial assets measured at amortised cost and debt securities at FVOCI. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies.

- On 12 September 2016, the Malaysian Accounting Standards Board ("MASB") issued amendments to MFRS 4, Insurance Contracts, Applying MFRS 9 Financial Instruments with MFRS 4, which provides two alternative measures to address the different effective dates of MFRS 9 and MFRS 17, Insurance Contracts. These measures include a temporary option (known as the "deferral approach") for companies whose activities are predominantly connected with insurance to defer the effective date of MFRS 9 until the earlier of the effective date of MFRS 17 and financial reporting periods beginning on or after 1 January 2021, as well as an approach that allows an entity to remove from profit or loss the effects of certain accounting mismatches that may occur before MFRS 17 is applied. On 17 August 2020, the MASB issued the amendments to MFRS 4 and MFRS 17, the effective date of MFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023, and that the exemption currently in place for some insurers, including the Group, regarding the application of MFRS 9 will be extended to enable the implementation of both MFRS 9 and MFRS 17 at the same time. On 30 December 2021, the MASB issued the amendment of MFRS 17 relating to the presentation of comparative information of financial assets on initial application of MFRS 17. The amendment adds a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of MFRS 17. The overlay allows all financial assets to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of MFRS 9.

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 2022 (continued)

- The Group performed an initial eligibility assessment and met the MFRS 9 requirements for the deferral approach, and accordingly has decided to apply MFRS 9 to annual reporting periods beginning 1 January 2023. Subsequent to the initial eligibility assessment, there has been no change in the Group's activities that requires a reassessment of the eligibility test. Additional disclosures as required under Amendments to MFRS 4 are included in the financial statements of the Group as stated in Note 44.

(b) MFRS 17, Insurance Contracts (previously MFRS 4 Phase II) will replace the current MFRS 4, Insurance Contracts. MFRS 17 has been issued but is not effective for the financial year ended 31 December 2022 and has not been early adopted:

- MFRS 17 includes fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, MFRS 17 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) MFRS 17, Insurance Contracts (previously MFRS 4 Phase II) will replace the current MFRS 4, Insurance Contracts. MFRS 17 has been issued but is not effective for the financial year ended 31 December 2022 and has not been early adopted (continued):

The impact of initial application of MFRS 9 and MFRS 17 includes the following:

- Changes in accounting policies resulting from the adoption of MFRS 9 shall be applied retrospectively, except that the Group has elected to restate the comparatives and apply classification overlay in the comparative period presented as permitted under MFRS 17. The classification overlay shall be applied to all financial assets that had been derecognised before 1 January 2023 based on how those assets are expected to be classified on initial application of MFRS 9. In applying the classification overlay to financial assets derecognised during the comparative period, the Group has applied the impairment requirements of MFRS 9.

- Financial investments will be reclassified from current statement of financial position line items to the corresponding MFRS 9 classifications, which in some cases may include changes in the measurement basis (for example, from available-for-sale debt securities to debt securities at FVTPL).

- Changes in accounting policies resulting from the adoption of MFRS 17 shall apply full retrospective approach to the extent practicable. The Group adopts both the modified retrospective approach and the fair value approach when it is impracticable to use a full retrospective approach in determining transition amounts at the MFRS 17 transition date.

- Insurance contract balances will be remeasured under MFRS 17 principles, derecognising the related liabilities and previously reported balances that would not have existed if MFRS 17 had always been applied. These included among others, insurance receivables and payables, policy loans and its accrued interest income that are attributable to existing insurance contracts. Under MFRS 17, these are included in the measurement of the insurance contracts.

- The combined effect on the Group’s and Company’s statement of financial position on transition to MFRS 9 and MFRS 17 as at 1 January 2022 is to increase total equity by 76% and 68% respectively.The preparation of the 2022 comparative and the 1 January 2023 results under the new standard is progressing as planned.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(c) 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 2022 and have not been early adopted.

The Group will apply the new standards, amendments to standards and interpretations in the following period and not expected to have a material impact on the financial position or results.

- Amendments to MFRS 112, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2023);
- Amendments to MFRS 101, Classification of Liabilities as Current or Non-Current (2024);and
- Amendments to MFRS 16, Lease Liability in a Sale and Leaseback (2024).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2022, based on the change in one specific assumption while holding all other assumptions constant are disclosed in Note 37 to the financial statements.

(b) Actuarial liabilities of family takaful contracts

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Critical accounting estimates and judgements in applying accounting policies (continued)

(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 2022, 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 2022								
Cost/Valuation								
At 1 January 2022	144,381	23,408	177,389	1,795	191,878	86,836	2,321	628,008
Additions	-	-	-	372	684	547	12,011	13,614
Revaluation surplus recognised in other comprehensive income	1,212	(85)	4,262	-	-	-	-	5,389
Elimination of accumulated depreciation and impairment on revaluation	-	(345)	(7,345)	-	-	-	-	(7,690)
Disposal	-	(590)	(810)	(339)	(985)	(3,936)	-	(6,660)
Written off	-	-	-	-	(2,432)	(454)	-	(2,886)
Reclass to investment Properties (Note 5)	-	(1,900)	(290)	-	2,970	66	(3,036)	(2,190)
At 31 December 2022	145,593	20,488	173,206	1,828	192,115	83,059	11,296	627,585

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 2022								
Accumulated depreciation and impairment								
At 1 January 2022	-	-	-	1,199	151,470	72,307	-	224,976
Depreciation charge for the financial year (Note 30)	-	345	7,372	256	13,136	7,472	-	28,581
Disposal	-	-	(27)	(317)	(971)	(3,937)	-	(5,252)
Written off	-	-	-	-	(2,027)	(436)	-	(2,463)
Elimination of accumulated depreciation and impairment on revaluation	-	(345)	(7,345)	-	-	-	-	(7,690)
At 31 December 2022	-	-	-	1,138	161,608	75,406	-	238,152
Net Book Value at 31 December 2022	145,593	20,488	173,206	690	30,507	7,653	11,296	389,433

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

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 2021								
Cost/Valuation								
At 1 January 2021	143,299	23,128	181,910	1,865	185,538	81,499	6,560	623,799
Additions	-	-	-	490	579	4,196	3,468	8,733
Revaluation surplus recognised in other comprehensive income	1,082	617	2,755	-	-	-	-	4,454
Elimination of accumulated depreciation and impairment on revaluation	-	(337)	(7,276)	-	-	-	-	(7,613)
Disposal	-	-	-	(560)	(98)	(28)	-	(686)
Written off	-	-	-	-	(3)	(27)	(663)	(693)
Reclassification	-	-	-	-	5,862	1,196	(7,058)	-
Reclass from intangible assets (Note 6)	-	-	-	-	-	-	14	14
At 31 December 2021	144,381	23,408	177,389	1,795	191,878	86,836	2,321	628,008

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 2021								
Accumulated depreciation and impairment								
At 1 January 2021	-	-	-	1,567	136,714	65,251	-	203,532
Depreciation charge for the financial year (Note 30)	-	337	7,276	192	14,857	7,111	-	29,773
Disposal	-	-	-	(560)	(98)	(28)	-	(686)
Written off	-	-	-	-	(3)	(27)	-	(30)
Elimination of accumulated depreciation and impairment on revaluation	-	(337)	(7,276)	-	-	-	-	(7,613)
At 31 December 2021	-	-	-	1,199	151,470	72,307	-	224,976
Net Book Value at 31 December 2021	144,381	23,408	177,389	596	40,408	14,529	2,321	403,032

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

AIA BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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 2022								
Cost/Valuation								
At 1 January 2022	144,381	23,408	177,389	1,795	190,625	84,741	2,321	624,660
Additions	-	-	-	372	559	471	12,011	13,413
Revaluation surplus recognised in other comprehensive income	1,212	(85)	4,262	-	-	-	-	5,389
Elimination of accumulated depreciation and impairment on revaluation	-	(345)	(7,345)	-	-	-	-	(7,690)
Disposal	-	(590)	(810)	(339)	(985)	(3,936)	-	(6,660)
Written off	-	-	-	-	(1,119)	(167)	-	(1,286)
Reclass to investment Properties (Note 5)	-	(1,900)	(290)	-	2,970	66	(3,036)	(2,190)
At 31 December 2022	145,593	20,488	173,206	1,828	192,050	81,175	11,296	625,636

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 2022	-	-	-	1,199	150,699	71,169	-	223,067
Depreciation charge for the financial year (Note 30)	-	345	7,372	256	12,976	6,944	-	27,893
Disposal	-	-	(27)	(317)	(971)	(3,936)	-	(5,251)
Written off	-	-	-	-	(824)	(153)	-	(977)
Elimination of accumulated depreciation and impairment on revaluation	-	(345)	(7,345)	-	-	-	-	(7,690)
At 31 December 2022	-	-	-	1,138	161,880	74,024	-	237,042
Net Book Value at 31 December 2022	145,593	20,488	173,206	690	30,170	7,151	11,296	388,594

* 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 2021								
Cost/Valuation								
At 1 January 2021	143,299	23,128	181,910	1,865	184,289	79,760	6,560	620,811
Additions	-	-	-	490	572	3,840	3,468	8,370
Revaluation surplus recognised in other comprehensive income	1,082	617	2,755	-	-	-	-	4,454
Elimination of accumulated depreciation and impairment on revaluation	-	(337)	(7,276)	-	-	-	-	(7,613)
Disposal	-	-	-	(560)	(98)	(28)	-	(686)
Written off	-	-	-	-	-	(27)	(663)	(690)
Reclassification	-	-	-	-	5,862	1,196	(7,058)	-
Reclass from intangible assets (Note 6)	-	-	-	-	-	-	14	14
At 31 December 2021	144,381	23,408	177,389	1,795	190,625	84,741	2,321	624,660

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 2021	-	-	-	1,567	136,083	64,613	-	202,263
Depreciation charge for the financial year (Note 30)	-	337	7,276	192	14,714	6,611	-	29,130
Disposal	-	-	-	(560)	(98)	(28)	-	(686)
Written off	-	-	-	-	-	(27)	-	(27)
Elimination of accumulated depreciation and impairment on revaluation	-	(337)	(7,276)	-	-	-	-	(7,613)
At 31 December 2021	-	-	-	1,199	150,699	71,169	-	223,067
Net Book Value at 31 December 2021	144,381	23,408	177,389	596	39,926	13,572	2,321	401,593

* 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.

Increases in revaluation surplus on properties held for own use of RM5 million (2021: RM4 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	
	2022	2021
	RM'000	RM'000
Freehold land	5,950	6,440
Leasehold land	5,476	5,942
Buildings owner occupied properties	135,830	138,962

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

	Freehold land RM'000	Leasehold land RM'000	Building owner occupied properties RM'000
At 1 January 2022	144,381	23,408	177,389
Depreciation charge for the financial year	-	(345)	(7,345)
Revaluation surplus for the financial year recognised in other comprehensive income	1,212	(85)	4,262
Disposal	-	(590)	(810)
Reclass to investment properties (Note 5)	-	(1,900)	(290)
At 31 December 2022	145,593	20,488	173,206

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 2021	143,299	23,128	181,910
Depreciation charge for the financial year	-	(337)	(7,276)
Revaluation surplus for the financial year recognised in other comprehensive income	1,082	617	2,755
At 31 December 2021	144,381	23,408	177,389

4 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Right-of-use assets				
Properties	97,177	114,293	97,050	114,165
Others	197	478	197	478
	97,374	114,771	97,247	114,643
Lease liabilities				
Current	17,832	15,845	21,957	21,651
Non-current	86,856	105,478	82,794	99,735
	104,688	121,323	104,751	121,386

Additions to the right-of-use assets during the 2022 financial year for Group were RM4.8million (2021: RM3.7 million) and for Company were RM4.8million (2021: RM3.6 million).

Included in property, plant and equipment, there are RM20.5 million (2021: RM23.4 million) of right-of-use assets in relation to leasehold land.

4 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(ii) Amounts recognised in the income statements

The income statements show the following amounts relating to leases:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Depreciation charge of right-of-use assets (Note 30)				
Properties	21,892	22,070	21,890	22,068
Others	281	339	281	317
	22,173	22,409	22,171	22,385
Interest expense (included in finance cost)	3,812	4,957	3,812	4,928
Expense relating to short-term Leases (included in management expenses)	11	28	11	28

The total cash outflow for leases for 2022 for Group was RM26.9 million (2021: RM27.2 million) and Company were RM 25.1million (2021: RM25.5 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 2022				
At 1 January 2022	188,060	125,394	31,746	345,200
Fair value changes (Note 27)	3,660	(6,859)	-	(3,199)
Addition	-	-	2,799	2,799
Reclass from property, plant and equipment (Note 3)	1,900	290	-	2,190
Reclassification	-	34,545	(34,545)	-
At 31 December 2022	193,620	153,370	-	346,990
At 31 December 2021				
At 1 January 2021	184,060	138,146	22,994	345,200
Fair value changes (Note 27)	4,000	(12,752)	-	(8,752)
Addition	-	-	8,752	8,752
At 31 December 2021	188,060	125,394	31,746	345,200

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	
	2022	2021
	RM'000	RM'000
Rental income	9,917	9,520
Direct operating expenses arising from investment properties that generate rental income	(7,738)	(5,199)

6 INTANGIBLE ASSETS

Group	Software RM'000	Membership RM'000	Work- in-progress RM'000	Total RM'000
At 31 December 2022				
Cost				
At 1 January 2022	292,231	1,439	154,608	448,278
Additions	7,042	-	124,982	132,024
Disposal	-	-	(1,341)	(1,341)
Reclassification	58,799	-	(58,799)	-
At 31 December 2022	358,072	1,439	219,450	578,961
Accumulated amortisation				
At 1 January 2022	183,861	350	-	184,211
Amortisation for the financial year (Note 30)	35,959	22	-	35,981
At 31 December 2022	219,820	372	-	220,192
Net Book Value at 31 December 2022	138,252	1,067	219,450	358,769
At 31 December 2021				
Cost				
At 1 January 2021	269,125	1,439	56,684	327,248
Additions	10,034	-	111,549	121,583
Disposal	-	-	(539)	(539)
Reclass to property, plant and equipment (Note 3)	13,072	-	(13,086)	(14)
At 31 December 2021	292,231	1,439	154,608	448,278
Accumulated amortisation				
At 1 January 2021	156,360	328	-	156,688
Amortisation for the financial year (Note 30)	27,501	22	-	27,523
At 31 December 2021	183,861	350	-	184,211
Net Book Value at 31 December 2021	108,370	1,089	154,608	264,067

6 INTANGIBLE ASSETS (CONTINUED)

Company	Software RM'000	Membership RM'000	Work-in-progress RM'000	Total RM'000
At 31 December 2022				
Cost				
At 1 January 2022	269,483	1,439	145,335	416,257
Additions	2,687	-	120,220	122,907
Reclassification	58,496	-	(58,496)	-
At 31 December 2022	330,666	1,439	207,059	539,164
Accumulated amortisation				
At 1 January 2022	165,814	350	-	166,164
Amortisation for the financial year (Note 30)	31,504	22	-	31,526
At 31 December 2022	197,318	372	-	197,690
Net Book Value at 31 December 2022	133,348	1,067	207,059	341,474
At 31 December 2021				
Cost				
At 1 January 2021	250,336	1,439	51,423	303,198
Additions	6,075	-	106,998	113,073
Reclass to property, plant and equipment (Note 3)	13,072	-	(13,086)	(14)
At 31 December 2021	269,483	1,439	145,335	416,257
Accumulated amortisation				
At 1 January 2021	143,420	328	-	143,748
Amortisation for the financial year (Note 30)	22,394	22	-	22,416
At 31 December 2021	165,814	350	-	166,164
Net Book Value at 31 December 2021	103,669	1,089	145,335	250,093

7 INVESTMENT IN SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost	597,859	597,859

(i) Details of the subsidiaries are as follows:

Name	Country of incorporation	Effective interest 2022 %	Effective interest 2021 %	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.

7 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	
	2022	2021
	%	%
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.	
	2022	2021
	RM'000	RM'000
Assets and liabilities		
Total assets	3,483,542	2,933,788
Total liabilities	3,076,799	2,552,823
Net assets	406,743	380,965
Equity attributable to owners of the Company	284,719	266,675
Non-controlling interest	122,024	114,290
Results		
Revenue	1,678,000	1,490,592
Profit/(Loss) after tax	31,782	(3,286)
Total comprehensive income /(loss)	25,820	(11,847)
Attributable to owners of non-controlling interests:		
Profit /(Loss) after tax	9,535	(986)
Total comprehensive income /(loss)	7,734	(3,583)
Cash flows		
Net cash used in from operating activities	(31,075)	(81,836)
Net cash used in investing activities	(8,300)	(6,176)
Net cash (used in)/ generated from financing activities	(397)	149,727
Net (decrease)/increase in cash and cash equivalents	(39,772)	61,715

8 INVESTMENT IN STRUCTURED ENTITIES

Controlled structured entities

The Company has determined that its investment in wholesale unit trust funds amounting to RM941,056,000 (2021: RM935,353,000) 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 81% of the Affin Hwang Income Fund 4, a fund established in Malaysia, and thus has control over the investee fund. The remaining investment of 19% 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.

	2022	**2021**
Number of wholesale unit trust funds	1	1
Average net asset value per unit of wholesale unit trust funds:		
Affin Hwang Income Fund 4 (RM)	0.9898	0.9922
Fair value of underlying net assets:	**RM'000**	**RM'000**
Malaysian Government Securities	883,430	843,444
Unquoted corporate debt securities	47,935	64,696
Cash and cash equivalents	9,230	26,646
Receivables	461	567
	941,056	935,353
Total fair value loss for the financial year	(23,221)	(22,833)

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 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 2022:

	Group	
	Investment funds RM'000	Structured securities(1) RM'000
At 31 December 2022		
Available for sale debt securities	-	19,123
Debt securities at fair value through profit or loss	-	140,058
Equity securities at fair value through profit or loss	3,822,559(2)	-
	3,822,559	159,181

	Company	
	Investment funds RM'000	Structured securities(1) RM'000
At 31 December 2022		
Available for sale debt securities	-	19,123
Debt securities at fair value through profit or loss	-	140,058
Equity securities at fair value through profit or loss	3,762,280(2)	-
	3,762,280	159,181

The following tables summarise the Group's and the Company's interest in unconsolidated structured entities as at 31 December 2021:

	Group	
	Investment funds RM'000	Structured securities(1) RM'000
At 31 December 2021		
Available for sale debt securities	-	41,195
Debt securities at fair value through profit or loss	-	215,711
Equity securities at fair value through profit or loss	3,831,626(2)	-
	3,831,626	256,906

8 INVESTMENT IN STRUCTURED ENTITIES (CONTINUED)

Unconsolidated structured entities (continued)

	Company	
	Investment funds RM'000	Structured securities[1] RM'000
At 31 December 2021		
Available for sale debt securities	-	41,195
Debt securities at fair value through profit or loss	-	215,711
Equity securities at fair value through profit or loss	3,786,501[2]	-
	3,786,501	256,906

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares, at cost	88	88	88	88
Share of post-acquisition reserve	2,668	7,961	-	-
	2,756	8,049	88	88

Details of the associate company are as follows:

Name	Country of incorporation	Effective interest 2022 %	Effective interest 2021 %	Principal activities
Panareno Sdn. Bhd.	Malaysia	35	35	Property management and development

9 INVESTMENT IN ASSOCIATE (CONTINUED)

The summarised financial information of the associate are as follows:

	2022 RM'000	2021 RM'000
Assets and liabilities		
Total assets	8,003	23,741
Total liabilities	130	744
Net assets	7,873	22,997

Results

	2022 RM'000	2021 RM'000
Revenue	393	412
Loss for the financial year	(124)	(663)
Total other comprehensive loss	(124)	(663)

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At fair value				
Malaysian government securities	3,552,345	3,434,824	2,369,296	2,323,226
Cagamas papers	111,516	132,842	101,656	127,908
Unquoted corporate debt securities	6,985,668	7,234,820	6,351,701	6,606,353
Unquoted equity securities	4,295	4,295	4,295	4,295
Controlled structured entities	-	-	941,056	935,353
Accrued interest	111,600	116,756	94,000	99,262
	10,765,424	10,923,537	9,862,004	10,096,397

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Carrying values of financial instruments				
At 1 January	10,923,537	10,679,697	10,096,397	9,961,767
Purchases	1,578,928	3,153,912	666,293	2,466,420
Maturities	(308,492)	(413,401)	(271,392)	(396,401)
Disposals at amortised cost	(1,091,359)	(1,859,717)	(317,970)	(1,339,361)
Fair value losses recorded in:				
Other comprehensive income	(320,375)	(621,787)	(303,147)	(589,473)
Unrealised foreign exchange gains	3,688	4,765	3,688	4,765
Movement in accrued interest	(5,156)	(792)	(5,262)	(2,533)
Net amortisation of premiums (Note 25)	(15,347)	(19,140)	(6,603)	(8,787)
At 31 December	10,765,424	10,923,537	9,862,004	10,096,397
Current	1,284,637	1,173,704	94,000	99,262
Non-current	9,480,787	9,749,833	9,768,004	9,997,135
	10,765,424	10,923,537	9,862,004	10,096,397

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 2022				
Malaysian government securities	3,552,345	-	3,552,345	-
Cagamas papers	111,516	-	111,516	-
Unquoted equity securities	4,295	-	-	4,295
Unquoted corporate debt securities	6,985,668	-	6,985,668	-
Accrued interest	111,600	-	111,600	-
Total assets on a recurring fair value measurement basis	10,765,424	-	10,761,129	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 2021				
Malaysian government securities	3,434,824	-	3,434,824	-
Cagamas papers	132,842	-	132,842	-
Unquoted equity securities	4,295	-	-	4,295
Unquoted corporate debt securities	7,234,820	-	7,234,820	-
Accrued interest	116,756	-	116,756	-
Total assets on a recurring fair value measurement basis	10,923,537	-	10,919,242	4,295

Company

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2022				
Malaysian government securities	2,369,296	-	2,369,296	-
Cagamas papers	101,656	-	101,656	-
Unquoted equity securities	4,295	-	-	4,295
Unquoted corporate debt securities	6,351,701	-	6,351,701	-
Controlled Structured Entities (Note 8)	941,056	-	941,056	-
Accrued interest	94,000	-	94,000	-
Total assets on a recurring fair value measurement basis	9,862,004	-	9,857,709	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 2021				
Malaysian government securities	2,323,226	-	2,323,226	-
Cagamas papers	127,908	-	127,908	-
Unquoted equity securities	4,295	-	-	4,295
Unquoted corporate debt securities	6,606,353	-	6,606,353	-
Controlled structured entities (Note 8)	935,353	-	935,353	-
Accrued interest	99,262	-	99,262	-
Total assets on a recurring fair value measurement basis	10,096,397	-	10,092,102	4,295

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 2021/31 December 2022	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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At fair value				
Malaysian government securities	6,837,317	5,351,882	6,400,579	5,082,765
Cagamas papers	767,223	869,246	757,361	869,246
Equity securities of corporations				
- Quoted	13,345,795	14,011,913	12,577,980	13,310,831
- Unquoted	544,990	582,762	510,550	539,580
Quoted real estate investment trust funds	133,810	229,969	123,693	222,087
Unquoted corporate debt securities	18,969,065	19,053,340	17,600,750	17,965,143
Mutual funds				
- Quoted	2,643,565	2,582,442	2,593,335	2,545,139
- Unquoted	961,049	977,252	961,049	977,252
Accrued interest	292,109	277,189	269,898	260,280
	44,494,923	43,935,995	41,795,195	41,772,323
Carrying values of financial instruments				
At 1 January	43,935,995	44,582,006	41,772,323	42,856,929
Purchases	15,441,602	15,584,064	14,352,443	14,442,462
Maturities	(1,463,760)	(442,126)	(1,463,760)	(442,126)
Disposals at fair value	(11,180,334)	(14,262,780)	(10,725,992)	(13,679,602)
Fair value losses recorded in income statements (Note 27)	(2,240,910)	(1,498,236)	(2,139,794)	(1,377,036)
Unrealised foreign exchange gains	8,755	6,530	8,755	6,445
Movement in accrued interest	14,920	(9,375)	9,618	(13,265)
Net amortisation of premiums (Note 25)	(21,345)	(24,088)	(18,398)	(21,484)
At 31 December	44,494,923	43,935,995	41,795,195	41,772,323
Current	16,922,624	17,723,818	16,900,413	17,706,909
Non-current	27,572,299	26,212,177	24,894,782	24,065,414
	44,494,923	43,935,995	41,795,195	41,772,323

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 2022				
Malaysian government securities	6,837,317	-	6,837,317	-
Cagamas papers	767,223	-	767,223	-
Equity securities of corporations				
- Quoted	13,345,795	13,345,795	-	-
- Unquoted	544,990	-	364,814	180,176
Quoted real estate investment trust funds	133,810	133,810	-	-
Unquoted corporate debt securities	18,969,065	-	18,969,065	-
Mutual funds				
- Quoted	2,643,565	2,643,565	-	-
- Unquoted	961,049	407,770	246,989	306,290
Accrued interest	292,109	1,073	291,036	-
Total assets on a recurring fair value measurement basis	44,494,923	16,532,013	27,476,444	486,466
At 31 December 2021				
Malaysian government securities	5,351,882	-	5,351,882	-
Cagamas papers	869,246	-	869,246	-
Equity securities of corporations				
- Quoted	14,011,913	14,011,913	-	-
- Unquoted	582,762	-	409,602	173,160
Quoted real estate investment trust funds	229,969	229,969	-	-
Unquoted corporate debt securities	19,053,340	-	19,053,340	-
Mutual funds				
- Quoted	2,582,442	2,582,442	-	-
- Unquoted	977,252	593,528	48,078	335,646
Accrued interest	277,189	1,074	276,115	-
Total assets on a recurring fair value measurement basis	43,935,995	17,418,926	26,008,263	508,806

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):

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Company				
At 31 December 2022				
Malaysian government securities	6,400,579	-	6,400,579	-
Cagamas papers	757,361	-	757,361	-
Equity securities of corporations				
- Quoted	12,577,980	12,577,980	-	-
- Unquoted	510,550	-	330,374	180,176
Quoted real estate investment trust funds	123,693	123,693	-	-
Unquoted corporate debt securities	17,600,750	-	17,600,750	-
Mutual funds				
- Quoted	2,593,335	2,593,335	-	-
- Unquoted	961,049	407,770	246,989	306,290
Accrued interest	269,898	-	269,898	-
Total assets on a recurring fair value measurement basis	41,795,195	15,702,778	25,605,951	486,466
At 31 December 2021				
Malaysian government securities	5,082,765	-	5,082,765	-
Cagamas papers	869,246	-	869,246	-
Equity securities of corporations				
- Quoted	13,310,831	13,310,831	-	-
- Unquoted	539,580	-	366,420	173,160
Quoted real estate investment trust funds	222,087	222,087	-	-
Unquoted corporate debt securities	17,965,143	-	17,965,143	-
Mutual funds				
- Quoted	2,545,139	2,545,139	-	-
- Unquoted	977,252	593,528	48,078	335,646
Accrued interest	260,280	-	260,280	-
Total assets on a recurring fair value measurement basis	41,772,323	16,671,585	24,591,932	508,806

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

Fair value of financial instruments (continued)

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

	Group and Company	
	Equity securities RM'000	Mutual funds RM'000
At 1 January 2021	33	556,545
Acquisition during the financial year	172,102	(4,443)
Disposal during the financial year	-	(369,798)
Fair value gains recorded in income statements	1,025	153,342
At 31 December 2021	173,160	335,646
Acquisition during the financial year	11,881	2,775
Disposal during the financial year	-	(649)
Fair value losses recorded in income statements	(4,865)	(31,482)
At 31 December 2022	180,176	306,290

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	
	2022	2021	2022	2021
At amortised cost	RM'000	RM'000	RM'000	RM'000
Policy loans	1,251,217	1,299,121	1,251,217	1,299,121
Mortgage loans	2,002,908	2,124,094	2,002,908	2,124,094
Staff loans	17,028	21,308	15,794	19,457
Unsecured loans	1,113	2,451	1,113	2,451
Accrued interest	25,199	26,402	25,113	26,380
	3,297,465	3,473,376	3,296,145	3,471,503
Allowance for impairment losses	(34,953)	(37,105)	(34,953)	(36,846)
	3,262,512	3,436,271	3,261,192	3,434,657
Fixed and call deposits with licensed financial institutions	50,455	43,871	-	-
Other receivables*:				
Accrued dividend	21,386	14,568	21,386	14,568
Other receivables	249,906	414,295	218,175	351,299
Deposits and prepayments	18,080	20,663	18,010	20,593
	289,372	449,526	257,571	386,460
Allowance for impairment losses	(5,608)	(7,836)	(3,316)	(5,771)
	283,764	441,690	254,255	380,689
Total	3,596,731	3,921,832	3,515,447	3,815,346
Current	267,730	424,678	238,019	363,827
Non-current	3,329,001	3,497,154	3,277,428	3,451,519
	3,596,731	3,921,832	3,515,447	3,815,346

* 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

	2022 RM'000	2021 RM'000
Reinsurance/retakaful of insurance contracts	615,664	569,135
Receivable within 12 months	598,898	555,822
Receivable after 12 months	16,766	13,313
	615,664	569,135

Company

	2022 RM'000	2021 RM'000
Reinsurance of insurance contracts	533,342	509,319
Receivable within 12 months	533,342	509,319

14 INSURANCE/TAKAFUL RECEIVABLES

Group

	2022 RM'000	2021 RM'000
Outstanding premiums/contributions including agents' balances	304,306	202,831
Amount due from reinsurers/retakaful operators	42,987	31,426
	347,293	234,257
Allowance for impairment losses	(12,770)	(30,264)
	334,523	203,993
Receivable within 12 months	334,523	203,993

Company

	2022 RM'000	2021 RM'000
Outstanding premiums including agents' balances	235,892	146,610
Amount due from reinsurers	42,388	31,267
	278,280	177,877
Allowance for impairment losses	(10,858)	(23,793)
	267,422	154,084
Receivable within 12 months	267,422	154,084

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
2022			
Insurance/takaful receivables	504,301	(157,008)	347,293
Insurance/takaful payables	(8,374,706)	157,008	(8,217,698)
	(7,870,405)	-	(7,870,405)
2021			
Insurance/takaful receivables	462,340	(228,083)	234,257
Insurance/takaful payables	(8,148,487)	228,083	(7,920,404)
	(7,686,147)	-	(7,686,147)

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
2022			
Insurance receivables	408,866	(130,586)	278,280
Insurance payables	(8,313,771)	130,586	(8,183,185)
	(7,904,905)	-	(7,904,905)
2021			
Insurance receivables	383,548	(205,671)	177,877
Insurance payables	(8,094,105)	205,671	(7,888,434)
	(7,710,557)	-	(7,710,557)

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 2022.

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)

<u>Fair value measurements on a recurring basis</u> (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 2022, 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 2022.

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.

<u>Significant unobservable inputs for Level 3 fair value measurements</u>

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	2022	2021
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% - 2.0%	1.2% - 2.0%
		Discount rate	6.95% - 7.5%	6.95% - 7.5%
		Yield cost	5.5% - 5.75%	5.5% - 5.75%

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 2022 is set out below.

Group

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2022				
Financial assets				
Loans and receivables	-	289,372	3,297,465	3,586,837
Financial liabilities/takaful				
Insurance payables	-	-	8,217,698	8,217,698
Other payables	-	1,089,389	-	1,089,389
	-	1,089,389	8,217,698	9,307,087
At 31 December 2021				
Financial assets				
Loans and receivables	-	449,526	3,473,376	3,922,902
Financial liabilities/takaful				
Insurance payables	-	-	7,920,404	7,920,404
Other payables	-	1,207,181	-	1,207,181
	-	1,207,181	7,920,404	9,127,585

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 2022 is set out below. (continued)

Company

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2022				
Financial assets				
Loans and receivables	-	257,571	3,296,145	3,553,716
Financial liabilities				
Insurance payables	-	-	8,183,185	8,183,185
Other payables	-	881,582	-	881,582
	-	881,582	8,183,185	9,064,767
At 31 December 2021				
Financial assets				
Loans and receivables	-	386,460	3,471,503	3,857,963
Financial liabilities				
Insurance payables	-	-	7,888,434	7,888,434
Other payables	-	983,156	-	983,156
	-	983,156	7,888,434	8,871,590

16 SHARE CAPITAL

	Number of shares		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
Group and Company				
Issued and paid up share capital				
At beginning and end of year	191,860	191,860	810,000	810,000

	Group	
	2022	2021
Profit after tax attributable to the shareholders (RM'000)	830,562	1,139,010
Number of shares in issue as at 31 December ('000)	191,860	191,860
Basic earnings per share (sen)	433	594

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 2022			
Life insurance/family takaful	48,829,864	(575,525)	48,254,339
General insurance	358,666	(40,139)	318,527
Expense liabilities	24,772	-	24,772
	49,213,302	(615,664)	48,597,638
At 31 December 2021			
Life insurance/family takaful	48,777,078	(542,309)	48,234,769
General insurance	331,771	(26,826)	304,945
Expense liabilities	22,505	-	22,505
	49,131,354	(569,135)	48,562,219

Company

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 31 December 2022			
Life insurance	45,965,246	(533,342)	45,431,904
	45,965,246	(533,342)	45,431,904
At 31 December 2021			
Life insurance	46,432,949	(509,319)	45,923,630
	46,432,949	(509,319)	45,923,630

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current	1,523,076	1,367,871	1,017,117	953,592
Non-current	47,690,226	47,763,483	44,948,129	45,479,357
	49,213,302	49,131,354	45,965,246	46,432,949

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 2022			
Claims liabilities	772,176	(238,592)	533,584
Actuarial liabilities	30,789,626	(336,933)	30,452,693
Unallocated surplus	1,482,004	-	1,482,004
Asset revaluation reserve	165,561	-	165,561
Available for sales reserve	-	-	-
Net asset value attributable to unitholders	15,576,527	-	15,576,527
Surplus attributable to participants	43,970	-	43,970
	48,829,864	(575,525)	48,254,339
At 31 December 2021			
Claims liabilities	608,393	(199,286)	409,107
Actuarial liabilities	32,261,674	(343,023)	31,918,651
Unallocated surplus	1,579,425	-	1,579,425
Asset revaluation reserve	162,041	-	162,041
Available for sales reserve	46	-	46
Net asset value attributable to unitholders	14,130,524	-	14,130,524
Surplus attributable to participants	34,975	-	34,975
	48,777,078	(542,309)	48,234,769

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 2022			
Claims liabilities	613,845	(196,658)	417,187
Actuarial liabilities (Note 37 (i))	30,407,298	(336,684)	30,070,614
Unallocated surplus	1,103,569	-	1,103,569
Asset revaluation reserve	165,561	-	165,561
Net asset value attributable to unitholders	13,674,973	-	13,674,973
	45,965,246	(533,342)	45,431,904
At 31 December 2021			
Claims liabilities	477,185	(166,659)	310,526
Actuarial liabilities (Note 37 (i))	31,945,094	(342,660)	31,602,434
Unallocated surplus	1,340,584	-	1,340,584
Asset revaluation reserve	162,041	-	162,041
Net asset value attributable to unitholders	12,508,045	-	12,508,045
	46,432,949	(509,319)	45,923,630

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 2022			
At 1 January 2022	28,874,248	19,902,830	48,777,078
Policy movement	(411,641)	523,155	111,514
Movement in claims liabilities	26,957	136,826	163,783
Model refinement	16,734	31,251	47,985
Adjustments due to changes in assumptions:			
Lapse and surrender rates	(733)	54	(679)
Discount rate	(921,798)	(208,743)	(1,130,541)
Expenses	(118)	639	521
Mortality/morbidity	(223,591)	(37,474)	(261,065)
Change in bonus	(229,506)	-	(229,506)
Others	122,504	(130,380)	(7,876)
Fund growth rate		(2,401)	(2,401)
Change in net asset value attributable to unitholders	-	1,166,928	1,166,928
Change in net asset value attributable to participants	279,075	-	279,075
Change in asset revaluation reserve	(1,776)	-	(1,776)
Surplus attributable to participants	8,995	-	8,995
Deficit arising during the year	(92,171)	-	(92,171)
At 31 December 2022	27,447,179	21,382,685	48,829,864

			Reinsurance/Retakaful
	With DPF RM'000	Without DPF RM'000	Total RM'000
At 1 January 2022	41,501	500,808	542,309
Policy movement	(1,438)	(4,652)	(6,090)
Movement in claims liabilities	9,958	29,348	39,306
At 31 December 2022	50,021	525,504	575,525

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	With DPF RM'000	Without DPF RM'000	Gross Total RM'000
At 31 December 2021			
At 1 January 2021	30,385,120	17,584,737	47,969,857
Policy movement	(382,352)	637,415	255,063
Movement in claims liabilities	54,918	91,860	146,778
Model refinement	144,246	(1,192)	143,054
Adjustments due to changes in assumptions:			
Lapse and surrender rates	(106,497)	(42,077)	(148,574)
Discount rate	(393,121)	(561,143)	(954,264)
Expenses	74,544	184	74,728
Change in bonus	678	-	678
Others	19,634	189,207	208,841
Change in net asset value attributable to unitholders	-	2,003,839	2,003,839
Change in net asset value attributable to participants	350,366	-	350,366
Change in asset revaluation reserve	3,550	-	3,550
Surplus attributable to participants	19,978	-	19,978
Deficit arising during the year	(1,296,816)	-	(1,296,816)
At 31 December 2021	28,874,248	19,902,830	48,777,078

	With DPF RM'000	Without DPF RM'000	Reinsurance/Retakaful Total RM'000
At 1 January 2021	29,308	375,387	404,695
Policy movement	33	99,977	100,010
Movement in claims liabilities	12,160	25,444	37,604
At 31 December 2021	41,501	500,808	542,309

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	**With DPF**	**Without DPF**	**Gross Total**
	RM'000	**RM'000**	**RM'000**
At 31 December 2022			
At 1 January 2022	26,530,119	19,902,830	46,432,949
Policy movement	(477,389)	523,155	45,766
Movement in claims liabilities	(166)	136,826	136,660
Model refinement	16,734	31,251	47,985
Adjustments due to changes in assumptions:			
Lapse and surrender rates	(733)	54	(679)
Discount rate	(921,798)	(208,743)	(1,130,541)
Expenses	(118)	639	521
Mortality/Morbility	(223,591)	(37,474)	(261,065)
Change in bonus	(229,506)	-	(229,506)
Others	122,504	(130,380)	(7,876)
Fund growth rate	-	(2,401)	(2,401)
Change in net asset value attributable to unitholders	-	1,166,928	1,166,928
Change in asset revaluation reserve	3,520	-	3,520
Deficit arising during the year	(237,015)	-	(237,015)
At 31 December 2022	24,582,561	21,382,685	45,965,246

	With DPF	**Without DPF**	**Reinsurance Total**
	RM'000	**RM'000**	**RM'000**
At 1 January 2022	8,511	500,808	509,319
Policy movement	(1,324)	(4,652)	(5,976)
Movement in claims liabilities	651	29,348	29,999
At 31 December 2022	7,838	525,504	533,342

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 2021			
At 1 January 2021	28,575,351	17,584,737	46,160,088
Policy movement	(451,033)	637,415	186,382
Movement in claims liabilities	11,258	91,860	103,118
Model refinement	144,246	(1,192)	143,054
Adjustments due to changes in assumptions:			
Lapse and surrender rates	(106,497)	(42,077)	(148,574)
Discount rate	(393,121)	(561,143)	(954,264)
Expenses	74,544	184	74,728
Change in bonus	678	-	678
Others	19,634	189,207	208,841
Change in net asset value attributable to unitholders	-	2,003,839	2,003,839
Change in asset revaluation reserve	3,654	-	3,654
Deficit arising during the year	(1,348,595)	-	(1,348,595)
At 31 December 2021	26,530,119	19,902,830	46,432,949

			Reinsurance
	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000
At 1 January 2021	8,417	375,387	383,804
Policy movement	165	99,977	100,142
Movement in claims liabilities	(71)	25,444	25,373
At 31 December 2021	8,511	500,808	509,319

18 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance

Group

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 31 December 2022			
Provision for claims reported by policyholders	173,838	(23,396)	150,442
Provision for incurred but not reported ("IBNR") claims	63,648	(11,370)	52,278
Claims liabilities (i)	237,486	(34,766)	202,720
Premium liabilities (ii)	121,180	(5,373)	115,807
	358,666	(40,139)	318,527
At 31 December 2021			
Provision for claims reported by policyholders	138,521	(12,218)	126,303
Provision for incurred but not reported ("IBNR") claims	79,138	(11,502)	67,636
Claims liabilities (i)	217,659	(23,720)	193,939
Premium liabilities (ii)	114,112	(3,106)	111,006
	331,771	(26,826)	304,945

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 2022			
At 1 January 2022	217,659	(23,720)	193,939
Claims incurred in the current accident year	86,684	(14,399)	72,285
Movement in claims incurred in prior accident years	30,055	(3,220)	26,835
Claims paid during the financial year (Note 29)	(90,252)	7,179	(83,073)
Others	(6,165)	-	(6,165)
Change in expense liabilities and risk margin	(495)	(606)	(1,101)
At 31 December 2022	237,486	(34,766)	202,720
At 31 December 2021			
At 1 January 2021	191,123	(15,773)	175,350
Claims incurred in the current accident year	71,568	(10,468)	61,100
Movement in claims incurred in prior accident years	21,875	(1,399)	20,476
Claims paid during the financial year (Note 29)	(67,424)	5,491	(61,933)
Others	(5,002)	-	(5,002)
Change in expense liabilities and risk margin	5,519	(1,571)	3,948
At 31 December 2021	217,659	(23,720)	193,939

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 2022	114,112	(3,106)	111,006
At 1 January 2022			
Premium written during the financial year (Note 24)	305,651	(20,729)	284,922
Premium earned during the financial year	(298,583)	18,463	(280,120)
At 31 December 2022	121,180	(5,372)	115,808
At 31 December 2021	114.214	(2,901)	111,313
At 1 January 2021			
Premium written during the financial year (Note 24)	293,867	(18,870)	274,997
Premium earned during the financial year	(293,969)	18,665	(275,304)
At 31 December 2021	114,112	(3,106)	111,006

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	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	539,605	732,174	539,601	731,506
Deferred tax assets	(16,993)	(3,202)	-	-
	522,612	728,972	539,601	731,506
Current	(3,867)	67,422	438	69,136
Non-current	526,479	661,550	539,163	662,370
	522,612	728,972	539,601	731,506

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	728,972	874,797	731,506	854,560
Recognised in:				
Income statements (Note 31)	(134,266)	(1,275)	(122,611)	15,034
Other comprehensive loss	(72,094)	(144,550)	(69,294)	(138,088)
At 31 December	522,612	728,972	539,601	731,506

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 2022					
Deferred tax liabilities at 1 January 2022	3,777	502,561	1,062,646	6,974	1,575,958
Recognised in:					
Income statements	-	36,774	2,255	1,314	40,343
Other comprehensive income	274	160	(8,735)	-	(8,301)
Deferred tax liabilities at 31 December 2022 (before offsetting)	4,051	539,495	1,056,166	8,288	1,608,000
Offsetting					(1,068,395)
Deferred tax liabilities at 31 December 2022 (after offsetting)					539,605

	Revaluation of investments RM'000	Unrealised amortisation RM'000	Total RM'000
Deferred tax assets at 1 January 2022	(833,304)	(13,682)	(846,986)
Recognised in:			
Income statements	(170,695)	(3,914)	(174,609)
Other comprehensive income	(58,215)	(5,578)	(63,793)
Deferred tax assets at 31 December 2022 (before offsetting)	(1,062,214)	(23,174)	(1,085,388)
Offsetting			1,068,395
Deferred tax assets at 31 December 2022 (after offsetting)			(16,993)

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 2021					
Deferred tax liabilities at 1 January 2021	3,672	316,041	856,680	7,206	1,183,599
Recognised in:					
Income statements	-	185,875	154,211	(232)	339,854
Other comprehensive income	105	645	51,755	-	52,505
Deferred tax liabilities at 31 December 2021 (before offsetting)	3,777	502,561	1,062,646	6,974	1,575,958
Offsetting					(843,784)
Deferred tax liabilities at 31 December 2021 (after offsetting)					732,174

	Revaluation of investments RM'000	Unrealised amortisation RM'000	Total RM'000
Deferred tax assets at 1 January 2021	(294,289)	(14,513)	(308,802)
Recognised in:			
Income statements	(341,960)	831	(341,129)
Other comprehensive income	(197,055)	-	(197,055)
Deferred tax assets at 31 December 2021 (before offsetting)	(833,304)	(13,682)	(846,986)
Offsetting			843,784
Deferred tax assets at 31 December 2021 (after offsetting)			(3,202)

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 2022					
Deferred tax liabilities at 1 January 2022	3,777	502,561	1,062,166	7,290	1,575,794
Recognised in:					
Income statements	-	36,774	10,786	1,202	48,762
Other comprehensive income	274	160	(11,513)	-	(11,079)
Deferred tax liabilities at 31 December 2022 (before offsetting)	4,051	539,495	1,061,439	8,492	1,613,477
Offsetting					(1,073,876)
Deferred tax liabilities at 31 December 2022 (after offsetting)					539,601

	Revaluation of investments RM'000	Unrealised amortisation RM'000	Total RM'000
Deferred tax assets at 1 January 2022			
Recognised in:	(833,302)	(10,986)	(844,288)
Income statements	(170,639)	(734)	(171,373)
Other comprehensive income	(58,215)	-	(58,215)
Deferred tax assets at 31 December 2022 (before offsetting)	(1,062,156)	(11,720)	(1,073,876)
Offsetting			1,073,876
Deferred tax assets at 31 December 2022 (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 2021					
Deferred tax liabilities at 1 January 2021	3,672	316,041	833,268	6,953	1,159,934
Recognised in:					
Income statements	-	185,875	170,683	337	356,895
Other comprehensive income	105	645	58,215	-	58,965
Deferred tax liabilities at 31 December 2021 (before offsetting)	3,777	502,561	1,062,166	7,290	1,575,794
Offsetting					(844,288)
Deferred tax liabilities at 31 December 2021 (after offsetting)					731,506

	Revaluation of investments RM'000	Unrealised amortisation RM'000	Total RM'000
Deferred tax assets at 1 January 2021	(294,289)	(11,085)	(305,374)
Recognised in:			
Income statements	(341,960)	99	(341,861)
Other comprehensive income	(197,053)	-	(197,053)
Deferred tax assets at 31 December 2021 (before offsetting)	(833,302)	(10,986)	(844,288)
Offsetting			844,288
Deferred tax assets at 31 December 2021 (after offsetting)			-

20 INSURANCE/TAKAFUL PAYABLES

Group

	2022 RM'000	2021 RM'000
Dividend payable to policyholders	7,266,500	6,864,908
Due to reinsurers/retakaful operators	294,444	394,052
Due to agents and insureds	495,391	480,648
Premium deposits	161,363	180,796
	8,217,698	7,920,404

Company

	2022 RM'000	2021 RM'000
Dividend payable to policyholders	7,258,740	6,864,309
Due to reinsurers	275,686	388,344
Due to agents and insureds	487,396	472,562
Premium deposits	161,363	163,219
	8,183,185	7,888,434

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	Net RM'000
At 31 December 2022				
Foreign exchange contracts:				
Cross-currency swaps	455,967	2,972	(820)	2,152
Foreign exchange forwards	698,833	1,229	-	1,229
Total	1,154,800	4,201	(820)	3,381
At 31 December 2021				
Foreign exchange contracts:				
Cross-currency swaps	394,400	-	(12,318)	(12,318)
Foreign exchange forwards	897,552	8,868	-	8,868
Total	1,291,952	8,868	(12,318)	(3,450)

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	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amount due to ultimate holding company	3,965	51	3,887	-
Amount due to penultimate holding company	29,788	44,782	27,648	43,908
Post employment benefit obligation - defined benefit plan	36,733	36,160	36,733	36,160
Accruals	575,093	517,256	453,859	366,766
Other payables	443,810	608,932	359,455	536,322
	1,089,389	1,207,181	881,582	983,156

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	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gross earned premiums/ contributions (Note 24)	11,945,808	11,508,547	9,900,809	9,692,298
Investment income (Note 25)	2,450,293	2,376,246	2,328,458	2,321,898
	14,396,101	13,884,793	12,229,267	12,014,196

24 NET EARNED PREMIUMS/CONTRIBUTIONS REVENUE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) Gross earned premiums/contributions				
Insurance/takaful contracts:				
Life/family takaful	11,647,225	11,214,578	9,900,809	9,692,298
General (Note 18(B)(ii))	305,651	293,867	-	-
Gross premium/contributions	11,952,876	11,508,445	9,900,809	9,692,298
Change in premium liabilities	(7,068)	102	-	-
	11,945,808	11,508,547	9,900,809	9,692,298
(b) Premiums/contributions ceded to reinsurers/ retakaful operators				
Insurance/takaful contracts:				
Life/family takaful	(1,281,998)	(1,179,344)	(1,227,591)	(1,136,765)
General (Note 18(B)(ii))	(20,729)	(18,870)	-	-
Premiums/contributions ceded	(1,302,727)	(1,198,214)	(1,227,591)	(1,136,765)
Change in premium liabilities	2,266	206	-	-
	(1,300,461)	(1,198,008)	(1,227,591)	(1,136,765)
Net earned premiums/ contributions revenue	10,645,347	10,310,539	8,673,218	8,555,533

25 INVESTMENT INCOME

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Rental income	14,477	14,340	14,477	14,340
Financial assets at FVTPL – designated upon initial recognition:				
Interest income	1,198,218	1,129,288	1,130,033	1,078,908
Dividend income:				
- equity securities quoted in Malaysia	518,886	514,915	518,886	514,915
- equity securities unquoted in Malaysia	44,410	95,847	22,680	71,727
- unit and property trusts	26,759	18,651	26,759	18,651
Amortisation of premiums – net (Note 11)	(21,345)	(24,088)	(18,398)	(21,484)
AFS financial assets:				
Interest income	466,317	443,642	396,402	377,986
Dividend income:				
- equity securities quoted in Malaysia	4,221	3,070	-	-
Amortisation of premiums – net (Note 10)	(15,347)	(19,140)	(6,603)	(8,787)
Loan and receivables:				
Interest income	164,997	175,786	165,008	175,715
Investment in subsidiaries:				
Dividend income		-	40,000	80,000
Cash and cash equivalents:				
Interest income	59,680	39,952	48,826	34,604
Others	18,589	12,861	19,118	13,655
	2,479,862	2,405,124	2,357,188	2,350,230
Less:				
Investment expenses	(29,569)	(28,878)	(28,730)	(28,332)
	2,450,293	2,376,246	2,328,458	2,321,898

26 NET REALISED (LOSSES)/GAINS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment				
Realised (loss)/gain	(61)	(488)	63	(488)
FVTPL financial assets				
Realised gains:				
Equity Securities	34,600	62,340	-	-
Debt securities	1,606	1,818	-	-
Unit and property trusts	-	122	-	-
Realised losses:				
Equity Securities	(55,411)	(14,751)	-	-
Debt securities	(15,229)	(16,270)	-	-
AFS financial assets				
Realised gains:				
Equity Securities	-	1,606	-	-
Debt securities	602	67,126	449	65,974
Realised losses:				
Equity Securities	-	(8)	-	-
Debt securities	(15,596)	(1,691)	(14,061)	-
Mutual funds	(1,993)	(311)	-	-
	(51,421)	99,981	(13,612)	65,974
Total net realised gains	(51,482)	99,493	(13,549)	65,486

27 FAIR VALUE (LOSSES)/GAINS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Investment properties (Note 5)	(3,199)	(8,752)	(3,199)	(8,752)
Financial assets at FVTPL (Note 11)				
- designated upon initial recognition	(2,240,910)	(1,498,236)	(2,139,794)	(1,377,036)
Derivatives	15,149	(10,623)	15,149	(10,623)
	(2,228,960)	(1,517,611)	(2,127,844)	(1,396,411)

28 OTHER OPERATING INCOME

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Foreign exchange (losses)/gains:				
- realised	(14,475)	(12,207)	(14,727)	(11,545)
- unrealised	12,445	14,612	12,445	14,527
Reversal of/(allowance for) impairment losses:				
- loans and receivables	2,152	1,278	1,893	1,537
- insurance receivables	17,494	(4,600)	12,935	(4,897)
- other receivables	2,228	4,442	2,455	5,407
Writen off:				
- loans and receivables	(465)	(1,728)	(465)	(1,728)
- insurance receivables	(1,606)	(956)	2,057	(148)
- other receivables	(4,135)	(6,972)	(3,738)	(6,956)
- property, plant and equipment	(309)	(663)	(309)	(663)
Service level agreement charges and other service fees from related companies	25,716	28,437	125,664	99,794
Restructuring cost	-	(275)	-	-
Others	51,774	28,208	(31,619)	(41,313)
	90,819	49,576	106,591	54,015

29 NET INSURANCE/TAKAFUL BENEFITS AND CLAIMS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) Gross benefits and claims paid				
Insurance/takaful contracts:				
Life/family takaful	(7,714,928)	(6,790,232)	(7,132,125)	(6,358,527)
General (Note 18(B)(i))	(90,252)	(67,424)	-	-
	(7,805,180)	(6,857,656)	(7,132,125)	(6,358,527)
(b) Claims ceded to reinsurers/ retakaful operators				
Insurance/takaful contracts:				
Life/family takaful	1,003,321	736,539	958,435	699,030
General (Note 18(B)(i))	7,179	5,491	-	-
	1,010,500	742,030	958,435	699,030
(c) Gross change to insurance/takaful contract liabilities:				
Insurance/takaful contracts:				
Life/family takaful	(39,002)	(826,443)	481,379	(269,206)
General	(19,827)	(26,536)	-	-
	(58,829)	(852,979)	481,379	(269,206)
(d) Change in insurance/takaful contract liabilities ceded to reinsurers/ retakaful operators				
Insurance/takaful contracts:				
Life/family takaful	33,216	137,613	24,023	125,514
General	10,438	7,947	-	-
	43,654	145,560	24,023	125,514

30 MANAGEMENT EXPENSES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Advertising	46,987	39,685	21,656	16,929
Fees payable to PricewaterhouseCoopers Malaysia				
- statutory audit				
- current financial year	2,166	2,021	1,372	1,269
- audit related services	2,760	-	1,268	-
- non-audit services	144	213	28	213
Fees payable to other member firm of PricewaterhouseCoopers Malaysia				
- audit related services	2,328	-	2,328	-
Staff salaries and bonuses	396,390	389,898	328,882	319,658
Contribution to EPF	53,479	51,906	50,188	47,846
Pension benefits	1,549	1,580	1,151	1,182
Post-employment medical benefits	702	644	702	644
Share-based payments	10,705	9,108	10,436	9,097
Staff benefits	24,306	24,236	23,619	22,190
Travelling expenses	2,190	271	2,022	299
Office rental lease payments	403	623	9	25
Printing and stationery	7,227	9,136	4,746	6,449
Postage	17,632	16,901	17,217	16,209
Directors' remuneration and other emoluments	1,452	1,483	1,083	1,150
Depreciation				
- property, plant and equipment (Note 3)	28,581	29,773	27,893	29,130
- right of use assets (Note 4)	22,173	22,409	22,171	22,385
Amortisation				
- intangible assets (Note 6)	35,981	27,523	31,526	22,416
IT expenses	192,601	155,621	154,897	133,526
Medical fees	6,364	6,124	5,234	4,932
Legal expenses	2,366	2,406	754	1,176
Repairs and maintenance	19,280	17,186	19,269	17,160
Shariah committee remuneration	272	317	-	-
Entertainment expenses	679	744	679	744
Training expenses	15,502	13,917	15,502	13,917
Management fees	151,963	120,187	26,199	21,623
Other expenses	368,974	378,168	416,361	392,144
	1,415,156	1,322,080	1,187,192	1,102,313

30 MANAGEMENT EXPENSES (CONTINUED)

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-Executive Directors: Directors' fees				
Ching Yew Chye @ Chng Yew Chye	425	425	265	265
Dr. Chong Su-Lin	173	165	173	165
Ching Neng Shyan	195	195	195	195
Mahani binti Amat	326	303	190	190
	1,119	1,088	823	815
Non-Executive Directors: Other remuneration or emoluments				
Ching Yew Chye @ Chng Yew Chye	96	120	71	90
Dr. Chong Su-Lin	58	75	58	75
Ching Neng Shyan	65	85	65	85
Mahani binti Amat	114	115	66	85
	333	395	260	335
Total	1,452	1,483	1,083	1,150

30 MANAGEMENT EXPENSES (CONTINUED)

(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	
	2022	2021	2022	2021
Executive Director:				
RM0 – RM100,000	1	1	1	1
Non-Executive Directors:				
RM 0 – RM100,000	-	-	-	-
RM100,001 – RM200,000	-	-	-	-
RM200,001 – RM300,000	2	2	3	3
RM300,001 – RM400,000	-	-	1	1
RM400,001 – RM500,000	1	1	-	-
RM500,001 – RM600,000	1	1	-	-

Total staff costs of the Group and Company (including the Executive Directors) is RM487,131,000 and RM414,978,000 respectively (2021: RM469,936,000 and RM400,808,000).

31 TAX EXPENSE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Tax expense/(income):				
- current	242,402	299,879	215,633	263,808
- deferred (Note 19)	(134,266)	(1,275)	(122,611)	15,034
	108,136	298,604	93,022	278,842
Current tax				
Current financial year	250,502	306,915	223,032	269,453
Over provision in prior financial years	(8,100)	(7,036)	(7,399)	(5,645)
	242,402	299,879	215,633	263,808
Deferred tax				
Origination and reversal of temporary differences	(129,083)	(2,566)	(122,611)	14,954
(Over)/Under provision in prior financial years	(5,183)	1,291	-	80
	(134,266)	(1,275)	(122,611)	15,034
Total	108,136	298,604	93,022	278,842

31 TAX EXPENSE (CONTINUED)

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.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax	948,233	1,436,628	871,254	1,436,001
Tax at Malaysian statutory tax rate of 24%	227,576	344,791	209,101	344,640
Income not subject to tax	(828,014)	(618,908)	(412,375)	(324,787)
Expenses not deductible for tax purposes	702,077	732,141	294,918	366,529
Tax relief on actuarial surplus transferred to Shareholders' fund	(34,820)	(92,983)	(34,820)	(92,983)
Single tier tax relief	-	(7,673)	-	(7,674)
Effect of difference in tax rate	53,228	(54,199)	43,596	(1,238)
Over provision of tax expense in prior financial years	(7,708)	(5,824)	(7,398)	(5,645)
Deferred tax assets not recognised on unabsorbed losses	(4,203)	1,259	-	-
Tax expense	108,136	298,604	93,022	278,842

The Inland Revenue Board ("IRB") had, in September 2021, 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 2021 and has filed a judicial review application with the High Court of Malaya concurrently.

As these are industry wide tax issues, discussions on appropriate tax treatment of these transactions were carried out with the Ministry of Finance ("MOF") via industry associations. MOF has confirmed the tax treatment on one of these transactions, of which is consistent with the tax treatment adopted by the Company and majority of the industry players.

The potential additional tax expenses on this transaction constitute a significant portion of the Company's notices of additional assessment raised by IRB and with the confirmation from MOF of the appropriate tax treatment, the remaining potential additional tax expenses of the Company's notices of additional assessment are not material.

32 DIVIDENDS

	Group and Company	
	2022	2021
	RM'000	RM'000
Dividends paid:		
In respect of the financial year ended 31 December 2021:		
Final single tier dividend on 191,859,543 ordinary shares	534,000	-
In respect of the financial year ended 31 December 2020:		
Final single tier dividend on 191,859,543 ordinary shares	-	675,000
	534,000	675,000
Dividend per share (sen)	278	352

33 CAPITAL COMMITMENTS

	Group and Company	
	2022	2021
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	3,172	5,826
Investment properties	3,402	7,882
Intangible assets	29,068	72,737
Investments	65,118	192,715
	100,760	279,160
Approved but not contracted for:		
Property, plant and equipment	223	64
Investment properties	8	-
Intangible assets	116,561	3,099
	116,792	3,163
Total	217,552	282,323

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.

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	
	2022 RM'000	2021 RM'000
Not later than 1 year	12,763	7,190
Later than 1 year and not later than 6 years	28,123	14,609
More than 6 years	451	1,153
	41,337	22,952

	Company	
	2022 RM'000	2021 RM'000
Not later than 1 year	13,802	10,252
Later than 1 year and not later than 6 years	28,216	15,352
More than 6 years	451	1,153
	42,469	26,757

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Ultimate holding company:				
AIA Group Ltd.				
- Employees benefits	(10,436)	(9,097)	(10,436)	(9,097)
- Managerial, secretarial or like services	(938)	(322)	(296)	(322)
Penultimate holding company:				
AIA Company Ltd.				
- Group service fee	(78,829)	(77,709)	(78,829)	(77,709)
- Computer services				
- paid	(4,814)	(3,950)	(4,814)	(3,950)
- received	40	-	40	-
- Reinsurance	(27,897)	(18,008)	(27,897)	(18,008)
- Technical consultation services	(14,597)	(26,819)	(12,557)	(23,454)
- Other income received	110	-	110	-
Fellow related companies:				
AIA Shared Services (Hong Kong) Ltd.				
- Computer services	(28,784)	(19,676)	(28,202)	(19,676)
AIA Information Technology (Guangzhou) Co. Ltd.				
- Computer services	(25,218)	(20,831)	(25,218)	(21,166)
AIA Information Technology (Beijing) Co. Ltd.				
- Computer services	(23,429)	(14,196)	(23,429)	(13,885)

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fellow related companies: (continued)				
AIA Shared Services Sdn. Bhd.				
- Computer services				
- paid	(5,764)	(13,409)	(5,764)	(13,409)
- received	-	16	-	16
- Rental income	286	283	286	283
- Premium income	1,128	850	1,128	840
- Managerial, secretarial or like services				
- paid	(575)	(2,338)	-	(1,516)
- received	157	145	157	145
- Technical consultation services	(9,369)	(507)	(9,369)	(507)
AIA Investment Management Private Ltd.				
- Managerial, secretarial or like services paid	(4,277)	(3,406)	(4,277)	(3,406)
AIA Reinsurance Ltd.				
- Reinsurance arrangement	(98,181)	(231,956)	(98,181)	(231,957)
AIA Life Insurance Company Limited				
- Administrative charges	-	3	-	-
AIA IT (M) Sdn Bhd Company Limited				
- Rental income	236	-	236	-
- Premium income	20	-	20	-
- Computer services	(471)	-	(471)	-

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Subsidiary companies:				
AIA General Berhad				
- Managerial, secretarial or like services received	-	-	42,846	28,653
- Rental income	-	-	462	536
- Vitality and Group Insurance received				
- Premium income	-	-	126	3
- Premium expense	-	-	(38)	-
- Computer services income	-	-	3,847	-
- Technical consultation services	-	-	220	159
AIA Health Services Sdn. Bhd.				
- Claims administration fee	-	-	(40,730)	(37,653)
- Managerial, secretarial or like services received	-	-	5,701	5,156
- Rental income	-	-	1,637	1,635
- Premium income	-	-	536	289
- Vitality fee	-	-	(3,446)	(2,581)
AIA PUBLIC Takaful Bhd.				
- Managerial, secretarial or like services received	-	-	75,477	64,702
- Rental income	-	-	841	951
- Technical consultation services	-	-	616	399
- Computer services income	-	-	8,874	-
- IT system development charges	-	-	-	554
- Software intangible asset	-	-	-	3,040

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Subsidiary companies: (continued)				
AIA Pension and Asset Management Sdn. Bhd.				
- Rental income	-	-	243	229
- Managerial, secretarial or like services received	-	-	1,635	880
- Premium income	-	-	52	32

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(b) Related party balances

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Receivables				
Other receivables	553	354	29,183	759
Payables				
Other payables	(49,250)	(264,762)	(52,394)	(274,978)
	(48,697)	(264,408)	(23,211)	(274,219)

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Short-term employee benefits	33,386	34,241	23,051	22,789
Post-employment benefits				
- Defined contribution plan	4,245	4,607	2,755	2,883
Share-based payments	5,420	5,792	4,710	4,893
Allowances	2,210	3,740	1,767	2,815
	45,261	48,380	32,283	33,380

Included in the compensation of key management personnel are:

	Group and Company	
	2022 RM'000	2021 RM'000
Chief Executive Officer:		
Ben Ng		
- Remuneration	5,583	4,856
- Share-based payments	1,350	1,067
- Other remuneration or emoluments	333	347
	7,266	6,270

36 RISK MANAGEMENT

Risk Management Framework

The Group recognises the importance of sound risk management in every aspect of the Company's business and for all stakeholders. The Group's Risk Management Framework ("RMF") does not seek to eliminate all risk but rather to identify, understand and manage them within acceptable limits in order to support the creation of long-term value.

The Group's RMF is built around developing an appropriate and mindful risk culture at every level of the organisation in support of our strategic objectives. The RMF provides the business with appropriate tools, processes and capabilities for the identification, assessment and, where required, upward referral of identified material risks for further evaluation.

Capital Management Framework

The Company and its insurance/takaful subsidiaries actively manage 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.

The Group has complied with the capital requirements prescribed by the respective regulators during the reported financial year.

36 RISK MANAGEMENT (CONTINUED)

Governance and Regulatory Framework

The Group's risk governance framework is built on the "Three Lines of Defence" model. With regard 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 ("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.

The Group is required to comply with the requirements of the Financial Services Act 2013, relevant 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").

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 regarding future experience for these risks.

(a) Mortality and Morbidity Risk

Mortality and morbidity risk is the risk that the incidence and/or amounts of death/medical claims are higher than the assumptions made in the pricing and/or reserving.

The Group adheres to well-defined underwriting and claims guidelines and practices that have been developed based on extensive historical experience and with the assistance of professional reinsurers.

The Group conducts regular experience studies of all the insurance/takaful risk factors in its in-force book. These internal studies together with external data are used to identify emerging trends which can then be used to inform product design, pricing, underwriting, claims management and reinsurance/retakaful needs.

Reinsurance/Retakaful is used to reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophic events such as pandemic or natural disasters.

(b) Lapse Risk

Lapse risk is the risk policies lapse, on average, earlier than assumed in the pricing or reserving assumptions.

Ensuring customers buy products that meet their needs is central to the Group's Operating Philosophy. Through implementation of the Business Quality Framework, comprehensive sales training programmes and active monitoring of sales activities and persistency, the Group seeks to ensure that appropriate products are sold by qualified sales representatives and that standards of service constantly meet our customers' needs.

The Group carries out regular reviews of persistency experience and the results are assimilated into new and in-force product management.

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

31 December 2022	Gross			Reinsurance			
	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	20,162,317	1,865,700	22,028,017	6,075	32,620	38,695	21,989,322
Endowment	3,272,713	1,004,736	4,277,449	29	722	751	4,276,698
Term assurance	-	3,161,667	3,161,667	-	200,557	200,557	2,961,110
Riders	81,900	409,554	491,454	13	45,528	45,541	445,913
Others	(234,586)	683,298	448,712	-	51,140	51,140	397,572
Family takaful plans	121,927	-	121,927	25,141	-	25,141	96,786
Credit takaful plans	432,614	-	432,614	9,713	-	9,713	422,901
Group credit takaful plans	131,119	-	131,119	-	-	-	131,119
Investment-linked takaful plans	1,283,862	-	1,283,862	7,330	-	7,330	1,276,532
Total	25,251,866	7,124,955	32,376,821	48,301	330,567	378,868	31,997,953

37 INSURANCE RISK (CONTINUED)

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

Group

31 December 2021	Gross			Reinsurance			
	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	21,502,791	1,886,225	23,389,016	7,355	32,516	39,871	23,349,145
Endowment	3,735,297	861,329	4,596,626	51	637	688	4,595,938
Term assurance	-	3,058,647	3,058,647	-	209,261	209,261	2,849,386
Riders	104,033	388,835	492,868	35	46,054	46,089	446,779
Others	(345,880)	753,816	407,936	-	46,751	46,751	361,185
Family takaful plans	54,707	-	54,707	16,248	-	16,248	38,459
Credit takaful plans	324,694	-	324,694	8,119	-	8,119	316,575
Group credit takaful plans	81,736	-	81,736	-	-	-	81,736
Investment-linked takaful plans	1,124,853	-	1,124,853	8,622	-	8,622	1,116,231
Total	26,582,231	6,948,852	33,531,083	40,430	335,219	375,649	33,155,434

37 INSURANCE RISK (CONTINUED)

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

Company

	Gross			Reinsurance			
31 December 2022	**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	20,162,317	1,865,700	22,028,017	6,075	32,620	38,695	21,989,322
Endowment	3,272,713	1,004,736	4,277,449	29	722	751	4,276,698
Term assurance	-	3,161,667	3,161,667	-	200,557	200,557	2,961,110
Riders	81,900	409,554	491,454	13	45,528	45,541	445,913
Others	(234,586)	683,297	448,711	-	51,140	51,140	397,571
Total	23,282,344	7,124,954	30,407,298	6,117	330,567	336,684	30,070,614

	Gross			Reinsurance			
31 December 2021	**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	21,502,791	1,886,225	23,389,016	7,355	32,516	39,871	23,349,145
Endowment	3,735,297	861,329	4,596,626	51	637	688	4,595,938
Term assurance	-	3,058,647	3,058,647	-	209,261	209,261	2,849,386
Riders	104,033	388,835	492,868	35	46,054	46,089	446,779
Others	(345,880)	753,817	407,937	-	46,751	46,751	361,186
Total	24,996,241	6,948,853	31,945,094	7,441	335,219	342,660	31,602,434

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 11 years for AIA Participating Fund and 11 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
2022			
Mortality	+10	229,936	(264,526)
Expense	+10	53,655	(38,246)
Lapse rate	+10	(14,690)	(49,520)
Discount rate	-0.5	60,800	(308,570)
2021			
Mortality	+10	277,770	(269,310)
Expense	+10	71,411	(40,470)
Lapse rate	+10	(79,206)	(42,692)
Discount rate	-0.5	52,062	(301,671)

		Company	
	Change in assumption	Impact on gross/net actuarial liabilities	Impact on profit after tax
	%	RM'000	RM'000
2022			
Mortality	+10	229,936	(264,526)
Expense	+10	53,655	(38,246)
Lapse rate	+10	(21,246)	(46,242)
Discount rate	-0.5	62,434	(309,387)
2021			
Mortality	+10	271,484	(266,167)
Expense	+10	71,411	(40,470)
Lapse rate	+10	(78,237)	(43,176)
Discount rate	-0.5	69,088	(310,184)

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 liabilities and claims liabilities. Premium liabilities represent the risk of loss because of an unexpected high loss volume resulting in an insufficient coverage of premiums. Claims liabilities represents the risk of loss resulting from deviations between payments for incurred losses that have not yet been definitely settled and the reserves are set up to cover these payments.

The table below shows the concentration of General insurance contract liabilities by type of contract.

Group

	31 December 2022			31 December 2021		
	Gross RM'000	**Reinsurance RM'000**	**Net RM'000**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
Claims liabilities						
Personal accident	176,805	(31,852)	144,953	140,717	(12,753)	127,964
Motor	53,793	(1,592)	52,201	61,167	(1,760)	59,407
Fire	5,026	(505)	4,521	15,581	(9,202)	6,379
Miscellaneous and liabilities	1,862	(817)	1,045	194	(5)	188
Total	237,486	(34,766)	202,720	217,659	(23,720)	193,939
Premium liabilities						
Personal accident	85,003	(443)	84,560	90,170	(2,513)	87,656
Motor	22,170	(68)	22,102	20,355	(499)	19,856
Fire	4,930	(504)	4,426	3,312	(52)	3,260
Miscellaneous and liabilities	9,077	(4,357)	4,720	276	(43)	233
Total	121,180	(5,372)	115,808	114,113	(3,107)	111,005

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 selected Ultimate Loss Ratio ("ULR").

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 as a proportion of the average of the total claims paid and total claims reported.

- Provision for overhead expense at 12.0% of the UPR (gross of reinsurance and commission) to allow for on-going premium related expenses including reinsurance costs, staff costs and administrative expenses not related to settling claims. This rate is based on a historic comparison of the sum of premium-related expenses and reinsurance costs against gross earned premiums over the most recent financial years.

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 Bornhuetter-Ferguson and/or Expected Loss Ratio methods where deemed necessary and appropriate. In addition, provisions 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
2022				
Expected loss ratio	+10	17,539	14,480 `	(11,005)
Provision for expenses	+10	1,188	1,188	(903)
PRAD	+10	1,494	1,270	(965)
2021				
Expected loss ratio	+10	13,262	11,801	(8,969)
Provision for expenses	+10	1,037	1,037	(788)
PRAD	+10	1,615	1,341	(1,019)

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 Company 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 2022:

Accident year	Before 2016 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		108,657	107,920	109,160	84,252	68,563	76,214	117,816	
One year later		102,693	103,746	104,021	99,060	82,908	89,636		
Two years later		97,380	111,829	104,586	102,000	78,241			
Three years later		94,331	108,742	104,541	99,589				
Four years later		94,374	109,221	102,596					
Five years later		94,903	105,543						
Six years later		90,882							
Current estimate of cumulative claims incurred		90,882	105,543	102,596	99,589	78,241	89,636	117,816	
At end of accident year		(36,488)	(46,816)	(38,548)	(41,336)	(30,941)	(31,848)	(38,647)	
One year later		(75,669)	(75,252)	(66,886)	(64,808)	(52,188)	(65,950)		
Two years later		(84,467)	(84,379)	(77,829)	(74,051)	(58,349)			
Three years later		(87,327)	(87,724)	(79,147)	(77,584)				
Four years later		(87,856)	(88,282)	(81,510)					
Five years later		(87,954)	(89,762)						
Six years later		(88,309)							
Cumulative payments to-date		(88,309)	(89,762)	(81,510)	(77,584)	(58,349)	(65,950)	(38,647)	
Gross claims liabilities	10,516	2,573	15,781	21,086	22,005	19,892	23,686	79,169	194,708
Treaty inwards and MMIP									14,184
Best estimate of claims liabilities									208,892
Claims handling expenses									11,077
PRAD at 75% confidence level									17,517
Gross claims liabilities									237,486

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance contracts (continued)

Claims development table - Group (continued)

Net Claims Liabilities as at 2022:

Accident year	Before 2016 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		103,548	102,102	103,708	80,574	66,307	70,438	99,498	
One year later		97,224	96,561	97,610	93,984	79,263	80,531		
Two years later		92,295	103,072	96,832	94,951	75,222			
Three years later		89,879	100,958	94,851	93,867				
Four years later		89,711	100,288	93,139					
Five years later		89,993	97,366						
Six years later		86,279							
Current estimate of cumulative claims incurred		86,279	97,366	93,139	93,867	75,222	80,531	99,498	
At end of accident year		(35,307)	(44,365)	(35,328)	(38,270)	(30,161)	(30,055)	(37,653)	
One year later		(72,866)	(72,595)	(62,932)	(61,071)	(50,773)	(58,515)		
Two years later		(80,447)	(80,519)	(73,598)	(69,968)	(56,781)			
Three years later		(82,945)	(83,585)	(73,405)	(73,413)				
Four years later		(83,460)	(83,129)	(75,709)					
Five years later		(83,555)	(84,572)						
Six years later		(83,902)							
Cumulative payments to-date		(83,902)	(84,572)	(75,709)	(73,413)	(56,781)	(58,515)	(37,653)	
Net claims liabilities	6,823	2,377	12,794	17,430	20,454	18,441	22,016	61,845	162,180
Treaty inwards and MMIP									14,184
Best estimate of claims liabilities									176,364
Claims handling expenses									11,077
PRAD at 75% confidence level									15,278
Net claims liabilities									202,719

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance contracts (continued)

Claims development table – Group (continued)

Gross Claims Liabilities as at 2021:

Accident year	Before 2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		169,793	108,657	107,920	109,160	84,252	68,563	76,214	
One year later		161,191	102,693	103,746	104,021	99,060	82,908	-	
Two years later		158,326	97,380	111,829	104,586	102,000	-	-	
Three years later		156,335	94,331	108,742	104,541	-	-	-	
Four years later		160,381	94,374	109,221	-	-	-	-	
Five years later		159,429	94,903	-	-	-	-	-	
Six years later		157,067	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		157,067	94,903	109,221	104,541	102,000	82,908	76,214	
At end of accident year		(96,783)	(36,488)	(46,816)	(38,548)	(41,336)	(30,941)	(31,848)	
One year later		(133,213)	(75,669)	(76,252)	(66,886)	(64,808)	(52,188)	-	
Two years later		(147,752)	(84,467)	(84,379)	(77,829)	(74,051)	-	-	
Three years later		(151,376)	(87,327)	(87,724)	(79,147)	-	-	-	
Four years later		(153,048)	(87,856)	(88,282)	-	-	-	-	
Five years later		(153,574)	(87,954)	-	-	-	-	-	
Six years later		(153,691)	-	-	-	-	-	-	
Cumulative payments to-date		(153,691)	(87,954)	(88,282)	(79,147)	(74,051)	(52,188)	(31,848)	
Gross claims liabilities	8,528	3,376	6,949	20,939	25,394	27,949	30,720	44,366	168,221
Treaty inwards and MMIP									19,434
Best estimate of claims liabilities									187,654
Claims handling expenses									10,367
PRAD at 75% confidence level									19,638
Gross claims liabilities									217,659

37 INSURANCE/TAKAFUL RISK (CONTINUED)

(ii) General insurance contracts (continued)

Claims development table - Group (continued)

Net Claims Liabilities as at 2021:

Accident year	Before 2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		163,819	103,548	102,102	104,354	80,574	66,307	70,580	
One year later		155,047	97,224	94,641	97,610	93,984	79,363	-	
Two years later		150,699	92,487	103,073	96,832	95,039	-	-	
Three years later		148,675	89,879	100,958	94,927	-	-	-	
Four years later		152,381	89,711	100,349	-	-	-	-	
Five years later		151,408	90,015	-	-	-	-	-	
Six years later		149,038	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		149,038	90,015	100,349	94,927	95,039	79,363	70,580	
At end of accident year		(93,632)	(35,307)	(44,365)	(35,974)	(38,270)	(30,161)	(30,055)	
One year later		(128,679)	(72,866)	(70,676)	(62,932)	(61,071)	(50,733)	-	
Two years later		(140,908)	(80,639)	(80,519)	(73,598)	(69,968)	-	-	
Three years later		(143,974)	(82,945)	(83,585)	(73,405)	-	-	-	
Four years later		(145,557)	(83,460)	(83,129)	-	-	-	-	
Five years later		(146,033)	(83,555)	-	-	-	-	-	
Six years later		(146,146)	-	-	-	-	-	-	
Cumulative payments to-date		(146,146)	(83,555)	(83,129)	(73,405)	(69,968)	(50,733)	(30,055)	
Net claims liabilities	4,958	2,892	6,460	17,220	21,522	25,071	28,590	40,525	147,238
Treaty inwards and MMIP									19,434
Best estimate of claims liabilities									166,671
Claims handling expenses									10,367
PRAD at 75% confidence level									16,901
Net claims liabilities									193,939

38 FINANCIAL RISKS

Financial risk is the risk of adverse market movements, as well as indirect exposure through default of a counterparty. Financial risk also includes the risk arising from changes in price, or volatility, of assets relative to the value of the liabilities. This includes the sensitivity of the balance sheet to market movements, such as foreign exchange and interest rates, as well as the ability to meet financial obligations, such as claims and dividends, when due.

Financial risk 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 is the risk that third parties fail to meet their obligations to the Group when they fall due. Although the primary source of credit risk is the Group’s investment portfolio, such risk may also arise through reinsurance and treasury activities.

A key to AIA’s credit risk management is adherence to a well-controlled underwriting process especially for its significant credit risk exposure. The Group’s credit risk management starts with the assignment of an internal rating to key counterparties. Detailed analysis of key counterparties is performed and a rating determined internally, with periodic rating reviews conducted.

Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

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 2022			
Available-for-sale financial assets	10,765,424	-	10,765,424
Fair value through profit or loss financial assets	31,237,519	13,257,404	44,494,923
Derivatives	3,381	-	3,381
Loans and receivables	3,544,450	52,281	3,596,731
Reinsurance/retakaful assets	615,664	-	615,664
Insurance/takaful receivables	334,523	-	334,523
Cash and cash equivalents	1,663,876	1,412,612	3,076,488
	48,164,837	14,722,297	62,887,134
At 31 December 2021			
Available-for-sale financial assets	10,923,537	-	10,923,537
Fair value through profit or loss financial assets	31,432,543	12,503,452	43,935,995
Loans and receivables	3,908,967	12,865	3,921,832
Derivatives	-	-	-
Reinsurance/retakaful assets	566,029	-	566,029
Insurance/takaful receivables	203,993	-	203,993
Cash and cash equivalents	2,327,723	1,057,072	3,384,795
	49,362,792	13,573,389	62,936,181

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 2022			
Available-for-sale financial assets	9,862,004	-	9,862,004
Fair value through profit or loss financial assets	29,441,841	12,353,354	41,795,195
Derivatives	3,381	-	3,381
Loans and receivables	3,463,489	51,958	3,515,447
Reinsurance assets	533,342	-	533,342
Insurance receivables	267,422	-	267,422
Cash and cash equivalents	1,408,077	1,280,986	2,689,063
	44,979,556	13,686,298	58,665,854
At 31 December 2021			
Available-for-sale financial assets	10,096,397	-	10,096,397
Fair value through profit or loss financial assets	30,067,239	11,705,084	41,772,323
Loans and receivables	3,804,063	11,283	3,815,346
Derivatives	-	-	-
Reinsurance assets	509,319	-	509,319
Insurance receivables	154,084	-	154,084
Cash and cash equivalents	2,009,851	930,292	2,940,143
	46,640,953	12,646,659	59,287,612

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 A are classified as speculative grade.

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 2022							
AFS financial assets							
Malaysian government securities	-	3,552,345	-	-	-	-	3,552,345
Cagamas papers	106,489	5,027	-	-	-	-	111,516
Unquoted equity securities	-	-	-	-	-	4,295	4,295
Corporate debt securities	3,410,918	3,574,750	-	-	-	-	6,985,668
Accrued interest	31,918	79,682	-	-	-	-	111,600

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 2022 (continued)							
FVTPL financial assets							
Malaysian government securities	-	6,442,444	-	-	394,873	-	6,837,317
Cagamas papers	766,999	-	-	-	224	-	767,223
Equity securities	11,872	-	-	-	7,970,516	5,908,397	13,890,785
Real estate investment trust funds	-	-	-	-	107,655	26,155	133,810
Corporate debt securities	9,056,092	7,199,617	-	-	2,713,356	-	18,969,065
Mutual funds	-	-	-	-	2,033,674	1,570,940	3,604,614
Accrued interest	104,362	150,361	-	-	37,106	280	292,109

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 2022 (continued)							
Derivaties	3,381	-	-	-	-	-	3,381
Loans and receivables							
Loan receivables	-	3,162,423	74,890	34,953	-	-	3,272,266
Fixed and call deposits with licensed banks	-	50,455	-	-	-	-	50,455
Other receivables	-	231,484	-	5,608	52,280	-	289,372
Reinsurance/retakaful assets	-	615,664	-	-	-	-	615,664
Insurance/takaful receivables	-	334,523	-	12,770	-	-	347,293
Cash and cash equivalents	1,584,110	79,767	-	-	1,412,611	-	3,076,488
Accrued interest	-	25,199	-	-	-	-	25,199
Allowance for impairment losses	-	-	-	(53,331)	-	-	(53,331)
	15,076,141	25,503,741	74,890	-	14,722,295	7,510,067	62,887,134

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 A are classified as speculative grade.

Group	Neither past due nor impaired			Past due			
	Investment grade (AAA-A)	Not rated	Past due but not impaired	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 2021							
AFS financial assets							
Malaysian government securities	-	3,434,824	-	-	-	-	3,434,824
Cagamas papers	132,842	-	-	-	-	-	132,842
Unquoted equity securities	-	-	-	-	-	4,295	4,295
Corporate debt securities	3,684,831	3,549,989	-	-	-	-	7,234,820
Accrued interest	40,415	76,341	-	-	-	-	116,756

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 2021 (continued)							
FVTPL financial assets							
Malaysian government securities	-	4,838,426	-	-	513,456	-	5,351,882
Cagamas papers	869,013	-	-	-	233	-	869,246
Equity securities	12,135	-	-	-	7,499,505	7,083,035	14,594,675
Real estate investment trust funds	-	-	-	-	121,714	108,255	229,969
Corporate debt securities	9,326,032	7,395,977	-	-	2,331,331	-	19,053,340
Mutual funds	-	-	-	-	2,008,410	1,551,284	3,559,694
Accrued interest	114,721	133,449	-	-	28,803	216	277,189

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 2021 (continued)							
Loans and receivables							
Loan receivables	-	3,357,700	52,169	37,105	-	-	3,446,974
Fixed and call deposits with licensed banks	-	43,871	-	-	-	-	43,871
Other receivables	-	428,825	-	7,836	12,865	-	449,526
Reinsurance/retakaful assets	-	566,029	-	-	-	-	566,029
Insurance/takaful receivables	-	203,993	-	30,264	-	-	234.257
Cash and cash equivalents	2,244,711	83,012	-	-	1,057,072	-	3,384,795
Accrued interest	-	26,402	-	-	-	-	26,402
Allowance for impairment losses	-	-	-	(75,205)	-	-	(75,205)
	16,424,700	24,138,838	52,169	-	13,573,389	8,747,085	62,936,181

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company	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 2022							
AFS financial assets							
Malaysian government securities	-	2,369,296	-	-	-	-	2,369,296
Cagamas papers	101,656	-	-	-	-	-	101,656
Unquoted equity securities	-	-	-	-	-	4,295	4,295
Corporate debt securities	3,066,664	3,285,035	-	-	-	-	6,351,699
Controlled Structured Entities	-	-	-	-	-	941,056	941,056
Accrued interest	28,524	65,478	-	-	-	-	94,002

38 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company (continued)	**Neither past due nor impaired** Investment grade (AAA-A) RM'000	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 2022 (continued)							
FVTPL financial assets							
Malaysian government securities	-	6,009,874	-	-	390,706	-	6,400,580
Cagamas papers	757,137	-	-	-	224	-	757,361
Equity securities	-	-	-	-	7,285,180	5,803,350	13,088,530
Real estate investment trust funds	-	-	-	-	98,994	24,698	123,692
Corporate debt securities	8,230,481	6,808,685	-	-	2,561,585	-	17,600,751
Mutual funds	-	-	-	-	1,983,444	1,570,940	3,554,384
Accrued interest	95,972	140,706	-	-	33,219	-	269,897

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 2022 (continued)							
Derivaties	3,381	-	-	-	-	-	3,381
Loans and receivables							
Loan receivables	-	3,161,189	74,890	34,953	-	-	3,271,032
Other receivables	-	202,297	-	3,316	51,958	-	257,571
Reinsurance assets	-	533,342	-	-	-	-	533,342
Insurance receivables	-	267,422	-	10,858	-	-	278,280
Cash and cash equivalents	1,404,291	3,787	-	-	1,280,985	-	2,689,063
Accrued interest	-	25,113	-	-	-	-	25,113
Allowance for impairment losses	-	-	-	(49,127)	-	-	(49,127)
	13,688,106	22,872,224	74,890	-	13,686,295	8,344,339	58,665,854

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 2021							
AFS financial assets							
Malaysian government securities	-	2,323,226	-	-	-	-	2,323,226
Cagamas papers	127,908	-	-	-	-	-	127,908
Unquoted equity securities	-	-	-	-	-	4,295	4,295
Corporate debt securities	3,283,678	3,322,675	-	-	-	-	6,606,353
Controlled Structured Entities	-	-	-	-	-	935,353	935,353
Accrued interest	36,230	63,032	-	-	-	-	99,262

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 2021 (continued)							
FVTPL financial assets							
Malaysian government securities	-	4,585,952	-	-	496,813	-	5,082,765
Cagamas papers	869,013	-	-	-	233	-	869,246
Equity securities	-	-	-	-	6,876,044	6,974,367	13,850,411
Real estate investment trust funds	-	-	-	-	114,994	107,093	222,087
Corporate debt securities	8,725,409	7,019,982	-	-	2,219,752	-	17,965,143
Mutual funds	-	-	-	-	1,971,107	1,551,284	3,522,391
Accrued interest	107,970	126,169	-	-	26,141	-	260,280

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 2021 (continued)							
Loans and receivables							
Loan receivables	-	3,356,108	52,169	36,846	-	-	3,445,123
Other receivables	-	369,406	-	5,771	11,283	-	386,460
Reinsurance assets	-	509,319	-	-	-	-	509,319
Insurance receivables	-	154,084	-	23,793	-	-	177,877
Cash and cash equivalents	2,006,384	3,467	-	-	930,292	-	2,940,143
Accrued interest	-	26,380	-	-	-	-	26,380
Allowance for impairment losses	-	-	-	(66,410)	-	-	(66,410)
	15,156,592	21,859,800	52,169	-	12,646,659	9,572,392	59,287,612

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 2022 RM'000	Group 2021 RM'000
Policy loans	Cash surrender value	1,251,217	1,299,121
Mortgage loans	Properties	2,002,908	2,124,094
Staff loans	Motor vehicles and properties	17,028	21,308
Unsecured loans	Nil	1,113	2,451
Accrued interest	Nil	25,199	26,402
		3,297,465	3,473,376

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 2022 RM'000	Company 2021 RM'000
Policy loans	Cash surrender value	1,251,217	1,299,121
Mortgage loans	Properties	2,002,908	2,124,094
Staff loans	Motor vehicles and properties	15,794	19,457
Unsecured loans	Nil	1,113	2,451
Accrued interest	Nil	25,113	26,380
		3,296,145	3,471,503

Age analysis of financial assets past-due but not impaired

	Group 30 days RM'000	Group 60 days RM'000	Group > 90 days RM'000	Group Total RM'000
At 31 December 2022				
Loan receivables	37	1	1,036	1,074
At 31 December 2021				
Loan receivables	42	13	280	335

	Company 30 days RM'000	Company 60 days RM'000	Company > 90 days RM'000	Company Total RM'000
At 31 December 2022				
Loan receivables	37	1	1,036	1,074
At 31 December 2021				
Loan receivables	41	-	280	321

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	37,105	38,383	7,836	14,301	30,264	27,304
Net (recovery)/ charge for the financial year	(2,152)	(1,278)	(2,228)	(4,442)	(17,494)	4,600
Writeback/ (write off) of allowance for impairment losses	-	-	-	(2,023)	-	(1,640)
At 31 December	34,953	37,105	5,608	7,836	12,770	30,264

Company

	Loan receivables		Other receivables		Insurance/takaful receivables	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	36,846	38,383	5,771	13,201	23,793	21,106
Net (recovery)/ charge for the financial year	(1,893)	(1,537)	(2,455)	(5,407)	(12,935)	4,897
Write off of allowance for impairment losses	-	-	-	(2,023)	-	(2,210)
At 31 December	34,953	36,846	3,316	5,771	10,858	23,793

38 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk

Liquidity risk primarily refers to the risk that expected and unexpected cash demands of deposit-, policy-, and other contract-holders cannot be met.

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, in line with the Liquidity Management and Contingency Plan. 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.

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.

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 2022	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	10,765,424	524,721	1,152,470	1,480,809	11,591,840	4,294	-	14,754,134
Fair value through profit or loss financial assets	44,494,923	1,580,553	3,720,550	4,432,058	26,281,457	143,073	13,257,404	49,415,095
Derivatives	3,381	1,229	(8,944)	2,967	8,129	-	-	3,381
Loans and receivables	3,596,731	276,426	348,543	333,091	2,450,671	1,223,107	52,281	4,684,119
Reinsurance/retakaful assets	615,664	598,898	13,729	2,057	980	-	-	615,664
Insurance/takaful receivables	334,523	334,523	-	-	-	-	-	334,523
Cash and cash equivalents	3,076,488	1,663,876	-	-	-	-	1,412,612	3,076,488
Total assets	62,887,134	4,980,226	5,226,348	6,250,982	40,333,077	1,370,474	14,722,297	72,883,404
Insurance/takaful contract liabilities:								
With DPF	27,447,179	733,489	527,947	368,814	23,143,517	1,644,897	1,028,515	27,447,179
Without DPF	21,741,351	783,671	233,367	170,870	6,878,470	-	13,674,973	21,741,351
Insurance/takaful payables	8,217,698	8,217,698	-	-	-	-	-	8,217,698
Other payables	1,089,389	1,072,405	-	-	-	-	16,984	1,089,389
Expense liabilities	24,772	8,582	75	161	15,954	-	-	24,772
Lease liabilities	104,688	18,307	49,008	25,373	12,000	-	-	104,688
Total liabilities	58,625,077	10,834,152	810,397	565,218	30,049,941	1,644,897	14,720,472	58,625,077

38 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Group At 31 December 2021	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	10,923,537	582,101	1,160,673	1,263,688	12,060,185	4,625	-	15,071,272
Fair value through profit or loss financial assets	43,935,995	2,256,257	2,911,944	3,525,796	24,862,526	229,058	12,503,452	46,289,033
Loans and receivables	3,921,832	258,681	370,711	354,792	2,646,586	1,270,372	12,865	4,914,007
Reinsurance/retakaful assets	566,029	554,979	5,636	2,872	2,542	-	-	566,029
Insurance/takaful receivables	203,993	203,993	-	-	-	-	-	203,993
Cash and cash equivalents	3,384,795	2,327,723	-	-	-	-	1,057,072	3,384,795
Total assets	62,936,181	6,183,734	4,448,964	5,147,148	39,571,839	1,504,055	13,573,389	70,429,129
Insurance/takaful contract liabilities:								
With DPF	28,874,248	744,073	656,784	410,503	24,377,640	1,768,524	916,724	28,874,248
Without DPF	20,234,601	624,833	222,301	167,146	6,712,276	-	12,508,045	20,234,601
Insurance/takaful payables	7,920,404	7,920,404	-	-	-	-	-	7,920,404
Other payables	1,207,181	1,152,963	-	-	-	-	54,218	1,207,181
Expense liabilities	22,505	6,927	77	121	15,380	-	-	22,505
Lease liabilities	121,323	16,510	49,356	34,770	20,687	-	-	121,323
Total liabilities	58,380,262	10,465,710	928,518	612,540	31,125,983	1,768,524	13,478,987	58,380,262

38 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

At 31 December 2022	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	9,862,004	497,665	1,058,785	1,413,110	11,303,219	4,294	-	14,277,073
Fair value through profit or loss financial assets	41,795,195	1,388,981	3,371,047	4,002,983	24,744,790	24,698	12,353,354	45,885,853
Derivatives	3,381	1,229	(8,944)	2,967	8,129	-	-	3,381
Loans and receivables	3,515,447	232,866	348,458	333,058	2,450,401	1,223,107	51,958	4,639,848
Reinsurance assets	533,342	533,342	-	-	-	-	-	533,342
Insurance receivables	267,422	267,422	-	-	-	-	-	267,422
Cash and cash equivalents	2,689,063	1,408,077	-	-	-	-	1,280,986	2,689,063
Total assets	58,665,854	4,329,582	4,769,346	5,752,118	38,506,539	1,252,099	13,686,298	68,295,982
Insurance contract liabilities:								
With DPF	24,582,561	406,123	515,772	340,544	22,050,991	1,269,131	-	24,582,561
Without DPF	21,382,685	610,992	88,345	139,987	6,868,388	-	13,674,973	21,382,685
Insurance payables	8,183,185	8,183,185	-	-	-	-	-	8,183,185
Other payables	881,582	864,886	-	-	-	-	16,696	881,582
Lease liabilities	104,751	21,957	45,588	25,206	12,000	-	-	104,751
Total liabilities	55,134,764	10,087,143	649,705	505,737	28,931,379	1,269,131	13,691,669	55,134,764

38 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

At 31 December 2021	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	10,096,397	552,188	1,067,874	1,141,261	11,769,311	4,625	-	14,535,259
Fair value through profit or loss financial assets	41,772,323	2,112,017	2,687,123	3,231,436	23,679,993	107,093	11,705,084	43,522,746
Derivatives	-	-	-	-	-	-	-	-
Loans and receivables	3,815,346	201,278	370,580	354,777	2,646,586	1,270,372	11,283	4,854,876
Reinsurance assets	509,319	509,319	-	-	-	-	-	509,319
Insurance receivables	154,084	154,084	-	-	-	-	-	154,084
Cash and cash equivalents	2,940,143	2,009,851	-	-	-	-	930,292	2,940,143
Total assets	59,287,612	5,538,737	4,125,577	4,727,474	38,095,890	1,382,090	12,646,659	66,516,427
Insurance contract liabilities:								
With DPF	26,530,119	485,197	647,277	387,667	23,507,352	1,502,624	-	26,530,117
Without DPF	19,902,830	468,395	90,193	137,479	6,698,719	-	12,508,045	19,902,831
Insurance payables	7,888,434	7,888,434	-	-	-	-	-	7,888,434
Other payables	983,156	933,861	-	-	-	-	49,295	983,156
Lease liabilities	121,386	21,651	45,143	33,905	20,687	-	-	121,386
Total liabilities	55,425,925	9,797,538	782,613	559,051	30,226,758	1,502,624	12,557,340	55,425,924

38 FINANCIAL RISKS (CONTINUED)

(c) Market risk

(i) Interest/profit rate risk

Interest/Profit risk is the risk arising from the impact of interest rate movements on the value of future asset and liability cash flows.

The Group's exposure to interest/profit risk predominantly arises from any differences between the duration of the Group's 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. Since most markets do not have assets of sufficient tenor to match its insurance liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Group's insurance liabilities.

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.

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.

38 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest/profit rate risk (continued)

Change in variable	Impact on Insurance/ takaful contract liabilities	Impact on profit after tax	Impact on equity
	RM'000	RM'000	RM'000
Group			
At 31 December 2022			
+50 basis points shift in yield curves	(817,388)	-	(317,969)
- 50 basis points shift in yield curves	855,826	-	338,543
At 31 December 2021			
+50 basis points shift in yield curves	(805,760)	-	(351,855)
- 50 basis points shift in yield curves	861,366	-	378,819
Company			
At 31 December 2022			
+50 basis points shift in yield curves	(757,501)	-	(298,934)
- 50 basis points shift in yield curves	806,286	-	319,855

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 2021			
+50 basis points shift in yield curves	(763,800)	-	(334,020)
- 50 basis points shift in yield curves	816,436	-	360,028

(d) Equity risk

Equity risk refers to the risk of adverse market movement in equity investments leading to a reduction in surplus, or current and future fee income/profit share.

The Group manages equity 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)

(d) Equity 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 2022			
+ 10% shift in equity price	564,133	131,307	100,211
- 10% shift in equity price	(564,133)	(131,307)	(100,211)
At 31 December 2021			
+ 10% shift in equity price	760,668	42,861	33,151
- 10% shift in equity price	(760,668)	(42,861)	(33,151)
Company			
At 31 December 2022			
+ 10% shift in equity price	559,152	131,130	99,680
- 10% shift in equity price	(559,152)	(131,130)	(99,680)
At 31 December 2021			
+ 10% shift in equity price	755,687	42,680	32,616
- 10% shift in equity price	(755,687)	(42,680)	(32,616)

38 FINANCIAL RISKS (CONTINUED)

(e) Foreign Exchange risk

Foreign exchange risk is the risk arising from foreign exchange rate movements on the relative value of asset and liability cash flows. The Group's primary transactions are carried out in RM and its exposure to foreign exchange 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 foreign exchange risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments. Cross-currency swaps and foreign exchange forward contracts are commonly used to hedge exposures that are subject to foreign exchange risks.

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 foreign exchange 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 2022				
USD	10% strengthening	69,287	38,200	38,009
EUR	10% strengthening	-	6	6
HKD	10% strengthening	13,202	4,833	4,809
At 31 December 2021				
USD	10% strengthening	131,166	26,325	26,311
EUR	10% strengthening	44	12	12
HKD	10% strengthening	28,752	3,591	3,589

38 FINANCIAL RISKS (CONTINUED)

(e) Foreign Exchange risk (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 2022				
AUD	10% strengthening	-	-	-
USD	10% strengthening	69,287	38,200	38,009
EUR	10% strengthening	-	6	6
HKD	10% strengthening	13,202	4,833	4,809
SGD	10% strengthening	-	-	-
At 31 December 2021				
AUD	10% strengthening	-	-	-
USD	10% strengthening	131,166	26,325	26,311
EUR	10% strengthening	44	12	12
HKD	10% strengthening	28,752	3,591	3,589
SGD	10% strengthening	-	-	-

39 NON FINANCIAL RISKS

(a) Operational risk

Operational risk is the risk arising from internal processes, personnel and systems or from external events which may result in a direct or indirect business impact. This includes potential legal or regulatory sanctions, financial loss, or loss of reputation the Group may suffer as a result of a failure (or perceived failure) to comply with applicable laws, regulations or industry standards.

The Group protects itself against financial losses by establishing controls for day-to-day management of the business' Operational and Compliance Risks as per the Internal Control Framework, which is set out in part of the Directors' Report

(b) Business risk

Business risk is the risk of loss, lower than anticipated or forgone business profits arising from greater-than-expected business expenses or a reduced revenue base. This may arise due to internal factors such as the business strategy, or from implications of the wider business environment over the planning horizon.

The Group undertakes an annual 'bottom-up' planning process to develop and set the Group's strategy and corporate objectives. Strategies are reviewed by the senior management (including the CRO) to ensure that the Group continues to operate within risk appetite with the selected strategies, from the regulatory capital, liquidity and earnings volatility perspective. The expectations for performing risk assessments and other risk considerations as part of the strategic planning process are established through the risk policies and standards. Key business risks inherent in the strategies are identified, with the corresponding risk mitigations.

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. For 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 most 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 (2021: 302,264,978), representing approximately 2.5% (2021: 2.5%) of the number of shares in issue of AIAGL as at 31 December 2022.

	Group		Company	
	2022	**2021**	**2022**	**2021**
	Number of shares	**Number of shares**	**Number of shares**	**Number of shares**
Outstanding at beginning of financial year	1,185,634	1,347,327	1,075,289	1,236,982
Granted	501,450	400,065	501,450	400,065
Vested	(198,340)	(214,667)	(198,340)	(214,667)
Transferred in	19,196	77,242	19,196	77,242
Transferred out	(15,048)	(97,875)	(15,048)	(97,875)
Forfeited or expired	(243,329)	(326,458)	(243,329)	(326,458)
Outstanding at end of financial year	1,249,563	1,185,634	1,139,218	1,075,289

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 approximately three to five years, during which, the eligible participants are required to remain in employment with the AIA Group. For 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 SOs expire ten years from the date of grant and each SO entitles the eligible participant to subscribe for one ordinary share. Subject to restrictions in the applicable laws, regulations and rules of the relevant jurisdictions, the granted SOs are expected to be settled in equity. The total number of shares under options that can be granted under the scheme is 302,264,978 (2021: 302,264,978), representing approximately 2.5% of the number of shares in issue of AIAGL as at 31 December 2022.

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 2022		31 December 2021	
	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	290,884	62.82	271,966	60.42
Granted	24,046	79.85	18,918	97.33
Outstanding at end of financial year/period	314,930	64.12	290,884	62.82

40 SHARE-BASED PAYMENT (CONTINUED)

(b) SO Scheme (continued)

The range of exercise prices for the share options outstanding as of 31 December 2022 is summarised in the table below.

	31 December 2022		31 December 2021	
	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	3.34	127,673	4.34
HK$56 – HK$65	-	-	-	-
HK$66 – HK$75	99,287	6.19	99,287	7.19
HK$76 - HK$85	69,052	7.27	45,006	7.23
HK$86 - HK$98	18,918	-	18,918	-
Outstanding at end of financial year	314,930	4.69	290,884	6.08

(c) ESPP

Under the 2011 and 2020 ESPPs, 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 in order to qualify to receive the matching shares upon the vesting of the matching RSPUs. Under the 2011 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 2022, eligible employees paid RM8,164,834 (2021: RM7,685,380) to purchase 185,073 (2021: 155,037) ordinary shares of AIAGL under the 2011 ESPP and 2020 ESPP.

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			
2022			
Risk free interest rate	1.93%	1.57%	0.84% - 4.27%
Volatility	26%	26%	N/A
Dividend yield	1.70%	1.70%	1.60% - 1.70%
Option life (in years)	10	N/A	N/A
Exercise price (HK$)	79.85	N/A	N/A
Expected life (in years)	7.45	N/A	N/A
Weighted average fair value per option/unit at measurement date (HK$)	21.00	64.11	73.29
2021			
Risk free interest rate	1.24%	0.27%	0.16% - 0.83%
Volatility	26%	26%	N/A
Dividend yield	1.60%	1.60%	1.60% - 1.70%
Option life (in years)	10	N/A	N/A
Exercise price (HK$)	97.33	N/A	N/A
Expected life (in years)	7.82	N/A	N/A
Weighted average fair value per option/unit at measurement date (HK$)	22.26	64.44	72.13

* *Applicable to RSU with market condition.*

The weighted average share price for share option valuation is HK$79.85 (2021: HK$97.33).

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 2022 are RM10,705,000 (2021: RM9,308,000) and RM10,436,000 (2021: RM9,097,000) respectively.

41 REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2022, as prescribed under the RBC Framework is provided below:

	Company	
	2022 RM'000	2021 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	810,000	810,000
Reserves, including retained earnings	10,779,431	11,172,828
	11,589,431	11,982,828
Tier 2 Capital		
Revaluation reserves	204,194	200,033
Available-for-sale fair value reserves	(52,529)	225,939
	151,665	425,972
Amount deducted from capital	(953,139)	(847,952)
Total capital available	10,787,957	11,560,848

42 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events to or from the reporting date that require disclosures or adjustments to the financial statements.

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 Financial Services Act/Islamic Financial Services Act.

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 2022

At 31 December 2022

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	1,889	387,544	-	389,433
Right-of-use assets	127	97,247	-	97,374
Investment properties	-	346,990	-	346,990
Intangible assets	17,295	341,474	-	358,769
Investment in associates	-	2,756	-	2,756
Available-for-sale financial assets	2,315,639	8,457,743	(7,958)	10,765,424
Fair value through profit or loss financial assets	38,733	44,456,190	-	44,494,923
Derivative financial instrument	58	3,323	-	3,381
Loans and receivables	624,547	3,513,350	(541,166)	3,596,731
Reinsurance/retakaful assets	40,139	575,525	-	615,664
Insurance/takaful receivables	43,577	290,946	-	334,523
Deferred tax assets	12,848	4,145	-	16,993
Current tax assets	95,406	192,028	-	287,434
Cash and cash equivalents	130,139	2,946,349	-	3,076,488
Total assets	3,320,397	61,615,610	(549,124)	64,386,883

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2022 (CONTINUED)

At 31 December 2022

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	2,725,191	2,495,148	42	5,220,381
Insurance/takaful contract liabilities	383,438	48,837,864	(8,000)	49,213,302
Deferred tax liabilities	(2,718)	542,323	-	539,605
Insurance/takaful payables	11,146	8,206,552	-	8,217,698
Derivative financial instrument	-	-	-	-
Current tax liabilities	-	1,820	-	1,820
Other payables	203,403	1,427,152	(541,166)	1,089,389
Lease liabilities	(63)	104,751		104,688
Total liabilities	595,206	59,120,462	(549,166)	59,166,502
Total equity and liabilities	3,320,397	61,615,610	(549,124)	64,386,883

At 31 December 2021

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	2,499	400,533	-	403,032
Right-of-use assets	128	114,643	-	114,771
Investment properties	-	345,200	-	345,200
Intangible assets	13,974	250,093	-	264,067
Investment in associates	-	8,049	-	8,049
Available-for-sale financial Assets	2,278,385	8,655,156	(10,004)	10,923,537
Fair value through profit or loss financial assets	27,102	43,908,893	-	43,935,995
Derivative financial instrument	7	-	(7)	-
Loans and receivables	786,821	3,822,014	(687,003)	3,921,832
Reinsurance/retakaful assets	26,826	542,309	-	569,135
Insurance/takaful receivables	37,889	166,104	-	203,993
Deferred tax assets	9,762	-	(6,560)	3,202
Current tax assets	90,615	112,415	-	203,030
Cash and cash equivalents	167,068	3,217,727	-	3,384,795
Total assets	3,441,076	61,543,136	(703,574)	64,280,638

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2022 (CONTINUED)

At 31 December 2021

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	2,854,611	2,307,349	(1,525)	5,160,435
Insurance/takaful contract liabilities	354,276	48,785,557	(8,479)	49,131,354
Deferred tax liabilities	45,815	692,919	(6,560)	732,174
Insurance/takaful payables	10,914	7,909,490	-	7,920,404
Derivative financial instrument	-	3,457	(7)	3,450
Current tax liabilities	2,274	2,043	-	4,317
Other payables	173,249	1,720,935	(687,003)	1,207,181
Lease liabilities	(63)	121,386	-	121,323
Total liabilities	586,465	59,235,787	(702,049)	59,120,203
Total equity and liabilities	3,441,076	61,543,136	(703,574)	64,280,638

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2022 (CONTINUED)

At 31 December 2022

Company	Shareholders' Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	1,050	387,544	-	388,594
Right-of-use assets	-	97,247	-	97,247
Investment properties	-	346,990	-	346,990
Intangible assets	-	341,474	-	341,474
Investment in subsidiaries	597,859	-	-	597,859
Investment in associates	-	88	-	88
Available-for-sale financial assets	1,405,765	8,456,239	-	9,862,004
Fair value through profit or loss financial assets	25,305	41,769,890	-	41,795,195
Derivative financial instrument	58	3,323	-	3,381
Loans and receivables	449,499	3,512,056	(446,108)	3,515,447
Reinsurance assets	-	533,342	-	533,342
Insurance receivables	-	267,422	-	267,422
Current tax assets	87,080	192,029	-	279,109
Cash and cash equivalents	2,614	2,686,449	-	2,689,063
Total assets	2,569,230	58,594,093	(446,108)	60,717,215
Total equity	2,481,851	2,560,999	-	5,042,850
Insurance contract liabilities	-	45,965,246	-	45,965,246
Deferred tax liabilities	(2,718)	542,319	-	539,601
Insurance payables	-	8,183,185	-	8,183,185
Derivative financial instruments	-	-	-	-
Other payables	90,097	1,237,593	(446,108)	881,582
Lease liabilities	-	104,751	-	104,751
Total liabilities	87,379	56,033,094	(446,108)	55,674,365
Total equity and liabilities	2,569,230	58,594,093	(446,108)	60,717,215

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2022 (CONTINUED)

At 31 December 2021

Company	Shareholders' Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Assets				
Property, plant and equipment	1,060	400,533	-	401,593
Right-of-use assets	-	114,643	-	114,643
Investment properties	-	345,200	-	345,200
Intangible assets	-	250,093	-	250,093
Investment in subsidiaries	597,859	-	-	597,859
Investment in associates	-	88	-	88
Available-for-sale financial assets	1,454,211	8,652,190	(10,004)	10,096,397
Fair value through profit or loss financial assets	14,535	41,757,788	-	41,772,323
Derivative financial instrument	7	-	(7)	-
Loans and receivables	593,118	3,813,114	(590,886)	3,815,346
Reinsurance assets	-	509,319	-	509,319
Insurance receivables	-	154,084	-	154,084
Current tax assets	81,720	112,415	-	194,135
Cash and cash equivalents	21,030	2,919,113	-	2,940,143
Total assets	2,763,540	59,028,580	(600,897)	61,191,223
Total equity	2,661,887	2,369,980	(1,525)	5,030,342
Insurance contract liabilities	-	46,441,428	(8,479)	46,432,949
Deferred tax liabilities	43,079	688,427	-	731,506
Insurance payables	-	7,888,434	-	7,888,434
Derivative financial instruments	-	3,457	(7)	3,450
Other payables	58,574	1,515,468	(590,886)	983,156
Lease liabilities	-	121,386	-	121,386
Total liabilities	101,653	56,658,600	(599,372)	56,160,881
Total equity and liabilities	2,763,540	59,028,580	(600,897)	61,191,223

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2022

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	298,583	11,655,225	(8,000)	11,945,808
Premiums/contributions ceded to reinsurers/retakaful operators	(18,463)	(1,281,998)	-	(1,300,461)
Net earned premiums/ contributions revenue	280,120	10,373,227	(8,000)	10,645,347
Investment income	113,052	2,337,241	-	2,450,293
Net realised gains	(16,743)	(34,585)	(154)	(51,482)
Fair value losses	1,776	(2,230,736)	-	(2,228,960)
Fees and commission income	555,576	-	(555,576)	-
Other operating income/ (expenses)	181,788	148,723	(239,692)	90,819
Total net revenue	1,115,569	10,593,870	(803,422)	10,906,017
Gross benefits and claims paid	(90,252)	(7,714,928)	-	(7,805,180)
Claims ceded to reinsurers/ retakaful operators	7,179	1,003,321	-	1,010,500
Gross change to insurance/ takaful contract liabilities	(19,827)	(48,680)	9,678	(58,829)
Change in insurance/takaful contract liabilities ceded to reinsurers/retakaful operators	10,438	33,216	-	43,654
Net insurance/takaful benefits and claims	(92,462)	(6,727,071)	9,678	(6,809,855)
Wakalah fee expense				
Fee and commission expenses	(492,590)	(1,795,716)	555,576	(1,732,730)
Management expenses	(462,562)	(1,202,774)	250,180	(1,415,156)
Other expenses	(955,152)	(2,998,490)	805,756	(3,147,886)
Profit before share of profit from associate	67,955	868,309	12,012	948,276
Share of loss from associate	-	(43)	-	(43)
Profit before tax	67,955	868,266	12,012	948,233
Tax credit attributable to policyholders and unitholders	-	97,048	-	97,048
Profit before tax attributable to shareholders	67,955	965,314	12,012	1,045,281
Transfer from Revenue Accounts	498,069	(498,069)	-	-
Profit before tax attributable to shareholders	566,024	467,245	12,012	1,045,281
Tax expense attributable to shareholders	(144,064)	(61,120)	-	(205,184)
Profit after tax for the financial year	421,960	406,125	12,012	840,097

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2022

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	421,960	406,125	12,012	840,097
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Net losses arising during the financial year	(27,024)	(308,050)	(1,010)	(336,084)
Net realised losses transferred to income statements	3,428	12,281	-	15,709
Deferred taxation	2,615	69,914	-	72,529
Change in insurance/takaful contract liabilities	-		-	-
Change in available-for-sale fair value reserves	(20,981)	(225,855)	(1,010)	(247,846)
Items that will not be subsequently reclassified to profit or loss				
Net gains arising during the financial year	5,389	-	-	5,389
Deferred taxation	(274)	-	-	(274)
Change in insurance/takaful contract liabilities	(4,503)	-	-	(4,503)
Change in asset revaluation reserves	612	-	-	612
Remeasurements	1,244	-	-	1,244
Deferred taxation	(161)	-	-	(161)
Post employment benefit obligations	1,083	-	-	1,083
Total other comprehensive expense– net of tax, for the financial year	(19,286)	(225,855)	(1,010)	(246,151)
Total comprehensive income for the financial year	402,674	180,270	11,002	593,946

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2021

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	293,969	11,214,578	-	11,508,547
Premiums/contributions ceded to reinsurers/retakaful operators	(18,664)	(1,179,344)	-	(1,198,008)
Net earned premiums/ contributions revenue	275,305	10,035,234	-	10,310,539
Investment income	102,211	2,274,035	-	2,376,246
Net realised gains	2,547	102,508	(5,562)	99,493
Fair value losses	(622)	(1,516,989)	-	(1,517,611)
Fees and commission income	487,401	-	(487,401)	-
Other operating income/ (expenses)	145,653	92,971	(189,048)	49,576
Total net revenue	1,012,495	10,987,759	(682,011)	11,318,243
Gross benefits and claims paid	(67,424)	(6,810,794)	20,562	(6,857,656)
Claims ceded to reinsurers/ retakaful operators	5,491	736,539	-	742,030
Gross change to insurance/ takaful contract liabilities	(26,536)	(805,881)	(20,562)	(852,979)
Change in insurance/takaful contract liabilities ceded to reinsurers/retakaful operators	7,947	137,613	-	145,560
Net insurance/takaful benefits and claims	(80,522)	(6,742,523)	-	(6,823,045)
Wakalah fee expense				
Fee and commission expenses	(477,240)	(1,746,419)	487,401	(1,736,258)
Management expenses	(413,195)	(1,106,534)	197,649	(1,322,080)
Other expenses	(890,435)	(2,852,953)	685,050	(3,058,338)
Profit before share of profit from associate	41,538	1,392,283	3,039	1,436,860
Share of loss from associate	-	(232)	-	(232)
Profit before tax	41,538	1,392,051	3,039	1,436,628
Tax credit attributable to policyholders and unitholders	-	44,260	-	44,260
Profit before tax attributable to shareholders	41,538	1,436,311	3,039	1,480,888
Transfer from Revenue Accounts	589,618	(589,618)	-	-
Profit before tax attributable to shareholders	631,156	846,693	3,039	1,480,888
Tax expense attributable to shareholders	(112,638)	(230,226)	-	(342,864)
Profit after tax for the financial year	518,518	616,467	3,039	1,138,024

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2021

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	518,518	616,467	3,039	1,138,024
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Net losses arising during the financial year	(132,253)	(458,582)	36,143	(554,692)
Net realised losses transferred to income statements	(9,751)	(57,008)	-	(66,759)
Deferred taxation	23,780	121,520	-	145,300
Change in insurance/takaful contract liabilities	-	(104)	-	(104)
Change in available-for-sale fair value reserves	(118,224)	(394,174)	36,143	(476,255)
Items that will not be subsequently reclassified to profit or loss				
Net gains arising during the financial year	4,454	-	-	4,454
Deferred taxation	(105)	-	-	(105)
Change in insurance/takaful contract liabilities	(3,654)	-	-	(3,654)
Change in asset revaluation reserves	695	-	-	695
Remeasurements	3,744	-	-	3,744
Deferred taxation	(645)	-	-	(645)
Post employment benefit obligations	3,099	-	-	3,099
Total other comprehensive expense– net of tax, for the financial year	(114,430)	(394,174)	36,143	(472,461)
Total comprehensive income for the financial year	404,088	222,293	39,182	665,563

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2022

Company	Shareholders' Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Gross earned premiums	-	9,900,809	-	9,900,809
Premiums ceded to reinsurers	-	(1,227,591)	-	(1,227,591)
Net earned premiums	-	8,673,218	-	8,673,218
Investment income	82,138	2,246,320	-	2,328,458
Net realised gains	(1,177)	(12,218)	(154)	(13,549)
Fair value losses	2,179	(2,130,023)	-	(2,127,844)
Other operating income/ (expenses)	93,977	162,258	(149,644)	106,591
Total net revenue	177,117	8,939,555	(149,798)	8,966,874
Gross benefits and claims paid	-	(7,132,125)	-	(7,132,125)
Claims ceded to reinsurers	-	958,435	-	958,435
Gross change to insurance contract liabilities	-	479,701	1,678	481,379
Change in insurance contract liabilities ceded to reinsurers	-	24,023	-	24,023
Net insurance benefits and claims	-	(5,669,966)	1,678	(5,668,288)
Fee and commission expenses	-	(1,240,140)	-	(1,240,140)
Management expenses	(137,600)	(1,199,236)	149,644	(1,187,192)
Other expenses	(137,600)	(2,439,376)	149,644	(2,427,332)
Profit before tax	39,517	830,213	1,524	871,254
Tax credit attributable to policyholders and unitholders	-	90,102	-	90,102
Profit before tax attributable to shareholders	39,517	920,315	1,524	961,356
Transfer from Revenue Accounts	450,000	(450,000)	-	-
Profit before tax attributable to shareholders	489,517	470,315	1,524	961,356
Tax expense attributable to shareholders	(122,004)	(61,120)	-	(183,124)
Profit after tax for the financial year	367,513	409,195	1,524	778,232

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2022

Company	Shareholders' Fund	Life Fund	Inter-fund Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Profit after tax for the financial year	367,513	409,195	1,524	778,232
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Net losses arising during the financial year	(15,608)	(300,217)	-	(315,825)
Net realised losses transferred to income statements	397	12,281	-	12,678
Deferred taxation	1,643	68,086	-	69,729
Change in available-for-sale fair value reserves	(13,568)	(219,850)	-	(233,418)
Net gains arising during the financial year	5,389	-	-	5,389
Deferred taxation	(274)	-	-	(274)
Change in insurance contract liabilities	(4,503)	-	-	(4,503)
Change in asset revaluation reserve	612	-	-	612
Remeasurements	1,244	-	-	1,244
Deferred taxation	(161)	-	-	(161)
Post employment benefit obligations	1,083	-	-	1,083
Total other comprehensive expense – net of tax, for the financial year	(11,873)	(219,850)	-	(231,723)
Total comprehensive income for the financial year	355,640	189,345	1,524	546,509

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENTS BY FUNDS

2021

Company	Shareholders' Fund RM'000	Life Fund RM'000	Inter-fund Elimination RM'000	Total RM'000
Gross earned premiums	-	9,692,298	-	9,692,298
Premiums ceded to reinsurers	-	(1,136,765)	-	(1,136,765)
Net earned premiums	-	8,555,533	-	8,555,533
Investment income	121,962	2,199,936	-	2,321,898
Net realised gains	14,528	56,520	(5,562)	65,486
Fair value losses	(87)	(1,396,320)	(4)	(1,396,411)
Other operating income/ (expenses)	76,846	103,333	(126,164)	54,015
Total net revenue	213,249	9,519,002	(131,730)	9,600,521
Gross benefits and claims paid	-	(6,379,089)	20,562	(6,358,527)
Claims ceded to reinsurers	-	699,030	-	699,030
Gross change to insurance contract liabilities	-	(248,644)	(20,562)	(269,206)
Change in insurance contract liabilities ceded to reinsurers	-	125,514	-	125,514
Net insurance benefits and claims	-	(5,803,189)	-	(5,803,189)
Fee and commission expenses	-	(1,259,018)	-	(1,259,018)
Management expenses	(124,800)	(1,103,677)	126,164	(1,102,313)
Other expenses	(124,800)	(2,362,695)	126,164	(2,361,331)
Profit before tax	88,449	1,353,118	(5,566)	1,436,001
Tax credit attributable to policyholders and unitholders	-	38,790	-	38,790
Profit before tax attributable to shareholders	88,449	1,391,908	(5,566)	1,474,791
Transfer from Revenue Accounts	550,000	(550,000)	-	-
Profit before tax attributable to shareholders	638,449	841,908	(5,566)	1,474,791
Tax expense attributable to shareholders	(87,406)	(230,226)	-	(317,632)
Profit after tax for the financial year	551,043	611,682	(5,566)	1,157,159

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME BY FUNDS

2021

Company	Shareholders' Fund	Life Fund	Inter-fund Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Profit after tax for the financial year	551,043	611,682	(5,566)	1,157,159
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Net losses arising during the financial year	(63,754)	(458,636)	-	(522,390)
Net realised losses transferred to income statements	(9,899)	(57,008)	-	(66,907)
Deferred taxation	17,270	121,568	-	138,838
Change in available-for-sale fair value reserves	(56,383)	(394,076)	-	(450,459)
Net gains arising during the financial year	4,454	-	-	4,454
Deferred taxation	(105)	-	-	(105)
Change in insurance contract liabilities	(3,654)	-	-	(3,654)
Change in asset revaluation reserve	695	-	-	695
Remeasurements	3,744	-	-	3,744
Deferred taxation	(645)	-	-	(645)
Post employment benefit obligations	3,099	-	-	3,099
Total other comprehensive expense – net of tax, for the financial year	(52,589)	(394,076)	-	(446,665)
Total comprehensive income for the financial year	498,454	217,606	(5,566)	710,494

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

Included in the Income Statements for the financial year ended 31 December 2021 and financial year ended 31 December 2022, and the Statements of Financial Position as at 31 December 2021 and 31 December 2022 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 2022

		Group
	2022	**2021**
	RM'000	**RM'000**
Assets		
Fair value through profit or loss financial assets	13,257,404	12,503,452
Other receivables	52,282	18,558
Current tax assets	12,629	-
Deferred tax assets	-	-
Cash and cash equivalents	1,412,612	1,057,072
Total assets	14,734,927	13,579,082
Less: Liabilities		
Other payables	15,781	54,218
Deferred tax liabilities	7,658	83,939
Current tax liabilities	-	7,677
Total liabilities	23,439	145,834
Net asset value	14,711,488	13,433,248

INCOME STATEMENT FOR INVESTMENT-LINKED FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group
	2022	**2021**
	RM'000	**RM'000**
Investment income	469,698	380,607
Fair value (losses)/gains	(862,577)	50,558
Other operating expense	(5,889)	(2,220)
	(398,768)	428,945
Management expenses	(149,797)	(126,317)
(Loss)/Profit before tax	(548,565)	302,628
Tax expenses	66,248	(6,629)
(Loss)/Profit after tax for the financial year	(482,317)	295,999

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

43 INSURANCE/TAKAFUL FUNDS (CONTINUED)

Included in the Income Statements for the financial year ended 31 December 2021 and financial year ended 31 December 2022, and the Statements of Financial Position as at 31 December 2021 and 31 December 2022 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 2022

	Company	
	2022 RM'000	2021 RM'000
Assets		
Fair value through profit or loss financial assets	12,353,354	11,705,084
Other receivables	51,958	16,976
Current tax assets	13,098	-
Cash and cash equivalents	1,280,986	930,292
Total assets	13,699,396	12,652,352
Less: Liabilities		
Other payables	15,493	49,295
Deferred tax liabilities	8,930	80,196
Current tax liabilities	-	6,337
Total liabilities	24,423	135,828
Net asset value	13,674,973	12,516,524

INCOME STATEMENT FOR INVESTMENT-LINKED FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Company	
	2022 RM'000	2021 RM'000
Investment income	437,019	352,929
Fair value (losses)/gains	(783,610)	72,851
Other operating expense	6,923	8,266
	(339,668)	434,046
Management expenses	(149,797)	(126,317)
(Loss)/Profit before tax	(489,465)	307,729
Tax expenses	60,353	(8,011)
(Loss)/Profit after tax for the financial year	(429,112)	299,718

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 2022**	**As at 31 December 2021**	**For the year ended 31 December 2022**	**For the year ended 31 December 2021**
Financial assets that met SPPI criteria and not held-for-trading or managed on fair value basis	16,508,910	17,304,461	(291,026)	(584,430)
Others*	45,759,180	45,065,691	(2,270,213)	(1,535,593)
Total	62,268,090	62,370,152	(2,561,239)	(2,120,023)

Company	**Fair value**		**Change in fair value**	
RM'000	**As at 31 December 2022**	**As at 31 December 2021**	**For the year ended 31 December 2022**	**For the year ended 31 December 2021**
Financial assets that met SPPI criteria and not held-for-trading or managed on fair value basis	15,292,147	16,070,617	(272,441)	(560,476)
Others*	42,836,984	42,707,676	(2,170,496)	(1,406,033)
Total	58,129,131	58,778,293	(2,442,937)	(1,966,509)

* 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	**2022**	**2021**
	RM'000	**RM'000**
AAA	4,246,263	5,066,239
AA	780,821	874,031
A	9,911	91,545
BAA	-	-
BBB	-	71,004
Below investment grade		
Not rated	10,007,023	10,131,728
Investment linked	1,464,892	1,069,914
Total	**16,508,910**	**17,304,461**

Company	**2022**	**2021**
	RM'000	**RM'000**
AAA	3,864,809	4,614,568
AA	629,977	677,082
A	9,911	91,545
BAA	-	-
BBB	-	71,004
Below investment grade		
Not rated	9,454,507	9,674,843
Investment linked	1,332,943	941,575
Total	**15,292,147**	**16,070,617**

45 SUBSEQUENT EVENT

There were no material events subsequent to or from the reporting date that require disclosures or adjustments to the financial statements.