Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Financial statements for the year ended 31 December 2019

(in Ringgit Malaysia)

Domiciled in Malaysia
Principal place of business
Level 29, Menara Allianz Sentral,
203, Jalan Tun Sambanthan,
Kuala Lumpur Sentral,
50470 Kuala Lumpur

Allianz Life Insurance Malaysia Berhad
(Company No. 104248-X)
(Incorporated in Malaysia)

Contents **Page**

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Directors' report for the financial year ended 31 December 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2019.

Principal activities

The Company is principally engaged in the underwriting of life insurance and investment-linked business. There has been no significant change in the nature of these activities during the financial year.

Results

	RM'000
Net profit for the financial year	221,625

Dividend

The Directors do not recommend any final dividend to be paid for the financial year under review.

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Life insurance liabilities

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that the life insurance liabilities are adequate in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework issued by Bank Negara Malaysia ("BNM").

Bad and doubtful debts

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

Current assets

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the financial statements of the Company, have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances that would render the value attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities in the financial statements of the Company misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:-

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

(ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company 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 Company to meet its obligations as and when they fall due.

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

Company No. 104248-X

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company that would render any amount stated in the financial statements of the Company misleading.

Items of an unusual nature

In the opinion of the Directors, the results of operations of the Company for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

Issue of shares

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

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

The Company maintains a Directors' and Officers' Liability Insurance for the purpose of Section 289(5) of the Companies Act 2016 in Malaysia, throughout the year, which provides appropriate insurance cover for the Directors and Officers of the Company. The amount of insurance premium paid during the financial year amounted to RM32,790.

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

Directors of the Company

The Directors of the Company who served during the financial year and during the period from the end of the financial year to the date of this report are:-

Goh Ching Yin (Chairman - Independent Non-Executive Director)(Appointed as Chairman on 3 October 2019)
Dato' Dr. Thillainathan A/L Ramasamy (Independent Non-Executive Director)
Peter Ho Kok Wai (Independent Non-Executive Director)
Datuk Gnanachandran A/L S Ayadurai (Independent Non-Executive Director)(Appointed on 27 September 2019)
Joseph Kumar Gross (Non-Independent Executive Director)
Foo San Kan (Chairman-Non-Independent Non-Executive Director)(Retired on 24 September 2019)

Company No. 104248-X

Directors' interests

As the Company is a wholly-owned subsidiary of Allianz Malaysia Berhad ("AMB"), the interests and deemed interests in the shares of AMB and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interest of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
Interests in AMB	**At 1.1.2019**	**Bought**	**Sold**	**At 31.12.2019**
Dato' Dr. Thillainathan A/L Ramasamy				
- Indirect Interest	6,400	-	-	6,400

Note:
* Deemed interest by virtue of shares acquired by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

Save as disclosed above, none of the other Directors holding office at 31 December 2019 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as disclosed in Note 27 (b) in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the objective 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.

Company No. 104248-X

Corporate governance disclosures

A. Board of Directors

The Board of Directors ("Board") has overall responsibility for reviewing and adopting strategic plans for the Company, overseeing the conduct of business of the Company, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company's internal control system.

The detailed responsibilities of the Board are set out in the Board Charter, which is available at Allianz Malaysia's website, allianz.com.my.

A1. Composition of the Board

The Board is made up of 4 Independent Non-Executive Directors and 1 Non-Independent Executive Director.

The Board comprises members from various fields with a balance of skills and experiences appropriate to the business of the Company.

All members of the Board complied with the minimum criteria of "A Fit and Proper Person" as prescribed under the Financial Services Act, 2013 ("FSA 2013").

The appointments and re-appointments of all Board members were approved by BNM.

The profiles of the Board members are as follows:-

Goh Ching Yin Chairman - Independent Non-Executive Director	
Working experience	Goh Ching Yin holds an MBA from the Cranfield University, and has held various leadership and management positions in capital market strategy, development and regulations; investment banking, regional business development, strategic consultancy, corporate recovery and insolvency; and auditing. He started his professional career with Peat Marwick Mitchell (now known as KPMG PLT), and then moved on to consultancy at Price Waterhouse Associates in 1990. Goh Ching Yin commenced his foray into the investment banking industry when he was with RHB Sakura Merchant Bankers Berhad as a General Manager for Corporate Finance from 1995 to 2000.

Company No. 104248-X

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A1. Composition of the Board (continued)

Goh Ching Yin (continued) Chairman - Independent Non-Executive Director	
Working experience	Subsequently, he assumed the roles as the Managing Director of Corporate Finance with the BNP Paribas Group in Malaysia from 2000 to 2004, and as Chief Executive Officer of Southern Investment Bank of the Southern Bank Group from 2005 to 2007. He then held positions as Executive Director in the Chairman's Office, Strategy and Development, and Market Oversight Divisions during his stint with the Securities Commission of Malaysia from 2007 to 2016. At the Securities Commission of Malaysia, Goh Ching Yin had led projects on landmark initiatives such as financial technology, sustainability and inclusiveness, Trans Pacific Partnership Agreement, the Capital Market Masterplan 2, the Corporate Governance Blueprint and Code of Corporate Governance 2012; and setting up the Audit Oversight Board in 2010 of which he was a founding Board Member. He was also the Head of Continuing Professional Education Advisory Group and represents the Securities Commission of Malaysia on the Audit Licensing Committee within the Accountant General's office of the Ministry of Finance, and was a member of the Cluster Working Group on Funding Support for the Biotechnology Industry under the Malaysian Biotechnology Corporation (a Ministry of Finance incorporated company). He was also a member of the National Cyber Security Advisory Committee, Ministry of Science, Technology and Innovation Malaysia, and the Intellectual Capital Development Committee, Innovation Agency Malaysia. Goh Ching Yin was appointed by the Government of Malaysia as a Director of Khazanah Nasional Berhad in July 2018.
Shareholding in the Company	Nil

Company No. 104248-X

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A1. Composition of the Board (continued)

Dato' Dr. Thillainathan A/L Ramasamy Independent Non-Executive Director	
Working experience	Dato' Dr. Thillainathan has been with the Genting Group since 1989 and held positions as Director of Finance (1989-2002), Chief Operating Officer (2002-2006) and Executive Director (2003-2007) and was subsequently redesignated as an Independent Director in 2009. Prior to his employment with the Genting Group, he was the Chief Executive of Bank Buruh Malaysia Berhad (1984-1989), Joint Managing Director of Bank Pusat Kerjasama (1983-1984), General Manager, Treasury and Investment Services of Arab Malaysian Merchant Bank (1980-1983) and Lecturer and Associate Professor, Faculty of Economics and Administration of University of Malaya (1970-1979). He is currently a Member of Lembaga Pengarah Universiti Malaya, a member of the Board of Directors of UM Holdings Sdn Bhd and a council member of the Malaysian Quality Agency. Dato' Dr. Thillainathan has extensive years of experience in finance and banking. He is the past President of Malaysian Economic Association and past Chairman and council member of the Federation of Asean Economic Associations. He has served on the National Economic Panel, the Anti-Recession Task Force, the Task Force on Capital Market Development, the Investment Panel of Employees Provident Fund, the National Economic Consultative Council, the Tax Review Panel of the Ministry of Finance, the Economic Council and Majlis Perundingan Ekonomi Negara Kedua.
Shareholding in the Company	Nil

Company No. 104248-X

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A1. Composition of the Board (continued)

Peter Ho Kok Wai Independent Non-Executive Director	
Working experience	Peter Ho Kok Wai is a Member of the Malaysian Institute of Accountants, Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants. Peter Ho Kok Wai forged his early career with Everett Pinto & Co., a central London Firm of Chartered Accountants and qualified as a Chartered Accountant in 1984. Subsequently, in 1987, Peter Ho Kok Wai joined KPMG Kuala Lumpur where he progressed to Head of Department in 1992. He was transferred to KPMG Ipoh in 1993 to head the branch and was admitted as Partner in 1995. He was transferred back to KPMG Kuala Lumpur in 2005, where he had, at various times, headed the Technical Committee, Audit Function and Marketing Department. He has more than 35 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution and financial services. Peter Ho Kok Wai retired from KPMG in December 2014.
Shareholding in the Company	Nil

Company No. 104248-X

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A1. Composition of the Board (continued)

Datuk Gnanachandran A/L S Ayadurai Independent Non-Executive Director	
Working experience	Datuk Gnanachandran A/L S Ayadurai ("IG Chandran") has nearly 40 years working experience in the audit and accounting profession. He started his career as an audit assistant with KPMG Malaysia in 1973. From 1977 to 1983, he trained in the United Kingdom at the Institute of Chartered Accountants in England and Wales and rejoined KPMG Malaysia as an audit senior in 1984. He rose through the ranks to Senior Manager, Audit Director and was admitted as a Partner of the Firm in the Audit practice in 1994. He was elected as the Partner in Charge of the Advisory Practice in 2004, a position he held until his retirement in September 2007. He had also assumed as the partner in Charge of the Administrative function and also as one of 7 members of the KPMG Executive Committee. After retiring from KPMG Malaysia, he joined KPMG Thailand in October 2007 as the Head of the Advisory Practice until March 2009. Since mid of 2009, IG Chandran has been providing advisory service to the Malaysian Anti-Corruption Commission ("MACC") and he has acted as Special Advisor and as Head of the Forensic Division, a position he held from 2013 until his retirement in November 2016. He has provided advice on several finance-based investigations. He was also Deputy Commissioner in MACC. IG Chandran had been the Chairman of Audit Committee and an Observer of Investment Committee in the Social Security Organisation in early 2019.
Shareholding in the Company	Nil

Company No. 104248-X

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A1. Composition of the Board (continued)

Joseph Kumar Gross Chief Executive Officer - Non-Independent Executive Director	
Working experience	Joseph Kumar Gross joined Allianz SE in 2002 as the Senior Vice President of Strategic Brand Management and was responsible in establishing market management as new leadership function and organisation within Allianz SE Group to substantially improve profitable customer growth. Subsequently, he was appointed as the Executive Director and Head of Group Market Management in 2010 and was responsible for the global leadership of global brand management for Allianz SE Group, driving digital transformation and true customer centricity as core strategic priority for Allianz globally. Having held various senior management positions within Allianz SE, his extensive experience in brand management, digital transformation and innovation, multi-access distribution and customer centricity as well as his international business experience and expertise were well sought after skills. Joseph Kumar Gross started his career in 1991 and spent 11 years with Procter & Gamble Group, where he had held several marketing and branding positions in various European countries. He assumed his current position as the CEO of the Company on 20 April 2016. He was appointed as Non-Independent Executive Director of the Company on 17 August 2017.
Shareholding in the Company	Nil

During the financial year, the Board members attended various training, amongst others, were as follows:-

- Fide Programme – Module A and B (Insurance)
- Risk Based Capital and Ordinary Life Insurance in Malaysia
- Transfer Pricing
- Board Perspective On Cyber Resilience
- Business Continuity and Crisis Management
- Integrated Reporting Awareness

Company No. 104248-X

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A2. Board meetings

There were 7 Board Meetings held during the financial year ended 31 December 2019 and the attendance of the Directors was as follows:-

Name of Directors	No. of Board Meetings Held	No. of Board Meetings Attended
Goh Ching Yin	7	7
Dato' Dr. Thillainathan A/L Ramasamy	7	7
Peter Ho Kok Wai	7	7
Datuk Gnanachandran A/L S Ayadurai	7	3 out of 3 meetings held after his appointment as Director on 27 September 2019
Joseph Kumar Gross	7	7
Foo San Kan	7	4 out of 4 meetings held prior to his retirement as Chairman and Director on 24 September 2019

A3. Board Committees

The following Board Committees are centralised at its immediate holding company, AMB:-

(a) Audit Committee;
(b) Risk Management Committee; and
(c) Nomination and Remuneration Committee.

The Board Committees are operating on the terms of reference approved by the Board of AMB and adopted by the Board of the Company, to assist the Board in the execution of its responsibilities.

Company No. 104248-X

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A3.1. Audit Committee of AMB Board ("AC")

The composition of the AC during the financial year is as follows:-

Dato' Dr. Thillainathan A/L Ramasamy (Chairman - Independent Non-Executive Director)
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Independent Non-Executive Director of AMB)
Peter Ho Kok Wai (Independent Non-Executive Director) (Appointed as AC Member on 1 October 2019)
Foo San Kan (Non-Independent Non-Executive Director) (Retired on 30 September 2019)

There were 5 AC Meetings held during the financial year ended 31 December 2019 and the attendance of the abovementioned AC members were as follows:-

Name of Members	No. of AC Meetings	No. of AC Meetings Attended
Dato' Dr. Thillainathan A/L Ramasamy	5	5
Tan Sri Datuk (Dr.) Rafiah Binti Salim	5	5
Peter Ho Kok Wai	5	1 out of 1 meeting held after his appointment as AC member on 1 October 2019
Foo San Kan	5	4 out of 4 meetings held prior to his retirement as AC member on 30 September 2019

The AC is charged with the responsibilities of assisting the Board of AMB and its subsidiaries ("AMB Group" or "Group") in its oversight, amongst others, as follows:-

- support the Board in ensuring that there is a reliable and transparent financial reporting process;
- monitor and evaluate the performance and effectiveness of the external and internal audit functions;
- assess the internal control environment; and
- review and report to the Board of conflict of interest situations and related party transactions.

The detailed terms of reference of the AC is set out in the Board Charter, which is available at Allianz Malaysia's website, allianz.com.my.

Company No. 104248-X

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A3.2. Risk Management Committee of AMB Board ("RMC")

The composition of the RMC during the financial year is as follows:-

Peter Ho Kok Wai* (Chairman - Independent Non-Executive Director)
Goh Ching Yin* (Independent Non-Executive Director)
Dato' Dr. Thillainathan A/L Ramasamy (Independent Non-Executive Director)
Marzida Binti Mohd Noor (Independent Non-Executive Director of AMB)(Appointed as RMC Member on 1 October 2019)
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Independent Non-Executive Director of AMB) (Relinquished as RMC Member on 1 October 2019)
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz (Independent Non-Executive Director of AMB) (Relinquished as RMC Member on 1 October 2019)
Foo San Kan (Non-Independent Non-Executive Director) (Retired on 30 September 2019)

Note:-
* Following Goh Ching Yin's appointment as Chairman of ALIM, he relinquished his position as Chairman of RMC and re-designated as a Member of RMC on 3 October 2019. Peter Ho Kok Wai was appointed as Member and Chairman of RMC on 1 October 2019 and 3 October 2019 respectively.

There were 4 RMC Meetings held during the financial year ended 31 December 2019 and the attendance of the abovementioned RMC members were as follows:-

Name of Members	No. of RMC Meetings Held	No. of RMC Meetings Attended
Peter Ho Kok Wai	4	1 out of 1 meeting held after his appointment as RMC member on 1 October 2019
Goh Ching Yin	4	4
Dato' Dr. Thillainathan A/L Ramasamy	4	4
Marzida Binti Mohd Noor	4	1 out of 1 meeting held after her appointment as RMC member on 1 October 2019
Tan Sri Datuk (Dr.) Rafiah Binti Salim	4	3 out of 3 meetings held prior to her relinquishment as RMC member on 1 October 2019
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	4	3 out of 3 meetings held prior to his relinquishment as RMC member on 30 September 2019
Foo San Kan	4	3 out of 3 meetings held prior to his retirement as RMC member on 30 September 2019

Company No. 104248-X

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A3. Board Committees (continued)

A3.2. Risk Management Committee of AMB Board ("RMC") (continued)

The RMC is responsible for effective risk identification, measurement, monitoring and control of the AMB Group, and oversees the Senior Management's activities in managing the key risk areas of the AMB Group and to ensure that the risk management process is in place and functioning effectively.

The detailed terms of reference of the RMC is set out in the Board Charter, which is available at Allianz Malaysia's website, allianz.com.my.

A3.3. Nomination and Remuneration Committee of AMB Board ("NRC")

The composition of the NRC during the financial year is as follows:-

Tunku Zain Al-'Abidin Ibni Tuanku Muhriz (Chairman - Independent Non-Executive Director of AMB)
Dato' Dr. Thillainathan A/L Ramasamy (Independent Non-Executive Director)
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Independent Non-Executive Director of AMB)
Foo San Kan (Non-Independent Non-Executive Director) (Retired on 30 September 2019)

There were 5 NRC Meetings held during the financial year ended 31 December 2019 and the attendance of the abovementioned NRC members were as follows:-

Name of Members	No. of NRC Meetings Held	No. of NRC Meetings Attended
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	5	5
Dato' Dr. Thillainathan A/L Ramasamy	5	5
Tan Sri Datuk (Dr.)Rafiah Binti Salim	5	5
Foo San Kan	5	4 out of 4 meetings held prior to his retirement as NRC member on 30 September 2019

Corporate governance disclosures (continued)

A. Board of Directors (continued)

A3. Board Committees (continued)

A3.3. Nomination and Remuneration Committee of AMB Board ("NRC") (continued)

The primary objectives of the NRC are:-

(a) to establish a documented formal and transparent procedure for the appointment and removals of Directors, CEOs and Key Responsible Persons ("KRP(s)") of AMB Group;
(b) to assess the effectiveness of individual Director, the respective Boards (including various committees of the Board), CEOs and KRPs of AMB Group on an on-going basis;
(c) to provide formal and transparent procedure for developing a remuneration policy for Directors, CEOs and KRPs of AMB Group; and
(d) to ensure that the compensation is competitive and consistent with the culture, objective and strategy of AMB Group.

The detailed terms of reference of the NRC is set out in the Board Charter, which is available at Allianz Malaysia's website, allianz.com.my.

B. Internal control framework

B1. Risk Management Framework

The Board recognises the importance of having in place a risk management system to identify key risks and implement appropriate controls to manage such risks as an integral part of the Company's operations. The Company has in place the Group Risk Management Framework Manual ("RMFM"). The RMFM outlines the guiding principles of the risk management approach, structure, roles, responsibilities, accountabilities, reporting requirements as well as the risk identification, evaluation and monitoring process of the Company. It is designed to formalise the risk management functions and practices across the Company and to increase awareness of the Company's employees to risk identification, measurement, control, on-going monitoring and reporting.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

The RMFM is in compliance with the relevant requirements of the guidelines and/or policies issued by BNM and Allianz SE Group.

The system of risk governance process is integrated into the core management processes and forms part of the daily business process so that a value-added contribution in terms of sustainable competitive advantage and improved business performance can be established. Various standards are implemented by the Company, including organisational structure, risk strategy, written policies, authority limits, system documentation and reporting, to ensure accurate and timely flow of risk-related information and a disciplined approach towards decision making and execution.

The Company also adopts the three lines of defence model where the “first line of defence” rests with the business managers. They are responsible in the first instance for both the risks and returns of their decisions.

The “second line of defence” is made up of the oversight functions comprising Compliance and Risk Management that are independent from business operations.

- The Compliance function assists the Board and Senior Management in managing and mitigating the compliance risks due to any non-compliance of the requirements of the law, regulations as well as regulatory and industry guidelines.

- Risk Management function assists the Board and Senior Management to achieve its strategic goals and objectives by implementing risk management activities and controls across the organisation.

Both the Compliance and Risk Management functions report to the RMC which assists Board to discharge its oversight function effectively. As part of its responsibilities, the Compliance and Risk Management functions advise the Board and Senior Management on compliance, risk and regulatory matters; and promote risk and compliance awareness amongst the Company’s employees through trainings and workshops.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

In addition to the above oversight functions, Legal and Actuarial functions constitute additional components of the "second line of defence". An appropriate control framework has been established to avoid any potential conflict of interest to fulfil their role as the second line of defence.

- The Legal function seeks to mitigate legal risks arising from legislative changes, major litigation and disputes, regulatory proceedings and unclear contractual terms.

- The Actuarial function contributes towards assessing and managing risks in line with regulatory requirements and reports to the Board and Senior Management. Its scope of work includes coordination and calculation of technical reserves, providing oversight on product pricing and profitability and contribution to the effective implementation of the risk management system.

The RMC drives the risk management framework of the Company and reports quarterly to the Board on its recommendations and/or decisions. The Risk Management Working Committee ("RMWC") is established at the management level and serves as a platform for two way communications between the Management and the RMC on matters relating to risk strategy and management. Through the quarterly reporting from RMWC, the RMC consolidates the status of the risks and presents them to the Board for consideration.

The Governance and Control Committee ("GovCC") supports the Management to fulfil its responsibilities with respect to regulatory governance, organisational and control requirements. The GovCC also provides a platform for structured and institutionalised interaction and collaboration on cross functional and control related topics to facilitate a consistent approach in terms of processes, methodologies, assessments, materiality and others. GovCC members consist of senior management from governance and operation functions. The GovCC reports internal control system related matters to AC and governance related matters to the Senior Management Committee.

Corporate governance disclosures (continued)

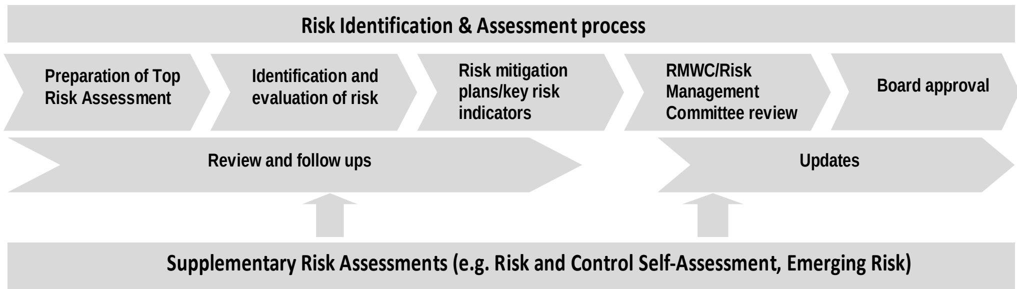
B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process

Risk management is considered and managed as part of the daily process of managing and directing the business. These include the implementation of a limit system, various frameworks, manuals and policies.

Besides the embedded process, the following risk management cycle to identify, assess, mitigate, monitor and report will also be carried out by the risk management function together with the respective risk owners: -



(i) Top Risk Assessment ("TRA")

TRA approach is in place to periodically analyse all material quantifiable and non-quantifiable risks, including market, credit, underwriting, business, operational, liquidity, reputational and strategic risks.

The Company identifies and remediates significant threats to financial results, operational viability or the delivery of key strategic objectives, regardless of whether they relate to quantifiable or non-quantifiable risks using the approved TRA Matrix. The identified top risks are assessed quarterly by the assigned risk owners; and the same is reviewed by the RMWC and the RMC and approved by the Board. Key risk indicators are also put in place to monitor changes in risk exposure or control effectiveness for the top risks on a quarterly basis. The key risks and their salient points on how the Company manages these risks are set out below:-

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process (continued)

Key risks	Broad Definition	Risk Management Practices
Market	Unexpected losses arising due to changes in market prices or parameters influencing market prices, as well as the resultant risk from options and guarantees that are embedded in contracts or from changes to the net worth of assets and liabilities in related undertakings driven by market parameters. In particular, these include changes driven by equity prices, interest rates, real estate prices, exchange rates, credit spreads and implied volatilities. It also includes changes in market prices due to worsening of market liquidity.	• Investment activity is strictly governed by the pre-approved limits and appetite and monitored through a front end system. Any exception requires pre-approval. • An asset and liability process has been put in place to manage the risks and returns expected from the insurance obligations. • Selectively using derivative to either hedge the portfolio against adverse market movements or reduce reinvestment risk.
Credit	Unexpected losses in the market value of the portfolio due to deterioration in the credit quality of counterparties including their failure to meet payment obligations or due to non-performance of instruments.	• Credit analyses are conducted prior to purchase and regular review on portfolio. • Investment activity is strictly governed by the pre-approved limits to ensure the diversification of investment portfolio in order to minimise the impact of default by any single counterparty. • Only uses pre-approved reinsurance partners with strong credit profiles.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process (continued)

Key risks	Broad Definition	Risk Management Practices
Underwriting	Unexpected financial losses due to inadequacy of premiums for catastrophe and non-catastrophe risks, due to the inadequacy of reserves or due to the unpredictability of mortality or longevity.	• Managed through a comprehensive and strict standard for underwriting limit guidelines. Where necessary , the risk will be surveyed by the loss control engineers • Regular monitoring of products, assumptions used against actual industry statistics and re-pricing will be considered if necessary. • Adequate reinsurance is purchased and reviewed annually to ensure adequate continuous cover within acceptable appetite and costs. • New products undergo a robust product development process.
Business	Unexpected decrease in actual results as compared to business assumptions, which leads to a decline in income without a corresponding decrease in expenses; this includes lapse risk.	• Regular monitoring of actual experience. • New products undergo a robust product development review process.
Legal and Regulatory	Losses arising from a breach of relevant laws and regulations.	• Trainings will be provided and annual declarations required from all staff. • New guidelines will be published in the Group's staff e-portal and highlighted through e-mails. • Regular reviews are conducted to ensure compliance.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process (continued)

Key risks	Broad Definition	Risk Management Practices
Cyber Threat	Loss of data confidentiality, loss of data integrity, as well as business disruption and loss of availability of services resulting in legal costs, fines, forensic costs, remediation costs, compensation and/or reputation management costs.	• Strict policy and disciplinary action for security breach • Staff awareness on IT Security • Access Control • Regular review on User ID access • Use of virus protection software • Data Loss Prevention solution • Conduct of Annual Penetration Testing by independent party to detect possible external and internal vulnerabilities • IT security controls in place, such as Firewall, Malware Protection and DDOS protection • Privilege Identity Management • Database encryption

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process (continued)

(ii) Operational Risk Management ("ORM")

ORM is a continuous process which includes operational risk identification, measurement, quantification, management and monitoring to mitigate the operational loss resulting from inadequate or failed internal processes, people, system or from external events.

ORM is monitored through a combination of the following activities:-

- Integrated Risk and Control System.
- Analysis of actual loss events reported into the Loss Data Capture database.
- Periodic audits by the Internal Audit Department and reviews by risk management function.
- Other key risk indicators and feedback from subject matter experts (for example IT Security Officer, Data Privacy Officer, Business Continuity Management Officers, Anti-Fraud and Anti-Corruption Coordinators, as well as respective operation managers).

(iii) Reputational Risk Management

All activities within Company can influence its reputation, which is determined by the perceptions and beliefs of its stakeholders. Hence, thorough management of any potential reputational risks is required. Any risks that might have significant impact on the Company will be escalated to Allianz SE.

The Company has adopted Allianz SE Group's Allianz Standard for Reputational Risk and Issues Management which establishes a core set of principles and processes for the management of reputational risks and reputational issues within the Company. The management of direct reputational risks requires balancing the benefits of a given business decision against the potential reputational impacts, taking into account the Company's reputational risk strategy and Environmental, Social and Governance approach. Indirect reputational risks are managed through the TRA as well as risk and control self-assessment processes, which apply the same reputational risk assessment methodology used for direct reputational risks.

The Corporate Communications function of the Company actively manages the reputational risk by assessing any potential risk arising from media, social media or any transaction relating to pre-defined sensitive areas.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B1. Risk Management Framework (continued)

Risk Management Process (continued)

(iv) Liquidity Risk Management

Liquidity risk is a consequential risk, i.e. another adverse event has to happen before the Company runs into liquidity issues. On this background, the Company has identified various events that might lead to liquidity shortages. To mitigate this, limits on the cash position have been put in place and closely monitored.

In addition, as the Company is operating in insurance business, the following risk evaluation tools are also adopted as part of the Company's risk management framework:-

(a) Internal Capital Adequacy Assessment Process ("ICAAP")

ICAAP is an overall process by which the Company adopted to ensure it has adequate capital to meet its capital requirements which reflects its own risk profile on an on-going basis. The formal assessment is conducted at least on an annual basis and its results are reported to the Board.

The review of the ICAAP coincides with the annual planning process and any changes in the strategic directions and business plans of the Company will be updated in its Risk Strategy and accordingly all risks identified will also be taken into account when computing the Individual Target Capital Level ("ITCL").

The ITCL is validated by stress testing to ensure that it will still be above the Supervisory Target Capital Level imposed by the regulator even after the occurrence of a severe plausible event.

(b) Stress Testing

Stress test is an effective risk management tool and the Company conducts such stress test regularly. The stress test process is designed based on the Company's solvency position, lines of business, current position within the market, investment policy, business plan, and general economic conditions. The results of the stress test will then be incorporated into the Company's capital management plan, in determining the extent of capital affected by the threats arising from adverse events and the actions required to mitigate such threats.

The Board and Management participated actively in providing feedback on its stress test results and appropriateness of its methodology and assumptions adopted to perform the stress test.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B2. Internal Audit

The internal audit function, which reports to the AC, undertakes independent reviews or assessments of the Company's operations and its system of internal controls. It provides monitoring of the controls and risk management procedures as well as highlights significant risks impacting the Company. The internal audit personnel form the "third line of defence" are independent from the day-to-day activities of the Company and have unrestricted access to all activities conducted by the Company.

Internal Audit Plan is developed based on annual risk assessment and approved by the AC. The audit scope covers auditable areas encompassing financial operations, underwriting and claims operation, operations supports, corporate actuarial, internal and regulatory compliance audit such as business continuity management, replacement of policy, anti-money laundering and IT systems.

Internal audit findings are discussed at management level. Senior and functional line management are tasked to ensure that management action plans are carried out in accordance with the internal audit recommendations. All internal audit reports are submitted to the AC. The AC deliberates on key audit findings and management actions to address these findings during the AC meetings.

Follow-up audits are also performed to monitor continued compliance and the internal auditors will provide quarterly updates to the AC on the progress of the management action plans as well as progress of the internal audit plan.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process

The other key processes that the Board has established to provide effective internal controls include:-

Clear and Defined Organisational Structure

The Company has established an organisational structure with clearly defined lines of responsibility, authority limits and accountability aligned to its business and operation requirements and control environment. Relevant Board Committees with specific responsibilities delegated by the Board are established to provide oversight governance over the Company's activities. The Board Committees are centralised at its immediate holding company, AMB. The Board Committees have the authority to examine matters under their terms of reference and report to the Board with their observations and/or recommendations. The ultimate responsibility for the decision on all matters, however, lies with the Board.

Various Management Committees are established by the Management to assist in managing the day-to-day operations and ensure its effectiveness. The Management Committees formulate tactical plans and business strategies, monitor performance and ensure activities are carried out in accordance with corporate objectives, strategies, business plans and policies as approved by the Board.

Management Authority Limit

The Board's approving authority is delegated to the Management through formal and defined operational authority limits that governs business procedures and decision making process in the Company. The operational authority limits incorporates segregation of duties and check and balance in delegation of authority.

The Management's authority limits include limits for underwriting of risks, claims settlement, reinsurance, and capital expenditures and are reviewed and updated to ensure relevance to the Company's operations. Such authority limits are documented and made available to all staff via the Group's staff e-portal.

In ensuring that the decision making process is transparent and to the best interest of the Company, all Directors and staff including the CEO are required to declare their interest in other entities on an annual basis. In addition, they are also required to disclose to the Company, any circumstance that may give rise to a conflict of interest situation during the course of carrying out their duties.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

Policies and Procedures

Clear, formalised and documented internal policies and procedures are in place to ensure continued compliance with internal controls and relevant rules and regulations imposed by the relevant authorities.

These policies and procedures are subject to review and improvement to reflect changing risks and process enhancement, as and when required. Policies and procedures are also made available via the Group's staff e-portal for easy access by the employees.

Annual Business Plan and Performance Review

Annual business plans are submitted to the Board for approval. Financial condition and business performance reports are also submitted to the Board for review during the Board meetings. These reports cover all key operational areas and provide a sound basis for the Board to assess the financial performance of the Company and to identify potential problems or risks faced by the Company, thus enabling the Board to effectively monitor on an on-going basis, the affairs of the Company.

Related Party Transactions

The Group has established the necessary controls and procedures to ensure compliance with the relevant regulatory requirements. Necessary disclosures are made to the Board of the Company and where required, prior approval of the Board of the Company and/or shareholders for the transactions will be obtained prior to execution.

A due diligence working group was formed to review the related party transactions prior to the same being submitted to the AC for consideration. The AC will subsequently review the related party transactions and submit its recommendation to the Board of the Company for consideration.

The AC also review the related party transaction review procedures on an annual basis to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify related party transactions including recurrent transactions in a timely and orderly manner.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

Underwriting and Reinsurance

The Company employs high standards in its respective underwriting process. This includes among others, risk segmentation and selection, setting adequate pricing and terms and conditions, setting of right retention limit and adequate reinsurance protection.

Underwriting authority is controlled centrally at the Head Office level. Reinsurance is in place primarily to ensure that no single loss or aggregation of losses arising from a single event will have an adverse financial impact on the Company. Reinsurers selection is guided by the guidelines issued by the regulator and the Allianz SE Group. Reinsurance needs are reviewed annually in respect of reinsurance treaties and on case to case basis on facultative arrangements.

Financial Control Procedures

Financial control procedures are put in place and are documented in the procedural workflows of each business unit. These workflows are subject to reviews and improvements to reflect changing risks and process enhancement as and when required.

Investment

The Investment Committee of the Company is responsible for setting investment policies, objectives, guidelines and controls for the Investment Department. The Investment Department is responsible for managing the investment functions of the Company within the predetermined parameters.

The Company has in place the Investment Manual which sets out the detailed investment procedures and controls, including an Investment Code of Ethics to ensure that the Company’s interests prevail over the personal interests of the employees.

The investment limits are set at various levels with limits which are more stringent than the regulatory limits as prescribed by BNM. The investment limits are monitored monthly to ensure compliance with the investment limits as specified in the Risk Based Capital Framework for Insurers issued by BNM.

The investment performance reports are amongst the reports submitted to the Investment Committee and the Board of the Company for review at its quarterly meetings.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

Code of Conduct for Business Ethics and Compliance ("COC")

Every employee is required to attest on an annual basis that they understand and comply with the Allianz SE Group's COC. The COC among others, is essential in promoting ethical conduct within the Company and encompasses non-disclosure of the Company's information, accountability and areas on potential conflict of interest.

Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT")

The Company has in place internal policies and procedures relating to AML/CFT to prevent and detect money laundering and terrorism financing activities. These include customer due diligence, screening against sanctions list and suspicious transaction reporting to the Compliance Department. In respect of education, staff and agents are trained on AML/CFT requirements to promote understanding of their fundamental responsibilities in adhering to the procedures of verifying customers' identities and reporting of suspicious transactions.

Product Development

The Company has in place a Product Development Management Policy ("PDM Policy") which sets out the policies and procedures on product development in accordance with the requirements of the Guideline on Introduction of New Products by Insurers and Takaful Operators (BNM/RH/STD 029-10) issued by BNM ("BNM Product Guidelines").

The PDM Policy aims to promote sound risk management practices in managing and controlling product risk by ensuring the appropriate assessment and mitigation of risk during the development and marketing stages. The PDM Policy will also assist to ensure that the products developed and marketed by the Company are appropriate to the needs, resources and financial capability of the targeted consumer segments.

The on-going product risk management is embedded within the risk management framework of the Company.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

Whistleblowing and Anti-Fraud

The oversight of whistleblowing and fraud matters of the Company is performed by the AMB's Integrity Committee ("InC"). The InC coordinates all activities concerning prevention and detection of fraud and handling of whistleblowing incidents.

The Company has adopted the Allianz SE Group's Anti-Fraud Policy ("AZSE AFP") and the Allianz SE Group's Whistleblowing Policies and Procedures ("AZSE WBPP") to address fraud and whistleblowing issues respectively. The AZSE AFP defines fraud events, investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees. The AZSE WBPP on the other hand, describe the Company's Speak-Up Policy, avenues for filing a concern and handling of whistleblowing incidents.

In respect of whistleblowing, the Company has established a whistleblowing mechanism to enable anonymous and non-anonymous reporting of any breach of the COC, any laws, regulations, orders or any internal rules. These whistleblowing cases are assessed confidentially by the InC to determine the validity and appropriate actions to be taken.

The InC reports its findings and recommendations to the AC.

Anti-Corruption

The Company has adopted Allianz SE Group's Anti-Corruption Policy which serves to outline the Company's existing controls and behavioral guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, joint ventures and outsourcing agreements as well as facilitation payments.

The Vendor Integrity Screening process which is a part of the Allianz SE Group's Anti-Corruption Programme aims at ensuring an integrity based due diligence before any third party vendor is engaged. The screening contains a self-assessment section which among others includes questions on anti-corruption to be answered by the potential vendor and a risk evaluation to be completed by the relevant staff/department in charge. Only those vendors whose screening does not reveal any negative findings will be engaged.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

Employees

All staff are required to make an annual declaration that they fulfilled the minimum criteria of "A Fit and Proper Person" as prescribed in Section 59(1), (2) and (3) of the FSA 2013. In addition, all staff are also required to attest that they understand and comply with the requirements of the following internal guidelines and policies:-

(i) Related Party Transaction Declaration;
(ii) Disclosure of Data;
(iii) Conflict of Interest;
(iv) COC;
(v) IT Security Policy and Guideline e-Awareness Declaration;
(vi) Anti-Corruption Policy;
(vii) Anti-Fraud Awareness Declaration; and
(viii) Dealing with Government Clients Declaration (only applicable for marketing employees).

Sales Policy and Sales Agent Code of Conduct

The Company's insurance intermediaries are guided by the Sales Policy and Sales Agent Code of Conduct in order to promote professional sales conduct of intermediaries representing the Company. The Company has established an Ethics and Compliance Committee to deal with intermediary behaviour that are contrary to the Sales Policy and Sales Agent Code of Conduct.

In addition, agents of the Company are also required to comply with the Code of Ethics and Conduct imposed by Life Insurance Association of Malaysia ("LIAM").

All internal control deficiencies or breaches related to the Sales Policy and Sales Agent Code of Conduct are reported to the Senior Management Committee together with corrective measures.

Agent Sales Compliance Disciplinary Policy

As part of the measures to improve uniformity in disciplining the agency force, the Company has formalised a Sales Compliance Disciplinary Policy detailing definition of types of offences/misconduct and the associated recommended disciplinary actions.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

Business Continuity Management

Business Continuity Plan for the Company has been formulated to ascertain that the Company will recover and restore any interrupted critical functions within a predetermined time upon the occurrence of any disastrous events.

The testing for Business Continuity Plan is conducted at least once a year whilst the Disaster Recovery Plan test for all main application systems is conducted at least twice a year.

Information System

The Company complied with the expectations of BNM's Guidelines on Management of IT Environment (GPIS 1) and Guidelines on Internet Insurance (Consolidated) (BNM/RH/GL/003-5) by establishing a reliable information security system. All employees are required to strictly abide to and comply with the Group Information Security Policy and Standard ("IS Policy") to protect information confidentiality, integrity, availability and non-repudiation.

Following the issuance of the Risk Management in Technology Policy Document ("RMiT Policy") by BNM, which will come into effect on 1 January 2020, the Company has conducted a gap analysis and formulated appropriate action plans to meet the expectations and requirements prescribed under the RMiT Policy.

The IT Steering Committee and Digital Transformation Committee of the Company were combined and renamed as IT & Digital Steering Committee ("ITDSC"). The ITDSC is responsible for the overall strategic deployment of IT and digital assets in tandem with the business objectives. Other duties and responsibilities of ITDSC include, establishing effective IT and digital plans, formulation and implementation of technology risks management program, recommending to the respective Senior Management Committees, RMC and Board (whichever applicable) for approval on IT-related expenditure and material deviation from technology-related policies, as well as monitoring the progress of approved IT and digital programs/projects.

Data Management Framework

The Group Data Management Framework ("DMF") has been in place to establish and maintain a sound data management and management information system framework. The objective of the DMF is to manage data and disseminate information effectively and efficiently and to maximise the effective use and value of data assets. In addition, the DMF aims to ensure the integrity of data assets by preventing unauthorised or inappropriate use of data and information.

Corporate governance disclosures (continued)

B. Internal control framework (continued)

B3. Other Key Internal Control Process (continued)

Data Privacy

The Allianz Privacy Standard ("APS"), contains the global minimum requirements applicable within the Allianz SE Group for the processing and transfer of personal data within the Allianz SE Group. The APS takes into account the requirements of the European Union privacy law, the General Data Protection Regulation to facilitate cross-border transfers of personal data originating from or processed in the European Economic Area within the Allianz SE Group. Under the APS, there are functional rules specifying data privacy and protection requirements, including conducting Privacy Impact Assessment to record processing activities that involve handling of personal data and personal data breach incident guideline and workflow. Compliance with the APS adopted by the Company ensures compliance with the Malaysian Personal Data Protection Act, 2010 and is in line with the Code of Practice on Personal Data Protection for Insurance and Takaful in Malaysia.

Human Resources Policies and Procedures

The Company has established proper policies and procedures on human resource management, including recruitment, learning and development, talent development, performance management and employee benefits. These policies and procedures are reviewed as and when the need arises and changes effected are communicated to relevant employees via-email. The policies and procedures are also made available via the Group's staff e-portal for easy access by the employees.

C. Remuneration

The remuneration policy and practices of the Company ("Policy") are established, implemented and maintained in line with the Company's business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance. This Policy forms a key component of the governance and incentive structure through which the Board and Senior Management drive performance, convey acceptable risk taking behaviour and reinforce the Company's corporate and risk culture.

The remuneration components of employees are fixed and variable compensation. Base salary is the fixed remuneration component and rewards the role and responsibilities taking account of market conditions and providing for a stable source of income. The fixed component is dependent on position responsibility as well as the experience and qualification of incumbent.

Corporate governance disclosures (continued)

C. Remuneration (continued)

Variable Compensation components aim to reward performance and shall not provide incentives for risks which might be incompatible with the risk profile of the Company, including risk limits. Therefore, Variable Compensation components may not be paid, or payment may be restricted in the case of a breach of risk limits or a compliance breach,

The volume and relative weighting of the variable component shall depend on the level of seniority and the position. Variable components typically consist of annual bonus (short term incentive) and mid-/long-term incentives.

Variable compensation is determined by a combination of assessment of the individual's performance and his business unit as well as overall performance of the Company.

The Company measures performance in an annual process which includes the key steps of agreed priorities, regular feedback, and a mid-year and year-end performance assessment. Personal priorities or targets are agreed for each evaluated employee and reflects financial and non-financial ambitions. The assessment of individual performance is holistic in nature and considers relativity against peers.

The remuneration of KRPs of the Company is not only determined by performance against business objectives but include other factors such as prudent risk-taking and actions affecting the long-term interests of the Company. Remuneration of KRPs is adjusted each year to account for all types of risk and breaches, determined by both quantitative measures and qualitative judgement.

Employees in control functions are measured on the achievement of control function objectives which determine their remuneration. Similar to all employees, actual payout is subject to overall size of bonus pool.

A portion of the Variable Compensation for CEO contains a deferred component. The deferral period shall be aligned with the nature of the business, its risks, and the activities of the incumbent in question, and adopt a multi-year framework to reflect the time horizon of risks.

Company No. 104248-X

Ultimate holding company

The Directors regard Allianz SE, a public listed company incorporated and domiciled in Germany as the Company's ultimate holding company.

Immediate holding company

The immediate holding company is AMB, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Auditors

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

The auditors' remuneration is disclosed in Note 27 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………………………

Goh Ching Yin
Director

…………………………………………………

Joseph Kumar Gross
Director

Kuala Lumpur,

Date: 27 February 2020

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Property, plant and equipment	3	22,501	32,249
Right-of-use assets	4	27,589	-
Investment properties	5	3,840	3,840
Intangible assets	6	24,070	27,646
Investments	7	11,796,579	10,126,913
Derivative financial assets	16	62,177	26,059
Reinsurance assets	8	69,113	66,579
Insurance receivables	9	52,332	80,703
Other receivables, deposits and prepayments	10	63,603	45,779
Cash and cash equivalents	11	887,935	740,079
Total assets		13,009,739	11,149,847
Equity, policyholders' funds and liabilities			
Share capital	12	236,600	236,600
Fair value reserve	13	6,037	1,294
Revaluation reserve	13	2,891	2,522
Retained earnings	13	1,032,837	811,212
Total equity		1,278,365	1,051,628
Insurance contract liabilities	14	10,763,671	9,284,255
Deferred tax liabilities	15	332,863	240,915
Derivative financial liabilities	16	1,244	2,413
Subordinated loan	17	54,300	54,300
Lease liabilities	18	17,732	-
Insurance payables	19	217,733	231,422
Other payables and accruals	20	337,978	284,245
Current tax liabilities		5,853	669
Total liabilities		11,731,374	10,098,219
Total equity, policyholders' funds and liabilities		13,009,739	11,149,847

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

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statement of profit or loss for the year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Operating revenue	21	3,220,930	2,835,353
Gross earned premiums		2,725,032	2,383,537
Premiums ceded to reinsurers		(81,178)	(100,194)
Net earned premiums	22	2,643,854	2,283,343
Investment income	23	495,898	451,816
Realised gains and losses	24	(14,105)	(21,502)
Fair value gains and losses	25	340,206	(313,675)
Fee and commission income		1,449	-
Other operating income		44,181	24,129
Investment and other income		867,629	140,768
Gross benefits and claims paid		(1,324,695)	(1,195,717)
Claims ceded to reinsurers		66,348	81,597
Gross change in contract liabilities		(1,163,462)	(430,068)
Change in contract liabilities ceded to reinsurers		(554)	(18,660)
Net benefits and claims	26	(2,422,363)	(1,562,848)
Fee and commission expense		(466,152)	(422,316)
Management expenses	27	(238,911)	(201,426)
Interest expenses	28	(3,204)	(2,444)
Other operating expenses		(50,681)	(34,141)
Other expenses		(758,948)	(660,327)
Profit before tax		330,172	200,936
Tax expense	29	(108,547)	(53,115)
Net profit for the year		221,625	147,821

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

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Net profit for the year		221,625	147,821
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Fair value of available-for-sale ("AFS") financial assets			
- Net gains /(losses) arising during the financial year		219,210	(73,216)
- Net realised gains transferred to profit or loss		(12,400)	(31,554)
Gains on cash flow hedge		20,960	3,220
Tax effects thereon		(19,207)	7,947
Change in insurance contract liabilities arising from net fair value change on			
- AFS financial assets	14	(200,584)	105,813
- Cash flow hedge reserve	14	(20,960)	(3,220)
Tax effects thereon	14	17,724	(8,207)
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment and right-of-use assets		1,500	-
Tax effects thereon		(120)	-
Change in insurance contract liabilities arising from revaluation	14	(1,099)	-
Tax effects thereon	14	88	-
Total other comprehensive income for the year, net of tax		5,112	783
Total comprehensive income for the year attributable to owners of the Company		226,737	148,604

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

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2019

	Attributable to owners of the Company					
	Non-distributable				Distributable	
	Share capital RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained earnings-Non-participating fund surplus* RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2018	236,600	511	2,522	611,845	51,546	903,024
Total other comprehensive income for the year	-	783	-	-	-	783
Profit for the year	-	-	-	141,058	6,763	147,821
Total comprehensive income for the year	-	783	-	141,058	6,763	148,604
At 31 December 2018	236,600	1,294	2,522	752,903	58,309	1,051,628
	Note 12	**Note 13**	**Note 13**		**Note 13**	

Company No. 104248-X

Statement of changes in equity for the year ended 31 December 2019 (continued)

	Attributable to owners of the Company					
	Non-distributable				Distributable	
	Share capital RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained earnings-Non-participating fund surplus* RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2019	236,600	1,294	2,522	752,903	58,309	1,051,628
Total other comprehensive income for the year	-	4,743	369	-	-	5,112
Profit for the year	-	-	-	218,994	2,631	221,625
Total comprehensive income for the year	-	4,743	369	218,994	2,631	226,737
At 31 December 2019	236,600	6,037	2,891	971,897	60,940	1,278,365
	Note 12	**Note 13**	**Note 13**		**Note 13**	

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

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

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2019

	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before tax	330,172	200,936
Adjustments for:		
Investment income	(495,898)	(451,816)
Interest income	(706)	(662)
Interest expense	3,204	2,444
Realised loss recorded in profit or loss	14,183	21,556
Fair value (gain)/loss on investments recorded in profit or loss	(359,293)	236,871
Purchase of available-for-sale ("AFS") financial investments	(343,239)	(404,098)
Maturity of AFS financial investments	70,192	38,500
Proceeds from sale of AFS financial investments	185,289	349,496
Purchase of held for trading ("HFT") financial investments	(1,277,036)	(1,207,620)
Maturity of HFT financial investments	155,050	80,000
Proceeds from sale of HFT financial investments	396,735	444,848
Purchase of designated upon initial recognition ("DUIR") financial investments	(381,391)	(515,041)
Maturity of DUIR financial investments	202,066	297,500
Proceeds from sale of DUIR financial investments	151,049	29,879
Change in loans and receivables	(303,946)	(102,339)
Impairment loss/(reversal of impairment loss) on receivables	2,783	(435)
Amortisation of intangible assets	6,636	6,021
Depreciation of property, plant and equipment	5,519	5,423
Gain on disposal of property, plant and equipment	(78)	(54)
Property, plant and equipment written off	133	9
Unrealised foreign exchange (gain)/loss	(238)	902
Impairment loss on AFS financial investments	19,087	76,804
Depreciation of right-of-use assets	4,919	-
Operating loss before changes in working capital	**(1,614,808)**	**(890,876)**

Company No. 104248-X

Statement of cash flows for the year ended 31 December 2019 (continued)

	2019 RM'000	2018 RM'000
Changes in working capital:		
Change in reinsurance assets	(2,534)	(1,228)
Change in insurance receivables	28,675	(26,304)
Change in other receivables, deposits and prepayments	(19,730)	(2,080)
Change in insurance contract liabilities	1,267,326	552,467
Change in insurance payables	(13,689)	18,190
Change in other payables and accruals	60,991	12,466
Cash used in operations	**(293,769)**	**(337,365)**
Tax paid	(30,742)	(36,424)
Dividends received	63,468	57,032
Interest income received	424,264	389,331
Interest paid on lease liabilities	(760)	-
Net cash from operating activities	**162,461**	**72,574**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	82	55
Acquisition of property, plant and equipment	(6,930)	(7,118)
Acquisition of intangible assets	(951)	(747)
Net cash used in investing activities	**(7,799)**	**(7,810)**
Cash flows from financing activity		
Payment of loan interest to immediate holding company	(2,444)	(2,444)
Repayment of lease liabilities	(4,362)	-
Net cash used in financing activity	**(6,806)**	**(2,444)**
Net increase in cash and cash equivalents	147,856	62,320
Cash and cash equivalents at 1 January	740,079	677,759
Cash and cash equivalents at 31 December	**887,935**	**740,079**
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	837,782	671,114
Cash and bank balances	50,153	68,965
	887,935	**740,079**

Company No. 104248-X

Statement of cash flows for the year ended 31 December 2019 (continued)

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

Reconciliation of liabilities arising from financing activities:

	Subordinated Loan			
	Principal RM'000	Interest Payable RM'000	Lease liabilities RM'000	Total RM'000
At 1 January 2018	54,300	1,192	-	55,492
Cash flows	-	(2,444)	-	(2,444)
Interest charge	-	2,444	-	2,444
At 31 December 2018, as previously reported	54,300	1,192	-	55,492
Effects of adoption of MFRS 16	-	-	17,589	17,589
At 1 January 2019, as restated	54,300	1,192	17,589	73,081
Cash flows	-	(2,444)	(5,123)	(7,567)
Interest charge	-	2,444	760	3,204
Lease additions	-	-	4,506	4,506
At 31 December 2019	54,300	1,192	17,732	73,224

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

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Notes to the financial statements

Corporate information

Allianz Life Insurance Malaysia Berhad is a public limited liability company incorporated and domiciled in Malaysia. The address of the principal place of business and registered office of the Company is as follows:

Level 29, Menara Allianz Sentral,
203, Jalan Tun Sambanthan,
Kuala Lumpur Sentral,
50470 Kuala Lumpur, Malaysia

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

The ultimate holding company is Allianz SE, a public listed company incorporated and domiciled in Germany. The immediate holding company is Allianz Malaysia Berhad, a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were approved by the Board of Directors on 27 February 2020.

1. Basis of preparation

1.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments to standards and interpretations that have been issued by Malaysian Accounting Standards Board ("MASB") for the financial year beginning on or after 1 January 2019 and adopted by the Company:

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116, *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. The details of the accounting policies on leases are disclosed in Note 2(e).

The Company has applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method. On adoption of MFRS 16, the Company recognised lease liabilities in relation to leases which had been previously classified as 'operating leases' under the principles of MFRS 117. These lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates as at 1 January 2019.

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRS 16, *Leases* (continued)

Under the simplified retrospective transition method, the 2018 comparative information was not restated. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117, *Leases* and IC Interpretation 4, *Determining whether an Arrangement Contains a Lease*.

In applying MFRS 16 for the first time, the Company has applied the following practical expedients permitted by MFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

The adoption of MFRS 16, *Leases* has resulted in changes in the accounting policies as disclosed in Note 2(e). The effects arising from these changes on the statement of financial position of the Company are as follows:

	31 December 2018 RM'000	Effects of adoption of MFRS 16 RM'000	1 January 2019 RM'000
Assets			
Property, plant and equipment	32,249	(9,254)	22,995
Right-of-use assets	-	26,843	26,843
Liabilities			
Lease liabilities	-	17,589	17,589

The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.88% per annum.

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRS 16, *Leases* (continued)

The reconciliation between the operating lease commitment as at 31 December 2018 and lease liabilities recognised at 1 January 2019 is as follows:

	RM'000
Operating lease commitments as at 31 December 2018	9,706
Discounted at the incremental borrowing rate as at 1 January 2019	(1,572)
Add: Adjustments as a result of a different treatment of extension options	10,329
Less: Low-value leases recognised on a straight-line basis as expense	(146)
Contract reassessed as service agreement	(728)
Lease liabilities as at 1 January 2019	17,589

Except as disclosed above, the adoption of new standards, amendments to standards and interpretations by the Company for the first time for the financial year beginning on 1 January 2019 did not have any material impact on the current and/or prior periods and is not likely to affect future periods.

The following are accounting standards, amendments to standards and interpretations that have been issued by MASB but not yet effective and have not been early adopted by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101, *Presentation of Financial Statements – Definition of Material*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 9, MFRS 139, MFRS 7 – *Interest Rate Benchmark Reform*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRS 17, *Insurance Contracts*

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

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue from Contracts with Customers'. Insurance contracts (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

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

Alternative measurement models are provided for the different insurance coverages:

a) Simplified Premium Allocation Approach if the insurance coverage period is a year or less; and
b) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims. Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 17.

Except as mentioned above, the initial application of the other new standards, amendments to standards or interpretations issued by MASB effective for periods subsequent to 1 January 2020 are not expected to have any material financial impact to the current period and prior period financial statements of the Company.

1. Basis of preparation (continued)

1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

1.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1.4 Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2 (u)(i) – valuation of life actuarial liabilities.
- Note 2 (u)(ii) – fair value measurement.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

2. Significant accounting policies (continued)

(a) Foreign currency transactions and balances (continued)

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(b) Property, plant and equipment

(i) Recognition and measurement

All items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses. Work-in-progress is stated at cost.

The Company revalues its properties comprising land and buildings every five years and at shorter intervals whenever the fair value of the revalued assets are expected to differ materially from their carrying value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

The revalued amounts of property are determined by using the Comparison Method. The Comparison Method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustment for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics.

Valuation of the properties involves a degree of judgement before arriving at the respective property's revalued amount. As such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

2. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised on a net basis within "realised gains and losses" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	50 years
• Office equipment, furniture and fittings	2 -10 years
• Computers	5 years
• Motor vehicles	5 years
• Office renovation and partitions	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

Accounting policies applied from 1 January 2019

From 1 January 2019, leased assets (including leasehold land) are presented as a separate line item in statement of financial position. See accounting policy Note 2(e)(i) on right-of-use assets for these assets.

Accounting policies applied until 31 December 2018

Until 31 December 2018, leased assets (including leasehold land) under lease arrangement classified as finance lease (refer to accounting policy Note 2(e)(ii) on finance leases applied until 31 December 2018) are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

2. Significant accounting policies (continued)

(c) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in other comprehensive income and accumulated in equity as a revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

2. Significant accounting policies (continued)

(c) Investment properties (continued)

(iii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment properties portfolio annually.

The revalued amounts of property are determined by using the Comparison Method. The Comparison Method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustment for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics.

The determination of the fair values involves a degree of judgement. As such, the fair value of the investment properties may be different from its actual market price.

(d) Intangible assets

(i) Development costs

Expenditure incurred on software development is capitalised, only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

2. Significant accounting policies (continued)

(d) Intangible assets (continued)

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is based on the cost of an asset less its residual value. Intangible assets with finite useful lives are amortised from the date that they are available for use. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

The estimated useful lives for the current and comparative periods are as follows:-

• Capitalised software development costs	3-5 years
• Other intangible assets	11 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(e) Leases

(i) Accounting by lessee – Accounting policies applied from 1 January 2019

From 1 January 2019, 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 Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company 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 Company 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.

2. Significant accounting policies (continued)

(e) Leases (continued)

(i) Accounting by lessee – Accounting policies applied from 1 January 2019 (continued)

Lease term

In determining the lease term, the Company 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 Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company 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.

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.

ROU assets that are not investment properties are subsequently measured at valuation/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. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

The Company applies the fair value model to ROU assets that meet the definition of investment property of MFRS 140 consistent with those investment property owned by the Company. Refer to Note 2(c) for accounting policy on investment properties.

The Company presents ROU assets that meet the definition of investment property in the statement of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of financial position.

2. Significant accounting policies (continued)

(e) Leases (continued)

(i) Accounting by lessee – Accounting policies applied from 1 January 2019 (continued)

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 fixed payments (including in-substance fixed payments), less any lease incentive receivable.

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 Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

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

The Company 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 interest expenses in profit or loss in the statement of profit or loss.

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 photocopiers. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Accounting by lessee – Accounting policies applied until 31 December 2018

Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

Operating lease

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the Company's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. Significant accounting policies (continued)

(e) Leases (continued)

(iii) Accounting by lessor

As a lessor, the Company determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Operating lease

The Company classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Company recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

Sublease classification

Until the financial year ended 31 December 2018, when the Company was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 January 2019, when the Company is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

(f) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Company categorises and measures financial instruments as follows:

Financial assets

(1) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(2) Loans and receivables, excluding insurance receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market and include other receivables, deposits and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(3) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

(4) Insurance receivables

Insurance 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 receivables are measured at amortised cost, using the effective interest method.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(g)(ii).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(f)(v), have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(g)(i)).

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

(iv) Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

The Company enters into forward purchase agreements as cash flow hedging instruments to hedge against variability in future cash flows arising from movements in interest rates of debt securities.

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in the equity is recognized in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(g) Impairment

(i) Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2(g)(ii) below) is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

(g) Impairment (continued)

(i) Financial assets, excluding insurance receivables (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months for those individually assessed, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM").

2. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Insurance receivables (continued)

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the insurance receivable's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(iii) Other assets

The carrying amounts of other assets (except for investment properties measured at fair value and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

2. Significant accounting policies (continued)

(g) Impairment (continued)

(iii) Other assets (continued)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(h) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and accounted for in the equity as an appropriation of retained earnings when they are approved for payment.

Dividends for the year that are approved after the end of the reporting period are dealt with as a subsequent event.

(i) Product classification

The Company issues insurance contracts that transfer significant insurance risk. These contracts may also transfer financial risk.

Financial risk is the risk of a possible future change in interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

2. Significant accounting policies (continued)

(i) Product classification (continued)

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts (if any) are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

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

Under the terms of the contracts, surpluses in the DPF funds can be distributed on 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 insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation and unbundling is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

2. Significant accounting policies (continued)

(i) Product classification (continued)

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

(j) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums ceded and claims reimbursed/recoveries are recognised in the same accounting period as the original policy/contract in which the reinsurance relates, and are presented on a gross basis for both ceded and assumed reinsurance in the statement of profit or loss and statement of financial position.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Premiums and claims on assumed 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. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

2. Significant accounting policies (continued)

(j) Reinsurance (continued)

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest method when accrued.

(k) Life insurance underwriting results

Surplus of Life Fund

The surplus transferable from the Life fund to profit or loss of Shareholders' fund is based on the surplus determined by an annual actuarial valuation of the liabilities to policyholders, made in accordance with the provisions of the Financial Services Act, 2013 by the Company's Appointed Actuary.

Gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured. Premiums not received on due dates are recognised as revenue in profit or loss and reported as outstanding premiums in the statement of financial position.

Reinsurance premiums

Gross reinsurance premiums on ceded reinsurance are recognised as an expense when payable or on the date on which the policy is effective.

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 is notified.

2. Significant accounting policies (continued)

(k) Life insurance underwriting results (continued)

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- 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; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, are charged to profit or loss in the period in which they are incurred.

Policy administration and investment management service income

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as income over the period in which the related services are performed.

Management fee income earned from the investment-linked business is recognised on an accrued basis based on the net asset value of the investment-linked funds.

2. Significant accounting policies (continued)

(l) Life insurance contract liabilities

i) Actuarial Liabilities

Life actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method (see Note 2(u)(i)). The liability is determined as the sum of the present value of future guaranteed benefits and, in the case of the 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 liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the insurance fund level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

For non-unit liability of investment-linked policy, the liability 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 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums or unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts, are recognised in profit or loss over the life of the contract.

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

2. Significant accounting policies (continued)

(l) Life insurance contract liabilities (continued)

ii) Benefit and claims liabilities

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

iii) Unallocated surplus

Surpluses of contracts with DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The Company, however, has the discretion over the amount and timing of the distribution of these surpluses to both the policyholders and shareholders. The amount and timing of the distribution of these surpluses is subject to the recommendation of the Company's Appointed Actuary and is determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statements of financial position and is made in accordance with the provision of the Financial Services Act, 2013 and related regulations.

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 period, are held within the insurance contract liabilities.

iv) Available-for-sale fair value reserve

Where unrealised gains or losses arise on AFS financial assets of the life participating fund, the adjustment to the insurance contract liabilities, equals to the effect that the realisation of those gains or losses at the end of the reporting years would have on those liabilities, is recognised directly in the other comprehensive income.

v) Hedging reserve

Where unrealised gains or losses arise on cash flow hedge of the life participating fund, the adjustment to the insurance contract liabilities, equals to the effect that the realisation of those gains or losses at the end of the reporting years would have on those liabilities, is recognised directly in the other comprehensive income.

vi) Asset revaluation reserve

Where asset revaluation reserve arises on the self-occupied properties of the DPF fund, the adjustment to the life insurance liabilities equal to the effect that the realisation of those surpluses at the end of the reporting period would have on those liabilities, is recognised directly in other comprehensive income.

2. Significant accounting policies (continued)

(l) Life insurance contract liabilities (continued)

vii) 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.

(m) Other revenue recognition

(i) Rental income

Rental income from investment properties is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on disposal of financial assets and investment properties. Gains and losses arising on disposal of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, insurance contract liabilities or other comprehensive income.

2. Significant accounting policies (continued)

(n) Income tax (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for temporary difference arises from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(c), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Significant accounting policies (continued)

(o) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(p) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

(q) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company’s contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. Significant accounting policies (continued)

(r) Provision for agent's retirement benefits

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

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

(s) Other financial liability and insurance payables

Other financial liabilities and insurance 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.

(t) Cash and cash equivalents and placements with financial institutions

Cash and cash equivalents consist of cash on hand, balances and deposits held at call with financial institutions and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short term commitments.

2. Significant accounting policies (continued)

(u) Significant accounting judgements, estimates and assumptions

(i) Valuation of life actuarial liabilities

The actuarial valuation of life insurance contract liabilities is based on the Risk-Based Capital Framework for Insurers, issued by BNM. The actuarial valuation of the insurance liability arising from policy benefits made under life insurance contracts is the Company's most critical accounting estimate.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

The risk-free discount rate is used for all cash flows to determine the liability of a non-participating life policy, non-unit actuarial liability of an investment-linked policy and guaranteed benefits insurance liability of participating policy. A discount rate based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the Life fund is used for all cash flows to determine the total benefit liability of participating policies.

There are several sources of uncertainty in the estimation of these liabilities, including future mortality and morbidity rates, expenses, persistency and discount rates. These key assumptions used are based on past experiences, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Such assumptions require judgment and therefore, actual experience may differ from the assumptions made by the Company. Actual experience is monitored to assess whether the assumptions remain appropriate and assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the actuarial liabilities recognised in life insurance contract liabilities.

The key assumptions used and the sensitivity analysis on the key assumptions are disclosed in Note 34.

2. Significant accounting policies (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

(ii) Fair value measurement

Fair value of an asset or a liability is determined as the price 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. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Company No. 104248-X

3. Property, plant and equipment

	Note	Land RM'000	Buildings RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovation and partitions RM'000	Work-in-progress RM'000	Total RM'000
Cost/Valuation								
At 1 January 2018		11,150	5,430	30,250	1,389	13,535	2,295	64,049
Additions		-	-	3,938	-	425	2755	7,118
Disposals		-	-	(2)	(313)	-	-	(315)
Written off		-	-	(191)	-	(6)	-	(197)
Reclassification #		-	-	382	-	648	(3,633)	(2,603)
At 31 December 2018, as previously reported		11,150	5,430	34,377	1,076	14,602	1,417	68,052
Effects of adoption of MFRS 16	4	(9,750)	-	-	-	-	-	(9,750)
At 1 January 2019, as restated		1,400	5,430	34,377	1,076	14,602	1,417	58,302
Additions		-	-	3,268	5	670	2,987	6,930
Disposals		-	-	-	(249)	-	-	(249)
Written off		-	-	(392)	-	(1,602)	-	(1,994)
Reclassification #		-	-	19	-	756	(2,884)	(2,109)
Revaluation		-	20	-	-	-	-	20
At 31 December 2019		1,400	5,450	37,272	832	14,426	1,520	60,900

Certain work-in-progress were reclassified as software development costs (intangible assets). See Note 6.

Company No. 104248-X

3. Property, plant and equipment (continued)

	Note	Land RM'000	Buildings RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovation and partitions RM'000	Work-in-progress RM'000	Total RM'000
Depreciation								
At 1 January 2018		356	357	20,988	1,041	8,140	-	30,882
Depreciation for the year	27	140	149	3,915	147	1,072	-	5,423
Disposals		-	-	(1)	(313)	-	-	(314)
Written off		-	-	(182)	-	(6)	-	(188)
At 31 December 2018, as previously reported		496	506	24,720	875	9,206	-	35,803
Effects of adoption of MFRS 16	4	(496)	-	-	-	-	-	(496)
At 1 January 2019, restated		-	506	24,720	875	9,206	-	35,307
Depreciation for the year	27	-	151	4,114	122	1,132	-	5,519
Disposals		-	-	-	(245)	-	-	(245)
Written off		-	-	(355)	-	(1,506)	-	(1,861)
Revaluation		-	(321)	-	-	-	-	(321)
At 31 December 2019		-	336	28,479	752	8,832	-	38,399
Carrying amounts								
At 1 January 2018		10,794	5,073	9,262	348	5,395	2,295	33,167
At 31 December 2018		10,654	4,924	9,657	201	5,396	1,417	32,249
At 31 December 2019		1,400	5,114	8,793	80	5,594	1,520	22,501

Included in property, plant and equipment are fully depreciated assets which are still in use costing RM27,416,000 (2018 : RM24,347,000).

3. Property, plant and equipment (continued)

3.1 Property, plant and equipment under the revaluation model

The land and buildings were last revalued in October 2019 by an external independent qualified valuer using the Comparison Approach. This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, the land and buildings are compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

Had the land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been as follows:

	2019 RM'000	2018 RM'000
Land	520	4,326
Buildings	2,750	2,833
	3,270	7,159

3.2 Fair value information

Fair value of land and buildings are categorised as follows:

2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Land	-	-	1,400	1,400
Buildings	-	-	5,114	5,114
	-	-	6,514	6,514

2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Land	-	-	10,654	10,654
Buildings	-	-	4,924	4,924
	-	-	15,578	15,578

3. Property, plant and equipment (continued)

3.2 Fair value information (continued)

Level 3 fair value

The Level 3 unobservable input used in the valuation of land and buildings is the price per square foot ("psf") which is derived from the selling price of comparable land and building, adjusted for differences in location, property size, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building, finishes and services and other relevant characteristics.

The estimated fair value would increase/(decrease) if the price per square foot were higher or lower and the historical sales transaction value were higher or lower.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable input used in the valuation model.

Land and buildings

Valuation technique used	2019 Fair Value RM'000	2019 Adjusted psf RM/psf	2018 Fair Value RM'000	2018 Adjusted psf RM/psf
Comparison Approach	6,514	223 – 1,034	15,578	223 - 911

4. Right-of-use assets

	Leasehold land RM'000	Buildings RM'000	Total RM'000
Valuation/Cost			
31 December 2018, as previously reported	-	-	-
Effects of adoption of MFRS 16 (Note 3)	9,750	17,589	27,339
1 January 2019, as restated	9,750	17,589	27,339
Additions	-	4,506	4,506
Revaluation	730	-	730
At 31 December 2019	10,480	22,095	32,575
Depreciation			
31 December 2018, as previously reported	-	-	-
Effects of adoption of MFRS 16 (Note 3)	496	-	496
1 January 2019, as restated	496	-	496
Depreciation for the year (Note 27)	144	4,775	4,919
Revaluation	(429)	-	(429)
At 31 December 2019	211	4,775	4,986

4. Right-of-use assets (continued)

	Leasehold land RM'000	Buildings RM'000	Total RM'000
Carrying amounts			
At 31 December 2018/1 January 2019, as restated	9,254	17,589	26,843
At 31 December 2019	10,269	17,320	27,589

The Company leases a number of buildings for its office space and branches. The leases typically run for a period of 1 to 5 years, with options to renew the lease after that date. The lease agreements do not impose any covenants.

In 2019, the total cash outflow for leases amounts to RM5,668,000 and income from subleasing of right-of-use assets amounts to RM617,000.

4.1 Right-of-use assets under the revaluation model

The leasehold land was last revalued in October 2019 by an external independent qualified valuer using the Comparison Approach. This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, the leasehold land is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

Had the leasehold land been carried at historical cost less accumulated amortisation, the carrying amounts would have been RM3,750,000.

4.2 Fair value information

Fair value of leasehold land is categorised as level 3 of the fair value hierarchy.

Level 3 fair value

The Level 3 unobservable input used in the valuation of leasehold land is the price per square foot ("psf") which is derived from the selling price of comparable land, adjusted for differences in location, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building erected thereon and other relevant characteristics.

The estimated fair value would increase/(decrease) if the price per square foot were higher or lower and the historical sales transaction value were higher or lower.

4. Right-of-use assets (continued)

4.2 Fair value information (continued)

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable input used in the valuation model.

Leasehold land

Valuation technique used	2019 Fair Value RM'000	2019 Adjusted psf RM/psf
Comparison Approach	10,269	120 – 1,034

5. Investment properties

	2019 RM'000	2018 RM'000
At 1 January/31 December	3,840	3,840

	2019 RM'000	2018 RM'000
Included in the above are:		
At fair value:		
Freehold land	1,000	1,000
Buildings	2,840	2,840
	3,840	3,840

Investment properties comprise a number of commercial properties that are leased to third parties.

The following are recognised in profit or loss in respect of investment properties:

	Note	2019 RM'000	2018 RM'000
Rental income	23	118	127
Direct operating expenses:			
- income generating investment properties		(2)	(3)

5. Investment properties (continued)

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	2019			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Freehold land	-	-	1,000	1,000
Buildings	-	-	2,840	2,840
	-	-	3,840	3,840

	2018			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Freehold land	-	-	1,000	1,000
Buildings	-	-	2,840	2,840
	-	-	3,840	3,840

Level 3 fair value

The fair values of the investment properties were determined by an external independent qualified valuer using the Comparison Approach. This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, the investment properties are compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

The Level 3 unobservable input used in the valuation of investment properties is the price per square foot ("per sq foot") which is derived from the selling price of comparable land and building, adjusted for differences in location, property size, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building, finishes and services and other relevant characteristics.

The estimated fair value would increase/(decrease) if the price per square foot were higher or lower and the historical sales transaction value were higher or lower.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable input used in the valuation model.

Valuation technique used	**2019 Fair Value RM'000**	**2019 Adjusted psf RM/psf**	**2018 Fair Value RM'000**	**2018 Adjusted p RM/psf**
Comparison Approach	3,840	238-850	3,840	235 - 971

Company No. 104248-X

6. Intangible assets

	Note	Software development costs RM'000	Other intangible assets RM'000	Total RM'000
Cost				
At 1 January 2018		9,125	50,495	59,620
Additions		747	-	747
Reclassification		2,603	-	2,603
At 31 December 2018		12,475	50,495	62,970
Additions		951	-	951
Reclassification		2,109	-	2,109
At 31 December 2019		15,535	50,495	66,030
Amortisation				
At 1 January 2018		6,075	23,228	29,303
Amortisation for the year	27	1,476	4,545	6,021
At 31 December 2018		7,551	27,773	35,324
Amortisation for the year	27	2,091	4,545	6,636
At 31 December 2019		9,642	32,318	41,960
Carrying amounts				
At 1 January 2018		3,050	27,267	30,317
At 31 December 2018		4,924	22,722	27,646
At 31 December 2019		5,893	18,177	24,070
		Note 6.1	**Note 6.2**	

6. Intangible assets (continued)

6.1 Software development costs

The software development costs are in relation to the internal development expenditure incurred for digital application and Open Product Underwriting System ("OPUS"), the on-going integrated system to improve the efficiency of the business activity of the Company. These costs of developed software are amortised over a period of three to five years.

6.2 Other intangible assets

Other intangible assets are in relation to the exclusive bancassurance agreement which provides the Company with an exclusive right to the use of the bancassurance network of a local commercial bank to sell, market and promote conventional life product.

The fee for this exclusive right is amortised over its useful life of 11 years using the straight-line method. In the impairment assessment conducted by the Company, the future economic benefits that are attributable to the bancassurance agreement was valued at the present value of projected future cash flows to be derived from the tenure of the agreement of 11 years using the discounted cash flow model.

The following key assumptions have been used in cash flow projections in respect of bancassurance agreement:

Key assumptions	**2019**	**2018**
Bancassurance average annualised new premium growth rate	8.2%	8.3%
Discount rate - pre tax	10.8%	10.6%

6.2.1 Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the abovementioned key assumptions to change so significantly that would result in impairment.

7. Investments

	2019 RM'000	2018 RM'000
Malaysian government securities	2,989,687	2,648,364
Malaysian government guaranteed bonds	2,461,487	2,059,620
Ringgit denominated bonds by foreign issuers outside Malaysia	40,623	40,505
Quoted equity securities of corporations in Malaysia	1,905,352	1,395,851
Quoted equity securities of corporations outside Malaysia	1,896	3,638
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Unquoted bonds of corporations in Malaysia	3,285,101	3,166,198
Unquoted bonds of corporations outside Malaysia	121,018	115,308
Quoted unit trusts in Malaysia	75,679	62,888
Unquoted unit trusts in Malaysia	13,120	15,641
Unquoted unit trusts outside Malaysia	28,021	25,985
Structured deposits with licensed financial institutions	73,452	102,681
Government guaranteed loans	190,504	190,504
Mortgage loans	-	165
Fixed and call deposits with licensed financial institutions	520,628	206,155
	11,708,715	10,035,650
Policy loans	9,681	11,386
Automatic premium loans	78,183	79,877
	11,796,579	10,126,913

7. Investments (continued)

The Company's financial investments are summarised by categories as follows:

	Current		Non-current		Total	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets ("AFS")	2,936,088	2,649,042	-	-	2,936,088	2,649,042
Loans and receivables ("LAR")	300,608	248,087	498,388	240,000	798,996	488,087
Fair value through profit or loss ("FVTPL")						
- Held for trading ("HFT")	4,674,061	3,757,148	-	-	4,674,061	3,757,148
- Designated upon initial recognition ("DUIR")	3,387,434	3,232,636	-	-	3,387,434	3,232,636
	11,298,191	9,886,913	498,388	240,000	11,796,579	10,126,913

7. Investments (continued)

	Fair value 2019 RM'000	Fair value 2018 RM'000
Available-for-sale		
Malaysian government securities	1,092,430	1,036,791
Malaysian government guaranteed bonds	1,110,173	962,972
Ringgit denominated bonds by foreign issuers outside Malaysia	25,389	25,316
Quoted equity securities of corporations in Malaysia	570,492	451,438
Unquoted bonds of corporations in Malaysia	78,460	110,978
Quoted unit trusts in Malaysia	54,810	51,933
Unquoted unit trusts in Malaysia	2,187	7,467
	2,933,941	2,646,895

	Cost 2019 RM'000	Cost 2018 RM'000
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Total available-for-sale financial investments	2,936,088	2,649,042

7. Investments (continued)

	2019 Amortised cost RM'000	2019 Fair value RM'000	2018 Amortised cost RM'000	2018 Fair value RM'000
Loans and receivables				
Government guaranteed loans	190,504	191,506	190,504	192,278
Mortgage loans	-	-	165	165
Policy loans	9,681	9,681	11,386	11,386
Automatic premium loans	78,183	78,183	79,877	79,877
Fixed and call deposits with licensed financial institutions	520,628	520,628	206,155	206,155
	798,996	798,996	488,087	489,861

7. Investments (continued)

	Fair value 2019 RM'000	Fair value 2018 RM'000
Fair value through profit or loss		
Held for trading		
Malaysian government securities	1,116,313	859,060
Malaysian government guaranteed bonds	785,731	601,720
Ringgit denominated bonds by foreign issuers outside Malaysia	5,079	5,063
Quoted equity securities of corporations in Malaysia	1,334,860	944,413
Quoted equity securities of corporations outside Malaysia	1,896	3,638
Unquoted bonds of corporations in Malaysia	1,370,359	1,267,400
Quoted unit trusts in Malaysia	20,869	10,955
Unquoted unit trusts in Malaysia	10,933	8,174
Unquoted unit trusts outside Malaysia	28,021	25,985
Structured deposits with licensed financial institutions	-	30,740
	4,674,061	3,757,148

7. Investments (continued)

	Fair value	
	2019	2018
Fair value through profit or loss	**RM'000**	**RM'000**
Designated upon initial recognition		
Malaysian government securities	780,944	752,513
Malaysian government guaranteed bonds	565,583	494,928
Ringgit denominated bonds by foreign issuers outside Malaysia	10,155	10,126
Unquoted bonds of corporations in Malaysia	1,836,282	1,787,820
Unquoted bonds of corporations outside Malaysia	121,018	115,308
Structured deposits with licensed financial institutions	73,452	71,941
	3,387,434	3,232,636
Total fair value through profit or loss financial investments	8,061,495	6,989,784

Company No. 104248-X

7. Investments (continued)

Movements in carrying values of financial instruments

	Note	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
At 1 January 2018		2,781,263	388,900	3,369,887	3,032,645	9,572,695
Purchases/Placements		404,098	21,510,473	1,207,619	515,041	23,637,231
Maturities		(38,500)	(21,408,134)	(80,000)	(297,500)	(21,824,134)
Disposals		(317,942)	-	(497,975)	(29,862)	(845,779)
Fair value gains/(losses) recorded in:						
Profit or loss						
- Unrealised gains/(losses)	25	-	-	(247,818)	8,096	(239,722)
- Movement in impairment allowance	25	(76,804)	-	-	-	(76,804)
Insurance contract liabilities	14	(105,813)	-	-	-	(105,813)
Other comprehensive income		1,042	-	-	-	1,042
Amortisation of premiums	23	(873)	-	(881)	(2,272)	(4,026)
Accretion of discounts	23	988	-	1,441	3,104	5,533
Unrealised foreign exchange gain/(losses)		-	-	(613)	2,424	1,811
Movement in income due and accrued		1,583	(3,152)	5,488	960	4,879
At 31 December 2018		2,649,042	488,087	3,757,148	3,232,636	10,126,913

Company No. 104248-X

7. Investments (continued)

Movements in carrying values of financial instruments (continued)

	Note	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
At 1 January 2019		2,649,042	488,087	3,757,148	3,232,636	10,126,913
Purchases/Placements		343,239	35,289,551	1,277,036	381,391	37,291,217
Maturities		(70,192)	(34,985,604)	(155,050)	(202,066)	(35,412,912)
Disposals		(172,890)	-	(427,923)	(146,443)	(747,256)
Fair value gains/(losses) recorded in:						
Profit or loss						
- Unrealised gains	25	-	-	221,671	122,781	344,452
- Movement in impairment allowance	25	(19,087)	-	-	-	(19,087)
Insurance contract liabilities	14	200,584	-	-	-	200,584
Other comprehensive income		6,225	-	-	-	6,225
Amortisation of premiums	23	(865)	-	(1,123)	(2,105)	(4,093)
Accretion of discounts	23	768	-	1,353	2,453	4,574
Unrealised foreign exchange gain/(losses)		-	-	129	(1,378)	(1,249)
Movement in income due and accrued		(736)	6,962	820	165	7,211
At 31 December 2019		2,936,088	798,996	4,674,061	3,387,434	11,796,579

8. Reinsurance assets

	Note	2019 RM'000	2018 RM'000
Non-current			
Actuarial liabilities		33,508	34,054
Current			
Actuarial liabilities		41	50
Recoverable on claims liabilities from reinsurers		35,564	32,475
		35,605	32,525
	14	69,113	66,579

9. Insurance receivables

	Note	2019 RM'000	2018 RM'000
Current			
Due premium including agents, brokers balances		38,030	37,304
Due from reinsurers and cedants		12,674	21,600
Group claims receivable		797	1,455
Due from related company	9.1	4,780	24,597
		56,281	84,956
Less: Allowance for impairment	35.1(ii)	(3,949)	(4,253)
		52,332	80,703

9.1 Amount due from related company

The amount due from related company is unsecured and receivable in accordance with normal trade terms.

9.2 Financial assets

There is no netting off of gross amount of recognised financial assets against the gross amount of financial liabilities in the statement of financial position.

There are no financial assets that are subject to enforceable master netting arrangement or similar arrangement to financial instruments received as collateral or any cash collateral pledged or received (2018: Nil).

10. Other receivables, deposits and prepayments

	Note	2019 RM'000	2018 RM'000
Non-current			
Other loans		35,634	23,591
Mortgage loans		1,182	1,146
Other secured loans		265	327
Malaysian Institute of Insurance ("MII") bonds		-	100
Other receivables		3,817	3,255
		40,898	28,419
Current			
Mortgage loans		126	123
Other secured loans		101	107
Prepayments		294	367
Sundry deposits		1,851	1,852
Other receivables		20,681	11,097
Less: Allowance for impairment	35.1(ii)	(3,148)	(61)
		19,905	13,485
Due from related companies	10.1	2,679	3,827
Due from immediate holding company	10.1	121	48
		22,705	17,360
		63,603	45,779

10.1 Amounts due from related companies and immediate holding company

The amounts due from related companies and immediate holding company are unsecured, interest free and repayable on demand.

11. Cash and cash equivalents

	2019 RM'000	2018 RM'000
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	837,782	671,114
Cash and bank balances	50,153	68,965
	887,935	740,079

12. Share capital

	2019		2018	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid up:				
Ordinary shares				
On issue at 1 January/31 December	236,600	236,600	236,600	236,600

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

13. Reserves

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Revaluation reserve

The revaluation reserve represents the surplus on revaluation of land and buildings.

Retained earnings

Restriction on payment of dividends

Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than the Company's internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target capital level.

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 on its shares.

14. Insurance contract liabilities

		2019			2018		
	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities	34	8,104,309	(33,549)	8,070,760	7,192,870	(34,104)	7,158,766
Benefits and claims liabilities		577,404	(35,564)	541,840	466,283	(32,475)	433,808
Unallocated surplus		30,069	-	30,069	133,696	-	133,696
Hedging reserve		19,284	-	19,284	1	-	1
Available-for-sale fair value reserve		232,491	-	232,491	47,954	-	47,954
Revaluation reserve		6,992	-	6,992	5,980	-	5,980
Net asset value attributable to unitholders	37	1,793,122	-	1,793,122	1,437,471	-	1,437,471
		10,763,671	(69,113)	10,694,558	9,284,255	(66,579)	9,217,676
			Note 8			Note 8	

14. Insurance contract liabilities (continued)

	Note	Gross With DPF RM'000	Gross Without DPF RM'000	Gross Total RM'000	Reinsurance With DPF RM'000	Reinsurance Without DPF RM'000	Reinsurance Total RM'000	Net RM'000
At 1 January 2018		4,090,463	4,735,711	8,826,174	(365)	(64,986)	(65,351)	8,760,823
Premiums received	22	130,702	2,252,835	2,383,537	(7,240)	(92,954)	(100,194)	2,283,343
Liabilities paid for death, maturities, surrenders, benefits and claims	26	(333,706)	(862,011)	(1,195,717)	2,337	79,260	81,597	(1,114,120)
Movements in benefits and claims liabilities		47,599	74,801	122,400	(75)	(19,813)	(19,888)	102,512
Benefits and claims experience variation		(43,010)	(124,010)	(167,020)	4,903	18,116	23,019	(144,001)
Fees deducted		(9,632)	(602,874)	(612,506)	-	(846)	(846)	(613,352)
Expected interest on reserve/net investment income attributable to Universal Life Fund		150,427	43,688	194,115	-	(836)	(836)	193,279
Adjustments due to changes in assumptions								
- Discount rate		(466)	(4,366)	(4,832)	-	320	320	(4,512)
- Expenses		114	16,514	16,628	-	-	-	16,628
- Asset share		(20,995)	-	(20,995)	-	-	-	(20,995)
- Mortality/Morbidity		(7,727)	(17,604)	(25,331)	-	12,249	12,249	(13,082)
- Lapse/Surrender		(13,133)	(2)	(13,135)	-	-	-	(13,135)
- Others		2,136	(3,157)	(1,021)	-	3,351	3,351	2,330
Net asset value attributable to unitholders	37	-	(175,693)	(175,693)	-	-	-	(175,693)

Company No. 104248-X

14. Insurance contract liabilities (continued)

		Gross			Reinsurance			
	Note	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
Hedging reserve		3,220	-	3,220	-	-	-	3,220
Available-for-sale fair value reserve	7	(105,813)	-	(105,813)	-	-	-	(105,813)
Unallocated surplus		52,037	-	52,037	-	-	-	52,037
Deferred tax effects:								
- Hedging reserve	29	(258)	-	(258)	-	-	-	(258)
- Available-for-sale fair value reserve	29	8,465	-	8,465	-	-	-	8,465
At 31 December 2018		3,950,423	5,333,832	9,284,255	(440)	(66,139)	(66,579)	9,217,676

Company No. 104248-X

14. Insurance contract liabilities (continued)

		Gross			Reinsurance			
	Note	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
At 1 January 2019		3,950,423	5,333,832	9,284,255	(440)	(66,139)	(66,579)	9,217,676
Premiums received	22	116,304	2,608,728	2,725,032	(6,027)	(75,151)	(81,178)	2,643,854
Liabilities paid for death, maturities, surrenders, benefits and claims	26	(321,702)	(1,002,993)	(1,324,695)	2,876	63,472	66,348	(1,258,347)
Movements in benefits and claims liabilities		51,851	59,270	111,121	(88)	(3,001)	(3,089)	108,032
Benefits and claims experience variation		89,250	(167,456)	(78,206)	1,679	14,906	16,585	(61,621)
Fees deducted		(13,240)	(672,162)	(685,402)	1,472	(23)	1,449	(683,953)
Expected interest on reserve/net investment income attributable to Universal Life Fund		152,654	293,582	446,236	-	(467)	(467)	445,769
Adjustments due to changes in assumptions								
- Discount rate		1,939	47,076	49,015	-	(1,588)	(1,588)	47,427
- Expenses		2,199	1,885	4,084	-	-	-	4,084
- Asset share		87,642	-	87,642	-	-	-	87,642
- Mortality/Morbidity		(11)	(200)	(211)	-	(613)	(613)	(824)
- Critical illness		(1,422)	(1,197)	(2,619)	-	-	-	(2,619)
- Lapse/Surrender		(26,288)	(264)	(26,552)	-	68	68	(26,484)
- Others		8,072	882	8,954	-	(49)	(49)	8,905
Net asset value attributable to unitholders	37	-	63,814	63,814	-	-	-	63,814

14. Insurance contract liabilities (continued)

		Gross			Reinsurance			
	Note	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
Hedging reserve		20,960	-	20,960	-	-	-	20,960
Available-for-sale fair value reserve	7	200,584	-	200,584	-	-	-	200,584
Revaluation reserve		1,099	-	1,099	-	-	-	1,099
Unallocated surplus		(103,628)	-	(103,628)	-	-	-	(103,628)
Deferred tax effects:								
- Hedging reserve	29	(1,677)	-	(1,677)	-	-	-	(1,677)
- Available-for-sale fair value reserve	29	(16,047)	-	(16,047)	-	-	-	(16,047)
- Revaluation reserve	29	(88)	-	(88)	-	-	-	(88)
At 31 December 2019		4,198,874	6,564,797	10,763,671	(528)	(68,585)	(69,113)	10,694,558

15. Deferred tax assets/(liabilities)

15.1 Recognised deferred tax assets and liabilities are attributable to the following:

	Asset		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	525	-	-	326	525	326
Investment properties	-	-	(114)	(114)	(114)	(114)
Unallocated surplus	-	-	(284,809)	(237,759)	(284,809)	(237,759)
Hedging reserve	-	-	(1,677)	-	(1,677)	-
Available-for-sale fair value reserve	-	-	(22,084)	(4,554)	(22,084)	(4,554)
Fair value movement recognised in profit or loss	-	-	(23,166)	1,979	(23,166)	1,979
Revaluation reserve	-	-	(776)	(656)	(776)	(656)
Net accretion	-	-	(762)	(137)	(762)	(137)
Offset of tax	(525)	-	525	-	-	-
Net liabilities	-	-	(332,863)	(240,915)	(332,863)	(240,915)

Company No. 104248-X

15. Deferred tax assets/(liabilities) (continued)

15.2 Movement in temporary differences during the year

	At 1 January 2018 RM'000	Recognised in profit or loss (Note 29) RM'000	Recognised in other compre-hensive income ("OCI") (Note 29) RM'000	Recognised in insurance contract liabilities through OCI (Note 14) RM'000	At 31 December 2018/ 1 January 2019 RM'000	Recognised in profit or loss (Note 29) RM'000	Recognised in other compre-hensive income ("OCI") (Note 29) RM'000	Recognised in insurance contract liabilities through OCI (Note 14) RM'000	At 31 December 2019 RM'000
Property, plant and equipment	(23)	349	-	-	326	199	-	-	525
Investment properties	(115)	1	-	-	(114)	-	-	-	(114)
Unallocated surplus	(193,214)	(44,545)			(237,759)	(47,050)	-	-	(284,809)
Hedging reserve	258	-	-	(258)	-	-	-	(1,677)	(1,677)
Available-for-sale fair value reserve	(12,759)	-	(260)	8,465	(4,554)	-	(1,483)	(16,047)	(22,084)
Fair value movement recognised in profit or loss	(18,460)	20,439	-	-	1,979	(25,145)	-	-	(23,166)
Revaluation reserve	(656)	-	-	-	(656)	-	(32)	(88)	(776)
Net (accretion) /amortisation	(382)	245	-	-	(137)	(625)	-	-	(762)
Net tax (liabilities)/ assets	(225,351)	(23,511)	(260)	8,207	(240,915)	(72,621)	(1,515)	(17,812)	(332,863)

16. Derivative financial assets/(liabilities)

	Nominal value RM'000	Assets RM'000	Liabilities RM'000
2019			
Derivatives held for trading at fair value through profit or loss			
- Collateralised interest rate swap	400,000	36,804	-
- Cross currency swap	119,750	4,412	(1,244)
Derivatives used for hedging			
- Forward purchase agreements	160,000	20,961	-
	679,750	62,177	(1,244)
2018			
Derivatives held for trading at fair value through profit or loss			
- Collateralised interest rate swap	400,000	19,482	-
- Cross currency swap	119,750	4,982	(819)
Derivatives used for hedging			
- Forward purchase agreements	190,000	1,595	(1,594)
	709,750	26,059	(2,413)

The Company uses interest rate swap and cross currency swap to mitigate the changes in fair value of local and foreign currency-denominated debt securities due to movements in interest rates or foreign exchange rates.

The Company enters into forward purchase agreements as cash flow hedging instruments to hedge against variability in future cash flows arising from movements in interest rates of debt securities.

16. Derivative financial assets/(liabilities) (continued)

Table below shows the periods when the hedged cash flows are expected to occur:

	>6 to 12 months RM'000	>1 to 5 years RM'000
As at 31.12.2019		
Cash inflows (assets)	-	-
Cash outflows (liabilities)	(59,275)	(96,807)
	(59,275)	(96,807)
As at 31.12.2018		
Cash inflows (assets)	-	-
Cash outflows (liabilities)	(30,353)	(156,082)
	(30,353)	(156,082)

17. Subordinated loan

	2019 RM'000	2018 RM'000
Non-current	-	54,300
Current	54,300	-

17.1 Subordinated loan from immediate holding company

The Company has on 7 January 2013, entered into a facility agreement ("Facility Agreement") with immediate holding company, AMB for a subordinated loan of up to the aggregate principal amount of RM73.0 million only ("Facility") upon fulfillment of the terms and conditions as stipulated in the Facility Agreement. The subordinated loan is unsecured, subject to interest at 4.5% per annum and repayable in 2023. However, the subordinated loan has been fully repaid on 8 January 2020.

The proceeds from the Facility were utilised by the Company for general working capital purposes including business expansion.

Company No. 104248-X

18. Lease liabilities

	2019 RM'000	2018 RM'000
Non-current	13,008	-
Current	4,724	-
	17,732	-

19. Insurance payables

	Note	2019 RM'000	2018 RM'000
Current			
Due to reinsurers and cedants		79,489	124,064
Due to agents, brokers and reinsurers		131,367	104,897
Due to related company	19.1	6,877	2,461
		217,733	231,422

19.1 Amounts due to related company and ultimate holding company

The amounts due to related company and ultimate holding company are unsecured and payable in accordance with normal trade terms.

19.2 Financial liabilities

There is no netting off of gross amount of recognised financial liabilities against the gross amount of financial assets in the statement of financial position.

There are no financial liabilities that are subject to enforceable master netting arrangement or similar arrangement to financial instruments received as collateral or any cash collateral pledged or received (2018: Nil).

20. Other payables and accruals

	Note	2019 RM'000	2018 RM'000
Current			
Premium received in advance		94,550	80,529
Premium deposits		32,089	36,406
Cash collateral payables		55,465	20,864
Sundry creditors		48,415	48,587
Outstanding purchase of investment securities		22,512	3,918
Other payables and accrued expenses		66,540	60,833
Due to ultimate holding company	20.1	8,712	15,352
Due to immediate holding company	20.1	2,666	9,485
Due to related companies	20.1	7,029	8,271
		337,978	284,245

20.1 Amounts due to ultimate holding company, immediate holding company and related companies

The amounts due to ultimate holding company, immediate holding company and related companies are unsecured, interest free and repayable on demand.

21. Operating revenue

	Note	2019 RM'000	2018 RM'000
Gross earned premiums	22	2,725,032	2,383,537
Investment income	23	495,898	451,816
		3,220,930	2,835,353

22. Net earned premiums

	Note	2019 RM'000	2018 RM'000
Gross earned premiums	21	2,725,032	2,383,537
Premiums ceded to reinsurers		(81,178)	(100,194)
Net earned premiums		2,643,854	2,283,343

23. Investment income

	Note	2019 RM'000	2018 RM'000
Rental of premises from:			
- Investment properties	5	118	127
Available-for-sale financial assets			
Interest income from:			
- Malaysian government securities		45,873	43,802
- Malaysian government guaranteed bonds		47,115	44,436
- Ringgit denominated bonds by foreign issuers outside Malaysia		1,232	1,367
- Unquoted bonds of corporations in Malaysia		4,185	4,897
Dividend income from:			
- Quoted equity securities of corporations in Malaysia		18,403	19,376
- Quoted unit trusts in Malaysia		3,318	3,449
Accretion of discounts	7	768	988
Amortisation of premiums	7	(865)	(873)
Interest income from licensed financial institutions:			
- Structured deposits		-	70
Loans and receivables			
Interest income from:			
- Government guaranteed loans		8,632	8,590
- Mortgage loans		1	82
- Policy loans		796	900
- Automatic premium loans		5,625	5,805
Interest income from licensed financial institutions:			
- Fixed and call deposits		38,172	23,951

23. Investment income (continued)

	Note	2019 RM'000	2018 RM'000
Fair value through profit or loss – Held for trading			
Interest income from:			
- Malaysian government securities		41,872	28,568
- Malaysian government guaranteed bonds		30,416	25,628
- Ringgit denominated bonds by foreign issuers outside Malaysia		245	246
- Unquoted bonds of corporations in Malaysia		60,829	57,232
Dividend income from:			
- Quoted equity securities of corporations in Malaysia		38,955	33,311
- Quoted equity securities outside Malaysia		583	517
- Quoted unit trusts in Malaysia		854	379
Interest income from/(expense to) financial institutions			
- Structured deposits		590	1,279
- Cash collateral		(1,270)	(681)
Accretion of discounts	7	1,353	1,441
Amortisation of premiums	7	(1,123)	(881)

23. Investment income (continued)

	Note	2019 RM'000	2018 RM'000
Fair value through profit or loss - Designated upon initial recognition financial assets			
Interest income from:			
- Malaysian government securities		29,084	27,480
- Malaysian government guaranteed bonds		22,126	19,790
- Ringgit denominated bonds by foreign issuers outside Malaysia		493	563
- Unquoted bonds of corporations in Malaysia		84,847	85,754
- Unquoted bonds of corporations outside Malaysia		4,267	4,237
Interest income from/(expense to) licensed financial institutions:			
- Structured deposits		1,860	3,543
- Negotiable certificate of deposits		-	308
- Cross currency swap		1,580	1,637
- Collateralised forward starting interest rate swap		4,616	3,666
Accretion of discounts	7	2,453	3,104
Amortisation of premiums	7	(2,105)	(2,272)
		495,898	451,816
		Note 21	Note 21

Company No. 104248-X

24. Realised gains and losses

	2019 RM'000	2018 RM'000
Realised gains on disposal of property, plant and equipment	78	54
Realised gains on disposal of investments in debt and equity securities:		
Malaysian government securities	9,707	264
Malaysian government guaranteed bonds	1,339	-
Quoted equity securities of corporations in Malaysia	23,767	96,157
Quoted equity securities of corporations outside Malaysia	824	790
Quoted unit trusts in Malaysia	498	15
Unquoted unit trusts outside Malaysia	25	20
Unquoted unit trusts in Malaysia	350	318
Unquoted bonds of corporations in Malaysia	3,848	-
Realised losses on disposal of investments in debt and equity securities:		
Malaysian government securities	(3)	(9)
Malaysian government guaranteed bonds	-	(6)
Quoted equity securities of corporations in Malaysia	(53,057)	(118,632)
Quoted equity securities of corporations outside Malaysia	(1,241)	(365)
Unquoted unit trusts outside Malaysia	(240)	(91)
Unquoted bonds of corporations in Malaysia	-	(17)
	(14,183)	(21,556)
Total net realised losses	(14,105)	(21,502)

25. Fair value gains and losses

	Note	2019 RM'000	2018 RM'000
Held for trading financial assets	7	221,671	(247,818)
Designated upon initial recognition financial assets	7	122,781	8,096
Derivatives		14,841	2,851
Total fair value gains/(losses) on financial assets at FVTPL		359,293	(236,871)
Impairment loss on AFS financial assets	7	(19,087)	(76,804)
Total fair value net gains/(losses)		340,206	(313,675)

26. Net benefits and claims

	2019 RM'000	2018 RM'000
Gross benefits and claims paid	(1,324,695)	(1,195,717)
Claims ceded to reinsurers	66,348	81,597
Net claims paid	(1,258,347)	(1,114,120)
Gross change in contract liabilities	(1,163,462)	(430,068)
Change in contract liabilities ceded to reinsurers	(554)	(18,660)
	(2,422,363)	(1,562,848)

Company No. 104248-X

27. Management expenses

	Note	2019 RM'000	2018 RM'000
Advertising and marketing expenses		17,270	13,766
Impairment loss/(reversal of impairment loss) on receivables		2,783	(435)
Amortisation of intangible assets	6	6,636	6,021
Auditors' remuneration:			
- statutory audit fees		309	299
- non-audit fees		8	63
Bank charges		16,124	14,277
Depreciation on property, plant and equipment	3	5,519	5,423
Depreciation of right-of-use assets	4	4,919	-
Employee benefits expense	27(a)	99,477	88,524
Executive director's remuneration	27(b)	5,212	2,893
Non-executive directors' fee and other emoluments	27(b)	818	1,026
Rental of premises		-	5,856
Lease expense on low-value assets		259	-
Short-term lease expenses		287	-
Other expenses		79,290	63,713
		238,911	201,426

	2019 RM'000	2018 RM'000
(a) Employee benefits expense		
Wages and salaries	48,281	44,167
Social security contributions	456	413
Contributions to Employees' Provident Fund	9,996	9,128
Other benefits	40,744	34,816
	99,477	88,524

27. Management expenses (continued)

(b) Key management personnel compensation

	2019 RM'000	2018 RM'000
Executive director:		
Salaries and other emoluments	3,408	2,411
Bonus	1,804	482
	5,212	2,893
Estimated monetary value of benefits-in-kind	386	539
	5,598	3,432
Non-executive directors:		
Fees	604	756
Other emoluments	214	270
	818	1,026
Estimated monetary value of benefits-in-kind	-	6
	818	1,032
Other key management personnel:		
Short-term employee benefits	7,738	7,274

Other key management personnel comprise persons other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

(c) The details of remuneration receivable by the CEO during the year are as follows:

	2019 RM'000	2018 RM'000
Salaries	785	775
Bonus	1,804	482
Estimated monetary value of benefits-in-kind	386	539
Other emoluments	2,623	1,636
	5,598	3,432
Amount included in employee benefits expense	5,212	2,893

27. Management expenses (continued)

(d) The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

	Salaries RM'000	Bonus RM'000	Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
2019						
Chief Executive Officer/Executive Director						
Joseph Kumar Gross	785	1,804	-	2,623	386	5,598
Non-Executive Directors of the Company						
Foo San Kan	-	-	123	116	-	239
Dato' Dr. Thillainathan A/L Ramasamy	-	-	152	18	-	170
Goh Ching Yin	-	-	134	54	-	188
Peter Ho Kok Wai	-	-	123	18	-	141
Datuk Gnanachandran A/L S Ayadurai	-	-	31	8	-	39
Total remuneration of Directors of the Company	-	-	563	214	-	777
Non-Executive Directors of holding company*						
Tan Sri Datuk (Dr.) Rafiah Binti Salim	-	-	22*	-	-	22
Tunku Zain Al-Abidin Ibni Tuanku Muhriz	-	-	18*	-	-	18
Marzida Binti Mohd Noor	-	-	1*	-	-	1
Total Directors' remuneration (including benefits-in-kind)	-	-	604	214	-	818

* Fees for their roles as members of Board Committees.

27. Management expenses (continued)

(d) The total remuneration (including benefits-in-kind) of the Chief Executive Officers and Directors are as follows (continued):

	Salaries RM'000	Bonus RM'000	Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
2018						
Chief Executive Officer/Executive Director						
Joseph Kumar Gross	775	482	-	1,636	539	3,432
Non-Executive Directors						
Tan Sri Razali Bin Ismail	-	-	62	92	6	160
Foo San Kan	-	-	167	110	-	277
Dato' Dr. Thillainathan A/L Ramasamy	-	-	161	19	-	180
Tan Sri Datuk (Dr.) Rafiah Binti Salim	-	-	100	11	-	111
Tunku Zain Al-Abidin Ibni Tuanku Muhriz	-	-	89	11	-	100
Goh Ching Yin	-	-	128	19	-	147
Peter Ho Kok Wai	-	-	49	8		57
Total Directors' remuneration (including benefits-in-kind)	-	-	756	270	6	1,032

28. Interest expense

	2019 RM'000	2018 RM'000
Interest expense on:		
Subordinated loan	2,444	2,444
Lease liabilities	760	-
	3,204	2,444

29. Tax expense

	2019 RM'000	2018 RM'000
(a) Recognised in profit or loss		
Current tax expense		
Current year	35,923	29,014
Under provision in prior year	3	590
	35,926	29,604
Deferred tax expense		
Origination and reversal of temporary differences	72,621	23,511
Total tax expense	108,547	53,115
Tax expenses attributable to shareholders	106,680	14,602
Tax expenses attributable to participating fund and unitholders	1,867	38,513
	108,547	53,115

The income tax provided for in the Life fund for the current and previous financial years is in respect of investment income which is taxed at a tax rate of 8% (2018: 8%) applicable for life insurance business and 24% (2018: 24%) on income other than investment income which is taxed under Section 60(8) of the Income Tax Act, 1967.

For the Shareholders' fund, the corporate tax rate is at 24% (2018: 24%). Consequently, deferred tax assets and liabilities of Shareholders' fund are measured using this tax rate. The tax expense of respective funds are disclosed in Note 37 – Insurance funds.

29. Tax expense (continued)

(b) Reconciliation of tax expense

	2019 RM'000	2018 RM'000
Profit before tax	330,172	200,936
Tax at Malaysian tax rate of 24% (2018: 24%)	79,242	48,225
Tax rate differential of 16% (2018: 16%) in respect of Life fund	12,212	14,165
Section 110B tax and deferred tax credit set off	(18,047)	(1,166)
Income not subject to tax	(224,487)	(189,823)
Non-deductible expenses	259,624	181,124
Under provision in prior year	3	590
Total tax expense	108,547	53,115

(c) Deferred tax recognised directly in other comprehensive income

	2019 RM'000	2018 RM'000
Available-for-sale fair value reserve		
At 1 January	383	123
Net gain arising from change in fair value	1,483	260
At 31 December	1,866	383
Revaluation reserve		
At 1 January	191	191
Net gain arising from revaluation	32	-
At 31 December	223	191

29. Tax expense (continued)

(d) Deferred tax recognised in insurance contract liabilities

	Note	2019 RM'000	2018 RM'000
Available-for-sale fair value reserve			
At 1 January		4,171	12,636
Net gain/(loss) arising from change in fair value	14	16,047	(8,465)
At 31 December		20,218	4,171
Revaluation reserve			
At 1 January		465	465
Net gain arising from revaluation	14	88	-
At 31 December		553	465
Hedging reserve			
At 1 January		-	(258)
Net gain arising from change in fair value	14	1,677	258
At 31 December		1,677	-

30. Operating leases

Leases as lessor

The Company leases out its investment properties under operating leases (see Note 5). The future undiscounted lease payments to be received are as follows:

	2019 RM'000	2018 RM'000
Less than one year	151	170
In the 2nd year	-	98
	151	268

30. Operating leases (continued)

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2019 RM'000	2018 RM'000
Less than one year	-	5,181
Between one and five years	-	4,525
	-	9,706

The Company leases a number of offices under operating leases. The leases typically run for a period of 1-5 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

From 1 January 2019, the Company has recognised right-of-use assets for these leases, except for short-term and low-value leases (see Note 1.1 and Note 4).

31. Capital commitments

	2019 RM'000	2018 RM'000
Property, plant and equipment		
Contracted but not provided for	3,306	1,138
Software development		
Contracted but not provided for	396	1,445

32. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and entity that provides key management personnel services to the Company. The key management personnel include all the Directors of the Company, and certain members of Senior Management Committee of the Company. There were no significant transactions with the Company during the financial year other than key management personnel compensation as disclosed in Note 27.

The related parties of, and their relationship with the Company are as follows:

Related Parties	Relationship
Allianz SE, Munich ("Allianz SE")	Ultimate holding company
Allianz Malaysia Berhad ("AMB")	Immediate holding company
Allianz General Insurance Company (Malaysia) Berhad	Related company of ALIM
Allianz SE Insurance Management Asia Pacific	Related company of ALIM
Allianz Technology SE (formerly known as Allianz Managed & Operations Services SE)	Related company of ALIM
Allianz Investment Management SE	Related company of ALIM
Allianz Investment Management Singapore Pte Ltd	Related company of ALIM
Allianz Global Investors Singapore Limited	Related company of ALIM
Allianz Global Investors Asia Pacific Limited	Related company of ALIM
Allianz Global Benefits GmbH	Related company of ALIM
Allianz Ayudhya Assurance PCL.	Related company of ALIM
Rapidpro Consulting Sdn Bhd	Company connected to the CEO of AMB

32. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company, other than key management personnel compensation (see Note 27), are as follows:

Transactions	Amount transacted for the year ended 31 December 2019 RM'000	Amount transacted for the year ended 31 December 2018 RM'000
Ultimate holding company		
Payment of reinsurance premium ceded, net of commission income	(2,134)	(2,792)
Payment of personnel expenses	(620)	(783)
Payment of business building and regional investment costs	(4,606)	(3,694)
Payment of global marketing expenses	(764)	(736)
Payment of fees for sharing of Global Procurement (excluding IT) services and support	(94)	(197)
Reimbursement of relationship manager fees	-	244
Provision of regional underwriting service	245	361
Payment of personnel expenses	(1,064)	(2,209)
Payment for support of design and development of Global Digital Factory	(52)	(45)
Payment for the development of Allianz One Finance Programme	(34)	(40)
Payment for IT security services	(245)	(203)
Payment for participation in HR Survey	-	(7)
Payment of training fees	-	(12)
Payment for reimbursement of expenses	(2)	(29)
Payment of fee for cyber insurance services	(16)	-
Payment of fee for HRT run services	(286)	-
Immediate holding company		
Interest payment for subordinated loan	(2,444)	(2,444)
Rental income	90	22
Sharing of personal costs and department expenses	(10,425)	(8,926)
Payment for life actuarial modeling services	(232)	(226)
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(70,991)	(83,932)
Payment of insurance premium	(211)	(197)
Payment of motor insurance premium	(209)	(270)
Reimbursement of investment and redemption of funds (including fund management fees)	1,099	674

32. Related parties (continued)

Significant related party transactions (continued)

	Amount transacted for the year ended 31 December 2019 RM'000	Amount transacted for the year ended 31 December 2018 RM'000
Related companies* (continued)		
Investment advisory fees	(1,940)	(1,682)
Performance attribution analysis expenses	(20)	-
(Payment)/reversal of other expenses	(897)	66
Rental expenses	(2,168)	(2,121)
Rental income	572	334
Reversal of intranet portal network cost	-	286
Reimbursement of sharing of common expenses	2,264	1,368
Payment of asset and investment manager database expenses	(474)	(234)
Reversal/(payment) for purchasing of various software licences	1,086	(830)
Reversal of expenses of HR database platform and recruitment solution	-	83
Payment for reimbursement of expenses	(2)	(30)
Payment of annual maintenance and support fees for software system	(1,477)	(2,997)
Payment for Actuarial support center services	-	(83)
Reversal of development point of sales system and maintenance of infrastructure for actuarial modeling	-	75
(Payment)/reversal for Actuarial support center services	(98)	130
Payment of fee for technical training and support for developers	(15)	-
Related party – Company connected with CEO of the immediate holding company		
Payment of training and other fees	(683)	(292)

* Related companies are companies within the Allianz SE group.

Significant related party balances related to the above transactions are disclosed in Notes 9, 10, 17, 19 and 20.

33. Risk management framework

As a provider of insurance services, the Company considers risk management to be one of its core competencies. It is an integral part of the Company's business process. In order to protect its assets, the Company has established a risk management framework to promote a strong risk management culture supported by a robust risk governance structure.

This framework ensures that risks are properly identified, analysed and evaluated. Risk appetite is defined by the Company's risk strategy and limit structure. Close monitoring and reporting allows the Company to detect deviations from its risk tolerance limit at an early stage.

The Allianz risk management practice consists of the following key areas:

(a) Risk underwriting and identification
A sound risk underwriting and identification framework including risk assessment, risk standards, and clear targets form the foundation for adequate risk taking and management decisions such as individual transaction approval, new product approval, strategic or tactical asset allocation.

(b) Risk reporting and monitoring
The Company's qualitative and quantitative risk reporting and controlling framework provides transparency and risk indicators to senior management with regards to its overall risk profile and whether the profile is within the delegated limits and authorities.

(c) Risk strategy and risk appetite
The Company's risk strategy clearly defines its risk appetite. It ensures that returns are appropriate for the risks taken and that the delegated authorities are in line with the Company's overall risk bearing capacity. The risk-return profile is managed through integration of risk appetite and capital needs indecision making processes. This also keeps risk strategy and business objectives consistent with each other and allows the Company to take opportunities within its risk appetite.

(d) Communication and transparency
Finally, a transparent and robust risk disclosure provides a basis for communicating this strategy to the Company's internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

33. Risk management framework (continued)

Risk governance structure

The Board assumes ultimate responsibility over the effectiveness of the Company's risk management and internal control systems by establishing and supervising the operation of the risk management framework. The Board has delegated the responsibility to establish and supervise the operation of the risk management framework to the Risk Management Committee ("RMC") to discharge their oversight function effectively.

RMC bears the overall responsibility for effective risk identification, measurement, monitoring and control functions of the Company. RMC also oversees the Senior Management's activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively. The RMC is responsible for driving the risk management framework of AMB Group of companies ("AMB Group") and to report to the Board on its recommendations and/or decisions. Through structured reporting from the Risk Management Working Committee ("RMWC"), RMC will consolidate the status of the risks and present them to the Board for consideration.

RMWC serves and as a platform for two way communications between the management and the RMC on matters of the AMB Group's risk management framework and its strategies. RMWC is responsible in formulating risk management strategies, policies and risk tolerance for RMC review and onward transmission of recommendation to the Board. RMWC determines the allocation of risks by cascading and/or escalating to the relevant owners. RMWC also oversees the compliance of all risk management process by all departments of the Company and provides pre-emptive recommendations to ensure timely action is taken in managing and mitigating the identified risks.

Asset and Liability Management ("ALM") Framework

The Investment Committee ("IC") has been tasked to manage business practices so that decisions and actions taken with respect to assets and liabilities are coordinated. It involves various management activities and responsibilities, including the formulation of long-term strategic goals and the management of various risks including liquidity risk, interest rate risk and market risk.

33. Risk management framework (continued)

Asset and Liability Management ("ALM") Framework (continued)

The Asset Liability Management ("ALM") process is subjected to external and internal constraints.

- External constraints include supervisory and legislative requirements, market condition, as well as the interests and expectations of policyholders and other stakeholders. For instance, one of the major constraints is the liquidity of the assets and liabilities which may compromise the ability to price, measure and hedge exposures.
- Internal constraints include asset allocation and environmental, social and governance ("ESG") integration framework, which limits reflect the Company's management philosophy and professional judgement (although this may also be influenced by external constraints).

Governance and regulatory framework

The Company is required to comply with the requirements of the Financial Services Act, 2013, relevant regulations and guidelines imposed by BNM, as well as including the relevant guidelines from Life Insurance Association of Malaysia ("LIAM").

The Company is also required to comply with all Allianz SE Group's policies and standards. If there is any conflict with the local laws or regulations, the local laws or regulations have priority while the stricter will apply where possible.

34. Insurance risk

Insurance risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in the legal or economic conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Company seeks to minimise insurance risk through a formalised reinsurance arrangement with an appropriate mix and spread of business based on its overall strategy. This is complemented by observing formalised underwriting guidelines and limits and standards applied to the security of reinsurers.

34. Insurance risk (continued)

The insurance risk of life insurance contracts consists of mortality/longevity/morbidity and calamity risks. Mortality/longevity/morbidity 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 underestimation 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 type of contract (with and without DPF).

	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**
2019							
Whole life	2,415,937	1,448,107	3,864,044	-	1,103	1,103	3,865,147
Endowment	574,916	2,398,284	2,973,200	-	-	-	2,973,200
Mortgage	-	66,000	66,000	-	(34,652)	(34,652)	31,348
Riders and others	709,596	491,469	1,201,065	-	-	-	1,201,065
Total	3,700,449	4,403,860	8,104,309	-	(33,549)	(33,549)	8,070,760
			Note 14			**Note 14**	**Note 14**
2018							
Whole life	2,434,893	1,240,256	3,675,149	-	1,169	1,169	3,676,318
Endowment	563,819	1,858,306	2,422,125	-	-	-	2,422,125
Mortgage	-	66,714	66,714	-	(35,273)	(35,273)	31,441
Riders and others	606,346	422,536	1,028,882	-	-	-	1,028,882
Total	3,605,058	3,587,812	7,192,870	-	(34,104)	(34,104)	7,158,766
			Note 14			**Note 14**	**Note 14**

As all of the business is derived from Malaysia, the entire actuarial liabilities are in Malaysia. There is no investment contract issued by the Company during the current and previous financial years.

34. Insurance risk (continued)

Key assumptions

Significant judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experiences, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. They are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

- Mortality and morbidity rates

  Experience study on mortality and morbidity rates is carried out on annual basis. The actual claim experience is compared against industrial mortality table and reinsurers' mortality and morbidity risk charges. Mortality and morbidity assumptions vary by product type and underwriting procedures.

  The Company can adjust the mortality/morbidity risk charges in future years in line with emerging experience for investment-linked and universal life contracts.

  An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- Expenses

  Expense assumption was set during initial pricing stage. Expense assumption is reviewed annually to reflect inflation due to higher cost of underwriting, issuing and maintaining the policies. Expense assumption varies by premium term, distribution channel, policy duration and underwriting procedures. The expense assumption is compared to actual expense that the Company incurred.

  An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

34. Insurance risk (continued)

Key assumptions (continued)

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows (continued):

- Persistency

  Experience study on persistency (lapse, surrender, premium holiday, partial withdrawal) is carried out on annual basis using statistical method. Persistency assumptions vary by product type, distribution channel and policy duration.

  An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- Discount rate

  In the valuation of the total benefits insurance liabilities of participating life policies, the Company has assumed a long term gross rate of return of 4.25% - 6.25% per annum (2018: 4.25% - 6.25% per annum). The long term gross rate of return is derived based on a basket of strategic asset allocations. The Company calculates long term gross rate by assuming each asset class will earn the targeted yield. The strategic asset allocation and targeted yield are reviewed annually in accordance to the Company's framework.

  Malaysian Government Securities ("MGS") spot rate is used in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

  Risk-free discount rate for durations of less than 15 years is based on zero-coupon spot yields of MGS with matching duration. Risk-free discount rate for durations of 15 years or more is based on zero-coupon spot yields of MGS with 15 years term to maturity. Duration in this context is referring to the term to maturity of each future cash flow. The MGS zero-coupon spot yields are obtained from a recognised bond pricing agency in Malaysia.

34. Insurance risk (continued)

Key assumptions (continued)

The assumptions that have significant effects on the gross actuarial liabilities and reinsurance assets are listed below.

	Mortality and morbidity rates[1]		Lapse and surrender rates		Discount rate	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	%	**%**	**%**	**%**	**%**	**%**
Type of business						
With fixed and guaranteed terms and with DPF contracts						
Life insurance	60-70	60-70	2.0-20	1.5-25	4.25-6.25	4.25-6.25
Without DPF contracts						
Life insurance	55-110	60-110	2.0-65	1.5-65	MGS spot yield	MGS spot yield

[1] Industry mortality and morbidity experience tables that were observed in Malaysia between year 1999 and 2003 or the respective reinsurance risk rates.

34. Insurance risk (continued)

Sensitivities

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit after tax. Sensitivities testing on individual assumptions are meaningful to analyse the magnitude of reserve changes for each assumption. However, it should be studied with care as it does not capture the possible correlation effect when all assumptions are being stressed simultaneously. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in assumptions	Impact on Profit after tax RM'000	Impact on Gross liabilities* RM'000	Impact on Net liabilities* RM'000
Life insurance contracts				
2019				
Mortality and morbidity rates	+5%	(3,600)	9,289	7,143
Discount rate	-0.5%	(13,627)	73,385	72,385
Expenses	+10%	(6,198)	12,218	12,218
Lapse and surrender rates	-10%	(577)	7,387	7,419
2018				
Mortality and morbidity rates	+5%	(4,595)	9,751	7,667
Discount rate	-0.5%	(15,268)	94,575	93,613
Expenses	+10%	(6,978)	12,152	12,152
Lapse and surrender rates	-10%	419	5,565	5,642

The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

34. Insurance risk (continued)

Sensitivities (continued)

The above illustration is only prepared for "what if" adverse scenario, with the key assumptions applied towards unfavourable direction. In the sensitivity analysis above, changes in assumptions for life non-participating business would impact the profit after tax and insurance contract liabilities. In respect of life participating insurance business, it would only impact the insurance contract liabilities.

* The impact on gross and net liabilities only reflects the changes in the prescribed assumptions above without adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

35. Financial risks

Exposure to credit, liquidity and market (currency risk, interest rate risk, equity price risk) arises in the normal course of the Company's business. The Company is guided by its risk management framework as well as policies and guidelines from the ultimate holding company, Allianz SE which sets out its general risk management philosophy. Through financial risk management, business strategies are evaluated to ensure alignment with the Company's risk appetite and tolerance.

35.1 Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations or due to the non-performance of instruments (i.e. payment overdue). The Company's exposure to credit risk arises principally from the reinsurance, insurance receivables and the investment/placement in fixed income instruments and bank balances. Financial loss may materialise when the counterparty failed to meet payment obligations for various reasons.

The Company has credit policies in place to mitigate the credit risk from underwriting of insurance business and it is monitored on an on-going basis. Reinsurance is mainly to local or offshore reinsurers, and if the Company has to place overseas, only counterparties that have a credit rating that is acceptable based on Allianz Guidelines for Reinsurance Security are used.

The Company's Investment Mandate imposes limits by issuer/counterparty and by credit ratings for investments in corporate fixed income securities (all securities that entails credit risks, e.g. credit facilities, bank deposits of longer than 1-year, certificates of deposits, notes, etc.). These limits are reviewed at least on annual basis, there is active monitoring in place and regular reporting to both RMWC and IC.

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position.

	Insurance and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
2019			
LAR			
Government guaranteed loans	190,504	-	190,504
Other loans	87,864	-	87,864
Fixed and call deposits	407,315	113,313	520,628
AFS financial investments			
Malaysian government securities	1,092,430	-	1,092,430
Malaysian government guaranteed bonds	1,110,173	-	1,110,173
Ringgit denominated bonds by foreign issuers outside Malaysia	25,389	-	25,389
Unquoted bonds of corporations in Malaysia	78,460	-	78,460
FVTPL - HFT financial investments			
Malaysian government securities	1,028,505	87,808	1,116,313
Malaysian government guaranteed bonds	751,953	33,778	785,731
Ringgit denominated bonds by foreign issuers outside Malaysia	1,525	3,554	5,079
Unquoted bonds of corporations in Malaysia	955,835	414,524	1,370,359

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

	Insurance and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
2019 (continued)			
FVTPL - DUIR financial investments			
Malaysian government securities	780,944	-	780,944
Malaysian government guaranteed bonds	565,583	-	565,583
Ringgit denominated bonds by foreign issuers outside Malaysia	10,155	-	10,155
Unquoted bonds of corporations in Malaysia	1,836,282	-	1,836,282
Unquoted bonds of corporations outside Malaysia	121,018	-	121,018
Structured deposits	73,452	-	73,452

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

2019 (continued)	Insurance and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
Derivatives financial assets			
Collateralised interest rate swap	36,804	-	36,804
Forward purchase agreements	20,961	-	20,961
Cross currency swap	4,412	-	4,412
Reinsurance assets	69,113	-	69,113
Insurance receivables	52,332	-	52,332
Other receivables and deposits	71,474	(7,871)	63,603
Cash and cash equivalents	700,210	187,725	887,935
	10,072,693	832,831	10,905,524

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

	Insurance and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
2018			
LAR			
Government guaranteed loans	190,504	-	190,504
Other loans	91,428	-	91,428
Fixed and call deposits	148,058	58,097	206,155
AFS financial investments			
Malaysian government securities	1,036,791	-	1,036,791
Malaysian government guaranteed bonds	962,972	-	962,972
Ringgit denominated bonds by foreign issuers outside Malaysia	25,316	-	25,316
Unquoted bonds of corporations in Malaysia	110,978	-	110,978
FVTPL - HFT financial investments			
Malaysian government securities	788,020	71,040	859,060
Malaysian government guaranteed bonds	583,380	18,340	601,720
Ringgit denominated bonds by foreign issuers outside Malaysia	1,519	3,544	5,063

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

	Insurance and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
2018 (continued)			
FVTPL - HFT financial investments (continued)			
Unquoted bonds of corporations in Malaysia	894,774	372,626	1,267,400
Structured deposits	15,371	15,369	30,740
FVTPL - DUIR financial investments			
Malaysian government securities	752,513	-	752,513
Malaysian government guaranteed bonds	494,928	-	494,928
Ringgit denominated bonds by foreign issuers outside Malaysia	10,126	-	10,126
Unquoted bonds of corporations in Malaysia	1,787,820	-	1,787,820
Unquoted bonds of corporations outside Malaysia	115,308	-	115,308
Structured deposits	71,941	-	71,941

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

2018 (continued)	**Insurance and Shareholders' funds RM'000**	**Investment-linked funds RM'000**	**Total RM'000**
Derivatives financial assets			
Collateralised interest rate swap	19,482	-	19,482
Forward purchase agreements	1,595	-	1,595
Cross currency swap	4,982	-	4,982
Reinsurance assets	66,579	-	66,579
Insurance receivables	80,703	-	80,703
Other receivables and deposits	45,778	1	45,779
Cash and cash equivalents	533,846	206,233	740,079
	8,834,712	745,250	9,579,962

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as non-investment grade. Assets which are not rated by rating agencies are classified as non-rated.

	Neither past-due nor impaired								
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
2019									
LAR									
Government guaranteed loans	-	-	-	-	-	190,504	-	-	190,504
Other loans	-	-	-	-	-	87,864	-	-	87,864
Fixed and call deposits	160,939	246,376	-	-	-	-	113,313	-	520,628
AFS financial investments	-	-	-	-	-	-	-	-	
Malaysian government securities	-	-	-	-	-	1,092,430	-	-	1,092,430
Malaysian government guaranteed bonds	-	-	-	-	-	1,110,173	-	-	1,110,173
Ringgit denominated bonds by foreign issuers outside Malaysia	25,389	-	-	-	-	-	-	-	25,389
Unquoted bonds of corporations in Malaysia	51,836	26,624	-	-	-	-	-	-	78,460

Company No. 104248-X

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past-due nor impaired								
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
2019									
FVTPL – HFT financial investments									
Malaysian government securities	-	-	-	-	-	1,028,505	87,808	-	1,116,313
Malaysian government guaranteed Bonds	-	-	-	-	-	751,953	33,778	-	785,731
Ringgit denominated bonds by foreign issuers outside Malaysia	1,525	-	-	-	-	-	3,554	-	5,079
Unquoted bonds of corporations in Malaysia	532,489	390,289	30,955	-	-	2,102	414,524	-	1,370,359

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past-due nor impaired								
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
2019 (continued)									
FVTPL - DUIR financial investments									
Malaysian government securities	-	-	-	-	-	780,944	-	-	780,944
Malaysian government guaranteed bonds	-	-	-	-	-	565,583	-	-	565,583
Ringgit denominated bonds by foreign issuers outside Malaysia	10,155	-	-	-	-	-	-	-	10,155
Unquoted bonds of corporations in Malaysia	1,077,094	683,145	20,414	5,181	-	50,448	-	-	1,836,282
Unquoted bonds of corporations outside Malaysia	-	-	28,182	52,248	-	40,588	-	-	121,018
Structured deposits	892	-	-	-	-	72,560	-	-	73,452

Company No. 104248-X

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	← Neither past-due nor impaired						→		
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
2019 (continued)									
Derivatives financial assets									
Collateralised interest rate swap	36,804	-	-	-	-	-	-	-	36,804
Forward purchase agreements	20,961	-	-	-	-	-	-	-	20,961
Cross currency swap	4,412	-	-	-	-	-	-	-	4,412
Reinsurance assets	-	67,228	480	-	-	1,405	-	-	69,113
Insurance receivable	-	-	-	-	-	49,141	-	3,191#	52,332
Other receivables and deposits	-	-	-	-	-	62,881	722	-	63,603
Cash and cash equivalents	420,817	277,515	1,658	-	-	220	187,725	-	887,935
	2,343,313	1,691,177	81,689	57,429	-	5,887,301	841,424	3,191	10,905,524

Net of balances which are past due and impaired of RM3,949,000 which has been fully provided for (See Note 35.1 (ii)).

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past-due nor impaired								
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
2018									
LAR									
Government guaranteed loans	-	-	-	-	-	190,504	-	-	190,504
Other loans	-	-	-	-	-	91,428	-	-	91,428
Fixed and call deposits	120,123	27,935	-	-	-	-	58,097	-	206,155
AFS financial investments									
Malaysian government securities	-	-	-	-	-	1,036,791	-	-	1,036,791
Malaysian government guaranteed bonds	-	-	-	-	-	962,972	-	-	962,972
Ringgit denominated bonds by foreign issuers outside Malaysia	25,316	-	-	-	-	-	-	-	25,316
Unquoted bonds of corporations in Malaysia	50,079	60,899	-	-	-	-	-	-	110,978

Company No. 104248-X

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	← Neither past-due nor impaired →								
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
2018									
FVTPL – HFT financial investments									
Malaysian government securities	-	-	-	-	-	788,020	71,040	-	859,060
Malaysian government guaranteed bonds	-	-	-	-	-	583,380	18,340	-	601,720
Ringgit denominated bonds by foreign issuers outside Malaysia	1,519	-	-	-	-	-	3,544	-	5,063
Unquoted bonds of corporations in Malaysia	490,776	401,948	-	-	-	2,050	372,626	-	1,267,400
Structured deposits	15,371	-	-	-	-	-	15,369	-	30,740

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past-due nor impaired								
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
2018 (continued)									
FVTPL - DUIR financial investments									
Malaysian government securities	-	-	-	-	-	752,513	-	-	752,513
Malaysian government guaranteed bonds	-	-	-	-	-	494,928	-	-	494,928
Ringgit denominated bonds by foreign issuers outside Malaysia	10,126	-	-	-	-	-	-	-	10,126
Unquoted bonds of corporations in Malaysia	1,035,887	697,553	-	5,180	-	49,200	-	-	1,787,820
Unquoted bonds of corporations outside Malaysia	-	-	27,356	49,364	-	38,588	-	-	115,308
Structured deposits	71,941	-	-	-	-	-	-	-	71,941

35. Financial risks (continued)

35.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past-due nor impaired								
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
2018 (continued)									
Derivatives financial assets									
Collateralised interest rate swap	19,482	-	-	-	-	-	-	-	19,482
Forward purchase agreements	1,595	-	-	-	-	-	-	-	1,595
Cross currency swap	4,982	-	-	-	-	-	-	-	4,982
Reinsurance assets	-	63,129	563	-	-	2,887	-	-	66,579
Insurance receivable	-	-	-	-	-	74,521	-	6,182#	80,703
Other receivables and deposits	-	-	-	-	-	45,778	1	-	45,779
Cash and cash equivalents	213,714	319,893	1,389	-	-	461	204,622	-	740,079
	2,060,911	1,571,357	29,308	54,544	-	5,114,021	743,639	6,182	9,579,962

Net of balances which are past due and impaired of RM 4,253,000 which has been fully provided for (See Note 35.1 (ii)).

35. Financial risks (continued)

35.1 Credit risk (continued)

The Company has not provided the credit risk analysis for the financial assets of the investment-linked funds. This is due to the fact that, in investment-linked funds, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

(i) Past-due but not impaired financial assets

Ageing analysis of financial assets past-due but not impaired

The Company maintains an ageing analysis in respect of insurance receivables only. The ageing of insurance receivables that are past-due as at the reporting date but not impaired is as follows:

Insurance receivables

	1 to 90 days RM'000	91 to 180 days RM'000	Investment-linked funds RM'000	Total RM'000
2019	3,191	-	-	3,191
2018	6,182	-	-	6,182

35. Financial risks (continued)

35.1 Credit risk (continued)

(ii) Past-due and impaired financial assets

At 31 December 2019, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM3,949,000 (2018: RM4,235,000) and other receivables of RM3,148,000 (2018: RM61,000). No collateral is held as security for any past-due or impaired financial assets. The Company records impairment allowance for insurance receivables and other receivables in separate allowance for impairment accounts. A reconciliation of the allowance for impairment loss for the aforesaid insurance receivables and other receivables are as follows:

	Insurance receivables		Other receivables	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At 1 January	4,253	4,714	61	35
Impairment loss (reversed)/recognised	(304)	(461)	3,087	26
At 31 December	3,949	4,253	3,148	61
	Note 9	**Note 9**	**Note 10**	**Note 10**

35. Financial risks (continued)

35.2 Liquidity risk

Liquidity risk is the risk of loss resulting from the danger that short-term current or future payment obligations cannot be met or can only be met on the basis of altered conditions, along with the risk that in the case of a liquidity crisis of the Company, refinancing is only possible at higher interest rates or that assets may have to be liquidated at a discount.

Besides monitoring the liquidity position of the Company on a daily basis, the investment strategies particularly focus on the quality of investments and ensure a sufficient portion of liquid assets in the portfolio. Some other tools used by the Company include to ensure that its assets and liabilities are adequately matched and drawing down of funds to meet claim payments should the claim events exceed a certain amount as provided for in the reinsurance contracts.

Maturity profiles

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on remaining undiscounted contractual obligations, including interest/profit payable.

For insurance contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Investment-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

35. Financial risks (continued)

35.2 Liquidity risk (continued)

Maturity profiles (continued)

Non-derivative financial liabilities

	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2019								
Insurance contract liabilities								
With DPF	4,198,874	1,306,008	430,117	548,601	1,540,648	3,830,192	6,991	7,662,557
Without DPF	6,564,797	6,182,707	58,034	87,290	220,580	163,536	-	6,712,147
Subordinated loan	54,300	54,354	-	-	-	-	-	54,354
Lease liabilities	17,732	5,387	9,286	4,381	27			19,081
Insurance payables	217,733	217,733	-	-	-	-	-	217,733
Other payables and accruals*	243,428	243,428	-	-	-	-	-	243,428
Total liabilities	11,296,864	8,009,617	497,437	640,272	1,761,255	3,993,728	6,991	14,909,300

* Other payables and accruals exclude premium received in advance (see Note 20).

35. Financial risks (continued)

35.2 Liquidity risk (continued)

Maturity profiles (continued)

Derivative financial liabilities

The table below analyses the Company's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a gross basis.

	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2019							
Derivatives held for trading							
Cross currency swaps	-	-	-	(1,244)	-	-	(1,244)
Derivatives used for hedging							
Forward purchase agreements							
- Cash inflows	-	-	-	-	-	-	-
- Cash outflows	(59,275)	(96,807)	-	-	-	-	(156,082)
Net cash outflows	(59,275)	(96,807)	-	(1,244)	-	-	(157,326)

35. Financial risks (continued)

35.2 Liquidity risk (continued)

Maturity profiles (continued)

Non-derivative financial liabilities (continued)

	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2018								
Insurance contract liabilities								
With DPF	3,950,423	1,046,194	331,357	517,818	1,657,015	4,872,868	5,980	8,431,232
Without DPF	5,333,832	4,970,397	28,508	96,650	235,147	191,577	-	5,522,279
Subordinated loan	54,300	2,444	7,337	55,532	-	-	-	65,313
Insurance payables	231,422	231,422	-	-	-	-	-	231,422
Other payables and accruals*	203,716	203,716	-	-	-	-	-	203,716
Total liabilities	9,773,693	6,454,173	367,202	670,000	1,892,162	5,064,445	5,980	14,453,962

* Other payables and accruals exclude premium received in advance (see Note 20).

35. Financial risks (continued)

35.2 Liquidity risk (continued)

Maturity profiles (continued)

Derivative financial liabilities (continued)

The table below analyses the Company's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a gross basis.

	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2018							
Derivatives held for trading							
Cross currency swaps	-	-	-		(819)	-	(819)
Derivatives used for hedging							
Forward purchase agreements							
- Cash inflows	-	-	-	-	-	-	-
- Cash outflows	(30,353)	(99,258)	(56,824)	-	-	-	(186,435)
Net cash outflows	(30,353)	(99,258)	(56,824)	-	(819)	-	(187,254)

35. Financial risks (continued)

35.3 Market risk

Market risk is the risk of loss arising due to changes in market prices or parameters influencing market prices, and in particular the resultant interest rate guarantee risks from asset liability management or from changes to the participations. This includes changes in market prices due to a worsening of market liquidity. Market risk comprises currency risk, interest rate risk and equity price risk.

The following risk mitigation actions are in place to control and monitor such risk:
- Investment Committee actively monitors the investment activities undertaken by the Company.
- Investment Committee would make recommendations after balancing competing and legitimate objective of various stakeholders.
- The Investment Policy and Mandate which formulated the single counterparty limits, company limits and sector limits are in place. Compliance to such limits is monitored monthly and reported to Risk Management Working Committee/Risk Management Committee on a quarterly basis.
- Stress testing is performed as and when needed.
- Stop loss policy is in place.

The Company also issues investment-linked policies in a number of products. In the investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Company's exposure to market risk on this business is limited to the extent that income arising from fund management charges is based on the value of the assets in the funds.

35. Financial risks (continued)

35.3 Market risk (continued)

35.3.1 Currency risk

Currency risk is the risk arising from the fluctuation of foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign exchange risk arises principally with respect to US Dollar (USD), Singapore Dollar (SGD), Thai Baht (THB) and Indonesian Rupiah (IDR). As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act, 2013 and hence, primarily denominated in the same currency (RM) as its insurance contract liabilities. Thus the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

As the Company's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk. All currency risk in investment-linked funds is borne by policyholders.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

2019 **Financial assets**	**Life fund** **RM'000**	**Investment-linked funds** **RM'000**
Denominated in		
USD	120,157	10,448
SGD	-	1,134
THB	-	109
IDR	-	18,226

35. Financial risks (continued)

35.3 Market risk (continued)

35.3.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

2018 Financial assets	Life fund RM'000	Investment-linked funds RM'000
Denominated in		
USD	114,406	9,884
SGD	-	2,905
THB	-	113
IDR	-	16,721

Currency risk sensitivity analysis

It is estimated that a 10% (2018:10%) strengthening of the Ringgit Malaysia (RM) against the following currencies at the end of the reporting period would have decreased the insurance contract liabilities by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted income and expenses.

	Impact on insurance contract liabilities 2019 RM'000	Impact on insurance contract liabilities 2018 RM'000
Denominated in		
USD	(13,061)	(12,429)
SGD	(113)	(291)
THB	(11)	(11)
IDR	(1,823)	(1,672)

It is estimated that a 10% (2018:10%) weakening of the Ringgit Malaysia (RM) against the above currencies at the end of the reporting period would have equal but opposite effect on the above currencies to the amount shown above, on the basis that all variables remained constant.

The method used for deriving sensitivity information and significant variables did not change from previous year.

Only life participating fund and investment-linked funds invested in foreign financial instruments.

35. Financial risks (continued)

35.3 Market risk (continued)

35.3.2 Interest rate risk

The Company is affected by changes in market interest rate due to the change in interest rates that will affect the value of mark to market fixed income investments and also the valuation of the liabilities, resulting in the risk of not being able to meet product guarantees.

Besides the uncertainty of the cash flows of the insurance funds and scarcity of the longer dated instruments, it is not possible to hold assets that will perfectly match the policy liabilities.

Interest rate risk sensitivity analysis

The analysis below is performed for assumed movements of 100 bps in interest rate with all other variables held constant, showing the impact on the profit after tax, equity and insurance contract liabilities.

	Change in variables	Impact on profit after tax RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
2019				
Interest rate	+100 basis points	(69,698)	(76,411)	(480,977)
Interest rate	-100 basis points	94,872	104,518	622,857
2018				
Interest rate	+100 basis points	(86,803)	(74,782)	(406,337)
Interest rate	-100 basis points	94,685	81,492	466,321

35. Financial risks (continued)

35.3 Market risk (continued)

35.3.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis (continued)

The impact on profit after tax would be dependent on whether the interest rate risk resides in shareholders' fund, life non-participating insurance fund, life participating insurance fund or investment-linked funds. Where the interest rate risk resides in shareholders' fund and life non-participating fund, the profit after tax and equity of the Company will be impacted. In respect of life participating fund and investment-linked funds, impact arising from changes in interest rate risk will affect the insurance contract liabilities. It should be noted that movements in these variables are non-linear.

* The impact on equity reflects adjustments for tax, where applicable.

** The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustments to policyholders' bonuses for the participating insurance business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

35. Financial risks (continued)

35.3 Market risk (continued)

35.3.3 Equity price risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument of its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposures relate to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally with respect to investment securities not held for the account of the investment-linked business.

The Company's equity price risk policy requires it to prioritise capital preservation besides setting limits on overall portfolio, single security and sector holdings. The Company complies with BNM stipulated limits during the financial year and has no significant concentration of equity price risk.

Equity price risk sensitivity analysis

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit after tax, equity and insurance contract liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on equity price 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.

		2019			2018		
	Changes in variable	Impact on profit after tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000	Impact on profit after tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
Market indices							
Market value	-10%	-	-	(182,429)	-	-	(134,316)
Market value	+10%	-	-	182,429	-	-	134,316

35. Financial risks (continued)

35.3 Market risk (continued)

35.3.3 Equity price risk (continued)

Equity price risk sensitivity analysis (continued)

The impact on profit after tax would be dependent on whether the equity price risk resides in shareholders' fund, life non-participating insurance fund, life participating insurance fund or investment-linked funds. Where the equity price risk resides in shareholders' fund and life non-participating fund, the profit after tax and equity of the Company will be impacted. In respect of life participating fund and investment-linked funds, impact arising from changes in equity price risk will affect the insurance contract liabilities.

* The impact on equity reflects adjustments for tax, where applicable.

** The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustments to policyholders' bonuses for the participating insurance business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

Only life participating fund, universal life fund and investment-linked funds invested in equity securities.

35. Financial risks (continued)

35.4 Fair value of financial instruments

The Company's basis in estimation of fair values for financial instruments is as follows:

- The fair values of structured deposits, negotiable certificate of deposits, collateralised forward starting interest rate swap, collateralised interest rate swap, forward purchase agreements and cross currency swap are based on the indicative market prices from the issuing banks;

- The fair values of quoted equity securities of corporations in and outside Malaysia and quoted unit trusts in Malaysia are based on quoted market bid price as at the end of the reporting period;

- The unquoted equity securities of corporations in Malaysia are stated at cost. Where in the opinion of the Directors, there is a decline other than temporary in value of unquoted equity securities, the allowance for impairment is recognised as an expense in the financial year in which the decline is identified;

- The fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers outside Malaysia, unquoted bonds of corporations in and outside Malaysia are based on the indicative market prices provided by its custodian bank;

- The fair values of unquoted unit trusts in and outside Malaysia are based on the net asset values of the unit trusts as at the date of the statements of assets and liabilities obtained from fund managers;

- The carrying amount of Malaysian government guaranteed loans, policy loans, mortgage loans, automatic premium loans, fixed and call deposits and subordinated loan approximate their fair values; and

35. Financial risks (continued)

35.4 Fair value of financial instruments (continued)

- The carrying amounts of cash and cash equivalents, insurance receivables, other receivables and deposits (current), insurance payables and other payables (current) and accruals reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

Estimation of the fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers outside Malaysia, unquoted bonds of corporations in and outside Malaysia are based on the indicative market prices provided by its custodian bank which involve projections of the market yields based on past transactions. There are elements of uncertainty in projecting the expected market yields and these uncertainties arise from changes in underlying risk and overall economic conditions. As such, the projected market yields may be different from the actual market yields in future.

It was not practicable to estimate the fair value of the Company's investment in unquoted equity securities of corporations in Malaysia due to lack of comparable quoted market prices and inability to estimate fair value without incurring excessive costs.

35. Financial risks (continued)

35.4 Fair value of financial instruments (continued)

35.4.1 Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value					
	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019						
Financial assets						
Malaysian government securities	-	2,989,687	-	2,989,687	2,989,687	2,989,687
Malaysian government guaranteed bonds	-	2,461,487	-	2,461,487	2,461,487	2,461,487
Ringgit denominated bonds by foreign issuers outside Malaysia	-	40,623	-	40,623	40,623	40,623
Quoted equity securities of corporations in Malaysia	1,905,352	-	-	1,905,352	1,905,352	1,905,352
Quoted equity securities of corporations outside Malaysia	1,896	-	-	1,896	1,896	1,896
Unquoted bonds of corporations in Malaysia	-	3,285,101	-	3,285,101	3,285,101	3,285,101

No. Company 104248-X

35. Financial risks (continued)

35.4 Fair value of financial instruments (continued)

35.4.1 Fair value information (continued)

	Fair value of financial instruments carried at fair value					
	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019						
Financial assets (continued)						
Unquoted bonds of corporations outside Malaysia	-	121,018	-	121,018	121,018	121,018
Quoted unit trusts in Malaysia	75,679	-	-	75,679	75,679	75,679
Unquoted unit trusts in Malaysia	-	13,120	-	13,120	13,120	13,120
Unquoted unit trusts outside Malaysia	-	28,021	-	28,021	28,021	28,021
Structured deposits with licensed financial institutions	-	73,452	-	73,452	73,452	73,452
Government guaranteed loans	-	-	-	-	191,506	190,504
Collateralised interest rate swap	-	36,804	-	36,804	36,804	36,804
Forward purchase agreements	-	20,961	-	20,961	20,961	20,961
Cross currency swap	-	4,412	-	4,412	4,412	4,412
	1,982,927	9,074,686	-	11,057,613	11,249,119	11,248,117

35. Financial risks (continued)

35.4 Fair value of financial instruments (continued)

35.4.1 Fair value information (continued)

	Fair value of financial instruments carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2019						
Financial liabilities						
Forward purchase agreements	-	-	-	-	-	-
Cross currency swap	-	1,244	-	1,244	1,244	1,244
Subordinated loan	-	-	-	-	54,300	54,300
Lease liabilities	-	-	-	-	17,732	17,732
	-	1,244	-	1,244	73,276	73,276

35. Financial risks (continued)

35.4 Fair value of financial instruments (continued)

35.4.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position (continued).

	Fair value of financial instruments carried at fair value					
	Level 1	**Level 2**	**Level 3**	**Total**	**Total fair value**	**Carrying amount**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2018						
Financial assets						
Malaysian government securities	-	2,648,364	-	2,648,364	2,648,364	2,648,364
Malaysian government guaranteed bonds	-	2,059,620	-	2,059,620	2,059,620	2,059,620
Ringgit denominated bonds by foreign issuers outside Malaysia	-	40,505	-	40,505	40,505	40,505
Quoted equity securities of corporations in Malaysia	1,395,851	-	-	1,395,851	1,395,851	1,395,851
Quoted equity securities of corporations outside Malaysia	3,638	-	-	3,638	3,638	3,638
Unquoted bonds of corporations in Malaysia	-	3,166,198	-	3,166,198	3,166,198	3,166,198

35. Financial risks (continued)

35.4 Fair value of financial instruments (continued)

35.4.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value					
	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018						
Financial assets (continued)						
Unquoted bonds of corporations outside Malaysia	-	115,308	-	115,308	115,308	115,308
Quoted unit trusts in Malaysia	62,888	-	-	62,888	62,888	62,888
Unquoted unit trusts in Malaysia	-	15,641	-	15,641	15,641	15,641
Unquoted unit trusts outside Malaysia	-	25,985	-	25,985	25,985	25,985
Structured deposits with licensed financial institutions	-	102,681	-	102,681	102,681	102,681
Government guaranteed loans	-	-	-	-	192,278	190,504
Collateralised interest rate swap	-	19,482	-	19,482	19,482	19,482
Forward purchase agreements	-	1,595	-	1,595	1,595	1,595
Cross currency swap	-	4,982	-	4,982	4,982	4,982
	1,462,377	8,200,361	-	9,662,738	9,855,016	9,853,242

35. Financial risks (continued)

35.4 Fair value of financial instruments (continued)

35.4.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position (continued).

	Fair value of financial instruments carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2018						
Financial liabilities						
Forward purchase agreements	-	1,594	-	1,594	1,594	1,594
Cross currency swap	-	819	-	819	819	819
Subordinated loan	-	-	-	-	54,300	54,300
	-	2,413	-	2,413	56,713	56,713

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2018: no transfer in either direction).

36. Capital management

Regulatory capital requirements

Under Risk-Based Capital Framework for Insurers ("RBC Framework") issued by BNM, insurance companies need to maintain a capital adequacy level that commensurate with their risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level required by BNM or level determined under the Internal Capital Adequacy Assessment Process. The internal target will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The Company has been in compliance with the said requirement by maintaining a CAR that is in excess of minimum requirement.

The total capital available of the Company as at 31 December 2019, as prescribed under the RBC Framework is provided below:

	Note	2019 RM'000	2018 RM'000
Tier 1 Capital			
Paid up share capital	12	236,600	236,600
Reserves, including retained earnings		1,748,133	1,694,904
		1,984,733	1,931,504
Tier 2 Capital			
Revaluation reserve		9,883	8,502
Available-for-sale reserve		238,528	49,248
Other reserve		19,284	1
Subordinated loan		33,295	44,393
		300,990	102,144
Amount deducted from capital		(27,374)	(36,872)
Total capital available		2,258,349	1,996,776

37. Insurance funds

The Company's activities are organised by funds and segregated into Life and Shareholders' funds in accordance with the Financial Services Act, 2013.

The Company's statement of financial position and statement of profit or loss have been further analysed by funds.

The life insurance business offers a wide range of participating and non-participating Whole life, Term assurance, Endowment, as well as investment-linked products.

Statement of financial position by funds as at 31 December

	Shareholders' fund		Life fund		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets						
Property, plant and equipment	-	-	22,501	32,249	22,501	32,249
Right-of-use assets	-	-	27,589	-	27,589	-
Investment properties	-	-	3,840	3,840	3,840	3,840
Intangible assets	18,178	22,723	5,892	4,923	24,070	27,646
Investments	247,604	287,352	11,548,975	9,839,561	11,796,579	10,126,913
Derivative financial assets	-	-	62,177	26,059	62,177	26,059
Reinsurance assets	-	-	69,113	66,579	69,113	66,579
Insurance receivables	-	-	52,332	80,703	52,332	80,703
Other receivables, deposits and prepayments*	52,668	39,581	25,849	28,102	63,603	45,779
Cash and cash equivalents	65,383	18,051	822,552	722,028	887,935	740,079
	383,833	367,707	12,640,820	10,804,044	13,009,739	11,149,847

37. Insurance funds (continued)

Statement of financial position by funds as at 31 December (continued)

	Shareholders' fund		Life fund		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total equity	303,406	296,095	974,959	755,533	1,278,365	1,051,628
Total policyholders' funds and liabilities						
Insurance contract liabilities	-	-	10,763,671	9,284,255	10,763,671	9,284,255
Deferred tax liabilities	1,891	437	330,972	240,478	332,863	240,915
Derivative financial liabilities	-	-	1,244	2,413	1,244	2,413
Subordinated loan	54,300	54,300	-	-	54,300	54,300
Lease liabilities	-	-	17,732	-	17,732	-
Insurance payables	10,859	3,437	206,874	227,985	217,733	231,422
Other payables and accruals*	7,813	10,353	345,079	295,796	337,978	284,245
Current tax liabilities	5,564	3,085	289	(2,416)	5,853	669
	80,427	71,612	11,665,861	10,048,511	11,731,374	10,098,219
Total equity, policyholders' funds and liabilities	383,833	367,707	12,640,820	10,804,044	13,009,739	11,149,847

* Included herein are inter-fund balances that are eliminated in presenting the Company's total balances.

Company No. 104248-X

37. Insurance funds (continued)

Statement of profit or loss by funds for the year ended 31 December

	Shareholders' fund		Life fund		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating revenue	13,414	12,768	3,207,516	2,822,585	3,220,930	2,835,353
Gross earned premiums	-	-	2,725,032	2,383,537	2,725,032	2,383,537
Premiums ceded to reinsurers	-	-	(81,178)	(100,194)	(81,178)	(100,194)
Net earned premiums	-	-	2,643,854	2,283,343	2,643,854	2,283,343
Investment income	13,414	12,768	482,484	439,048	495,898	451,816
Realised gains and losses	1,648	339	(15,753)	(21,841)	(14,105)	(21,502)
Fair value gains and losses	-	-	340,206	(313,675)	340,206	(313,675)
Fee and commission income	-	-	1,449	-	1,449	-
Other operating income	16,968	783	27,213	23,346	44,181	24,129
Other income	32,030	13,890	835,599	126,878	867,629	140,768
Gross benefits and claims paid	(84)	(7)	(1,324,611)	(1,195,710)	(1,324,695)	(1,195,717)
Claims ceded to reinsurers	-	-	66,348	81,597	66,348	81,597
Gross change in contract liabilities	-	-	(1,163,462)	(430,068)	(1,163,462)	(430,068)
Change in contract liabilities ceded to reinsurers	-	-	(554)	(18,660)	(554)	(18,660)
Net benefits and claims	(84)	(7)	(2,422,279)	(1,562,841)	(2,422,363)	(1,562,848)
Fee and commission expense	(8,513)	(3,437)	(457,639)	(418,879)	(466,152)	(422,316)
Management expenses	(11,066)	(7,744)	(227,845)	(193,682)	(238,911)	(201,426)
Interest expenses	(2,444)	(2,444)	(760)	-	(3,204)	(2,444)
Other operating expenses	(18,080)	(3,765)	(32,601)	(30,376)	(50,681)	(34,141)
Other expenses	(40,103)	(17,390)	(718,845)	(642,937)	(758,948)	(660,327)

37. Insurance funds (continued)

Statement of profit or loss by funds for the year ended 31 December (continued)

	Shareholders' fund		Life fund		Total	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Transfer	15,591	14,569	(15,591)	(14,569)	-	-
Profit/Surplus before tax	7,434	11,062	322,738	189,874	330,172	200,936
Tax expense (Note 29)	(4,802)	(4,299)	(103,745)	(48,816)	(108,547)	(53,115)
Net profit after tax	2,632	6,763	218,993	141,058	221,625	147,821

Information on cash flows by funds for the year ended 31 December

	Shareholders' fund		Life fund		Total	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from/(used in):						
Operating activities	49,776	10,458	112,685	62,116	162,461	72,574
Investing activities	-	-	(7,799)	(7,810)	(7,799)	(7,810)
Financing activities	(2,444)	(2,444)	(4,362)	-	(6,806)	(2,444)
Net increase in cash and cash equivalents	47,332	8,014	100,524	54,306	147,856	62,320
At beginning of year	18,051	10,037	722,028	667,722	740,079	677,759
At end of year	65,383	18,051	822,552	722,028	887,935	740,079

37. Insurance funds (continued)

Investment-linked funds statement of assets and liabilities as at 31 December

	2019 RM'000	2018 RM'000
Assets		
Financial investments	1,613,592	1,225,372
Other receivables	722	8,593
Cash and cash equivalents	187,725	206,233
Total assets	1,802,039	1,440,198
Liabilities		
Deferred tax liabilities	1,847	253
Other payables	3,789	933
Benefits and claims liabilities	3,264	1,541
Current tax liabilities	17	-
Total liabilities	8,917	2,727
Net asset value of funds (Note 14)	1,793,122	1,437,471

37. Insurance funds (continued)

Investment-linked funds statement of income and expenditure for the year ended 31 December

	Note	2019 RM'000	2018 RM'000
Investment income		59,696	50,264
Realised gains and losses		(22,930)	(44,007)
Fair value gains and losses		49,537	(174,747)
Other operating income		1,096	507
		87,399	(167,983)
Management expenses		4	(55)
Other operating expenses		(21,118)	(19,434)
Profit before tax		66,285	(187,472)
Tax expense		(2,471)	11,779
Net profit for the year	14	63,814	(175,693)

38. Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018.

The Company has applied the temporary exemption under Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* ("the Amendments") which enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. Hence, the Company has not adopted MFRS 9 for the financial year beginning on or after 1 January 2018.

The Amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9, *Financial Instruments* before the forthcoming new insurance contracts standard.

The Amendments provide 2 different approaches for the Company:

(i) temporary exemption from MFRS 9 for entities that meet specific requirements; and
(ii) the overlay approach. Both approaches are optional

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

The Company's business activity is predominantly insurance as the liabilities connected with the Company's insurance businesses made up of more than 90% of the Company's total liabilities. Hence, the Company qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2021.

38. Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* (continued)

The following additional disclosures, required by Amendments to MFRS 4 for entity qualified and elected the temporary exemption from applying MFRS 9, present the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

Fair value as at 31 December 2019	**Financial assets with SPPI cash flows RM'000**	**All other financial assets RM'000**	**Total* RM'000**
Investments (Note 7)	3,017,583	8,691,132	11,708,715
Malaysian government securities and government guaranteed bonds	2,202,603	3,248,571	5,451,174
Unquoted bonds of corporations	103,849	3,342,893	3,446,742
Quoted equity securities and unit trusts	-	1,982,928	1,982,928
Unquoted equity securities and unit trusts	-	43,288	43,288
Structured deposits	-	73,452	73,452
Government guaranteed loans	190,504	-	190,504
Mortgage loans	-	-	-
Fixed and call deposits with licensed banks	520,627	-	520,627
Derivative financial assets	-	62,177	62,177
Other receivables and deposits	63,603	-	63,603
Cash and cash equivalents	887,935	-	887,935
Total financial assets	3,969,121	8,753,309	12,722,430

* Insurance receivables, reinsurance assets, policy loans and automatic premium loans have been excluded from the above assessment 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.

38. Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* (continued)

Changes in fair value during the year	**Financial assets with SPPI cash flows RM'000**	**All other financial assets RM'000**	**Total RM'000**
Investments			
Malaysian government securities and government guaranteed bonds	189,686	178,505	368,191
Unquoted bonds of corporations	2,880	117,014	119,894
Quoted equity securities and unit trusts	-	60,511	60,511
Unquoted equity securities and unit trusts	-	2,763	2,763
Structured deposits	-	(97)	(97)
Government guaranteed loans	-	-	-
Mortgage loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	35,801	35,801
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
Total financial assets	192,566	394,497	587,063

38. Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* (continued)

Financial assets with SPPI cash flows *

Gross carrying amounts under MFRS 139 by credit risk rating grades	**AAA RM'000**	**AA RM'000**	**A RM'000**	**BBB RM'000**	**Non-investment grade RM'000**	**Non-rated RM'000**	**Investment-linked funds RM'000**	**Total RM'000**
Investments								
Malaysian government securities and government guaranteed bonds	-	-	-	-	-	2,202,603	-	2,202,603
Unquoted bonds of corporations	77,225	26,624	-	-	-	-	-	103,849
Structured deposits	-	-	-	-	-	-	-	-
Government guaranteed loans	-	-	-	-	-	190,504	-	190,504
Mortgage loans	-	-	-	-	-	-	-	-
Fixed and call deposits with licensed banks	160,937	246,376	-	-	-	-	113,314	520,627
Other receivables and deposits	-	-	-	-	-	62,881	722	63,603
Cash and cash equivalents	420,817	277,515	1,658	-	-	220	187,725	887,935
	658,979	550,515	1,658	-	-	2,456,208	301,761	3,969,121

* Credit risk of these financial assets is considered low for the purpose of MFRS 9.

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 35 to 181 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2019 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………

Goh Ching Yin
Director

……………………………………………………

Joseph Kumar Gross
Director

Kuala Lumpur,

Date: 27 February 2020

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Ong Eng Chow**, the officer primarily responsible for the financial management of Allianz Life Insurance Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 35 to 181 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ong Eng Chow, I/C No: 650421-71-5931, at Kuala Lumpur in the Federal Territory on 27 February 2020.

…………..……………………..
Ong Eng Chow

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)
(Company No. 104248-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Allianz Life Insurance Malaysia Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the 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 Company, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 35 to 181.

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 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
(CONTINUED)
(Incorporated in Malaysia)
(Company No. 104248-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

Our opinion on the financial statements 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 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 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 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
(CONTINUED)
(Incorporated in Malaysia)
(Company No. 104248-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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.

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 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 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 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 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 Company to cease to continue as a going concern.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 104248-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for 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	MANJIT SINGH A/L HAJANDER SINGH 02954/03/2021 J Chartered Accountant

Kuala Lumpur
27 February 2020