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 SEPTEMBER 2023

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

	Note	30.09.2023 RM'000	31.12.2022 RM'000 (Restated)
Assets			
Property, plant and equipment	5	32,798	30,432
Right-of-use assets		20,032	15,204
Intangible asset		89,557	94,072
Investments		8,064,276	7,578,554
Derivative financial assets		13,826	18,996
Financial assets for unit-linked contracts		9,140,323	8,379,658
Other assets		37,572	28,175
Cash and cash equivalents		417,011	679,139
Current tax assets		1,508	-
Total assets		17,816,903	16,824,230
Equity, policyholders' funds and liabilities			
Share capital		236,600	236,600
Other reserves		(11,333)	(47,895)
Retained earnings		2,040,202	1,835,151
Total equity		2,265,469	2,023,856
Insurance contract liabilities	6	14,682,942	13,892,950
Reinsurance contract liabilities	7	105,263	150,591
Deferred tax liabilities		538,951	471,624
Derivative financial liabilities		4,694	1,293
Lease liabilities		10,412	5,576
Other liabilities		209,172	267,960
Current tax liabilities		-	10,380
Total policyholders' funds and liabilities		15,551,434	14,800,374
Total equity, policyholders' funds and liabilities		17,816,903	16,824,230

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 9 month period ended 30 September 2023 - unaudited

	Note	9 months period ended 30.09.2023 RM'000	9 months period ended 30.09.2022 RM'000 (Restated)
Insurance revenue		1,597,872	1,375,568
Insurance service expenses		(1,323,092)	(1,033,355)
Reinsurance result		30,322	(22,754)
Insurance service result		305,102	319,459
Interest revenue on financial assets not measured at fair value through profit or loss ("FVTPL")		250,888	241,277
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		4,810	1,177
Net gains/(losses) on FVTPL investments		371,901	(200,969)
Net credit impairment gains/(losses)		56	(396)
Investment return		627,655	41,089
Net finance expense from insurance contracts		(553,841)	(525)
Net finance income/(expense) from reinsurance contracts		144	(3,613)
Net insurance finance expenses		(553,697)	(4,138)
Net insurance and investment results		379,060	356,410
Other operating income		56	65
Other operating expenses		(62,126)	(62,505)
Profit before tax		316,990	293,970
Tax expense		(81,654)	(77,217)
Net profit for the period		235,336	216,753
Profit attributable to:			
Owner of the Company		235,336	216,753
Basic earnings per ordinary share (sen)	8	99.47	91.61

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

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

Condensed statement of profit or loss and other comprehensive income for the 9 month period ended 30 September 2023 - unaudited

	9 months period ended 30.09.2023 RM'000	9 months period ended 30.09.2022 RM'000 (Restated)
Net profit for the period	235,336	216,753
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	103,067	(323,558)
Net realised gains transferred to profit or loss	(4,810)	(1,177)
Tax effects thereon	(8,256)	27,150
Fair value losses on cash flow hedge	(5,770)	(12,374)
Tax effects thereon	462	990
Finance (expense)/income from insurance contract liabilities	(38,698)	272,080
Tax effects thereon	3,526	(25,900)
Finance expense from reinsurance contract liabilities	(1,974)	(11,368)
Tax effects thereon	474	2,728
Expected credit (losses)/gains	(56)	396
Tax effects thereon	5	(29)
Items will not be reclassified subsequently to profit or loss:		
Net losses on investments in equity instruments measured at FVOCI	(12,400)	(39,517)
Tax effects thereon	992	3,161
Total other comprehensive income/(loss) for the period, net of tax	36,562	(107,418)
Total comprehensive income for the period attributable to owner of the Company	271,898	109,335

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 changes in equity
for the 9 month period ended 30 September 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	-	(345,325)	237,540	367	(107,418)	-	-	(107,418)
Profit/(loss) for the period	-	-	-	-	-	228,708	(11,955)	216,753
Total comprehensive (loss)/income for the period	-	(345,325)	237,540	367	(107,418)	228,708	(11,955)	109,335
At 30 September 2022	236,600	(195,297)	82,597	13,346	(99,354)	1,722,563	120,324	1,980,133
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	-	73,285	(36,672)	(51)	36,562	-	-	36,562
Profit/(loss) for the period	-	-	-	-	-	235,762	(426)	235,336
Total comprehensive income/(loss) for the period	-	73,285	(36,672)	(51)	36,562	235,762	(426)	271,898
Dividends paid during the period	-	-	-	-	-	-	(30,285)	(30,285)
At 30 September 2023	236,600	52,097	(76,335)	12,905	(11,333)	1,927,783	112,419	2,265,469

* 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.

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
(Company No. 198301008983)
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Condensed statement of cash flows
for the 9 month period ended 30 September 2023 - unaudited

	9 months period ended 30.09.2023 RM'000	9 months period ended 30.09.2022 RM'000 (Restated)
Cash flows from operating activities		
Profit before tax	316,990	293,970
Adjustments for:		
Investment income	(250,541)	(240,619)
Rental income received	(439)	(635)
Interest on lease liabilities	169	221
Fair value loss on investments recorded in profit or loss	3,758	23,361
Realised gains recorded in profit or loss	(8,266)	(2,063)
Purchase for financial assets at FVOCI	(934,337)	(891,881)
Maturity of financial assets at FVOCI	272,000	343,783
Proceeds from sale of financial assets at FVOCI	280,500	270,421
Purchase for financial assets at FVTPL	(13,106)	(11,787)
Proceeds from sale of financial assets at FVTPL	16,057	14,242
(Reversal)/allowance for expected credit losses	(56)	396
Allowance of impairment loss on receivables	1,286	1,910
Amortisation of intangible assets	7,454	7,361
Depreciation of property, plant and equipment	4,140	4,036
Depreciation of right-of-use assets	4,144	4,100
Loss on disposal of property, plant and equipment	-	2
Property, plant and equipment written off	1	183
Intangible asset written off	-	9,087
Unrealised foreign exchange gain	(6,742)	(11,140)
Operating loss before changes in working capital	**(306,988)**	**(185,052)**
Changes in working capital:		
Change in reinsurance contract liabilities	(47,302)	(2,596)
Change in other assets	(9,397)	(4,630)
Change in fair value of financial investments and derivatives	2,491	16,599
Changes in fair value of unit linked contracts	(760,665)	(475,058)
Change in insurance contract liabilities	750,008	496,258
Change in other liabilities	(21,642)	3,851
Cash used in operations	**(393,495)**	**(150,628)**

Condensed statement of cash flows
for the 9 month period ended 30 September 2023 - unaudited
(continued)

	9 months period ended 30.09.2023 RM'000	9 months period ended 30.09.2022 RM'000 (Restated)
Cash flows from operating activities (continued)		
Tax paid	(29,013)	(29,167)
Dividends received	27,607	24,799
Interest income received	213,516	219,931
Rental income received	439	635
Interest paid on lease liabilities	(169)	(221)
Net cash (used in)/generated from operating activities	(181,115)	65,349
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	1
Acquisition of property, plant and equipment	(8,999)	(8,294)
Acquisition of intangible assets	(447)	(92,940)
Net cash used in investing activities	(9,446)	(101,233)
Cash flows from financing activities		
Repayment of lease liabilities	(4,136)	(4,069)
Dividend paid	(67,431)	-
Net cash used in financing activities	(71,567)	(4,069)
Net decrease in cash and cash equivalents	(262,128)	(39,953)
Cash and cash equivalents at 1 January	679,139	566,737
Cash and cash equivalents at 30 September	417,011	526,784
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity three months or less)	363,813	437,773
Cash and bank balances	53,198	89,011
	417,011	526,784

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

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 September 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:

Amendment to MFRS 101, *Classification of liabilities as 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 a Single Transaction and International Tax Reform – Pillar Two Model Rules*
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 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes MFRS 4. The standard provides a comprehensive guidance on accounting for insurance contracts issued, reinsurance contracts held, and investment contracts with discretionary participation features. It introduces three new measurement models, reflecting a different extent of policyholder participation in investment performance or overall insurance entity performance.

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Recognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

(a) the beginning of the coverage period;
(b) the date when the first payment from the policyholder is due or actually received, if there is no due date; or
(c) when the Company determines that a group of contracts becomes onerous.

Insurance contracts with discretionary participation features are accounted for under the insurance accounting provisions of MFRS 17.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

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

Reinsurance contracts held are recognised as follows:

(a) a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:

    (i) the beginning of the coverage period of the group of reinsurance contracts held; and
    (ii) the initial recognition of any underlying insurance contract;

(b) all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held.

To measure a group of reinsurance contracts held, the Company applies the same accounting policies that are applied to insurance contracts issued without direct participation features, certain modifications required by MFRS 17. The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

MFRS 17 requires expected losses over a contract's lifetime to be reflected at initial recognition in the statement of profit or loss and the statement of financial position as a loss component, inclusive of risk adjustment. The approach to determine loss component is very similar to the current premium deficiency testing, but MFRS 17 requires the calculation on a more granular level. As offsetting with profitable groups of insurance contracts is not allowed, the increasing granularity leads to an increasing number of onerous group of contracts.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Measurement

MFRS 17 includes three measurement models, reflecting a different extent of policyholder participation in investment performance or overall insurance entity performance: the building block approach ("BBA"), the variable fee approach ("VFA"), and the premium allocation approach ("PAA").

The general measurement model, also known as the building block approach, consists of the fulfillment cash flows and the contractual service margin. The fulfillment cash flows represent the risk-adjusted present value of an entity's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit from in-force contracts that an entity will recognise as it provides services over the coverage period.

The variable fee approach is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate direct participating contracts.

The premium allocation approach is a simplified approach for the measurement of the liability of remaining coverage an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the BBA or if the coverage period of each contract in the group of insurance contracts is one year or less. 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.

Separation of components
MFRS 17 requires the separation of embedded derivatives, investment components, and performance obligations to provide non-insurance goods and services, if certain conditions are met. The separated components need to be accounted for separately according to MFRS 9 (embedded derivatives, investment components) or MFRS 15 (non-insurance goods and services). 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.

MFRS 17 defines investment components as the amounts that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. The Company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring.

An investment component is classified as being distinct or non-distinct. The Company has not identified material distinct investment components. Investment components that are non-distinct are not to be separated from the host insurance contract but are excluded from insurance revenue and insurance service expenses. For most common life insurance products, the Company defines the cash surrender value as the non-distinct investment component.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Measurement (continued)

Level of aggregation
Measurement is not carried out at the level of individual contracts, but on the basis of groups of contracts. To allocate individual insurance contracts to groups of contracts, the Company first needs to define portfolios which include contracts with similar risks that are managed together. These portfolios are to be subdivided into groups of contracts on the basis of profitability and annual cohorts.

Liability for remaining coverage
The liability for remaining coverage (LRC) under the BBA/VFA consists of the fulfillment cash flows related to future services and the contractual service margin (CSM). The fulfillment cash flows represent the risk adjusted present value of Company's rights and obligations to the policyholders, comprising the building blocks of estimates of expected future cash flows, discounting, and an explicit risk adjustment for nonfinancial risk. The CSM represents the unearned profit from in-force contracts that an entity will recognize as it provides services over the coverage period. Each building block is measured separately, both on initial recognition and for subsequent measurement.

The Company uses the PAA for measuring contracts with a coverage period of one year or less. In addition to the contracts with coverage of less than one year, the PAA is applied for the measurement of groups of contracts where it is reasonably expected that the measurement of the LRC does not differ materially from the one that would be produced by applying the BBA or the VFA.

Estimates of expected cash flows
The estimates of future cash flows comprise all cash flows expected to arise as the insurance contract is fulfilled. In estimating these future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. Cash flows within the boundary of a contract relate directly to the fulfillment of the contract, including those for which the Company has discretion over the amount or timing. These include premiums from policyholders, payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling the contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Depending on the type of services provided, other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that the Company will incur in providing investment services;
- costs that the Company will incur in performing investment activities to the extent that the Company performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- income tax and other costs specifically chargeable to the policyholders under the terms of the contract.

Discounting
According to MFRS 17, all future cash flows must be discounted. The MFRS 17 requirements for the interest curves used in the discounting are principle based. An entity should use observable market data based on a risk-free base curve and portfolio-specific adjustments to reflect the illiquidity of insurance obligations in determining the interest curves. The Company applies a bottom-up approach in which the basic risk-free liquid yield curves are usually derived from swap rates or government yields for the specific currency and adjusted for remaining credit risk. These risk-free liquid yield curves are then adjusted to reflect illiquidity of the underlying insurance liabilities based on reference portfolios. risk. In case of participating business, the reference portfolio reflects own assets and it is a currency-specific portfolio for non-participating business.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Measurement (continued)

Risk adjustment for non-financial risk
The risk adjustment reflects the compensation an entity would require for bearing non-financial risks, i.e. the uncertainty of cash flows that arise from insurance contracts, other than the uncertainty arising from financial risks. Such non-financial risks include insurance risks, lapse and expense risk. MFRS 17 does not prescribe a specific approach for determining the risk adjustment. The main differences in terms of disclosure are that MFRS 17 requires a separate presentation of the risk adjustment for non-financial risk for gross and ceded business.

MFRS 17 does not prescribe a specific approach for determining the risk adjustment for non-financial risk. The Company applies the commonly accepted percentile approach to determine risk adjustment as it is allowed by the standard, consistent with local regulatory requirements.

Contractual service margin
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 for 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 for BBA gets adjusted for selected variances relating to current services, changes in cash flows related to future services and for the interest accretion at interest rates locked-in at initial recognition of the group of contracts. A release from the contractual service margin is recognised in profit or loss each period to reflect the services provided in that period based on “coverage units”.

MFRS 17 only provides principle-based guidance on how to determine these coverage units. The Company has defined the sum assured for insurance contracts and account value for crediting products as the default approach to determine the coverage units.

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.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Measurement (continued)

Liability for incurred claims (LIC)
The LIC is measured at the fulfillment cash flows relating to incurred claims. It comprises the fulfillment cash flows related to past service the reporting date. It is calculated at a level of aggregation determined by the Company. The LIC consists of the present value of future cash flows relating to incurred claims and the risk adjustment for non-financial risk.

Payables and receivables
MFRS 17 is conceptually based on a prospective cash view. All expected future cash flows arising from the contract are considered and reflected in one position, the insurance contract asset or liability.

Therefore, payables and receivables from insurance contracts as well as any deposits are part of the insurance contract asset or liability.

Transition

For long-duration life insurance contracts, MFRS 17 has to have a significant impact on actuarial modeling, as more granular cash flow projections and regular updates of all assumptions are required, either impacting profit or loss or the contractual service margin. The Company has assessed that direct participating business, where the rules on profit sharing are defined by legal/contractual rights, qualify for the variable fee approach eligibility. Non-participating business under business without policyholder participation, including savings and risk business, are accounted for under the BBA.

The 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 assesses unit-linked insurance contracts to be eligible for the variable fee approach. In the statement of financial position, there is an increase of the insurance liabilities as these are discounted with current rates and contain an explicit future profit margin with the contractual service margin. Shareholder's share of unrealised capital gains is part of the insurance liabilities accounted for under the variable fee approach.

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

In the statement of profit or loss, gross written premium will no longer be presented. Insurance contract revenue is defined in such a way as to achieve comparability with the revenue of other industries and, investment components are not recognised as part of insurance contract revenue. The release of the contractual service margin and the risk adjustment for non-financial risk 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.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Transition (continued)

The Company recognises insurance revenue as it provides services under groups of insurance contracts. For contracts measured under the BBA or VFA, the insurance revenue relating to services provided for each reporting period represents the total of the changes in the LRC that relate to services for which the Company expects to receive consideration, and comprises the following items:

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year, excluding amounts allocated to a potential loss component, repayments of investment components, insurance acquisition expenses, and amounts that relate to transaction based taxes collected on behalf of third parties.
- Other amounts, including experience adjustments for premium receipts for current or past services.

In applying the insurance revenue under the PAA, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk, if applicable) allocated to the period. As such, for contracts measured under the PAA at the Company, the expected premium receipts are allocated to insurance revenue based on the passage of time, unless the expected pattern of incurring the insurance service expenses differs significantly from the passage of time, in which case the latter should be used.

Insurance service expenses consist of claims and other insurance service expenses incurred during the period as well as the amortisation of insurance acquisition cash flows, but exclude repayments of investment components. Furthermore, they include the changes in the fulfillment cash flows relating to the LIC, the losses on onerous groups of contracts and reversals of such losses. For the insurance contracts with direct participation features, it also includes an adjustment for experience adjustments of the non-financial underlying items. Insurance service expenses include only costs that relate directly to the fulfillment of the insurance contracts. The Company furthermore distinguishes between direct costs and overhead costs.

Net insurance finance expenses consist of finance income or expenses from insurance contracts issued and the finance income or expenses from reinsurance contracts held including the effect of time value of money and the effect of financial risk. It includes the interest accretion of the fulfillment cash flows and the CSM as well as the changes in the fulfillment cash flows due to changes in financial assumptions. For groups of insurance contracts with direct participation features, changes in the value of underlying items excluding additions and withdrawals are included in net insurance finance expense. Generally, the Company chooses to disaggregate the insurance finance income or expenses other than those arising from the risk mitigation option between profit or loss and other comprehensive income ("OCI") based on a systematic allocation. Furthermore, the Company chooses to disaggregate the change in risk adjustment for non-financial risk between a change related to non-financial risk and the effect of the time value of money and changes in the time value of money, which are included in net insurance finance expenses. For groups of insurance contracts accounted for under the BBA, the systematic allocation for the finance income or expenses is determined using the discount rates by which estimated future cash flows have been discounted on initial recognition. For groups of insurance contracts with direct participation features accounted for under the VFA, the Company generally holds the underlying items. The insurance finance income or expense included in profit or loss is the amount that exactly matches the income or expenses included in profit or loss for the underlying items (i.e., the current period book yield of the underlying items), resulting in the net of the separately presented items being nil with the exception for the investment results under operating funds. For groups of insurance contracts accounted for under the PAA, the systematic allocation for the finance income or expenses is determined using the discount rates at the date of the incurred claims.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

MFRS 17 contains an accounting policy option to recognise changes in financial parameters either in profit or loss or OCI. This “OCI option” can be exercised at the level of individual portfolios. The Company has adopted this option.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Transition (continued)

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.

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.

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 1 January 2022 and comparative financial year or period of 2022's statement of financial position and statement of profit or loss and other comprehensive income are presented under the new accounting standard in this report.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Transition (continued)

Financial impact
Based on assessments, the Company's impact on its statement of financial position by MFRS 17 and MFRS 9 to be as follows:

Statement of financial position as at 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	15,651,362
Equity, policyholders' funds and liabilities	
Share capital	236,600
Other reserves	8,064
Retained earnings	1,626,134
Total equity	1,870,798
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	13,780,564
Total equity, policyholders' fund and liabilities	15,651,362

Net (Re-) Insurance contract liabilities

	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
	11,609,208
Liability for incurred claims	952,872
Net receivables and payables for insurance business and others	587,008
Total	13,149,088

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 in financial year 2018, it has deferred and adopted MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on 1 January 2023.

The Company's accounting policies due to the adoption of MFRS 9 are summarised below.

(i) Initial recognition and measurement

At initial recognition, the Company measures a financial asset or financial liability at its fair value, plus or minus (in the case of a financial asset or financial liability not at fair value through profit or loss ("FVTPL")) transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognised for financial assets measured at amortised cost ("AC") and investments in debt instruments measured at fairvalue in other comprehensive income ("FVOCI").

Financial assets and financial liabilities are recognised based on the contractual terms in business model when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date (that is, the date on which the Company commits to purchase or sell the asset).

(ii) 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: 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 FVOCI (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 liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is:

- 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. Financial assets held for trading with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

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

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 9, Financial Instruments (continued)

(iii) 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 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).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in profit or loss, allowance for credit losses will be more volatile under MFRS 9.

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

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

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

Classification of financial assets and financial liabilities
The following table explains the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets 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	-	19,796
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	68,843	27,086
Other assets		L&R	FVOCI	1,089	1,089
Cash and cash equivalents		L&R	AC	1,662,899	678,614
Fixed deposits with licensed banks	(g)	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.

(a) 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 classified as FVOCI. Equity investment were designated as held for trading, these assets are mandatorily classified as FVTPL.

(b) Unit trusts and real estate investment trusts ("REITs") were classified as AFS under MFRS 139. On the adoption of MFRS 9, these assets are mandatorily classified as FVTPL because they do not give rise to cash flows that are SPPI on the principal amount outstanding under MFRS 9.

(c) 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.

(d) 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.

(e) Debts securities were designated as AFS and FVTPL under designated upon initial recognition under MFRS 139. On the adoption of MFRS 9, these assets meet the criteria for mandatory measurement of FVOCI because the contractual cash flows of these deposits are solely payments of principal and interest on the principal outstanding.

(f) 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.

(g) 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.

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		1 January 2023 Classification under MFRS 9			
	MFRS 139	**Reclassification**	**FVTPL**	**FVOCI**	**AC**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets						
AFS						
Investment in equity instruments not held for trading	633,701	-	-	633,701	-	633,701
Other investments	62,543	-	62,543	-		62,543
Investment in debt securities	2,159,791	-	-	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	-	-	18,996
Financial assets for unit-linked contracts	-	8,360,865	8,360,865	-	-	8,360,865
FVTPL (designated upon initial recognition)						
Investment in debt securities	4,702,723	-	-	4,702,723	-	4,702,723
L&R						
Investment in debt securities	-	19,796	-	19,796	-	19,796
Other assets	69,932	(41,757)	-	1,089	27,086	28,175
Cash and cash equivalents	1,662,899	(984,285)	-	-	678,614	678,614
Fixed deposits with licensed banks	1,400	(875)	-	525	-	525
	16,665,729	-	8,442,404	7,517,625	705,700	16,665,729

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.

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	14,682,942	13,892,950

Analysis by remaining coverage and incurred claims

	2023			
	Liabilities for remaining coverage			
	Excluding loss component RM'000	Loss component RM'000	Liabilities for incurred claims RM'000	Total RM'000
Opening balance	12,464,420	7,754	1,420,776	13,892,950
Insurance revenue	(1,597,872)	-	-	(1,597,872)
Insurance service expenses				
Incurred claims and other insurance service expenses	147,125	-	840,781	987,906
Amortisation of insurance acquisition cash flows	330,034	-	-	330,034
Losses and reversal of losses on onerous contracts	-	5,152	-	5,152
	477,159	5,152	840,781	1,323,092
Insurance service result	(1,120,713)	5,152	840,781	(274,780)
Net finance expenses from insurance contracts	592,539	-	-	592,539
Investment components	(944,112)	-	944,112	-
Net insurance and investment results	(1,472,286)	5,152	1,784,893	317,759
Cash flows				
Premium received	2,696,735	-	-	2,696,735
Claims and other insurance service expenses paid, including investment components	-	-	(1,676,879)	(1,676,879)
Insurance acquisition cash flows	(483,201)	-	-	(483,201)
Total cash flows	2,213,534	-	(1,676,879)	536,655
Changes on receivables and payables	(31,721)	-	(9,430)	(41,151)
Others	(23,271)	-	-	(23,271)
Closing balance	13,150,676	12,906	1,519,360	14,682,942

6. Insurance contract liabilities (continued)

Reconciliation of the measurement components of insurance contract balances

	2023			
	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	10,597,615	364,183	2,931,152	13,892,950
Changes that relate to current services				
CSM recognised for services provided	-	-	(321,419)	(321,419)
Change in risk adjustment for non-financial risk for risk expired	-	(40,155)	-	(40,155)
Experience adjustments	210,900	-	-	210,900
Changes that relate to future services				
Contracts initially recognised in the year	(366,882)	53,847	313,035	-
Changes in estimates that adjust the CSM	(256,186)	25,600	230,586	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	5,152	-	-	5,152
Changes that relate to past services				
Adjustments to liabilities for incurred claims	108,014	-	-	108,014
Other statement of profit or loss movements	(237,272)	-	-	(237,272)
Insurance service result	(536,274)	39,292	222,202	(274,780)
Net finance expenses from insurance contracts	590,246	97	2,196	592,539
Net insurance and investment results	53,972	39,389	224,398	317,759
Cash flows				
Premium received	2,696,735	-	-	2,696,735
Claims and other insurance service expenses paid, including investment components	(1,676,879)	-	-	(1,676,879)
Insurance acquisition cash flows	(483,201)	-	-	(483,201)
Total cash flows	536,655	-	-	536,655
Changes on receivables and payables	(41,151)	-	-	(41,151)
Others	(23,271)	-	-	(23,271)
Closing balance	11,123,820	403,572	3,155,550	14,682,942

6. Insurance contract liabilities (continued)

Analysis by remaining coverage and incurred claims (continued)

	2022			
	Liabilities for remaining coverage			
	Excluding loss component RM'000	Loss component RM'000	Liabilities for incurred claims RM'000	Total 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	36,060	-	(9,604)	26,456
Others	(16,572)	-	-	(16,572)
Closing balance	12,464,420	7,754	1,420,776	13,892,950

6. Insurance 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	9,813,137	358,743	2,826,882	12,998,762
Changes that relate to current services				
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
Changes that relate to future services				
Contracts initially recognised in the year	(442,827)	49,462	393,365	-
Changes in estimates that adjust the CSM	(77,484)	1,076	76,408	-
Changes in estimates that result in losses and reversal				-
of losses on onerous contracts	(8,557)	-	-	(8,557)
Changes that relate to past services				
Adjustments to liabilities for incurred claims	198,808	-	-	198,808
Other statement of profit or loss movements	(284,630)	-	-	(284,630)
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	105,263	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
Reinsurance expenses	85,137	-	85,137
Reinsurance recoveries			
Incurred claims and other reinsurance service expenses	(4,587)	(109,419)	(114,006)
Adjustments to liabilities for incurred claims	-	(1,453)	(1,453)
	(4,587)	(110,872)	(115,459)
Reinsurance result	80,550	(110,872)	(30,322)
Net reinsurance finance expenses	1,735	-	1,735
Effect of movements in reinsurers's non-performance	95	-	95
Net reinsurance results	82,380	(110,872)	(28,492)
Cash flows			
Premium received	(93,941)	-	(93,941)
Claims and other insurance service expenses paid, including investment components	-	109,419	109,419
Insurance acquisition cash flows	8,439	-	8,439
Total cash flows	(85,502)	109,419	23,917
Changes on receivables and payables	-	(40,732)	(40,732)
Others	(21)	-	(21)
Closing balance	121,643	(16,380)	105,263

7. Reinsurance contract liabilities (continued)

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

	2023			
	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	285,803	(22,459)	(112,753)	150,591
Changes that relate to current services				
CSM recognised for services provided	-	-	12,531	12,531
Change in risk adjustment for non-financial risk for risk expired	-	2,240	-	2,240
Experience adjustments	(73,496)	-	-	(73,496)
Changes that relate to future services				
Contracts initially recognised in the year	6	-	(6)	-
Changes in estimates that adjust the CSM	37,590	(3,891)	(33,699)	-
Changes that relate to past services				
Adjustments to liabilities for incurred claims	(1,453)	-	-	(1,453)
Other statement of profit or loss movements	29,856	-	-	29,856
Reinsurance result	(7,497)	(1,651)	(21,174)	(30,322)
Net finance expenses from reinsurance contracts	6,972	(231)	(5,006)	1,735
Effect of movements in reinsurers's non-performance	95	-	-	95
Net reinsurance results	(430)	(1,882)	(26,180)	(28,492)
Cash flows				
Premium received	(93,941)	-	-	(93,941)
Claims and other insurance service expenses paid, including investment components	109,419	-	-	109,419
Insurance acquisition cash flows	8,439	-	-	8,439
Total cash flows	23,917	-	-	23,917
Changes on payables and receivables	(40,732)	-	-	(40,732)
Others	(21)	-	-	(21)
Closing balance	268,537	(24,341)	(138,933)	105,263

7. Reinsurance contract liabilities (continued)

Analysis by remaining coverage and incurred claims (continued)

	2022		
	Liabilities for remaining coverage Excluding loss component RM'000	**Liabilities for incurred claims RM'000**	**Total 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 that relate to current services				
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)
Changes that relate to future services				
Contracts initially recognised in the year	4	(5)	1	-
Changes in estimates that adjust the CSM	(39,972)	(2,321)	42,293	-
Changes that relate to past services				
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:

	30.09.2023	30.09.2022 (Restated)
Profit attributable to ordinary shareholders (RM'000)	235,336	216,753
Weighted average number of ordinary shares in issue ('000)	236,600	236,600
Basic earnings per ordinary share (sen)	99.47	91.61

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

	30.09.2023 RM'000	30.09.2022 RM'000
Property, plant and equipment:		
Contracted but not provided for	2,990	5,825
Software development:		
Contracted but not provided for	1,425	1,340

10. Related party transactions

Significant related party transactions are as follows:

	Amount transacted for the period ended 30 September 2023 RM'000	2022 RM'000
Reinsurance premium and commission	(75,944)	(64,920)

* 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:

	30.09.2023 RM'000	31.12.2022 RM'000
Tier 1 Capital		
Paid up share capital	236,600	236,600
Eligible reserves, including retained earnings	2,524,386	2,269,362
	2,760,986	2,505,962
Tier 2 Capital		
Revaluation reserve	9,883	9,883
Available-for-sale reserve	-	153,624
General reserve	18,472	-
	28,355	163,507
Amount deducted from capital	(107,859)	(122,148)
Total capital available	2,681,482	2,547,321

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 swapand 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					
	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
30 September 2023	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets						
Malaysian government securities	-	3,275,182	-	3,275,182	3,275,182	3,275,182
Malaysian government guaranteed bonds	-	1,577,735	-	1,577,735	1,577,735	1,577,735
Quoted equity securities of corporations in Malaysia	640,556	-	-	640,556	640,556	640,556
Unquoted bonds of corporations in Malaysia	-	2,241,525	-	2,241,525	2,241,525	2,241,525
Unquoted bonds of corporations outside Malaysia	-	106,133	-	106,133	106,133	106,133
Quoted unit trusts in Malaysia	38,898	-	-	38,898	38,898	38,898
Unquoted unit trusts in Malaysia	-	23,297	-	23,297	23,297	23,297
Collateralised interest rate swap	-	13,615	-	13,615	13,615	13,615
Cross currency swap	-	211	-	211	211	211
	679,454	7,237,698	-	7,917,152	7,917,152	7,917,152
Financial liabilities						
Cross currency swap	-	4,694	-	4,694	4,694	4,694
Lease liabilities	-	-	-	-	10,412	10,412
	-	4,694	-	4,694	15,106	15,106

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).

31 December 2022, Restated	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets						
Malaysian government securities	-	3,040,174	-	3,040,174	3,040,174	3,040,174
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	-	100,446	-	100,446	100,446	100,446
Quoted unit trusts in Malaysia	40,107	-	-	40,107	40,107	40,107
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
	671,661	6,903,946	-	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 September 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-partipating Whole Life, Term Assurance, Endownment, as well as Investment-linked products.

Condensed statement of financial position by funds
Condensed statement of financial position as at 30 September 2023 - unaudited

	Shareholders' Funds		Life Fund		Total	
	30.09.2023	31.12.2022	30.09.2023	31.12.2022	30.09.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)		(Restated)
Assets						
Property, plant and equipment	-	-	32,798	30,432	32,798	30,432
Right-of-use assets	-	-	20,032	15,204	20,032	15,204
Intangible asset	81,606	86,226	7,951	7,846	89,557	94,072
Investments	254,031	202,893	7,810,245	7,375,661	8,064,276	7,578,554
Derivative financial assets	-	-	13,826	18,996	13,826	18,996
Financial assets for unit-linked contracts	-	-	9,140,323	8,379,658	9,140,323	8,379,658
Other assets	176	176	37,396	27,999	37,572	28,175
Cash and cash equivalents	15,555	69,297	401,456	609,842	417,011	679,139
Current tax assets	(2,790)	-	4,298	-	1,508	-
Total assets	348,578	358,592	17,468,325	16,465,638	17,816,903	16,824,230

19. Insurance funds (continued)

Condensed statement of financial position by funds
Condensed statement of financial position as at 30 September 2023 - unaudited (continued)

	Shareholders' Funds		Life Fund		Total	
	30.09.2023	31.12.2022	30.09.2023	31.12.2022	30.09.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)		(Restated)
Equity, policyholders' funds and liabilities						
Share capital	236,600	236,600	-	-	236,600	236,600
Other reserves	(255)	(2,130)	(11,078)	(45,765)	(11,333)	(47,895)
Retained earnings	112,419	143,130	1,927,783	1,692,021	2,040,202	1,835,151
Total equity	348,764	377,600	1,916,705	1,646,256	2,265,469	2,023,856
Insurance contract liabilities	(38,058)	(22,148)	14,721,000	13,915,098	14,682,942	13,892,950
Reinsurance contract liabilities	-	-	105,263	150,591	105,263	150,591
Deferred tax liabilities	(162)	(870)	539,113	472,494	538,951	471,624
Derivative financial liabilities	-	-	4,694	1,293	4,694	1,293
Lease liabilities	-	-	10,412	5,576	10,412	5,576
Other liabilities	38,034	(19,675)	171,138	287,635	209,172	267,960
Current tax liabilities	-	23,685	-	(13,305)	-	10,380
Total policyholders' funds and liabilities	(186)	(19,008)	15,551,620	14,819,382	15,551,434	14,800,374
Total equity, policyholders' funds and liabilities	348,578	358,592	17,468,325	16,465,638	17,816,903	16,824,230

19. Insurance funds (continued)

Condensed statement of profit or loss by funds
for the 9 month period ended 30 September 2023 - unaudited

	Shareholders' Funds		Life Fund		Total	
	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)		(Restated)
Insurance revenue	-	-	1,597,872	1,375,568	1,597,872	1,375,568
Insurance service expenses	(343)	(4,733)	(1,322,749)	(1,028,622)	(1,323,092)	(1,033,355)
Reinsurance result	-	-	30,322	(22,754)	30,322	(22,754)
Insurance service result	(343)	(4,733)	305,445	324,192	305,102	319,459
Interest revenue on financial assets not measured at FVTPL	7,768	8,645	243,120	232,632	250,888	241,277
Net (losses)/gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	(575)	(397)	5,385	1,574	4,810	1,177
Net gains/(losses) on FVTPL investments	805	(240)	371,096	(200,729)	371,901	(200,969)
Net credit impairment gains/(losses) on financial assets	4	16	52	(412)	56	(396)
Investment return	8,002	8,024	619,653	33,065	627,655	41,089
Net finance expense from insurance contracts	-	-	(553,841)	(525)	(553,841)	(525)
Net finance income/(expense) from reinsurance contracts	-	-	144	(3,613)	144	(3,613)
Net insurance finance expenses	-	-	(553,697)	(4,138)	(553,697)	(4,138)
Net insurance and investment results	7,659	3,291	371,401	353,119	379,060	356,410
Other operating income	-	-	56	65	56	65
Other operating expenses	(9,125)	(15,060)	(53,001)	(47,445)	(62,126)	(62,505)
(Loss)/profit before tax	(1,466)	(11,769)	318,456	305,739	316,990	293,970
Tax income/(expense)	1,040	(187)	(82,694)	(77,030)	(81,654)	(77,217)
Net (loss)/profit for the period	(426)	(11,956)	235,762	228,709	235,336	216,753

19. Insurance funds (continued)

Investment-linked funds condensed statement of assets and liabilities
Condensed statement of financial position as at 30 September 2023 - unaudited

	30.09.2023 RM'000	31.12.2022 RM'000 (Restated)
Assets		
Investments	8,688,039	7,354,619
Other assets	27,539	21,961
Cash and cash equivalents	421,355	984,286
Total assets	9,136,933	8,360,866
Liabilities		
Insurance contract liabilities	8,791	9,244
Deferred tax liabilities	(5,565)	(12,375)
Other liabilities	(9,701)	(14,719)
Current tax liabilities	3,085	(942)
Total liabilities	(3,390)	(18,792)
Net asset value of funds	9,140,323	8,379,658

Investment-linked funds condensed statement of income and expenditure
for the 9 month period ended 30 September 2023 - unaudited

	2023 RM'000	2022 RM'000 (Restated)
Insurance revenue	890,908	658,732
Insurance service expenses	(440,072)	(197,088)
Insurance service result	450,836	461,644
Interest revenue on financial assets not measured at FVTPL	19,327	19,289
Net gains/(losses) on FVTPL investments	324,594	(236,595)
Investment return	343,921	(217,306)
Net insurance and investment results	794,757	244,338
Other operating expenses	(11,241)	(17,277)
Profit before tax	783,516	227,061
Tax (expense)/income	(22,851)	20,684
Net profit for the period	760,665	247,745

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

Statement by Directors

In the opinion of the Directors, the condensed interim financial statements set out on pages 1 to 37 are drawn up in accordance with MFRS 134, *Interim Financial Reporting* and IAS 34, *Interim Financial Reporting* so as to present fairly the financial position of the Company as of 30 September 2023 and of its financial performance and cash flows for the period then ended.

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

Goh Ching Yin

Ong Eng Chow

Kuala Lumpur,

Date: 23 November 2023