

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

(Company No. 198301008983)

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED
FOR THE FINANCIAL PERIOD FROM
1 JANUARY 2023 TO 30 JUNE 2023**

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
(Company No. 198301008983)
(Incorporated in Malaysia)

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ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
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Condensed statement of financial position as at 30 June 2023 - unaudited

	Note	30.06.2023 RM'000	31.12.2022 RM'000 (Restated)
Assets			
Property, plant and equipment	5	33,010	30,432
Right-of-use assets		12,969	15,204
Intangible asset		91,037	94,072
Investments		7,932,018	7,579,643
Derivative financial assets		17,215	18,996
Financial assets for unit-linked contracts		8,824,162	8,379,658
Other assets		31,251	27,086
Cash and cash equivalents		506,916	679,139
Total assets		<u>17,448,578</u>	<u>16,824,230</u>
Equity, policyholders' funds and liabilities			
Share capital		236,600	236,600
Other reserves		887	(47,895)
Retained earnings		1,948,822	1,835,151
Total equity		<u>2,186,309</u>	<u>2,023,856</u>
Insurance contract liabilities	6	14,376,202	13,892,950
Reinsurance contract liabilities	7	119,147	150,591
Deferred tax liabilities		513,193	471,624
Derivative financial liabilities		4,136	1,293
Lease liabilities		3,311	5,576
Other liabilities		239,856	267,960
Current tax liabilities		6,424	10,380
Total policyholders' funds and liabilities		<u>15,262,269</u>	<u>14,800,374</u>
Total equity, policyholders' funds and liabilities		<u>17,448,578</u>	<u>16,824,230</u>

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

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

(Company No. 198301008983)

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**Condensed statement of profit or loss
for the 6 month period ended 30 June 2023 - unaudited**

	Note	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 RM'000 (Restated)
Insurance revenue		998,719	909,643
Insurance service expenses		(814,708)	(620,546)
Reinsurance result		23,702	(30,412)
Insurance service result		<u>207,713</u>	<u>258,685</u>
Interest revenue on financial assets not measured at fair value through profit or loss ("FVTPL")		165,103	155,670
Net gains on investments in debt securities measured at fair value through other comprehensive income comprehensive income ("FVOCI") reclassified to profit or loss on disposal		4,514	1,177
Net gains on FVTPL investments		188,918	(228,512)
Net credit impairment loss on financial assets		(107)	(4,085)
Investment return		<u>358,428</u>	<u>(75,750)</u>
Net finance (expenses)/income from insurance contracts		(333,068)	67,354
Net finance income/(expenses) from reinsurance contracts		142	(4,158)
Net insurance finance (expenses)/income		<u>(332,926)</u>	<u>63,196</u>
Net insurance and investment results		233,215	246,131
Other operating income		8	9
Other operating expenses		(38,852)	(39,700)
Profit before tax		<u>194,371</u>	<u>206,440</u>
Tax expense		(50,415)	(55,713)
Net profit for the period		<u>143,956</u>	<u>150,727</u>
Profit attributable to:			
Owner of the Company		<u>143,956</u>	<u>150,727</u>
Basic earnings per ordinary share (sen)	8	<u>60.84</u>	<u>63.71</u>

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

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
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**Condensed statement of profit or loss and other comprehensive income
 for the 6 month period ended 30 June 2023 - unaudited**

	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 RM'000 (Restated)
Net profit for the period	143,956	150,727
Other comprehensive income, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Net gains/(losses) on investments in debt securities measured at FVOCI	145,618	(280,674)
Net realised gains transferred to profit or loss	(4,514)	(1,177)
Tax effects thereon	(11,766)	23,610
Fair value losses on cash flow hedge	(5,037)	(10,905)
Tax effects thereon	403	872
Finance (expense)/income from insurance contract liabilities	(42,901)	232,954
Tax effects thereon	4,551	(22,473)
Finance (expense)/income from reinsurance contract liabilities	(33)	9,054
Tax effects thereon	8	(2,173)
Expected credit losses	107	4,085
Tax effects thereon	(10)	(336)
Items will not be reclassified subsequently to profit or loss:		
Net losses on investments in equity instruments measured at FVOCI	(40,917)	(29,753)
Tax effects thereon	3,273	2,380
Total other comprehensive income/(loss) for the period, net of tax	<u>48,782</u>	<u>(74,536)</u>
Total comprehensive income for the period attributable to owner of the Company	<u>192,738</u>	<u>76,191</u>

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

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

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**Condensed statement of cash flows
for the 6 month period ended 30 June 2023 - unaudited**

	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 RM'000 (Restated)
Cash flows from operating activities		
Profit before tax	194,371	206,440
<i>Adjustments for:</i>		
Investment income	(162,613)	(157,197)
Rental income received	(292)	(424)
Interest on lease liabilities	80	155
Fair value loss on investments recorded in profit or loss	933	18,822
Realised gains recorded in profit or loss	(8,047)	(2,226)
Purchase for financial assets at FVOCI	(655,328)	(572,970)
Maturity of financial assets at FVOCI	227,000	230,293
Proceeds from sale of financial assets at FVOCI	180,680	222,011
Purchase for financial assets at FVTPL	(12,896)	(11,760)
Proceeds from sale of financial assets at FVTPL	13,210	4,242
Allowance for expected credit losses	107	4,085
Reversal of impairment loss on receivables	(83)	(240)
Amortisation of intangible assets	4,858	4,877
Depreciation of property, plant and equipment	2,651	2,595
Depreciation of right-of-use assets	2,756	2,738
Loss on disposal of property, plant and equipment	-	2
Property, plant and equipment written off	1	183
Intangible asset written off	-	9,089
Unrealised foreign exchange gain	(6,527)	(5,520)
Operating loss before changes in working capital	(219,139)	(44,805)
Changes in working capital:		
Change in reinsurance contract liabilities	(31,477)	29,725
Change in other assets	(4,165)	(1,266)
Change in fair value of financial investments and derivatives	1,691	2,176
Changes in fair value of unit linked contracts	(444,504)	(247,745)
Change in insurance contract liabilities	440,434	254,388
Change in other liabilities	39,327	84,985
Cash (used in)/generated operations	(217,833)	77,458

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Condensed statement of cash flows
for the 6 month period ended 30 June 2023 - unaudited
(continued)

	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 RM'000 (Restated)
Cash flows from operating activities (continued)		
Tax paid	(16,342)	(14,128)
Dividends received	15,317	15,026
Interest income received	153,978	147,099
Rental income received	292	424
Interest paid on lease liabilities	(80)	(155)
Net cash (used in)/generated from operating activities	(64,668)	225,724
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	1
Acquisition of property, plant and equipment	(6,898)	(5,545)
Acquisition of intangible assets	(155)	(92,846)
Net cash used in investing activities	(7,053)	(98,390)
Cash flows from financing activities		
Repayment of lease liabilities	(2,786)	(2,688)
Dividend paid	(97,716)	-
Net cash used in financing activities	(100,502)	(2,688)
Net (decrease)/increase in cash and cash equivalents	(172,223)	124,646
Cash and cash equivalents at 1 January	679,139	566,737
Cash and cash equivalents at 30 June	506,916	691,383
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity three months or less)	445,179	604,724
Cash and bank balances	61,737	86,659
	506,916	691,383

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

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

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**Condensed statement of changes in equity
for the 6 month period ended 30 June 2023 - unaudited**

	←----- Attributable to owner of the Company -----→							
	←----- Non-distributable -----→					Distributable		
	Share capital RM'000	Fair value reserves RM'000	Insurance finance reserves RM'000	Other reserves RM'000	Total other reserves RM'000	Retained earnings Life fund* RM'000	Retained earnings RM'000	Total equity RM'000
At 31 December 2021, as previously reported	236,600	1,476	-	2,891	4,367	1,241,518	108,447	1,590,932
Impact arising from adoption of MFRS 17 and MFRS 9	-	148,552	(154,943)	10,088	3,697	252,337	23,832	279,866
At 1 January 2022, Restated	236,600	150,028	(154,943)	12,979	8,064	1,493,855	132,279	1,870,798
Total other comprehensive (loss)/income for the period	-	(295,647)	217,362	3,749	(74,536)	-	-	(74,536)
Profit/(loss) for the period	-	-	-	-	-	161,739	(11,012)	150,727
Total comprehensive (loss)/income for the period	-	(295,647)	217,362	3,749	(74,536)	161,739	(11,012)	76,191
At 30 June 2022	236,600	(145,619)	62,419	16,728	(66,472)	1,655,594	121,267	1,946,989
At 31 December 2022, as previously reported	236,600	(1,960)	-	2,891	931	1,365,229	93,023	1,695,783
Impact arising from adoption of MFRS 17 and MFRS 9	-	(19,228)	(39,663)	10,065	(48,826)	326,792	50,107	328,073
At 31 December 2022, Restated	236,600	(21,188)	(39,663)	12,956	(47,895)	1,692,021	143,130	2,023,856
Total other comprehensive income/(loss) for the period	-	87,060	(38,375)	97	48,782	-	-	48,782
Profit/(loss) for the period	-	-	-	-	-	144,022	(66)	143,956
Total comprehensive (loss)/income for the period	-	87,060	(38,375)	97	48,782	144,022	(66)	192,738
Dividends paid during the period	-	-	-	-	-	-	(30,285)	(30,285)
At 30 June 2023	236,600	65,872	(78,038)	13,053	887	1,836,043	112,779	2,186,309

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

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

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Notes to the condensed interim financial statements

1. Basis of preparation

These condensed interim financial statements ("the Report") of the Company as at and for the financial period ended 30 June 2023 have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and International Accounting Standard ("IAS") 34: Interim Financial Reporting.

The Report does not include all information required for disclosure in the annual financial statements, and should be read in conjunction with the audited financial statements of the Company as at and for the financial year ended 31 December 2022, except for the financial results relating to the adoption of MFRS 17 Insurance contracts and MFRS 9 Financial instruments. The comparative information and disclosures have been prepared in accordance with MFRSs and restated where relevant to reflect the initial adoption of new accounting standards, MFRS 17 and MFRS 9.

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

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

The accounting policies and presentation adopted by the Company for the Report are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following:

MFRSs/ Amendments/ Interpretation

The accounting policies adopted by the Company for the Report are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following:

Amendments to MFRS101, Classification of liabilities and current or non-current

Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on

disclosure of Accounting Policies and Definition of Accounting Estimate

Amendments to MFRS 112, Deferred tax related to Assets and Liabilities arising from single transaction

MFRS 17, Insurance Contracts

Amendment to MFRS 17 "Initial Application of MFRS 17 and MFRS 9 - Comparative Information"

The adoption of the above did not have any significant effects on the interim report upon their initial application, other than as disclosed below:

MFRS 17, Insurance Contracts

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

MFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes MFRS 4.

MFRS 17 provides comprehensive guidance on accounting for insurance contracts issued, reinsurance contracts held, and investment contracts with discretionary participation features. It introduces three new measurement models, reflecting a different extent of policyholder participation in investment performance or overall insurance entity performance. The general measurement model, also known as the building block approach, consists of the fulfillment cash flows and the contractual service margin. The fulfillment cash flows represent the risk-adjusted present value of an entity's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit from in-force contracts that an entity will recognise as it provides services over the coverage period.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

At inception, the contractual service margin cannot be negative. If the fulfillment cash flows lead to a negative contractual service margin at inception, it will be set to zero and the negative amount will be recorded immediately in the statement of profit or loss. At the end of a reporting period, the carrying amount of a group of insurance contracts is the sum of the liability for remaining coverage and the liability of incurred claims. The liability for remaining coverage consists of the fulfillment cash flows related to future services and the contractual service margin, while the liability for incurred claims consists of the fulfillment cash flows related to past services. The contractual service margin gets adjusted for changes in cash flows related to future services and for the interest accretion at interest rates locked-in at initial recognition of the group of contracts. A release from the contractual service margin is recognised in profit or loss each period to reflect the services provided in that period based on "coverage units".

MFRS 17 only provides principle-based guidance on how to determine these coverage units. The Company has defined the account value for the reflection of investment services and the sum at risk for insurance services as the default approach to determine the coverage units. If multiple services are provided in one contract, a weighting is applied. The variable fee approach is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate direct participating contracts. An insurance contract has a direct participation feature if the following three requirements are met:

- (a) the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- (b) the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- (c) the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

The assessment of whether an insurance contract meets these three criteria is made at inception of the contract and not revised subsequently, except in case of a substantial modification of the contract. For contracts with direct participation features, the contractual service margin is adjusted for changes in the amount of the entity's share of the fair value of the underlying items. No explicit interest accretion is required since the contractual service margin is effectively remeasured when it is adjusted for changes in financial risks.

The premium allocation approach is a simplified approach for the measurement of the liability of remaining coverage an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period based on the passage of time. The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting.

MFRS 17 requires the separation of embedded derivatives, investment components, and performance obligations to provide non-insurance goods and services, if certain conditions are met. The separated components need to be accounted for separately according to MFRS 9 (embedded derivatives, investment components) or MFRS 15 (non-insurance goods and services). Measurement is not carried out at the level of individual contracts, but on the basis of groups of contracts. To allocate individual insurance contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks that are managed together.

In the statement of financial position, insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities. The amounts presented in the statement of financial performance need to be disaggregated into an insurance service result, consisting of the insurance revenue and the insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held need to be presented separately from the expenses or income from insurance contracts issued.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

For long-duration life insurance contracts, MFRS 17 is expected to have a significant impact on actuarial modeling, as more granular cash flow projections and regular updates of all assumptions will be required, either impacting profit or loss or the contractual service margin. The Company expects that direct participating business, where the rules on profit sharing are defined by legal/contractual rights, will qualify for the variable fee approach eligibility. Indirect participating business, where the payments to the policyholder depend on the investment performance but there are no fixed rules on how the performance is passed on to the policyholders, as well as non-participating business, i.e. business without policyholder participation, including savings and risk business, will be accounted for under the general measurement model.

The Company continues to have unit-linked insurance contracts, which are contracts with significant insurance risk, e.g. via death or other insurance riders. The Company expects unit-linked insurance contracts to be eligible for the variable fee approach. In the statement of financial position, the Company expects an increase of the insurance liabilities as these will be discounted with current rates and will contain an explicit future profit margin with the contractual service margin. Shareholder's share of unrealised capital gains will be part of the insurance liabilities accounted for under the variable fee approach.

In the income statement, the release of the contractual service margin and the risk adjustment for non-financial risk will become the main components for the profit before tax of the life insurance and investment-linked business. The Company has applied MFRS 17 retrospectively unless this is impracticable. Fulfillment cash flows are determined prospectively at every reporting date, including the date of initial application. However, the contractual service margin is rolled-forward over time, a split of profits between equity ("earned profits") and contractual service margin ("unearned profits") is required, but is often very challenging due to the long-term nature of some life insurance contracts. If a full retrospective application is impracticable, an entity can choose between a modified retrospective approach or a fair value approach.

The objective of the modified retrospective approach is to use reasonable and supportable information available without undue cost or effort to achieve the closest possible outcome to full retrospective application. To the extent a retrospective determination is not possible, certain modifications are allowed. Under the fair value approach, the contractual service margin of a group of contracts at transition is determined as the difference between the fair value of this group at transition determined in accordance with MFRS 13 and the corresponding MFRS 17 fulfillment cash flows measures at transition. Besides the determination of the contractual service margin, another crucial topic at transition is the determination of historic interest rates.

After making reasonable efforts to gather necessary historical information, the Company has determined that for certain groups of contracts, information such as the expectation of the contract's profitability at initial recognition, historical interest rates and historical cash flows were not available or not available in a form that would enable it to be used without undue cost and effort. It was therefore impracticable to apply the full retrospective approach, and the Company has adopted the modified retrospective approach for these groups.

For insurance contracts issued, the Company has adopted the standard using the full retrospective approach for all currently modelled products in annual cohorts 2014 or later. For modelled products in annual cohorts prior to 2014, the modified retrospective approach will be applied. For unmodelled products, the Company will continue not be modelled under MFRS 17 on the basis of insignificant.

In respect of reinsurance contract held, the modified retrospective approach will be applied to the reinsurance contracts held in annual cohorts prior to 2021 while the full retrospective approach will be applied to reinsurance contracts held in annual cohorts 2021 or later.

The combined effect on the Company's statement of financial position on transition to MFRS 9 and MFRS 17 as at 1 January 2022 is to improve total equity measured under MFRS 17 by approximately 18%. The results of the 2022 comparative and the 1 January 2023 results under the new standard is in this report.

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Notes to the condensed interim financial statements (continued)**1. Basis of preparation (continued)****MFRSs/ Amendments/ Interpretation (continued)****MFRS 17, Insurance Contracts (continued)**Financial impact

Based on assessments, the Company's impact on its balance sheet by MFRS 17 and MFRS 9 to be as follows:

Opening balance sheet

	1 January 2022 RM'000 (Restated)
Assets	
Property, plant and equipment	27,977
Right-of-use assets	18,645
Intangible assets	18,173
Investments	7,513,690
Derivative financial assets	46,434
Financial assets for unit-linked contracts	7,433,839
Other assets	25,867
Cash and cash equivalents	566,737
Total assets	<u><u>15,651,362</u></u>
Equity, policyholders' funds and liabilities	
Share capital	236,600
Other reserves	8,064
Retained earnings	1,626,134
Total equity	<u><u>1,870,798</u></u>
Insurance contract liabilities	12,998,762
Reinsurance contract liabilities	150,326
Deferred tax liabilities	431,079
Derivative financial liabilities	1,641
Lease liabilities	9,113
Other liabilities	177,385
Current tax liabilities	12,258
Total policyholders' fund and liabilities	<u><u>13,780,564</u></u>
Total equity, policyholders' fund and liabilities	<u><u>15,651,362</u></u>

(Re-) Insurance contract liabilities

	1 January 2022 RM'000 (Restated)
Liability for remaining coverage	
Premium allocation approach	73,398
Present value of future cash flows	8,534,930
Risk adjustment	336,732
Contractual service margin	2,664,148
	<u>11,609,208</u>
Liability for incurred claims	952,872
Net assets from receivables and payables for insurance business and others	587,008
Total	<u><u>13,149,088</u></u>

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 9, Financial Instruments

MFRS 9 'Financial Instruments' replaces MFRS 139 'Financial Instruments: Recognition and Measurement' on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018. However, as the Company qualifies for the temporary exemption under the guidance on Amendments to MFRS 4 - *Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts* from applying MFRS 9 and has deferred and adopted MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2023.

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

(i) Classification of financial assets and financial liabilities

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

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

The Company has classified and measured equity instruments and bond investments that are not held for trading at FVOCI. The financial assets of the Company are for the purpose of backing insurance liabilities, hence the hold and sell business model is adopted with FVOCI as a relevant measurement approach.

There will be no significant changes to the Company's accounting for financial liabilities as it largely retains the MFRS 139 requirements.

(ii) Impairment of financial assets

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

The new impairment model requires the recognition of impairment allowances based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage ECL impairment model:

Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).

Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the financial asset (Lifetime ECL).

Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 9, Financial Instruments (continued)

Hedge accounting

Under MFRS 9, the general hedge accounting requirements have been simplified for hedge effectiveness testing and permit hedge accounting to be applied to a greater variety of hedging instruments and risks. The Company do not expect a significant impact arising from the changes in the hedge accounting requirements.

Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Company has applied the new rules retrospectively from 1 January 2023, with the restated financial results on comparatives for 2022.

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

Classification of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2023.

Financial assets

	Note	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM'000	New carrying amount under MFRS 9 RM'000
Investment in equity instruments not held for trading	(a)	Available-for-sale ("AFS")	FVOCI	633,701	633,701
Investment in equity instruments held for trading	(a)	FVTPL (held for trading)	FVTPL	2,082,880	-
Other investments	(b)	AFS	FVTPL	62,543	62,543
Other investments	(c)	FVTPL (held for trading)	FVTPL	274,784	-
Investment in debt securities	(f)	FVTPL (held for trading)	FVTPL	4,996,080	-
Investment in debt securities	(e)	AFS	FVOCI	2,159,791	2,159,791
Investment in debt securities	(e)	FVTPL (designated upon initial recognition)	FVOCI	4,702,723	4,702,723
Investment in debt securities		Loans and Receivables ("L&R")	FVOCI	-	20,885
Derivative financial assets	(d)	FVTPL (held for trading)	FVTPL	18,996	18,996
Financial assets for unit-linked contracts	(f)	FVTPL (held for trading)	FVTPL	-	8,360,865
Other assets		L&R	AC	69,932	27,086
Cash and cash equivalents		L&R	AC	1,662,899	678,614
Fixed deposits with licensed banks	(q)	L&R	FVOCI	1,400	525
Total financial assets				16,665,729	16,665,729

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

- Equity investments were designated as AFS under MFRS 139. On the adoption of MFRS 9, the Company has elected to designate these equity investments not held for trading purpose to be measured at FVOCI. Equity investment were designated as held for trading, these assets are measured at FVTPL because they do not give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding under MFRS 9.
- Unit trusts and real estate investment trusts ("REITs") were classified as AFS under MFRS 139. On the adoption of MFRS 9, these assets are mandatory classified as FVTPL because they do not give rise to cash flows that are SPPI on the principal amount outstanding under MFRS 9.
- Unit trusts and REITs were designated as held for trading under MFRS 139. On the adoption of MFRS 9, the Company classified these assets as FVTPL because they do not give rise to cash flows that are SPPI on the principal amount outstanding under MFRS 9.
- The Company classified investments which were not designated as FVOCI and do not give rise to cash flows that are SPPI as FVTPL financial assets.
- Debts securities were designated as AFS and FVTPL under designated upoin initial recognition under MFRS 139. On the adoption of MFRS 9, these assets meet the criteria for mandatory measurement of FVOCI because the contractual cash flows of these deposits are solely payments of principal and interest on the principal outstanding.
- Financial assets for unit-linked contracts are recorded at fair value, with changes in fair value recognised in the income statement. They are included in the line item above financial assets for unit-linked carried at fair value through income.
- Liquid investments were classified as loans and receivables under MFRS 139. On the adoption of MFRS 9, the liquid investments meet the criteria for mandatory measurement of FVOCI because the contractual cash flows of these deposits are solely payments of principal and interest on the principal outstanding.

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

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Notes to the condensed interim financial statements (continued)**1. Basis of preparation (continued)****MFRSs/ Amendments/ Interpretation (continued)****MFRS 9, Financial Instruments (continued)**

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

	31 December 2022	Reclassification	1 January 2023		
	MFRS 139		Classification under MFRS 9		
	RM'000	RM'000	FVTPL	FVOCI	AC
			RM'000	RM'000	RM'000
Financial assets					
AFS					
Investment in equity instruments					
not held for trading	633,701	-	-	633,701	-
Other investments	62,543	-	62,543	-	-
Investment in debt securities	2,159,791	-	-	2,159,791	-
FVTPL (held for trading)					
Investment in debt securities	4,996,080	(4,996,080)	-	-	-
Investment in equity instruments					
held for trading	2,082,880	(2,082,880)	-	-	-
Other investments	274,784	(274,784)	-	-	-
Derivative financial assets	18,996	-	18,996	-	-
Financial assets for unit-linked contracts	-	8,360,865	8,360,865	-	-
FVTPL (designated upon initial recognition)					
Investment in debt securities	4,702,723	-	-	4,702,723	-
L&R					
Investment in debt securities	-	20,885	-	20,885	-
Other assets	69,932	(42,846)	-	-	27,086
Cash and cash equivalents	1,662,899	(984,285)	-	-	678,614
Fixed deposits with licensed banks	1,400	(875)	-	525	-
	16,665,729	-	8,442,404	7,517,625	705,700

Financial liabilities

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

Except as disclosed above on MFRS 17 and MFRS 9, the adoption of new standards, amendments to standards and interpretations by the Company for the first time for the financial year beginning on or after 1 January 2023 did not have any material impact on the current and/or prior periods.

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Notes to the condensed interim financial statements (continued)

2. Items of an unusual nature

The results of the Company for the current interim period were not substantially affected by any item, transaction or event of a material and unusual nature.

3. Changes in estimates

There were no significant changes in basis used for amounts reported in the prior financial year that have a material effect for the financial period under review.

4. Seasonal or cyclical factors

The operations of the Company for the current interim period were not significantly affected by seasonality or cyclical factors.

5. Property, plant and equipment

The Company's property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. There were no changes in the valuation of property, plant and equipment that were brought forward from the Company's audited financial statement for the year ended 31 December 2022.

6. Insurance contract liabilities

	2023 RM'000	2022 RM'000 (Restated)
Insurance contracts liabilities	<u>14,376,202</u>	<u>13,892,950</u>

Analysis by remaining coverage and incurred claims

	2023			Total RM'000
	Excluding loss component RM'000	Loss component RM'000	Liabilities for incurred claims RM'000	
Opening balance	12,583,063	7,754	1,302,133	13,892,950
Insurance revenue	(998,719)	-	-	(998,719)
Insurance service expenses				
Incurred claims and other insurance service expenses	79,637	-	548,555	628,192
Amortisation of insurance acquisition cash flows	182,266	-	-	182,266
Losses and reversal of losses on onerous contracts	-	4,250	-	4,250
	<u>261,903</u>	<u>4,250</u>	<u>548,555</u>	<u>814,708</u>
Insurance service result	(736,816)	4,250	548,555	(184,011)
Net finance expenses from insurance contracts	375,969	-	-	375,969
Investment components	(582,487)	-	582,487	-
Net insurance and investment results	<u>(943,334)</u>	<u>4,250</u>	<u>1,131,042</u>	<u>191,958</u>
Cash flows				
Premium received	1,755,162	-	-	1,755,162
Claims and other insurance service expenses paid, including investment components	-	-	(1,068,045)	(1,068,045)
Insurance acquisition cash flows	(309,977)	-	-	(309,977)
Total cash flows	<u>1,445,185</u>	<u>-</u>	<u>(1,068,045)</u>	<u>377,140</u>
Changes on receivables and payables	(50,387)	-	(25,187)	(75,574)
Others	(10,272)	-	-	(10,272)
Closing balance	<u>13,024,255</u>	<u>12,004</u>	<u>1,339,943</u>	<u>14,376,202</u>

6. Insurance contract liabilities (continued)

Reconciliation of the measurement components of insurance contract balances

	Estimate of present value of future cash flows RM'000	2023 Risk adjustment for non-financial risk RM'000	Contractual service margin RM'000	Total RM'000
Opening balance	10,597,615	364,183	2,931,152	13,892,950
<u>Changes that relate to current services</u>				
CSM recognised for services provided	-	-	(191,361)	(191,361)
Change in risk adjustment for non-financial risk for risk expired	-	(24,283)	-	(24,283)
Experience adjustments	120,323	-	-	120,323
<u>Changes that relate to future services</u>				
Contracts initially recognised in the year	(213,675)	32,689	180,986	-
Changes in estimates that adjust the CSM	(71,486)	678	70,808	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	4,250	-	-	4,250
<u>Changes that relate to past services</u>				
Adjustments to liabilities for incurred claims	62,997	-	-	62,997
Other statement of profit or loss movements	(155,937)	-	-	(155,937)
Insurance service result	(253,528)	9,084	60,433	(184,011)
Net finance expenses from insurance contracts	374,330	178	1,461	375,969
Net insurance and investment results	120,802	9,262	61,894	191,958
Cash flows				
Premium received	1,755,162	-	-	1,755,162
Claims and other insurance service expenses paid, including investment components	(1,068,045)	-	-	(1,068,045)
Insurance acquisition cash flows	(309,977)	-	-	(309,977)
Total cash flows	377,140	-	-	377,140
Changes on receivables and payables	(75,574)	-	-	(75,574)
Others	(10,272)	-	-	(10,272)
Closing balance	11,009,711	373,445	2,993,046	14,376,202

6. Insurance contract liabilities (continued)Analysis by remaining coverage and incurred claims (continued)

	2022			Total RM'000
	<u>Liabilities for remaining coverage</u>		Liabilities for incurred claims RM'000	
	Excluding loss component RM'000	Loss component RM'000		
Opening balance	11,750,879	16,311	1,231,572	12,998,762
Insurance revenue	(1,852,347)	-	-	(1,852,347)
Insurance service expenses				
Incurred claims and other insurance service expenses	10,353	-	815,470	825,823
Amortisation of insurance acquisition cash flows	337,719	-	-	337,719
Losses and reversal of losses on onerous contracts	-	(8,557)	-	(8,557)
Changes that relate to past services	-	-	322,893	322,893
	348,072	(8,557)	1,138,363	1,477,878
Insurance service result	(1,504,275)	(8,557)	1,138,363	(374,469)
Net finance expenses from insurance contracts	186,950	-	-	186,950
Investment components	(764,032)	-	764,032	-
Net insurance and investment results	(2,081,357)	(8,557)	1,902,395	(187,519)
Cash flows				
Premium received	3,366,879	-	-	3,366,879
Claims and other insurance service expenses paid, including investment components	-	-	(1,703,587)	(1,703,587)
Insurance acquisition cash flows	(591,469)	-	-	(591,469)
Total cash flows	2,775,410	-	(1,703,587)	1,071,823
Changes on receivables and payables	154,703	-	(128,247)	26,456
Others	(16,572)	-	-	(16,572)
Closing balance	12,583,063	7,754	1,302,133	13,892,950

6. Insurance contract liabilities (continued)

Reconciliation of the measurement components of insurance contract balances (continued)

	Estimate of present value of future cash flows RM'000	2022 Risk adjustment for non-financial risk RM'000	Contractual service margin RM'000	Total RM'000
Opening balance	9,813,137	358,743	2,826,882	12,998,762
<u>Changes that relate to current services</u>				
CSM recognised for services provided	-	-	(368,603)	(368,603)
Change in risk adjustment for non-financial risk for risk expired	-	(44,233)	-	(44,233)
Experience adjustments	132,746	-	-	132,746
<u>Changes that relate to future services</u>				
Contracts initially recognised in the year	(442,827)	49,462	393,365	-
Changes in estimates that adjust the CSM	(85,541)	1,076	76,408	(8,057)
Changes in estimates that result in losses and reversal of losses on onerous contracts	(499)	-	-	(499)
<u>Changes that relate to past services</u>				
Adjustments to liabilities for incurred claims	198,808	-	-	198,808
Other statement of profit or loss movements	(284,631)	-	-	(284,631)
Insurance service result	(481,944)	6,305	101,170	(374,469)
Net finance expenses from insurance contracts	184,715	(865)	3,100	186,950
Net insurance and investment results	(297,229)	5,440	104,270	(187,519)
Cash flows				
Premium received	3,366,879	-	-	3,366,879
Claims and other insurance service expenses paid, including investment components	(1,703,587)	-	-	(1,703,587)
Insurance acquisition cash flows	(591,469)	-	-	(591,469)
Total cash flows	1,071,823	-	-	1,071,823
Changes on receivables and payables	26,456	-	-	26,456
Others	(16,572)	-	-	(16,572)
Closing balance	10,597,615	364,183	2,931,152	13,892,950

7. Reinsurance contract liabilities

	2023 RM'000	2022 RM'000 (Restated)
Reinsurance contract liabilities	119,147	150,591

Analysis by remaining coverage and incurred claims

	2023		
	Liabilities for remaining coverage excluding loss component RM'000	Liabilities for incurred claims RM'000	Total RM'000
Opening balance	124,786	25,805	150,591
Changes in the statement of profit or loss and OCI			
Reinsurance expenses	56,604	-	56,604
Reinsurance recoveries			
Incurred claims and other reinsurance service expenses	(7,317)	(74,724)	(82,041)
Adjustments to liabilities for incurred claims	-	1,735	1,735
	(7,317)	(72,989)	(80,306)
Reinsurance result	49,287	(72,989)	(23,702)
Net reinsurance finance expenses	(65)	-	(65)
Effect of movements in reinsurers's non-performance	(44)	-	(44)
Net reinsurance results	49,178	(72,989)	(23,811)
Cash flows			
Premium received	(70,501)	-	(70,501)
Claims and other insurance service expenses paid, including investment components	-	74,724	74,724
Insurance acquisition cash flows	8,018	-	8,018
Total cash flows	(62,483)	74,724	12,241
Changes on receivables and payables	-	(19,874)	(19,874)
Closing balance	111,481	7,666	119,147

7. Reinsurance contract liabilities (continued)

Reconciliation of the measurement components of insurance contract balances (continued)

	2023			Total RM'000
	Estimate of present value of future cash flows RM'000	Risk adjustment for non-financial risk RM'000	Contractual service margin RM'000	
Opening balance	285,804	(22,460)	(112,753)	150,591
<u>Changes that relate to current services</u>				
CSM recognised for services provided	-	-	5,551	5,551
Change in risk adjustment for non-financial risk for risk expired	-	1,473	-	1,473
Experience adjustments	(44,045)	-	-	(44,045)
<u>Changes that relate to future services</u>				
Contracts initially recognised in the year	-	-	-	-
Changes in estimates that adjust the CSM	1,932	(1,202)	(730)	-
<u>Changes that relate to past services</u>				
Adjustments to liabilities for incurred claims	1,735	-	-	1,735
Other statement of profit or loss movements	11,584	-	-	11,584
Reinsurance result	(28,794)	271	4,821	(23,702)
Net finance expenses from reinsurance contracts	2,806	(271)	(2,600)	(65)
Effect of movements in reinsurers's non-performance	(44)	-	-	(44)
Net reinsurance results	(26,032)	-	2,221	(23,811)
Cash flows				
Premium received	(70,501)	-	-	(70,501)
Claims and other insurance service expenses paid, including investment components	74,724	-	-	74,724
Insurance acquisition cash flows	8,018	-	-	8,018
Total cash flows	12,241	-	-	12,241
Changes on payables and receivables	(19,874)	-	-	(19,874)
Closing balance	252,139	(22,460)	(110,532)	119,147

7. Reinsurance contract liabilities (continued)Analysis by remaining coverage and incurred claims (continued)

	2022		Total RM'000
	Liabilities for remaining coverage Excluding loss component RM'000	Liabilities for incurred claims RM'000	
Opening balance	98,744	51,582	150,326
Reinsurance expenses	108,548	-	108,548
Reinsurance recoveries			
Incurred claims and other reinsurance service expenses	9,300	(89,704)	(80,404)
Adjustments to liabilities for incurred claims	-	(2,822)	(2,822)
	9,300	(92,526)	(83,226)
Reinsurance result	117,848	(92,526)	25,322
Net reinsurance finance expenses	12,757	-	12,757
Effect of movements in reinsurers's non-performance	74	-	74
Net reinsurance results	130,679	(92,526)	38,153
Cash flows			
Premium received	(104,801)	-	(104,801)
Claims and other insurance service expenses paid, including investment components	-	89,704	89,704
Insurance acquisition cash flows	184	-	184
Total cash flows	(104,617)	89,704	(14,913)
Changes on payables and receivables	(20)	(22,955)	(22,975)
Closing balance	124,786	25,805	150,591

7. Reinsurance contract liabilities (continued)

Reconciliation of the measurement components of insurance contract balances (continued)

	2022			
	Estimate of present value of future cash flows RM'000	Risk adjustment for non-financial risk RM'000	Contractual service margin RM'000	Total RM'000
Opening balance	335,073	(22,010)	(162,737)	150,326
Changes in the statement of profit or loss and OCI				
<u>Changes that relate to current services</u>				
CSM recognised for services provided	-	-	13,855	13,855
Change in risk adjustment for non-financial risk for risk expired	-	2,643	-	2,643
Experience adjustments	(23,747)	-	-	(23,747)
<u>Changes that relate to future services</u>				
Contracts initially recognised in the year	4	(5)	1	-
Changes in estimates that adjust the CSM	(39,972)	(2,321)	42,293	-
<u>Changes that relate to past services</u>				
Adjustments to liabilities for incurred claims	(2,822)	-	-	(2,822)
Other statement of profit or loss movements	35,393	-	-	35,393
Reinsurance result	(31,144)	317	56,149	25,322
Net finance expenses from reinsurance contracts	19,688	(766)	(6,165)	12,757
Effect of movements in reinsurers's non-performance	74	-	-	74
Net reinsurance results	(11,382)	(449)	49,984	38,153
Cash flows				
Premium received	(104,801)	-	-	(104,801)
Claims and other insurance service expenses paid, including investment components	89,704	-	-	89,704
Insurance acquisition cash flows	184	-	-	184
Total cash flows	(14,913)	-	-	(14,913)
Changes on payables and receivables	(22,975)	-	-	(22,975)
Closing balance	285,803	(22,459)	(112,753)	150,591

8. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	30.06.2023	30.06.2022 (Restated)
Profit attributable to ordinary shareholders (RM'000)	143,956	150,727
Weighted average number of ordinary shares in issue ('000)	236,600	236,600
Basic earnings per ordinary share (sen)	<u>60.84</u>	<u>63.71</u>

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the end of the reporting period.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these condensed interim financial statements.

9. Capital commitments

	30.06.2023 RM'000	30.06.2022 RM'000
Property, plant and equipment: Contracted but not provided for	<u>3,185</u>	<u>3,445</u>
Software development: Contracted but not provided for	<u>1,800</u>	<u>333</u>

10. Related party transactions

Significant related party transactions are as follows:

	Amount transacted for the period ended 30 June	
	2023 RM'000	2022 RM'000
Reinsurance premium and commission	<u>(56,103)</u>	<u>(54,602)</u>

* Related companies are companies within the Allianz SE group.

11. Changes in Company's composition

There were no changes in the composition of the Company during the financial period under review.

12. Changes in contingent liabilities or contingent assets

The Company does not have contingent liabilities and contingent assets as the date of this report.

13. Debt and equity securities

There were no other issuance of shares, shares buy-back and repayment of debt and equity securities by the Company during the financial period under review.

14. Significant events

There were no significant event subsequent to the end of the financial period under review but have not been reported in this report for the financial period under review.

15. Regulatory capital requirement

The total capital available of the Company as prescribed under the Risk-Based Capital Framework is provided below:

	30.06.2023	31.12.2022
	RM'000	RM'000
Tier 1 Capital		
Paid up share capital	236,600	236,600
Eligible reserves, including retained earnings	<u>2,350,126</u>	<u>2,269,362</u>
	<u>2,586,726</u>	<u>2,505,962</u>
Tier 2 Capital		
Revaluation reserve	9,883	9,883
Available-for-sale reserve	<u>172,271</u>	<u>153,624</u>
	<u>182,152</u>	<u>163,507</u>
Amount deducted from capital	(114,298)	(122,148)
Total capital available	<u><u>2,654,580</u></u>	<u><u>2,547,321</u></u>

16. Events after the interim period

There were no material events after the interim period that have not been reflected in the condensed interim financial statements for the current interim period.

17. Dividend paid

- (a) A single tier interim dividend of 28.5 sen per ordinary share amounting to RM67.4 mil for the financial year ended 31 December 2022 were paid on 19 January 2023.
- (b) A final dividend of 12.8 sen per ordinary share amounting to RM30.3 mil for the financial year ended 31 December 2022 were paid on 8 June 2023.

18. Financial Instruments

18.1 Fair value of financial instruments

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

- The fair values of collateralised interest rate swap 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 mortgage loans and fixed and call deposits approximate their fair values; and
- The carrying amounts of cash and cash equivalents, other assets and deposits (current), and other liabilities (current) and accruals reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

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.

18. Financial Instruments**18.2 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			Total RM'000	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000			
30 June 2023						
Financial assets						
Malaysian government securities	-	3,164,147	-	3,164,147	3,164,147	3,164,147
Malaysian government guaranteed bonds	-	1,598,866	-	1,598,866	1,598,866	1,598,866
Quoted equity securities of corporations in Malaysia	634,392	-	-	634,392	634,392	634,392
Unquoted bonds of corporations in Malaysia	-	2,221,791	-	2,221,791	2,221,791	2,221,791
Unquoted bonds of corporations outside Malaysia	-	106,401	-	106,401	106,401	106,401
Quoted unit trusts in Malaysia	41,250	-	-	41,250	41,250	41,250
Unquoted unit trusts in Malaysia	-	23,131	-	23,131	23,131	23,131
Collateralised interest rate swap	-	16,981	-	16,981	16,981	16,981
Cross currency swap	-	234	-	234	234	234
	675,642	7,131,551	-	7,807,193	7,807,193	7,807,193
Financial liabilities						
Cross currency swap	-	4,136	-	4,136	4,136	4,136
Lease liabilities	-	-	-	-	3,312	3,312
	-	4,136	-	4,136	7,448	7,448

18. Financial Instruments**18.2 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			Total RM'000	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000			
31 December 2022, Restated						
Financial assets						
Malaysian government securities	-	3,040,172	-	3,040,172	3,040,172	3,040,172
Malaysian government guaranteed bonds	-	1,579,974	-	1,579,974	1,579,974	1,579,974
Quoted equity securities of corporations in Malaysia	631,554	-	-	631,554	631,554	631,554
Unquoted bonds of corporations in Malaysia	-	2,141,920	-	2,141,920	2,141,920	2,141,920
Unquoted bonds of corporations outside Malaysia	-	100,447	-	100,447	100,447	100,447
Quoted unit trusts in Malaysia	40,108	-	-	40,108	40,108	40,108
Unquoted unit trusts in Malaysia	-	22,436	-	22,436	22,436	22,436
Collateralised interest rate swap	-	16,590	-	16,590	16,590	16,590
Cross currency swap	-	2,406	-	2,406	2,406	2,406
	671,662	6,903,945	-	7,575,607	7,575,607	7,575,607
Financial liabilities						
Cross currency swap	-	1,293	-	1,293	1,293	1,293
Lease liabilities	-	-	-	-	5,576	5,576
	-	1,293	-	1,293	6,869	6,869

Transfers between Level 1, Level 2 and Level 3 fair values

There has been no transfer between Level 1, Level 2 and Level 3 of the fair value hierarchy during the financial period ended 30 June 2023 (2022: no transfer in either direction).

19. 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.

Condensed statement of financial position by funds

Condensed statement of financial position as at 30 June 2023 - unaudited

	Shareholders' Funds		Life Fund		Total	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022	30.06.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)		(Restated)
Assets						
Property, plant and equipment	-	-	33,010	30,432	33,010	30,432
Right-of-use assets	-	-	12,969	15,204	12,969	15,204
Intangible asset	83,146	86,226	7,891	7,846	91,037	94,072
Investments	255,011	202,893	7,677,007	7,376,750	7,932,018	7,579,643
Derivative financial assets	-	-	17,215	18,996	17,215	18,996
Financial assets for unit-linked contracts	-	-	8,824,162	8,379,658	8,824,162	8,379,658
Other assets	176	176	31,075	26,910	31,251	27,086
Cash and cash equivalents	14,120	69,297	492,796	609,842	506,916	679,139
Total assets	352,453	358,592	17,096,125	16,465,638	17,448,578	16,824,230

19. Insurance funds (continued)

Condensed statement of financial position by funds

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

	Shareholders' Funds		Life Fund		Total	
	30.06.2023 RM'000	31.12.2022 RM'000 (Restated)	30.06.2023 RM'000	31.12.2022 RM'000 (Restated)	30.06.2023 RM'000	31.12.2022 RM'000 (Restated)
Equity, policyholders' funds and liabilities						
Share capital	236,600	236,600	-	-	236,600	236,600
Other reserves	145	(2,130)	742	(45,765)	887	(47,895)
Retained earnings	112,779	143,130	1,836,043	1,692,021	1,948,822	1,835,151
Total equity	349,524	377,600	1,836,785	1,646,256	2,186,309	2,023,856
Insurance contract liabilities	(34,272)	(22,148)	14,410,474	13,915,098	14,376,202	13,892,950
Reinsurance contract liabilities	-	-	119,147	150,591	119,147	150,591
Deferred tax liabilities	(10)	(870)	513,203	472,494	513,193	471,624
Derivative financial liabilities	-	-	4,136	1,293	4,136	1,293
Lease liabilities	-	-	3,311	5,576	3,311	5,576
Other liabilities	14,224	(19,675)	225,632	287,635	239,856	267,960
Current tax liabilities	22,987	23,685	(16,563)	(13,305)	6,424	10,380
Total policyholders' funds and liabilities	2,929	(19,008)	15,259,340	14,819,382	15,262,269	14,800,374
Total equity, policyholders' funds and liabilities	352,453	358,592	17,096,125	16,465,638	17,448,578	16,824,230

19. Insurance funds (continued)

Condensed statement of profit or loss by funds
for the 6 month period ended 30 June 2023 - unaudited

	Shareholders' Funds		Life Fund		Total	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Insurance revenue	-	-	998,719	909,643	998,719	909,643
Insurance service expenses	(15)	(4,556)	(814,693)	(615,990)	(814,708)	(620,546)
Reinsurance result	-	-	23,702	(30,412)	23,702	(30,412)
Insurance service result	(15)	(4,556)	207,728	263,241	207,713	258,685
Interest revenue on financial assets not measured at FVTPL	5,121	5,906	159,982	149,764	165,103	155,670
Net (losses)/gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	(575)	(397)	5,089	1,574	4,514	1,177
Net gains/(losses) on FVTPL investments	687	(396)	188,231	(228,116)	188,918	(228,512)
Net credit impairment loss on financial assets	(7)	(56)	(100)	(4,029)	(107)	(4,085)
Investment return	5,226	5,057	353,202	(80,807)	358,428	(75,750)
Net finance (expense)/income from insurance contracts	-	-	(333,068)	67,354	(333,068)	67,354
Net finance income/(expense) from reinsurance contracts	-	-	142	(4,158)	142	(4,158)
Net insurance finance (expenses)/income	-	-	(332,926)	63,196	(332,926)	63,196
Net insurance and investment results	5,211	501	228,004	245,630	233,215	246,131
Other operating income	-	-	8	9	8	9
Other operating expenses	(5,316)	(10,536)	(33,536)	(29,164)	(38,852)	(39,700)
(Loss)/profit before tax	(105)	(10,035)	194,476	216,475	194,371	206,440
Tax expense	39	(978)	(50,454)	(54,735)	(50,415)	(55,713)
Net (loss)/profit for the period	(66)	(11,013)	144,022	161,740	143,956	150,727