Registration No.

199301022976 (277714-A)

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

0276A2/lh

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DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITY

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

FINANCIAL RESULTS

	RM'000
Net loss for the financial year	(56,976)

DIVIDENDS

No dividend has been declared or paid by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

SHARE CAPITAL

There was no issuance of new ordinary shares during the financial year.

PROVISION FOR INSURANCE LIABILITIES

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") for licensed insurers issued by Bank Negara Malaysia ("BNM").

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
(b) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the year of twelve month after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS OF THE COMPANY

The Directors of the Company who served during the period since the date of the last report are as follows:

Dato' Haji Kamil Khalid Ariff (Non-Independent Non-Executive Director/Chairman)
Oh Teik Tatt (Independent Non-Executive Director)
Ramesh Pillai (Independent Non-Executive Director)
Jonathan Graybill (Executive Director)
Yu Chwee Kum, Rosalind (Independent Non-Executive Director)
Norhafizah binti Md Shariff (Non-Independent Non-Executive Director) (Appointed on 28 April 2022)
Kameel bin Abdul Halim (Non-Independent Non-Executive Director) (Resigned on 31 January 2022)
Dato' Danapalan A/L T.P. Vinggrasalam (Independent Non-Executive Director) (Ceased on 1 January 2023)

CORPORATE GOVERNANCE

The Company, with the leadership of the Board of Directors ("the Board"), has adopted the necessary measures to ensure that the corporate and management practices are consistent with the regulatory requirements and best practice standards ordained under BNM/RH/PD/029-9: Corporate Governance issued by BNM. The Company's policy is to achieve best practices in their business standards for all activities throughout the Company and good corporate governance, which the Board fully recognises to be one of its principal responsibilities to protect and enhance shareholder value and financial performance of the Company.

(a) Key issues and aspects

Key elements of the industry's corporate governance captured by the Frameworks are:

i. An effective and balanced Board appointed through a predetermined appointment procedure;
ii. Executive remuneration set by the Board Remuneration Committee that attracts and retains the people needed to run the Company;
iii. A sound system of internal controls that safeguards the Company's assets and investments, and identifies and manages business risks; and
iv. The process in respect to disclosure of conflict of interest situation where arising.

CORPORATE GOVERNANCE (CONTINUED)

(a) Key issues and aspects (continued)

The Company's commitment to the corporate governance standards entails the following:

i. The Board currently comprises six directors represented by three independent non-executive, two non-independent non-executive and one executive director of calibre, with the necessary skills and diverse corporate experience to ensure that strategies proposed by the management are fully discussed and examined as well as to take into account the long term interests of various stakeholders.

ii. Executive remuneration is set by the Board Remuneration Committee. The Company's executive remuneration policy is to reward employees competitively, taking into account individual performance, company performance, market comparisons and the competitiveness in the local insurance industry. Remuneration packages are reviewed annually and comprise a mix of basic salary and performance-linked elements.

iii. The Board is responsible for the Company's system of internal controls and risk management, and reviewing the effectiveness of these systems which are designed to proactively manage, rather than eliminate, the risk of failure to achieve sustainable business objectives. In achieving this, the following are put in place:
- the Board Risk Management Committee provides oversights on the Company's overall Enterprise Risk Management Framework and risk management activities.
- the Chief Executive Officer ("CEO") provide regular updates and reports to the Board to the Board on the Company's financial performance, key developments on the business and operational activities.
- regular assessments of internal controls by the Company's internal audit department in line with the annual audit plan; and
- review of the effectiveness of the internal control processes by the Board Audit Committee, on behalf of the Board.

(b) Board responsibilities

The Board is ultimately responsible for the Company's strategic direction and overseeing the performance of the Company. Its focus is on the following:
i. Strategic plan
ii. Organisation development
iii. Shareholder value
iv. Oversight and control
v. Corporate governance

The detailed responsibilities of the Board are set out in the Board Charter which is available at the website, www.gibraltarbsn.com.

(c) Supply of information

The Board is mindful that its strategic focus on matters relating to their business and its exposures should be based on informed decisions. Hence, all the Directors are provided with the meeting agenda and Board reports well ahead of Board meetings. This is to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. As and when necessary, the Board, in furtherance of their duties may seek independent professional advice at the Company's expense. All the Directors have access to the advice and services of the Company Secretary.

CORPORATE GOVERNANCE (CONTINUED)

(d) Profile of the Directors

1. Dato' Haji Kamil Khalid Ariff
Non-Independent Non-Executive Director/Chairman

Dato' Haji Kamil Khalid Ariff was appointed as an Independent Non-Executive Director of Uni Asia Life Insurance Bhd (now known as Gibraltar BSN Life Berhad) on 24 October 2011. Following the acquisition of the company by Prudential in 2014. Dato' Khalid remained on the Board as Independent Director. He was subsequently appointed as Chairman of the Board on 20 January 2017 and was redesignated as a Non-Independent Non-Executive Director/Chairman on 19 January 2020. He is currently a member of Board Risk Management, Board Audit, Board Nomination and Board Remuneration Committees.

Dato' Khalid is currently the Chairman of Liberty Insurance Berhad, Putrajaya Holdings Sdn Bhd and Public Islamic Bank Berhad. He also sits on the Board of several private companies.

Throughout his illustrious career spanning over 44 years, Dato' Khalid served in numerous Management and Board positions in several large corporate entities which among others include, The New Straits Times, Mahkota Technologies Sdn Bhd, Kumpulan Perangsang Selangor Bhd, Kumpulan Guthrie Bhd, Bank Muamalat Malaysia Bhd, and Idris Hydraulic Bhd. He was also a founder Director of the Kuala Lumpur Tin Market, which he, as part of a Government Steering Committee, helped set up in the mid-1980s.

Dato' Khalid graduated with a Bachelor of Science in Management from Syracuse University in New York. He also holds a Diploma in Public Administration from ITM and an MBA in International Business from Central Michigan University, United States of America ("USA").

CORPORATE GOVERNANCE (CONTINUED)

(d) Profile of the Directors (continued)

2. Dato' Danapalan A/L T.P. Vinggrasalam
Independent Non-Executive Director

Dato' Danapalan A/L T.P. Vinggrasalam was appointed as an Independent Non-Executive Director to the Board of Gibraltar BSN Life Berhad on 2 January 2014 until his cessation on 1 January 2023. During his tenure as a Director, he was the Chairman of the Board Remuneration Committee and a member of the Board Audit, Board Risk Management and Board Nomination Committees.

He started his career with the Malaysian Administrative and Diplomatic Services in 1966 and served in several positions including Secretary General of the Ministry of Science, Technology and the Environment, Secretary of the Royal Commission on the Teaching Services, Deputy Secretary-General of the Ministry of Social and Community Development and Deputy Director of INTAN. Following his retirement in 1988 after over 30 years in government service, Dato' Danapalan served as Senior Vice President of the Multimedia Development Commission and subsequently, as the Chairman and Chief Executive Officer of Malaysian Communication and Multimedia Commission.

Dato' Danapalan is currently a member of the Board of Trustees of Maybank Foundation and Tun Sambanthan Scholarship Fund. Prior to this, he was a Senior Independent Director of Telekom Malaysia Berhad and held directorships in wholly owned subsidiaries of Telekom Malaysia Berhad. He was also served on the boards of Bank Simpanan Nasional ("BSN"), Affin Fund and MUST University, SIRIM QAS International Sdn Bhd (a subsidiary of SIRIM Berhad) and Instapay Technologies Sdn Bhd.

Dato' Danapalan holds a Bachelor of Arts (Honours) from University of Malaya and a Master of Public Administration from Pennsylvania State University, USA.

3. Oh Teik Tatt
Independent Non-Executive Director

Mr Oh Teik Tatt was appointed as an Independent Non-Executive Director on 24 January 2017. He is the Chairman of the Board Audit and Board Nomination Committees and a member of Board Risk Management and Board Remuneration Committees.

He was a graduate in Agricultural Science from University of Malaya, and was the Managing Director of Tractors Malaysia Holdings Berhad for 11 years until his retirement in 2004. He was the Chairman of Landmarks Bhd, and is on the Board of a number of companies.

CORPORATE GOVERNANCE (CONTINUED)

(d) Profile of the Directors (continued)

4. Ramesh Pillai
Independent Non-Executive Director

Mr Ramesh Pillai was appointed to the Board of Gibraltar BSN Life Berhad as an Independent Non-Executive Director on 1 July 2016. He serves as Chairman of the Board Risk Management Committee with effect from 1 January 2022 and a member of the Board Audit, Board Nomination and Board Remuneration Committees.

Mr Ramesh began his career with Price Waterhouse's Financial Institutions specialism in London gaining experience in Audit, Consultancy and Corporate Finance assignments. He has over 35 years of risk management experience, both in the public and private sector and has held various positions, including Chief Executive Officer, Finance Director and Group Chief Risk Officer (in Conventional and Islamic Banks). He was also with Pengurusan Danaharta Nasional as its Chief Risk Officer as well as Bank Negara Malaysia as the Head of its Deposit Insurance Taskforce.

Mr Ramesh is currently the Chairman of the Board of Governors of the International Institute of Enterprise Risk Practitioners (IERP® - providing professional certification in Enterprise Risk Management), the Group Managing Director of Friday Concepts (International), an International Boutique Risk Management, Governance and Compliance consultancy and TriasGRC, a tech startup providing Governance, Risk and Compliance solutions. He currently also sits on the boards of AmInvestment Bank Berhad and AmGeneral Insurance Berhad, and on the Board Risk Management and Board Audit Committees for the Taylors Education Group business in Malaysia and Singapore.

Mr Ramesh holds a Bachelor of Science (Honours) in Economics with Accountancy from Loughborough University, United Kingdom, where he specialised in Economics, Accounting and Banking in general, and Islamic Banking in particular. He is a fellow of the Institute of Chartered Accountants in England and Wales (1991) as well as the Malaysian Institute of Accountants, a Certified Enterprise Risk Manager, a Certified Risk Professional, a Qualified Risk Director, a certified Islamic Enterprise Risk Manager, a Qualified Risk Auditor, and a Qualified Sustainability Risk Manager.

5. Jonathan Graybill
Executive Director

Mr Jonathan Graybill, was appointed as an Executive Director of Gibraltar BSN Life Berhad on 18 September 2017. He is a member of the Board Nomination Committee.

He is currently the Chief Strategy Officer of Prudential Holdings of Japan ("PHJ") and also serves on the Boards of PHJ, Prudential of Japan ("POJ"), and Prudential Gibraltar Financial Life ("PGFL").

In 2016, Mr Jonathan relocated to Singapore and assumed the role of President of the Asia x-Japan Region for Prudential International Insurance ("PII"). In this capacity, he was responsible for PII's businesses in Korea, Taiwan, Malaysia, Indonesia, and the regional staff located in Singapore.

CORPORATE GOVERNANCE (CONTINUED)

(d) Profile of the Directors (continued)

5. Jonathan Graybill (continued)
Executive Director (continued)

Prior to moving to Singapore, Mr Jonathan served as the Chief Operating Officer ("COO") of PII where he supported the operations and technology organisations in twelve countries and fourteen businesses.

Mr Jonathan has a long and successful track record at Prudential with over 30 years of service. Before joining PII, he held leadership positions in various Operations and Technology functions in U.S. Annuities, Retirement Services and Individual Life. He was responsible for Policyholder Administration in the Individual Life Business. This included the post-sale service to over ten million policyholders through operations centres located in the United States, India and the Philippines. In addition to his operation and support ("O&S") expertise, Mr Jonathan has deep experience in Business Continuation, Information Security and Vendor Management.

Mr Jonathan holds a Bachelor of Science in Finance from Pennsylvania State University and a MBA from Temple University, USA.

6. Kameel bin Abdul Halim
Non-Independent Non-Executive Director

Encik Kameel bin Abdul Halim was appointed as a Non-Independent Non-Executive Director of Gibraltar BSN Life Berhad on 29 March 2018 and resigned with effect on 31 January 2022. During his tenure as a Director, he was a member of the Board Remuneration Committee and the Chief Operating Officer of BSN where he oversaw BSN's banking and credit operations, treasury and investment, digital banking as well as information technology.

Encik Kameel has over 23 years of banking experience comprising both commercial banking, central banking and development finance. He first began his career at HSBC (M) Berhad with exposures in branch operations, trade finance and credit lending. He then left to join the Central Bank of Malaysia where for 12 years, served in several key departments including supervision, surveillance and policy development.

Encik Kameel holds a Master's Degree in Risk Management from University of Nottingham.

CORPORATE GOVERNANCE (CONTINUED)

(d) Profile of the Directors (continued)

7. Yu Chwee Kum, Rosalind
Independent Non-Executive Director

Ms Rosalind was appointed to the Board of Gibraltar BSN Life Berhad as an Independent Non-Executive Director on 30 July 2021. She is a member of the Board Risk Management, Board Audit, and Board Remuneration Committees.

Ms Rosalind brings over 30 years of experience in the Insurance industry, both locally and abroad. Over the span of her career, she has managed both Individual Life and Group businesses as well as heading Customer Service & Branch Operations nationwide.

She is currently the Director of Health and Benefits at Willis Towers Watson, where she is overall responsible for the strategic direction, business operations and talent management to drive business growth.

Ms Rosalind graduated with a BSc (Hons) from Monash University (Australia). She also holds a Graduate Diploma (Marketing) from the Chartered Institute of Marketing (UK) and an MBA from University of South Australia.

8. Norhafizah binti Md Sharif
Non-Independent Non-Executive Director

Norhafizah binti Md Shariff was appointed to the Board of Gibraltar BSN Life Berhad as a Non-Independent Non-Executive Director on 28 April 2022 and is a member of the Board Remuneration Committee.

Norhafizah's career spans over 20 years and includes roles in PricewaterhouseCoopers in Hong Kong. She is currently the Chief Financial Officer of Bank Simpanan Nasional ("BSN") overseeing Finance, Corporate Planning & Strategic Sourcing as well as Data Governance. Prior to her role at BSN, Norhafizah served as the Chief Financial Officer of a private equity firm with Funds under Management of RM4.1 billion in investments across 21 portfolio companies where she was involved in mergers and acquisitions ("M&A") and corporate exercises, oversaw value creation and operational improvements across multiple industries.

She holds a Bachelor's Degree in Accounting from Universiti Malaya, a CPA with Malaysian Institute of Certified Public Accountants and is a member of the Malaysian Institute of Accountants.

CORPORATE GOVERNANCE (CONTINUED)

(e) The Board meetings and attendance for the financial year ended 31 December 2022 are as follows:

Name of Directors	Number of Board meetings (Attended/Held)
Dato' Haji Kamil Khalid Ariff (Chairman)	8/8
Dato' Danapalan A/L T.P. Vinggrasalam (Ceased on 1 January 2023)	8/8
Oh Teik Tatt	7/8
Ramesh Pillai	8/8
Jonathan Graybill	8/8
Yu Chwee Kum, Rosalind	8/8
Norhafizah binti Md Shariff	5/6*

* Norhafizah binti Md Shariff was appointed as Non-Independent Non-Executive Director of the Company on 28 April 2022 and she had attended 5 out of 6 meetings held after her appointment as a Director.

(f) Appointment/re-appointment of Directors

The appointment/re-appointment of the Directors is based on the Company's Articles of Association and were approved by BNM. All the Directors who are appointed by the Board are subject to re-election every succeeding year; thereafter one-third of the Directors (being those who have been longest in office) shall be retired or re-elected.

(g) Directors' training

Apart from the Financial Institutions Directors' Education ("FIDE") Programme accredited by International Centre for Leadership in Finance ("ICLIF"), the Directors are encouraged to attend continuous education programs and seminars to keep abreast with developments in the industry. The Company also keeps a record of the Directors' training programs and attendance to the said programme.

During the year, some of the Directors attended the programmes as listed below:

- Beyond Box-Ticking: Essentials for Effective Remuneration Committees;
- Sustainability Training – Implementation of TCFD Disclosures; and
- ESG Awareness Session

CORPORATE GOVERNANCE (CONTINUED)

(h) Directors' responsibility statement with respect to the financial statements.

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which have been made out in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and comply with the requirements of the Companies Act 2016 in Malaysia and give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows of the Company for the financial year.

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose, with reasonable accuracy, the financial position of the Company and to ensure that the financial statements comply with the requirements of the Companies Act 2016 in Malaysia.

The Directors have overall responsibility to take steps to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

(i) Financial reporting

In presenting the annual financial statements, the Directors aim to present a balanced and understandable assessment of the Company's position and prospects.

(j) Board Committees

The Board has assigned specific responsibilities to four (4) Board committees (Board Audit, Board Remuneration, Board Nomination and Board Risk Management Committees) operating on the terms of reference approved by the Board, to assist the Board in the execution of its responsibilities. Board committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

CORPORATE GOVERNANCE (CONTINUED)

(k) Board Audit Committee

The Board Audit Committee meetings and attendance for the financial year ended 31 December 2022 are as follows:

Name of Directors	Number of Audit meetings (Attended/Held)
Oh Teik Tatt (Chairman)	4/4
Dato' Haji Kamil Khalid Ariff	4/4
Dato' Danapalan A/L T.P. Vinggrasalam (Ceased on 1 January 2023)	4/4
Ramesh Pillai	4/4
Yu Chwee Kum, Rosalind	4/4

The Board Audit Committee reviews the Company's accounting policies, systems of internal controls and risk management, reports from the Company's internal and external auditors and determines that appropriate actions are being taken by the management. Its conclusions are reported to the Board, which takes responsibility for the Company's system of internal controls.

The Board Audit Committee also considers the Company's published financial statements for statutory compliance and best practice standards, and recommends to the Board appropriate disclosure in these reports. It also reviews the performance of the Company's external auditors annually to ensure an objective, professional and cost-effective relationship. It recommends to the Board the external auditors fees for their audit services.

The detailed terms of reference of the Board Audit Committee are set out in the Board Charter which is available at the website, www.gibraltarbsn.com.

(l) Board Remuneration Committee

The Board Remuneration Committee meetings and attendance for the financial year ended 31 December 2022 are as follows:

Name of Directors	Number of Remuneration meetings (Attended/Held)
Dato' Danapalan A/L T.P. Vinggrasalam (Chairman) (Ceased on 1 January 2023)	3/3
Dato' Haji Kamil Khalid Ariff	3/3
Oh Teik Tatt	3/3
Ramesh Pillai	3/3
Yu Chwee Kum, Rosalind	3/3
Norhafizah binti Md Shariff (Appointed on 28 April 2022)	2/3

CORPORATE GOVERNANCE (CONTINUED)

(I) Board Remuneration Committee (continued)

The Board Remuneration Committee recommends the remuneration policy for the Directors, the CEO and senior management reporting to the Board. Specifically, the Board Remuneration Committee agrees their service/employment contracts, salaries, other benefits, including bonuses and participation in the Company's long-term incentive plans, and other terms and conditions of service/employment.

It also agrees terms for their cessation of service/employment, approves changes in the Company's long term incentive plans, recommends to the Board those plans which require shareholders' approval and oversees their operations.

The detailed terms of reference of the Board Remuneration Committee are set out in the Board Charter which is available at the website, www.gibraltarbsn.com.

Remuneration of the Directors

The remuneration of each of the director during the financial year was as follows:

	Non-deferred Cash-based remuneration		
	Fixed RM'000	Variable RM'000	Total RM'000
Dato' Haji Kamil Khalid Ariff	187	45	232
Dato' Danapalan A/L T.P. Vinggrasalam	145	43	188
Ramesh Pillai	157	45	202
Oh Teik Tatt	153	43	196
Yu Chwee Kum, Rosalind	132	32	164
	774	208	982

There was no deferred remuneration awarded to the directors during the financial year. There was no other type of remuneration awarded to the directors (in their capacity of directors) apart from cash-based remuneration as stated above.

The details of the directors' remuneration are disclosed in Note 25(d) to the financial statements, meeting the minimum requirement of BNM/RH/PD 032-13.

Remuneration policies and practices

(a) Purpose

Remuneration system forms a key component of the governance and incentive structure of the Company through which the Board and senior management drive performance convey acceptable risk taking behaviour, reinforces the Company's corporate, and risk culture.

CORPORATE GOVERNANCE (CONTINUED)

(I) Board Remuneration Committee (continued)

Remuneration policies and practices (continued)

(b) Remuneration Philosophy

The Company's remuneration philosophy is very strongly linked to merit and performance. It aims to reward its top performers at par with the market while being attractive to recruit high performing talent into the Company. The Company values consistency in performance and rewards for that, as well as for growth and promotions, which include:

- Aligned with critical business goals and objectives
- Linked to performance results relevant to the business segment
- Retaining top performers and developing future potential talent
- Pay for results and differentiated performance
- Attract and reward highly qualified employees
- Encourage contributions that promote success

The remuneration philosophy also aims to motivate employees to deliver the Company's key business strategies, create a strong performance oriented environment and reward achievement of meaningful short and long term targets, with prudent risk taking and promoting a risk conscious culture.

In determining the remuneration policy, the Company ensures that a competitive remuneration package for talent is maintained and benchmarked with other companies operating in the insurance industry. Total individual compensation is aimed at the median of comparable companies in the insurance industry. For that purpose, benchmark research is carried out each year against other insurance companies.

The overall remuneration system for the Company shall also:

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

CORPORATE GOVERNANCE (CONTINUED)

(I) Board Remuneration Committee (continued)

Remuneration policies and practices (continued)

(c) Remuneration Strategy

The key factors that influence an individual employee's remuneration:

Market Competitiveness
The Company's remuneration levels need to be competitive with those of other similar organisations so that the Company can attract and retain high quality people.

The Company maintains this position by taking part in salary surveys involving other insurance companies and benchmarking to similar jobs in the market.

Corporate Performance
The corporate performance element of remuneration is based on the company's ability to meet the cost of increases in remuneration based on the Company's achieved results.

Division Performance
The division performance element of remuneration is based on the division's performance against division target and objectives set for the year.

Individual Performance
The individual performance element of remuneration is based on the employee's individual performance against individual target and objectives set for the year under review, which includes prudent risk management and control culture.

(d) Performance Management

A performance appraisal is an important component of the performance management system. Within the Company, performance appraisal is about motivating and developing employees and supporting them in performing their roles at the highest standard possible. This is achieved through the provision of opportunities for them to discuss their performance with their managers and, in particular, to identify areas of strength and for development and mutually agree upon the mode of learning in which those needs can be met.

(e) Deferred Performance Incentive Plan ("DPI")

The Company's business strategy is aligned closely to its risk strategy as well as its risk management philosophy, which recognizes that the managed acceptance of risk lies in the heart of the business.

As per the BNM's Corporate Governance requirement under clause 19.1 ("Remuneration systems form a key component of the governance and incentive structure through which the board and senior management drive performance, convey acceptable risk taking behaviour and reinforce the financial institution's corporate and risk culture. The provisions in this paragraph are not intended to prescribe particular system designs or levels of individual remuneration as financial institutions differ in goals, activities and culture, as do jobs within an institution. However, any remuneration

CORPORATE GOVERNANCE (CONTINUED)

(I) Board Remuneration Committee (continued)

Remuneration policies and practices (continued)

(e) Deferred Performance Incentive Plan ("DPI") (continued)

work together with other management tools in pursuit of prudent risk taking."), the remuneration structure shall align with prudent risk-taking and appropriately adjust for risk to reflect the nature and time horizon of risks.

i. Purpose

The DPI Plan is designed as a reward system to strengthen the links between remuneration with leadership, consistent performance, achievement of corporate objectives and risk management, which include the accountability for the potential financial and other risks to mature over a longer period of time.

The Company has adopted a multi-year framework to measure the performance of the CEO, senior management (EXCO) and Other Material Risk Takers ("OMRTs"), which provide for the following:

- The financial upside opportunity for out-performance over the multi-year time horizon.
- The deferment of a portion of variable performance bonus to the extent that risks are realised over long periods.
- The adjustment to the earned and deferred portions of variable performance bonus to reflect the long term performance and achievement of corporate performance objectives, whilst adjusting for any material risk, regulatory or compliance issues over the time horizon.

ii. DPI Participants

The DPI participants are the CEO, EXCO and OMRTs as defined below:

No.	Job Function	Description	No. of Officers
1	CEO	Chief Executive Officer	1
2	EXCO members	All direct reports to the CEO representing the senior management of the Company, excluding control functions.	6
3	Other material risk takers ("OMRTs")	Other key employee who can materially commit or control significant amounts of the Company's resources or whose actions can have a significant impact on its risk profile.	7

CORPORATE GOVERNANCE (CONTINUED)

(I) Board Remuneration Committee (continued)

Remuneration policies and practices (continued)

(e) Deferred Performance Incentive Plan ("DPI") (continued)

iii. Structure of DPI Plan

The DPI Plan is structured according to the following 2 key components:

1) Deferred Annual Performance Bonus;

- The Annual Performance Bonus be paid over 3 year time period as long as there was no adverse issue attributable to the individual key employee during the payment date.

2) Financial Upside;

- Linked to the performance of key strategic corporate KPIs, and if the company outperforms its annual objectives as per agreed plans.
- Based on the average of 3 years Corporate Performance Factor ("CPF").

Each performance target must map to 1 or 2 defined performance dimensions to ensure Targets are focused on outcomes instead of activities. These performance dimensions are 1) Growth, 2) Profitability, 3) Efficiency, 4) Quality, 5) Talent/Engagement and 6) Culture.

The Board shall confirm the yearly out performance achievement ("accelerator") or make an adjustment, where appropriate that would be used in the computation of the financial upside.

Deferred Performance Bonus Payment in 2022

The first payment of the Deferred Performance Bonus for the Financial Year 2021 amounting to RM1,827,806 or 70% of the total performance bonus was paid to 14 DPI participants in March 2022.

Adjustment to Deferred Performance Incentive Plan ("DPI")

There has been no changes in the remuneration elements or structures during the financial year except for the DPI. The adjustment to the earned and deferred portions of performance bonus for any material risk, regulatory or compliance issues over the time horizon as follows:

a. Malus of deferred performance bonus	Depending on the impact (medium to high scale) of the risk event(s) to the organization on its financial, reputational, legal/regulatory, and operational or customer(s), including findings from BNM Supervisory letter, the Board can make adjustment by deducting a portion or the entire deferred performance bonus of the individual or all key employees.

CORPORATE GOVERNANCE (CONTINUED)

(I) Board Remuneration Committee (continued)

Remuneration policies and practices (continued)

(e) Deferred Performance Incentive Plan ("DPI") (continued)

iii. Structure of DPI Plan (continued)

Adjustment to Deferred Performance Incentive Plan ("DPI") (continued)

The adjustment to the earned and deferred portions of performance bonus for any material risk, regulatory or compliance issues over the time horizon as follows: (continued)

b. Claw back of earned performance bonus	Depending on the impact (medium to high scale) of the risk event(s) associated for extraordinary circumstances and not BAU issues to the organization on its financial, reputational, legal/regulatory, operational or customer(s), the Board can direct the Company to claw back a portion or the entire earned performance bonus of the individual or all key employees.

a. Period to exercise Malus and Claw back

a. Malus of deferred performance bonus	During the payment date on the 2nd year and 3rd year of deferral period
b. Claw back of earned performance bonus	Within 12 months after the payment date

b. Proportion of performance bonus that subject to Malus and Claw back

a. Malus of deferred performance bonus (as a % of total performance bonus)	Up to 30% of the total performance bonus
b. Claw back of earned performance bonus (as a % of total performance bonus)	Up to 30% of the total performance bonus

CORPORATE GOVERNANCE (CONTINUED)

(l) Board Remuneration Committee (continued)

Remuneration policies and practices (continued)

(e) Deferred Performance Incentive Plan ("DPI") (continued)

iv. Risk Limits

The Board Remuneration Committee ("BRC") must be satisfied that the overall remuneration policy does not include excessive risk-taking and is consistent with the risk appetite and the long-term strategy of the Company. Performance metrics used in determining remuneration must not contribute to the misalignment of risk and reward.

Remunerations for employees in Control functions are structured in a way that is principally based on the achievement of their control objectives and does not compromise their independence.

Performance goals or expectations imposed on employees (other than in Control functions) shall appropriately balance between achieving business outcome with engendering responsible risk behaviors.

The Company will ensure the alignment of risks and rewards across the organization. This also take into consideration of an appropriate mix of fixed and variable components and how components of remuneration may impact risk-taking behaviors and contribute to or undermine the Company's risk management objectives.

Senior management and other material risk takers

Senior management of the Company is the highest level of management who directs and oversees the day-to-day operations of the Company. They typically are heads of the Company's functional divisions and departments. They possess significant influence over their departments in aligning the direction of the departments to the Company.

During the financial year, senior management comprises seven key personnel who undertook the following roles:

1. Chief Executive Officer
2. Chief Operations Officer
3. Chief Partnership Officer
4. Chief Actuary and Appointed Actuary
5. Chief Marketing Officer
6. Chief Sales Officer
7. Head of Human Resources

CORPORATE GOVERNANCE (CONTINUED)

(I) Board Remuneration Committee (continued)

Remuneration policies and practices (continued)

Senior management and other material risk takers (continued)

Other material risk takers are defined in the BNM guidelines on Corporate Governance as employees who may or may not be a member of the senior management and:

- can materially commit or control significant amounts of the financial institution's resources or whose actions are likely to have a significant impact on its risk profile; or

- is among the most highly remunerated officers in the financial institution;

During the financial year, other material risk takers comprise seven key personnel who undertook the following roles:

1. Chief Officer Digital, Direct & Telemarketing
2. Chief Officer Information Technology
3. Head of Life Operations
4. Head of Digital
5. Head of Agency and Sales Development
6. Financial Controller
7. Head of Investment

Total remuneration and number of senior managements and other material risk takers received the remuneration during the financial year are as follows:

	Senior managements and Other material risk takers			Chief Executive Officer	
	Unrestricted		Deferred	Unrestricted	Deferred
	Amount	No. of officers	Amount	Amount	Amount
	RM'000		RM'000	RM'000	RM'000
Fixed remuneration					
Cash based	6,214	13	-	928	-
Other	1,233	13	-	215	-
Variable remuneration					
Cash based	1,466	13	572	411	171
	8,913		572	1,554	171

CORPORATE GOVERNANCE (CONTINUED)

(m) Board Nomination Committee

The Board Nomination Committee meetings and attendance for the financial year ended 31 December 2022 are as follows:

Name of Directors	Number of Nomination meetings (Attended/Held)
Oh Teik Tatt (Chairman)	7/7
Dato' Haji Kamil Khalid Ariff	7/7
Jonathan Graybill	7/7
Dato' Danapalan A/L T.P. Vinggrasalam (Ceased on 1 January 2023)	7/7
Ramesh Pillai	7/7

The Board Nomination Committee recommends to the Board the appointments of all Directors and senior management, and regularly reviews profile of the skills and attributes required from the Directors as a whole to ensure an appropriate balance of expertise and ability. This profile is used to assess the suitability of candidates put forward by the Directors and shareholders.

The detailed terms of reference of the Board Nomination Committee are set out in the Board Charter which is available at the website, www.gibraltarbsn.com.

CORPORATE GOVERNANCE (CONTINUED)

(n) Board Risk Management Committee

The Board Risk Management Committee meetings and attendance for the financial year ended 31 December 2022 are as follows:

Name of Directors	Number of Risk meetings (Attended/Held)
Ramesh Pillai (Chairman)	4/4
Dato' Haji Kamil Khalid Ariff	4/4
Dato' Danapalan A/L T.P. Vinggrasalam (Ceased on 1 January 2023)	4/4
Oh Teik Tatt	4/4
Yu Chwee Kum, Rosalind	4/4

The duties and responsibilities of the Board Risk Management Committee are guided by its approved Terms of Reference by the Board of Directors. The key roles of the committee are as follows:

(a) To review and approve the Annual Plan of Risk Management and Compliance Department;
(b) To review and recommend frameworks, policies, risk appetite of Risk Management and Compliance Department for the Board's approval;
(c) To review and ensure that adequate infrastructure, resources and systems are in place for Risk Management and Compliance Department to effectively carry out their respective responsibilities;
(d) To receive and review periodic reports from Risk Management and Compliance Department on risk exposure, risk profile, fraud related matters, regulatory developments and compliance events; and
(e) To review Risk Management and Compliance reports as well as provide recommendations and constructive challenge to Senior Management.

The detailed terms of reference of the Board Risk Management Committee are set out in the Board Charter which is available at the website, www.gibraltarbsn.com.

CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares and options over shares in or debentures of the Company or shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS

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

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

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM50,000,000 and RM117,991 respectively.

SUBSEQUENT EVENTS

Details of the subsequent event are as disclosed in Note 35 to the financial statements.

ULTIMATE HOLDING COMPANY

The Directors regard Gibraltar BSN Holdings Sdn. Bhd. ("GH"), as the immediate holding company; Prudential Financial, Inc. ("PFI), as the ultimate holding company and The Prudential Insurance Company of America ("PICA"), as the penultimate holding company. PFI and PICA are incorporated in the USA.

Registration No.
199301022976 (277714-A)

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

The details of auditors' remuneration for the financial year are as follows:

	RM'000
Statutory audit services	293
Audit-related services	410
Non-audit services	40
Total	743

There is no indemnity given to or insurance affected for any auditors of the Company.

Signed on behalf of the Board of Directors in accordance with resolution of the Directors dated 21 February 2023.

DATO' HAJI KAMIL KHALID ARIFF
CHAIRMAN

OH TEIK TATT
DIRECTOR

Kuala Lumpur, Wilayah Persekutuan

Registration No.

199301022976 (277714-A)

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

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

We, Dato' Haji Kamil Khalid Ariff and Oh Teik Tatt, two of the Directors of Gibraltar BSN Life Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 30 to 124 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and the cash flows of the Company for the financial year ended 31 December 2022 in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 21 February 2023.

DATO' HAJI KAMIL KHALID ARIFF
CHAIRMAN

OH TEIK TATT
DIRECTOR

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

I, Lee Kok Wah, being the officer primarily responsible for the financial management of Gibraltar BSN Life Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 30 to 124 are, in my opinion to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

LEE KOK WAH

Subscribed and solemnly declared by the abovenamed Lee Kok Wah at Kuala Lumpur, Wilayah Persekutuan in Malaysia on 21 February 2023.

Before me,

PESURUHJAYA SUMPAH
W 609
LEE CHIN HOCK
BC/L/1681
1.1.2022 - 31.12.2024
MALAYSIA

COMMISSIONER FOR OATHS

SO-27-05 & 06, Strata Office,
Menara 1, KL Eco City, Jalan Bangsar,
59200 Kuala Lumpur

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)
Registration No. 199301022976 (277714-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Gibraltar BSN Life Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2022, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 30 to 124.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF GIBRALTAR BSN LIFE BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199301022976 (277714-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF GIBRALTAR BSN LIFE BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199301022976 (277714-A)

OTHER MATTERS

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

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

CHAN SUET LYE
03603/10/2023 J
Chartered Accountant

Kuala Lumpur
21 February 2023

Registration No.
199301022976 (277714-A)

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
ASSETS			
Properties and equipment	3	1,163	3,335
Investment property	4	5,400	5,400
Intangible assets	5	7,254	7,833
Right-of-use ("ROU") assets	7	17,323	23,617
Investments	8	1,842,336	1,959,745
Held-to-maturity ("HTM") financial assets		170,979	187,685
Loans and receivables ("LAR")		62,265	60,797
Available-for-sale ("AFS") financial assets		1,053,708	1,062,992
Fair value through profit or loss ("FVTPL") financial assets		555,384	648,271
Reinsurance assets	9	9,185	12,543
Insurance receivables	10	10,294	3,558
Other receivables	11	35,968	20,354
Cash and cash equivalents		195,366	199,014
TOTAL ASSETS		2,124,289	2,235,399

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

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONTINUED)

	Note	2022 RM'000	2021 RM'000
EQUITY AND LIABILITIES			
Share capital	12	185,000	185,000
Retained earnings	13 (a)	43,550	100,526
AFS fair value reserves	13 (b)	4,538	14,504
Asset revaluation reserves	13 (b)	45	44
TOTAL EQUITY		233,133	300,074
Insurance contract liabilities	14	1,822,300	1,832,926
Deferred tax liabilities	15	3,328	25,507
Insurance payables	16	26,946	32,533
Tax payable		750	1,995
Other payables	17	24,983	22,879
Lease liabilities		12,849	19,485
TOTAL LIABILITIES		1,891,156	1,935,325
TOTAL EQUITY AND LIABILITIES		2,124,289	2,235,399

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

Registration No.
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GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

STATEMENT OF INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Operating revenue	18	276,932	278,380
Gross premiums	19 (a)	192,087	198,746
Premiums ceded to reinsurers	19 (b)	(10,791)	(11,004)
Net premiums		181,296	187,742
Investment income	20	84,845	79,634
Realised gains	21	13,172	35,742
Fair value loss	22	(80,904)	(128)
Other operating income	23	22,843	4,064
Other income		39,956	119,312
Gross benefits and claims	24 (a)	(188,428)	(187,598)
Claims ceded to reinsurers	24 (b)	7,996	5,639
Gross change in contract liabilities	24 (c)	(9,329)	37,716
Change in contract liabilities ceded to reinsurers	24 (d)	243	(262)
Net insurance benefits and claims		(189,518)	(144,505)
Fee and commission expenses		(13,278)	(12,703)
Management expenses	25	(85,998)	(95,966)
Other expenses		(99,276)	(108,669)
(Loss)/profit before taxation		(67,542)	53,880
Tax income/(expense)	26	10,566	(20,681)
Net (loss)/profit for the financial year		(56,976)	33,199
Basic/diluted (loss)/profit per share (sen)	27	(30.80)	20.12

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

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GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

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

	Note	2022 RM'000	2021 RM'000
Net (loss)/profit for the financial year		(56,976)	33,199
Other comprehensive (loss)/income:			
Item that may be subsequently reclassified to statement of income:			
AFS fair value reserves			
- Gross fair value changes	8 (e)	(28,772)	(60,392)
- Taxation	15	4,633	9,628
Change in insurance contract liabilities arising from:			
- Fair value changes in AFS financial assets	14	15,405	32,896
- Taxation	14	(1,232)	(2,632)
		(9,966)	(20,500)
Item that may not be subsequently reclassified to statement of income:			
Assets revaluation reserves			
- Gross surplus from revaluation of properties and equipment		100	157
- Taxation	15	(8)	(27)
Change in insurance contract liabilities arising from:			
- Surplus from revaluation of properties and equipment	14	(91)	(132)
		1	(2)
Total comprehensive (loss)/income for the financial year		(66,941)	12,697

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

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Non-distributable			Distributable	
	Share capital	Assets revaluation reserves	AFS fair value reserves	Life non-participating surplus*	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2022	185,000	44	14,504	41,046	59,480	300,074
Other comprehensive income/(loss) for the financial year	-	1	(9,966)	-	-	(9,965)
Net loss for the financial year	-	-	-	(49,852)	(7,124)	(56,976)
At 31 December 2022	185,000	45	4,538	(8,806)	52,356	233,133
As at 1 January 2021	125,000	46	35,004	(4,007)	71,334	227,377
Issuance of shares during the financial year	60,000	-	-	-	-	60,000
Other comprehensive loss for the financial year	-	(2)	(20,500)	-	-	(20,502)
Net profit/(loss) for the financial year	-	-	-	45,053	(11,854)	33,199
At 31 December 2021	185,000	44	14,504	41,046	59,480	300,074

* The Life non-participating surplus amount is net of deferred tax. This amount is restricted for distribution until the actual recommended transfer from the life fund into the shareholders' fund by the Appointed Actuary in accordance with the Financial Services Act 2013 ("FSA").

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

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GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
OPERATING ACTIVITIES			
Cash used in operating activities	28	(74,705)	(85,853)
Dividend income received		18,339	14,567
Interest/profit income received		66,545	64,362
Interest paid on lease liabilities		(621)	(1,074)
Rental income on investment property received	20	242	232
Income tax paid		(8,200)	(10,688)
Net cash flows generated from/(used in) operating activities		1,600	(18,454)
INVESTING ACTIVITIES			
Proceeds from disposal of properties and equipment		42	223
Purchase of properties and equipment	3	(377)	(221)
Purchase of intangible assets	5	(2,294)	(7,037)
Net cash flows used in investing activities		(2,629)	(7,035)
FINANCING ACTIVITIES			
Repayment of lease liabilities		(2,619)	(2,884)
Issuance of shares during the financial year	12	-	60,000
Net cash flows (used in)/generated from financing activities		(2,619)	57,116
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,648)	31,627
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		199,014	167,387
CASH AND CASH EQUIVALENTS AT END OF YEAR		195,366	199,014
Cash and cash equivalents comprise:			
Cash and bank balances		5,336	7,799
Deposits with maturity of less than 3 months - Licensed financial institutions		190,030	191,215
		195,366	199,014

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

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

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

(a) Analysis of changes in liabilities arising from financing activity is as follows:

	RM'000
Leases	
At 1 January 2021	21,625
Cash changes:	
Repayment	(2,884)
Interest paid	(1,074)
Non-cash changes:	
Additions (Note 7)	803
Accrued interest (Note 28)	1,074
Lease modification	(49)
Lease termination	(10)
At 31 December 2021	19,485
Cash changes:	
Repayment	(2,619)
Interest paid	(621)
Non-cash changes:	
Additions (Note 7)	477
Accrued interest (Note 28)	621
Lease modification	709
Lease termination	(5,203)
At 31 December 2022	12,849

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

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

1 PRINCIPAL ACTIVITIES AND CORPORATE INFORMATION

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

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

Level 21, Mercu 2
No 3, Jalan Bangsar
KL Eco City
59200 Kuala Lumpur

The Directors regard GH, as the immediate holding company, a company incorporated in Malaysia. The ultimate holding and penultimate holding companies are PFI and PICA. Both companies are incorporated in the USA.

The financial statements were authorised for issue by the Board in accordance with a resolution of the Directors dated 21 February 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company for the financial year ended 31 December 2022 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and comply with the requirements of the Companies Act 2016 in Malaysia.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.27 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards, amendments to published standards and interpretations

(i) The following are accounting standards, amendments, and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") for the financial year beginning on or after 1 January 2022 and adopted by the Company:

- Annual Improvements to MFRS 9 "Fees in the '10 per cent' test for de-recognition of financial liabilities"

  The amendment clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test for derecognition of financial liabilities.

  The Company applies the amendment to financial liabilities that are modified or exchanged on or after the date of initial application of 1 January 2022. There were no modifications of financial instruments during the financial year.

- Amendments to MFRS 116 "Proceeds before Intended Use"

  The amendments to the Company from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

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

  In accordance with the transition provisions, the Company applied the amendments retrospectively, and had no impact on the amounts recognised in the current or prior period as there were no sales of such items produced by property, plant and equipment made available for use on or after 1 January 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards, amendments to published standards and interpretations (continued)

(i) The following are accounting standards, amendments, and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") for the financial year beginning on or after 1 January 2022 and adopted by the Company: (continued)

- Amendments to MFRS 3 "Reference to the Conceptual Framework"

  The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The Company adopted the amendments, which did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 "Provisions, contingent liabilities and contingent assets" and IC Interpretation 21 "Levies. It also clarifies that contingent assets should not be recognised at the acquisition date.

  These amendments had no impact to the Company as the Company does not have any business combination.

- Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract"

  The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The Company applies the amendments to the contract for which it has not yet fulfilled all of its obligations at the date of initial application of 1 January 2022.

  These amendments had no impact on the amounts recognised in the current or prior period, as the Company had not identified any contracts as being onerous.

- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives

  The amendments removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in MFRS 16.

The adoption of these amendments listed did not have any impact on the current period or any prior periods and is not likely to affect future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards, amendments to published standards and interpretations (continued)

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

(a) MFRSs, Interpretations and amendments effective from financial year beginning on or after 1 January 2023

- MFRS 17 and its amendments replace the guidance in MFRS 4 "Insurance Contracts".

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

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

  Alternative measurement models are provided for the different insurance coverages:

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards, amendments to published standards and interpretations (continued)

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

(a) MFRSs, Interpretations and amendments effective from financial year beginning on or after 1 January 2023 (continued)

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

  The Company has a Project Steering Committee to oversee the implementation of MFRS 17 and a Project Working Committee performing the parallel run. From the parallel run, the Company's retained earnings is expected to decrease at the transition date.

- Amendments to MFRS 101 "Disclosure of Accounting Policies" and MFRS Practice Statement 2 "Making Materiality Judgements"

  The amendments require entities to disclose material accounting policies rather than significant accounting policies in the financial statements. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

  An accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the users make based on those financial statements.

  Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Immaterial accounting policy information need not be disclosed.

  MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" clarify that the effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors.

  The distinction is important, because changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards, amendments to published standards and interpretations (continued)

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

(a) MFRSs, Interpretations and amendments effective from financial year beginning on or after 1 January 2023 (continued)

- Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

- Amendments to MFRS 17 "Insurance Contracts": Initial Application of MFRS 17 and MFRS 9 - Comparative Information relates to the classification of comparative information of financial assets on initial application of MFRS 17 (known as "classification overlay"). The objective of the amendment is to provide an optional transition provision to reduce the one-time accounting mismatch on comparative information between insurance contract liabilities and related financial assets.

(b) MFRSs, Interpretations and amendments effective from financial year beginning on or after 1 January 2024

- There are two amendments to MFRS 101 "Presentation of Financial Statements". The first amendments, "Classification of liabilities as current or non-current" clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

  The second amendments, "Non-current Liabilities with Covenants" specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

  The amendments shall be applied retrospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards, amendments to published standards and interpretations (continued)

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

(b) MFRSs, Interpretations and amendments effective from financial year beginning on or after 1 January 2024 (continued)

- Amendments to MFRS 16 "Lease Liability in a Sale and Leaseback" specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 "Revenue from Contracts with Customers" to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

  The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

Other than MFRS 9 and MFRS 17, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Company in the year of initial application.

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 January 2023 are not relevant to the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Properties and equipment

Properties and equipment are initially stated at cost. Land and building are subsequently revalued, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other properties and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of income during the financial year in which they are incurred.

The surplus arising on revaluation is credited to the revaluation reserves except that a surplus, to the extent that such surplus is related to and not greater than a deficit arising on revaluation previously recorded as an expense, is credited to statement of income. A deficit arising from revaluation is recognised as an expense except that, to the extent that such a deficit is related to a surplus which was previously recorded as a credit to the asset revaluation reserves account and which has not been subsequently reversed or utilised, it is charged directly to the revaluation reserves.

Properties and equipment are depreciated on a straight line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Motor vehicles	5 years
Office equipment and computers	3 - 4 years
Furniture, fittings and renovation	5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Properties and equipment (continued)

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See Note 2.24 to the financial statements on impairment of assets.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the statement of income. On disposal of revalued assets, the revaluation reserves relating to those assets are transferred to retained earnings and/or unallocated surplus.

2.3 Intangible assets – computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives of 5 years.

2.4 Investment property

Investment property includes office building, is held for long term rental yields or for capital appreciation or both, and is not occupied by the Company.

Investment property is initially stated at cost and subsequently carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment property is reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying value of the investment property differs materially from the fair value. Changes in fair values are recorded in the statement of income as part of fair value gains and losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investment property (continued)

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in the statement of income in the period of the retirement or disposal.

2.5 Prepaid lease property

Payment for rights to use land over the predetermined period is classified as prepaid lease property and is stated at cost less accumulated amortisation and accumulated impairment. The prepaid lease property are amortised on a straight line basis over the lease periods of up to 99 years.

2.6 Leases

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

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

(i) Lease term

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Leases (continued)

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

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

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Long term leasehold buildings are subsequently revalued, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

The surplus arising on revaluation is credited to the revaluation reserves except that a surplus, to the extent that such surplus is related to and not greater than a deficit arising on revaluation previously recorded as an expense, is credited to statement of income. A deficit arising from revaluation is recognised as an expense except that, to the extent that such a deficit is related to a surplus which was previously recorded as a credit to the asset revaluation reserves account and which has not been subsequently reversed or utilised, it is charged directly to the revaluation reserves.

ROU assets are depreciated on a straight line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Long term leasehold buildings	55 - 71 years
Properties	1 - 6 years
Equipment	5 - 6 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Leases (continued)

(iii) Lease liabilities

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Leases (continued)

(iii) Lease liabilities (continued)

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the management expenses in the statement of income and statement of comprehensive income.

(iv) Reassessment of lease liabilities

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

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

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

(vi) Rent concession

During the financial year ended 31 December 2021, the Company elects to account for a Covid-19 related rent concession that meets all of the following conditions in the same way as they would if there were not lease modification:

(i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(ii) any reduction in lease payments affects only payments due on or before 30 June 2022; and

(iii) there is no substantive change to other terms and conditions of the lease.

The Company accounts for such Covid-19 related rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The Company presents the impacts of rent concession within management expenses.

Until 31 December 2021, the accounting required by MFRS 16 for a change in lease payments, other than those arising from a change in amounts expected to be payable under residual value guarantees or in an index or rate used to determine lease payments, depends on whether that change meets the definition of a lease modification.

If a rent concession results from a lease modification, the Company accounts for the rent concession as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Leases (continued)

(vi) Rent concession (continued)

If a rent concession does not result from a lease modification, the Company accounts for the rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

The effect arising from these changes on the statement of income of the Company as follows:

	31.12.2022 RM'000	31.12.2021 RM'000
Management expenses		
Lease interest expenses (prior to concession)	621	1,075
Lease payment reduction (relief due to Covid-19 pandemic)	-	(1)
Lease interest expenses (after concession)	621	1,074

2.7 Insurance receivables

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

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in statement of income. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.24 to the financial statements.

Insurance receivables are derecognised when the recognition criteria for financial assets, as described in Note 2.23 to the financial statements, have been met.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances and deposits held at call with financial institutions with maturities of three months or less that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value.

2.9 Payables

Insurance and other payables are classified as current liabilities if payment is due within one year or less.

Insurance and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

2.11 Share capital

Proceeds from ordinary shares issued are accounted for as equity, with the nominal value of the share being separately disclosed as share capital. Costs directly attributable to the issuance of new ordinary shares are accounted for as a deduction from equity.

2.12 Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company. The Company does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.13 Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accounted in the financial year in which the associated services are rendered by employees of the Company.

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Company pays fixed contributions to the state pension scheme, the Employees Provident Fund ("EPF").

The Company's contributions to defined contribution plans are charged to the statement of income in the financial year to which they relate. Once the contributions have been made, the Company has no further payment obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Employee benefits (continued)

(iii) Share-based compensation

The Company participates in share-based compensation plans granted to certain senior management employees of the Company as consideration for services rendered.

(i) Equity-settled share-based compensation

The fair value of equity settled, share-based compensation granted to employees as at the grant date is recognised in the statement of income over the vesting periods of the grant based on the closing price of the ultimate holding company, PFI stock on grant date.

(ii) Cash-settled share-based compensation

The fair value of the employee services received in exchange for the grant of the share appreciation rights is recognised in the statement of income over the vesting periods of the grant with a corresponding increase in liabilities.

2.14 Product classification

An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. The Company defines insurance risk to be significant when the benefits payable on the occurrence of the insured event are 5% or more than the benefits payable if the insured event did not occur at any one point of the insurance contract. Based on this definition, all policy contracts issued by the Company are considered insurance contracts as at the date of this statement of financial position.

Investment contracts are those contracts that do not transfer significant insurance risk, but significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Product classification (continued)

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

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

Contracts in the participating fund are classified as insurance contracts with DPF and contracts in the non-participating fund are classified as insurance contracts without DPF.

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

2.15 Reinsurance

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

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Life insurance contract liabilities

Life insurance contract liabilities comprise:

(i) Actuarial liabilities
(ii) Unallocated surplus of DPF contracts
(iii) Claims liabilities
(iv) Available-for-sale ("AFS") fair value reserves
(v) Asset revaluation reserves
(vi) Net asset value attributable to unit holders

(i) Actuarial liabilities

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The valuation of life insurance contract liabilities is determined according to BNM's RBC Framework as summarised below.

Participating fund insurance contract liabilities

Participating plans are valued using a prospective actuarial valuation based on the sum of the present value of future guaranteed and appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate.

The participating life insurance liability is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities.

Non-participating fund insurance contract liabilities

The liability of non-participating life plans is valued using a prospective actuarial valuation based on the sum of the present value of future benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate.

Investment-linked fund insurance contract liabilities

The liability is the sum of:

- the unit reserves, calculated as the value of the underlying assets backing the units relating to the policy; and
- the non-unit reserves are determined by projecting future cashflows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Life insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

Liability adequacy test

BNM Policy Document on Financial Reporting for Insurers (BNM/RH/PD 032-13) stipulates that insurers are deemed to comply with the requirements of the liability adequacy test under MFRS 4 as long as the valuation methods used are in accordance with Appendix VI or Appendix VII of the RBC Framework for Insurers. As the Company complies with the valuation method stipulated in the RBC Framework, the Company is deemed to have complied with the liability adequacy test.

(ii) Unallocated surplus

Surplus of contracts with DPF is distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The Company, however, has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders. Surplus of contracts without DPF is attributable wholly to the shareholders and is classified as an equity of the Company. However, the amount and timing of the distribution of surplus of contracts without DPF to the shareholders is subject to the recommendation of the Company's Appointed Actuary. Unallocated surpluses of DPF, where the amounts of surplus are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial year, are held within the insurance contract liabilities.

(iii) Claims liabilities

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

(iv) AFS fair value reserves

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

(v) Asset revaluation reserves

Asset revaluation reserves represent unrealised gains arising from the revaluation of long term leasehold buildings of the Life funds. The reserves arising in DPF and non-DPF is reported as a separate component of insurance contract liabilities and equity respectively until the properties are derecognised or the properties are determined to be impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Life insurance contract liabilities (continued)

(v) Asset revaluation reserves (continued)

The surplus arising from the revaluation of the DPF's assets may be distributed by way of bonuses to life policyholders, subject to the limit that the amount distributed should not be more than 30% of the addition to revaluation reserves or 10% of the market value of the revalued property, whichever is lower (where applicable).

(vi) Net asset value attributable to unit holders

The unit liabilities of investment-linked policy are equal to the net asset value of the investment-linked funds.

2.17 Life insurance underwriting results

Distribution of life fund surplus to the shareholders

The surplus distributable from the life insurance fund to the shareholders is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders, made in accordance with the provisions of the Financial Services Act 2013 ("FSA") and related regulations by the Company's Appointed Actuary.

Gross premiums

Premium income includes premium recognised in the life funds and the investment-linked funds. Premium income of the life funds is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

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

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

Reinsurance premium

Outward reinsurance premium are recognised in the same accounting period as the original policies to which the reinsurance relates.

Commission and agency expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to statement of income in the financial year in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Life insurance underwriting results (continued)

Benefits, claims and expenses

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

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

Benefits and claims arising on life insurance policies including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

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

2.18 Other revenue recognition

Interest income on loans is recognised on an accrual basis except where a loan is considered non-performing, where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

Other interest income including the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis that takes into account the effective yield of the assets.

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for more than six months, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

Dividend income is recognised when the right to receive payment is established.

Profits or losses arising on disposal of investments are credited or charged to the statement of income.

2.19 Taxation

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Taxation (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or when the deferred tax liability is settled.

2.20 Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholder and upon receipt of approval from BNM.

2.21 Financial instruments

<u>Classification, recognition and measurement of financial assets</u>

The Company classifies its financial assets into the following categories: financial assets measured at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") financial assets, available-for-sale ("AFS") financial assets and loans and receivables ("LAR").

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(i) Financial assets measured at FVTPL

Financial assets measured at FVTPL include financial assets held for trading, derivative and those designated at fair value through statement of income at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated at fair value through profit or loss at inception, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value and transaction costs are expensed in statement of income. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realised gains and losses are recognised in statement of income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Financial instruments (continued)

Classification, recognition and measurement of financial assets (continued)

(ii) HTM financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM financial assets when the Company has the positive intent and ability to hold to maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses recognised in statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. All transaction costs directly attributable to the acquisition are also included in the cost of the investments. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

(iv) AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. After initial measurement, AFS financial assets are remeasured at fair value.

Fair value gains and losses of these investments are reported as a separate component of equity or insurance contract liabilities until the investments are derecognised or the investments are determined to be impaired.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity or insurance contract liabilities is transferred to statement of income.

2.22 Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and other prices for liabilities, at the close of business on the reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Fair value of financial instruments (continued)

For unit and real estate investments trusts, fair value is determined by reference to published bid values.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among others factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of debenture securities (Malaysian Government Securities, debt securities) are measured based on the lower threshold price obtained from Bond Pricing Agency Malaysia.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value i.e. the cost of the deposits/placements and accrued interest/profits. The fair value of fixed interest/yield-bearing deposit is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

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

All financial assets, except for FVTPL, are subject to review for impairment (see Note 2.24 to the financial statements).

2.23 Derecognition of financial assets

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

2.24 Impairment of assets

Financial assets

The Company assesses at each reporting date whether a financial asset or group financial assets is impaired. A financial asset or group financial assets is impaired only if there is objective evidence of impairment as a result of one or more events that occurred has an impact on the estimated future cash flows that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Impairment of assets (continued)

Financial assets (continued)

- Financial assets carried at amortised cost

  If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the impairment loss is recorded in the statement of income. If in a subsequent period, the amount of the impairment loss decreases, the amount of reversal shall recognised in the statement of income.

- AFS financial assets

  If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from equity or insurance contract liabilities to statement of income. Reversal of impairment loss on equity instruments classified as AFS is not recognised in statement of income. Reversal of impairment losses on debt instruments classified as AFS is reversed through statement of income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the statement of income.

- Financial assets carried at cost

  If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial assets.

Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

Non-financial assets that had suffered impairment are reviewed for possible reversal of the impairment at each reporting date. The impairment loss is charged to statement of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in statement of income unless it reverses an impairment loss on a revalued asset, in which case it is taken a revaluation surplus.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Fair value measurement

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – Fair value measurements that are measured by reference to published quotes prices (unadjusted) in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data. Valuation techniques are based on assumptions that are supported by prices from observable current market transaction are instruments for which pricing is obtained.

Level 3 – Fair value measurements using significant non market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk. Unobservable inputs are inputs not supported by market data, but which are set on the basis that they represent what is reasonable given the prevailing market conditions.

In determining the fair value of its financial instruments, the Company uses observable market data, when available, and minimises the use of unobservable inputs to the extent possible when determining fair value.

2.26 Foreign currencies

(i) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Foreign currencies (continued)

(ii) Transactions and balances

Foreign currency transactions of the Company are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the statement of financial position date.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statement of income.

2.27 Critical accounting estimates and judgements

Estimates and judgements are continuously evaluated by the Directors and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

A Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting will by definition rarely equal the related actual results.

To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Valuation of life insurance contract liabilities

The valuation of the ultimate liability arising from policy benefits made under life insurance contracts is the Company's most critical accounting estimate.

The main assumptions used relate to mortality, morbidity, expenses, persistency and discount rates. The Company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, targets markets and own claims severity and frequency experiences.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market return as well as expectation about future economic and financial developments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Critical accounting estimates and judgements (continued)

Estimates and judgements are continuously evaluated by the Directors and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. (continued)

A Critical accounting estimates and assumptions (continued)

The Company makes estimates and assumptions concerning the future. The resulting accounting will by definition rarely equal the related actual results.

To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below. (continued)

Valuation of life insurance contract liabilities (continued)

Assumption on future expenses are based on the experience of the Company and long-term expected expenses levels. An inflation rate of 2.5% per annum is assumed over time. The Company conducts an expenses study annually. The latest study suggests that the Company is currently is an expense overrun position. Allowance is also made for payment of commission to distributors. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

Discount rates for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies are based on the yields available on MGS of the term up to 15 years. In the case of total benefits liabilities of participating policies, the discount rate is based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund.

Any movement in the above key assumptions will have an effect in determining the insurance business liabilities. It should be noted that movements in these assumptions are non-linear and would vary according to the current economic assumptions.

Refer to Note 32(e)(vi) to the financial statements for the sensitivity analysis of the above mentioned key assumptions.

B Critical judgements in applying the entity's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies, which require significant judgement to be exercised.

3 PROPERTIES AND EQUIPMENT

	Motor vehicles RM'000	Office equipment and computers RM'000	Furniture, fittings and renovation RM'000	Total RM'000
Cost/valuation				
At 1 January 2022	14	12,216	13,219	25,449
Additions	-	366	11	377
Disposals/write-offs	-	(913)	(1,904)	(2,817)
At 31 December 2022	14	11,669	11,326	23,009
Accumulated depreciation				
At 1 January 2022	7	11,492	10,615	22,114
Disposals/write-offs	-	(879)	(1,532)	(2,411)
Depreciation charge for the financial year (Note 25)	1	628	1,514	2,143
At 31 December 2022	8	11,241	10,597	21,846
Net book value				
At 31 December 2022	6	428	729	1,163

3 PROPERTIES AND EQUIPMENT (CONTINUED)

	Buildings RM'000	Motor vehicles RM'000	Office equipment and computers RM'000	Furniture, fittings and renovation RM'000	Total RM'000
Cost/valuation					
At 1 January 2021	5,480	606	20,539	13,226	39,851
Reclassified to ROU assets (Note 7)	(5,480)	-	-	-	(5,480)
Additions	-	-	215	6	221
Disposals/write-offs	-	(592)	(8,538)	(13)	(9,143)
At 31 December 2021	-	14	12,216	13,219	25,449
Accumulated depreciation					
At 1 January 2021	-	318	19,283	8,853	28,454
Reclassified to ROU assets (Note 7)	-	-	-	-	-
Disposals/write-offs	-	(326)	(8,538)	(12)	(8,876)
Depreciation charge for the financial year (Note 25)	-	15	747	1,774	2,536
At 31 December 2021	-	7	11,492	10,615	22,114
Net book value					
At 31 December 2021	-	7	724	2,604	3,335

In 2021, the Company has reclassified the long term leasehold buildings to the right-of-use assets.

4 INVESTMENT PROPERTY

	2022 RM'000	2021 RM'000
At 1 January	5,400	5,200
Fair value gain (Note 22)	-	200
At 31 December	5,400	5,400
The following investment property is held under lease terms:		
Leasehold building	5,400	5,400

Investment property is stated at fair value, which had been determined based on valuations performed by an external independent professional valuer on 31 December 2022 and 31 December 2021. Valuation is performed on an annual basis and fair value changes are recorded in the statement of income.

Fair value information

Fair value of investment property is categorised as Level 3 as follows:

	2022 RM'000	2021 RM'000
Investment property	5,400	5,400

The following are recognised in the statement of income in respect of investment property:

	2022 RM'000	2021 RM'000
Gross rental income	390	393
Direct operating expenses	(148)	(161)
Net rental income (Note 20)	242	232

The fair value of the long term leasehold building was measured and adjusted for differences using a valuation technique based on assumption supported by prices from observable current market transactions as well as the discounted cash flows (at discount rates 5.00%) (2021: 5.00%) of the current rental income based on usual tenancy terms in open market values.

4 INVESTMENT PROPERTY (CONTINUED)

Description of valuation techniques used and key inputs considered in valuation of investment property measured at Level 3:

Valuation Technique	Unobservable Input	2022	2021
Comparison & Investment method	Term Yield	4.75%	4.75%
	Revisionary Rate	5.00%	5.00%
	Average Rental per square feet (Term)	RM3.20	RM3.20
	Average Rental per square feet (Reversion)	RM3.70	RM3.70
	Discount Rate	5.00%	5.00%
	Estimated value per square feet	RM564 psf over strata floor area	RM567 psf over strata floor area

5 INTANGIBLE ASSETS

	2022 RM'000	2021 RM'000
Software costs		
Cost		
At 1 January	26,948	28,826
Additions	2,294	7,037
Write-off	(78)	(8,915)
At 31 December	29,164	26,948
Accumulated amortisation		
At 1 January	19,115	25,168
Amortisation charge for the financial year (Note 25)	2,735	2,844
Write-off	(77)	(8,897)
At 31 December	21,773	19,115
Accumulated impairment		
At 1 January	-	-
Impairment charge for the financial year (Note 25)	137	-
At 31 December	137	-
Net book value		
At 31 December	7,254	7,833

6 PREPAID LEASE PROPERTY

	2022 RM'000	2021 RM'000
Cost		
At 1 January	-	265
Reclassification of ROU assets	-	(265)
At 31 December	-	-
Accumulated amortisation		
At 1 January	-	44
Reclassification to ROU assets	-	(44)
At 31 December	-	-
Net book value		
At 31 December	-	-

7 RIGHT-OF-USE ("ROU") ASSETS

	2022 RM'000	2021 RM'000
Carrying amounts of ROU asset by class of underlying assets:		
Long term leasehold buildings		
Cost	5,670	5,480
Revaluation loss recorded in other comprehensive income	-	(10)
Revaluation gain recorded in statement of income (Note 28)	-	200
	5,670	5,670
Properties	11,420	17,794
Equipment	233	153
	17,323	23,617
Addition to the ROU assets during the financial year	477	803
Depreciation charge of ROU assets by class of underlying assets (Note 28):		
Long term leasehold buildings	(100)	(95)
Properties	(2,670)	(3,232)
Equipment	(86)	(94)
	(2,856)	(3,421)
Reversal on accumulated depreciation on long term leasehold buildings (Note 28)	100	95
	(2,756)	(3,326)

7 RIGHT-OF-USE ("ROU") ASSETS (CONTINUED)

The Company has carried out a valuation on the long term leasehold buildings based on open market values of the properties on existing use basis conducted by an independent qualified valuer, Knight Frank Malaysia Sdn Bhd. The valuations of these properties were adopted by the Directors for the financial year ended 31 December 2022.

Had the long term leasehold buildings been carried at historical cost less accumulated depreciation, the carrying amounts that would have been included in the financial statements at the end of the financial year are as follows:

	2022 RM'000	2021 RM'000
Long term leasehold buildings	4,150	4,242

The long term leasehold buildings have unexpired lease periods from 55 years to 71 years.

Fair value information

Fair value of long term leasehold buildings are categorised as follows:

	2022 RM'000	2021 RM'000
Level 3:		
Melaka Branch	270	270
Menara Liberty Level 18	5,400	5,400
Total buildings	5,670	5,670

The fair value of the long term leasehold buildings were measured and adjusted for differences using a valuation technique based on assumption supported by prices from observable current market transactions as well as the discounted cash flows at discount rates 5.00% (2021: 5.00%) of the current rental income based on usual tenancy terms in open market values.

Description of valuation techniques used and key inputs considered in valuation of long term leasehold buildings measured at Level 3:

Valuation Technique	Unobservable Input	2022	2021
Comparison & Investment method	Revisionary Rate	3.50% - 5.00%	3.50% - 5.00%
	Average Rental per square feet (Reversion)	RM1.30 – RM3.70	RM1.30 – RM3.70
	Discount Rate	3.50% - 5.00%	3.50% - 5.00%
	Estimated value per square feet	RM348 – RM563 psf over strata floor area	RM348 – RM565 psf over strata floor area

8 INVESTMENTS

	2022 RM'000	2021 RM'000
Malaysian Government Securities	10,320	10,450
Malaysian government guaranteed bonds	681,587	676,726
Debt securities	559,461	590,487
Equity securities	348,080	421,170
Unit trust and property trust funds	180,623	200,115
Loans	61,465	59,650
Fixed and call deposits	800	1,147
	1,842,336	1,959,745
Held-to-maturity ("HTM") financial assets	170,979	187,685
Loans and receivables ("LAR")	62,265	60,797
Available-for-sale ("AFS") financial assets	1,053,708	1,062,992
Fair value through profit or loss ("FVTPL") financial assets	555,384	648,271
	1,842,336	1,959,745
The following investments mature after 12 months:		
HTM financial assets	160,854	172,606
LAR	61,465	59,650
AFS financial assets	1,030,079	1,038,065
	1,252,398	1,270,321

8 INVESTMENTS (CONTINUED)

(a) HTM financial assets

	2022 RM'000	2021 RM'000
Amortised cost		
Unquoted in Malaysia		
Malaysian government guaranteed bonds	10,009	10,011
Debt securities	159,101	174,447
Accrued interest	1,869	3,227
	170,979	187,685
Fair value		
Unquoted in Malaysia		
Malaysian government guaranteed bonds	9,950	10,257
Debt securities	161,818	183,350
Accrued interest	1,869	3,227
	173,637	196,834

(b) LAR

	2022 RM'000	2021 RM'000
Amortised cost		
Fixed and call deposits	800	1,147
Policy loans	44,880	43,871
Accrued interest	16,585	15,779
	62,265	60,797
Fair value		
Fixed and call deposits	800	1,147
Policy loans	44,880	43,871
Accrued interest	16,585	15,779
	62,265	60,797

Fixed and call deposits of the Company have an average maturity of 21 days (2021: 22 days). The interest rate per annum of fixed deposits, that was effective as at the end of the reporting year was 2.69% per annum (2021: 1.79% per annum).

8 INVESTMENTS (CONTINUED)

(c) AFS financial assets

	2022 RM'000	2021 RM'000
Fair value		
Unquoted in Malaysia		
Equity securities	3,345	3,345
Debt securities	365,044	378,918
Malaysian Government Securities	10,108	10,450
Malaysian government guaranteed bonds	664,021	659,480
Accrued interest	11,190	10,799
	1,053,708	1,062,992

(d) FVTPL financial assets

	2022 RM'000	2021 RM'000
Fair value		
Quoted in Malaysia		
Held for trading		
Equity securities	186,688	224,975
Unit trust and property trust funds	134,981	137,217
By designation		
Equity securities	158,047	192,850
Unit trust and property trust funds	45,642	62,898
Unquoted in Malaysia		
By designation		
Debt securities	29,715	30,012
Accrued interest	311	319
	555,384	648,271

8 INVESTMENTS (CONTINUED)

(e) Carrying value of financial investments

	HTM RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2022	187,685	1,062,992	648,271	1,898,948
Purchases	-	45,206	234,801	280,007
Maturity/proceeds from sale	(15,000)	(21,000)	(265,260)	(301,260)
Realised gains (Note 21)	-	(12)	13,179	13,167
Fair value loss recorded in:				
Statement of income (Note 28)	-	(5,306)	(75,598)	(80,904)
Other comprehensive loss	-	(28,772)	-	(28,772)
(Amortisation of premium)/ accretion of discount	(348)	209	-	(139)
Movement of investment income accrued	(1,358)	391	(9)	(976)
At 31 December 2022	170,979	1,053,708	555,384	1,780,071
At 1 January 2021	198,091	1,107,105	611,411	1,916,607
Purchases	-	50,338	314,828	365,166
Maturity/proceeds from sale	(10,000)	(30,148)	(317,998)	(358,146)
Realised gains (Note 21)	-	144	35,660	35,804
Fair value (loss)/gains recorded in:				
Statement of income (Note 28)	-	(4,712)	4,384	(328)
Other comprehensive loss	-	(60,392)	-	(60,392)
(Amortisation of premium)/ accretion of discount	(334)	384	-	50
Movement of investment income accrued	(72)	273	(14)	187
At 31 December 2021	187,685	1,062,992	648,271	1,898,948

8 INVESTMENTS (CONTINUED)

(f) Estimation of fair value

Fair value hierarchy disclosure

The following table presents the Company's assets that are measured at fair value.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2022				
FVTPL financial assets				
Quoted in Malaysia				
Equity securities	344,735	-	-	344,735
Unit trust and property trust funds	180,623	-	-	180,623
Unquoted in Malaysia				
Debt securities	-	30,026	-	30,026
AFS financial assets				
Unquoted in Malaysia				
Equity securities	-	-	3,345	3,345
Debt securities	-	357,927	7,117	365,044
Malaysian Government Securities	-	10,108	-	10,108
Malaysian government guaranteed bonds	-	664,021	-	664,021
Accrued interest	-	11,190	-	11,190
Total assets	525,358	1,073,272	10,462	1,609,092
31 December 2021				
FVTPL financial assets				
Quoted in Malaysia				
Equity securities	417,825	-	-	417,825
Unit trust and property trust funds	200,115	-	-	200,115
Unquoted in Malaysia				
Debt securities	-	30,331	-	30,331
AFS financial assets				
Unquoted in Malaysia				
Equity securities	-	-	3,345	3,345
Debt securities	-	372,380	6,538	378,918
Malaysian Government Securities	-	10,450	-	10,450
Malaysian government guaranteed bonds	-	659,480	-	659,480
Accrued interest	-	10,799	-	10,799
Total assets	617,940	1,083,440	9,883	1,711,263

8 INVESTMENTS (CONTINUED)

(f) Estimation of fair value (continued)

Fair value hierarchy disclosure (continued)

	2022 RM'000	2021 RM'000
Level 3		
At 1 January	9,883	13,867
Fair value loss	5,885	728
Impairment of financial assets (Note 22):		
AFS debt securities	(5,306)	(4,700)
Unquoted shares	-	(12)
At 31 December	10,462	9,883

As observable prices are not available for these securities, the Directors have determined the fair values based on discounted cash flows and the binding bid price as quoted by the issuer. The valuations are not sensitive to a change in unobservable inputs.

Level 3 valuations are reviewed on an annual basis by the Company's management. The management considers the appropriateness of the valuation model inputs, as well as the valuation result using the valuation method and techniques generally recognised as standard within industry.

9 REINSURANCE ASSETS

	2022 RM'000	2021 RM'000
Reinsurance of insurance contracts liabilities (Note 14)		
Claims liabilities	2,885	6,487
Actuarial liabilities	6,300	6,056
	9,185	12,543

10 INSURANCE RECEIVABLES

	2022 RM'000	2021 RM'000
Outstanding premiums including agents, brokers and co-insurers balances	2,841	2,756
Amounts due from reinsurers	7,453	802
	10,294	3,558

The Company does not off-set its insurance receivables against insurance payables. The Company does not have any financial instruments subject to an enforceable master netting arrangement or financial collateral (pledged or received) as at 31 December 2022 (2021: RM nil).

11 OTHER RECEIVABLES

	2022 RM'000	2021 RM'000
Income due and accrued	702	675
Receivable from fund managers and brokers	33,790	18,417
Other receivables, deposits and prepayments	1,476	1,262
	35,968	20,354
Receivables after 12 months	239	244

The Company does not off-set its other receivables against other payables. The Company does not have any financial instruments subject to an enforceable master netting arrangement or financial collateral (pledged or received) as at 31 December 2022 (2021: RM nil).

12 SHARE CAPITAL

	2022		2021	
	Number of shares	Amount	Number of shares	Amount
	'000	RM'000	'000	RM'000
Issued and fully paid ordinary shares:				
At the beginning of the financial year	185,000	185,000	125,000	125,000
Issued during the financial year	-	-	60,000	60,000
At the end of financial year	185,000	185,000	185,000	185,000

13 RESERVES

(a) Retained earnings

The non-distributable retained earnings represent the unallocated surplus from the Non-Participating Fund. In accordance with Section 83 of the FSA, the unallocated surplus is only available for distribution to the shareholders upon approval/recommendation by the Appointed Actuary.

Pursuant to the single tier system, any dividends distributed by the Company will be exempted from tax in the hand of shareholders. The Company shall not be entitled to deduct on dividend paid, credited or distributed to shareholders.

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend with effect from the financial year beginning 1 December 2013. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio ("CAR") position to below its internal target.

(b) Other reserves

Other reserves consist of AFS fair value reserves and asset revaluation reserves.

The AFS fair value reserves of the Company represent the fair value gains or losses of the AFS financial assets, net of deferred tax, of the Life Non-Participating and Shareholders' funds.

The asset revaluation reserves represent the revaluation surplus of self-occupied properties.

14 INSURANCE CONTRACT LIABILITIES

	2022			2021		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Benefits and claims liabilities	194,037	(2,885)	191,152	199,911	(6,487)	193,424
Actuarial liabilities	1,348,399	(6,300)	1,342,099	1,293,957	(6,056)	1,287,901
Unallocated surplus	27,197	-	27,197	24,655	-	24,655
AFS fair value reserves	11,218	-	11,218	25,391	-	25,391
Asset revaluation reserves	438	-	438	347	-	347
Net asset value attributable to unit holders	241,011	-	241,011	288,665	-	288,665
	1,822,300	(9,185)	1,813,115	1,832,926	(12,543)	1,820,383

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2022	920,221	912,705	1,832,926	(192)	(12,351)	(12,543)	1,820,383
Change in life insurance fund contract liabilities							
Due to assumptions change							
Mortality/morbidity	-	(824)	(824)	-	-	-	(824)
Lapse/withdrawal	3,710	(1,399)	2,311	-	-	-	2,311
Interest and bonus rate	(4,710)	(16,766)	(21,476)	-	-	-	(21,476)
Others	46	316	362	-	-	-	362
Projected cash flow for inforce policies							
Premium	46,527	66,783	113,310	-	-	-	113,310
Investment return	36,650	15,286	51,936	-	-	-	51,936
Benefits	(82,333)	(70,910)	(153,243)	-	-	-	(153,243)
Expenses/commission	(7,133)	(17,489)	(24,622)	-	-	-	(24,622)
Variance on inforce policies	20,033	18,623	38,656	-	-	-	38,656
New business reserves	127	(4,505)	(4,378)	-	-	-	(4,378)
Others	(5,619)	58,029	52,410	1	(245)	(244)	52,166
Benefits and claims experience variation	(6,203)	329	(5,874)	(5)	3,607	3,602	(2,272)
Net asset value attributable to unit holders	-	(47,654)	(47,654)	-	-	-	(47,654)
AFS fair value reserves	(15,405)	-	(15,405)	-	-	-	(15,405)
Assets revaluation reserves	91	-	91	-	-	-	91
Unallocated surplus	2,542	-	2,542	-	-	-	2,542
Deferred tax effects:							
AFS fair value reserves	1,232	-	1,232	-	-	-	1,232
At 31 December 2022	909,776	912,524	1,822,300	(196)	(8,989)	(9,185)	1,813,115

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021	937,385	952,247	1,889,632	(216)	(12,351)	(12,567)	1,877,065
Change in life insurance fund contract liabilities							
Due to assumptions change							
Mortality/morbidity	2,177	(5,721)	(3,544)	-	-	-	(3,544)
Lapse/withdrawal	280	2,638	2,918	-	-	-	2,918
Interest and bonus rate	(5,530)	(41,024)	(46,554)	-	-	-	(46,554)
Others	16	(86)	(70)	-	-	-	(70)
Projected cash flow for inforce policies							
Premium	52,824	65,507	118,331	-	-	-	118,331
Investment return	36,204	8,927	45,131	-	-	-	45,131
Benefits	(94,720)	(68,644)	(163,364)	-	-	-	(163,364)
Expenses/commission	(7,980)	(17,477)	(25,457)	-	-	-	(25,457)
Variance on inforce policies	18,477	21,643	40,120	-	-	-	40,120
New business reserves	174	(5,279)	(5,105)	-	-		(5,105)
Others	(19,157)	(22,757)	(41,914)	(3)	265	262	(41,652)
Benefits and claims experience variation	8,013	3,128	11,141	27	(265)	(238)	10,903
Net asset value attributable to unit holders	-	19,603	19,603	-	-	-	19,603
AFS fair value reserves	(32,896)	-	(32,896)	-	-	-	(32,896)
Assets revaluation reserves	132	-	132	-	-	-	132
Unallocated surplus	22,190	-	22,190	-	-	-	22,190
Deferred tax effects:							
AFS fair value reserves	2,632	-	2,632	-	-	-	2,632
At 31 December 2021	920,221	912,705	1,832,926	(192)	(12,351)	(12,543)	1,820,383

15 DEFERRED TAX LIABILITIES

	2022 RM'000	2021 RM'000
At 1 January	25,507	24,104
Recognised in:		
Statement of income (Note 26)	(17,766)	11,004
Other comprehensive income		
Deferred tax on AFS fair value reserves	(4,633)	(9,628)
Deferred tax on assets revaluation reserves	8	27
Reclassification	212	-
At 31 December	3,328	25,507

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

	2022 RM'000	2021 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	(1,021)	(887)
Deferred tax liabilities	4,349	26,394
	3,328	25,507

15 DEFERRED TAX LIABILITIES (CONTINUED)

The components and movements of deferred tax assets during the financial year prior to offsetting are as follows:

	Fair value of investment assets	Accelerated capital allowance on properties and equipment	Amortisation of premium on investment	Total
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
At 1 January 2021	(257)	(169)	(163)	(589)
Recognised in:				
Statement of income	(148)	-	(50)	(198)
Other comprehensive income	(100)	-	-	(100)
At 31 December 2021	(505)	(169)	(213)	(887)
Recognised in:				
Statement of income	(155)	(28)	(97)	(280)
Other comprehensive income	(66)	-	-	(66)
Reclassification	212	-	-	212
At 31 December 2022	(514)	(197)	(310)	(1,021)

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

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

15 DEFERRED TAX LIABILITIES (CONTINUED)

The components and movements of deferred tax liabilities during the financial year prior to offsetting are as follows:

	Fair value of investment assets	Loan and receivable	Fair value of investment property	Fair value of ROU assets – long term leasehold buildings	Accelerated capital allowance on properties and equipment	Accretion of discounts on investment	Unallocated surplus	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities								
At 1 January 2021	25,120	(77)	128	-	50	410	(938)	24,693
Recognised in:								
Statement of income	326	78	16	-	149	65	10,568	11,202
Other comprehensive income	(9,528)	-	-	27	-	-	-	(9,501)
At 31 December 2021	15,918	1	144	27	199	475	9,630	26,394
Recognised in:								
Statement of income	(5,895)	-	-	-	(6)	110	(11,695)	(17,486)
Other comprehensive income	(4,567)	-	-	8	-	-	-	(4,559)
At 31 December 2022	5,456	1	144	35	193	585	(2,065)	4,349

16 INSURANCE PAYABLES

	2022 RM'000	2021 RM'000
Amount due to insureds	15,582	22,720
Amount owing to client and intermediaries	3,885	4,120
Amount owing to reinsurers and cedants	7,479	5,693
	26,946	32,533

The carrying amounts disclosed above approximate fair value at the statement of financial position date.

The Company does not off-set its insurance payables against insurance receivables. The Company does not have any financial instruments subject to an enforceable master netting arrangement or financial collateral (pledged or received) as at 31 December 2022 (2021: RM nil).

17 OTHER PAYABLES

	2022 RM'000	2021 RM'000
Accrued expenses	6,300	9,011
Provision for bonus	7,511	8,581
Unclaimed monies	1,293	496
Payable to investment brokers	3,649	113
Agency related expenses accrued	1,283	1,235
Other payables and accruals	4,947	3,374
Director related expenses accrued	-	69
	24,983	22,879

The carrying amounts disclosed above approximate fair value at the statement of financial position date.

The Company does not off-set its other payables against other receivables. The Company does not have any financial instruments subject to an enforceable master netting arrangement or financial collateral (pledged or received) as at 31 December 2022 (2021: RM nil).

18 OPERATING REVENUE

	2022 RM'000	2021 RM'000
Gross premiums (Note 19)	192,087	198,746
Investment income (Note 20)	84,845	79,634
	276,932	278,380

19 NET PREMIUMS

	2022 RM'000	2021 RM'000
(a) Gross premiums:		
Insurance contracts	192,087	198,746
(b) Premiums ceded to reinsurers:		
Insurance contracts	(10,791)	(11,004)
Net premiums	181,296	187,742

20 INVESTMENT INCOME

	2022 RM'000	2021 RM'000
Rental income from investment properties (Note 4)	242	232
FVTPL financial assets - held for trading purposes:		
Interest	1,260	1,248
Dividend/distribution income		
Equity securities quoted in Malaysia	14,474	11,572
Equity securities unquoted in Malaysia	3,892	2,565
HTM financial assets:		
Interest	9,054	9,477
Amortisation of premiums net of accretion of discounts	(348)	(334)
AFS financial assets:		
Interest	48,572	47,370
Accretion of discounts net of amortisation of premiums	209	384
LAR:		
Interest from loan	3,198	3,617
Interest from fixed and called deposits	4,292	3,503
	84,845	79,634

21 REALISED GAINS

	2022 RM'000	2021 RM'000
Properties and equipment	5	(62)
Financial assets at FVTPL - held for trading purposes:		
Equity securities and unit trusts quoted in Malaysia	13,549	35,920
Debt securities	(370)	(260)
AFS financial assets:		
Debt securities	(12)	144
	13,167	35,804
Total realised gains	13,172	35,742

22 FAIR VALUE (LOSS)/GAINS

	2022 RM'000	2021 RM'000
Investment property (Note 4)	-	200
FVTPL investments – held for trading purposes	(18,014)	(1,490)
FVTPL investments – designated		
Unquoted in Malaysia		
Debt securities	(604)	(1,014)
Quoted in Malaysia		
Equity securities	(42,175)	9,782
Unquoted in Malaysia		
Unit trust and property trust funds	(14,805)	(2,894)
Impairment of AFS debt securities (Note 8)	(5,306)	(4,700)
Impairment of unquoted securities (Note 8)	-	(12)
	(80,904)	(128)

23 OTHER OPERATING INCOME

	2022 RM'000	2021 RM'000
Policyholder administration and investment management services	3,505	4,112
Other income/(expense)	2	(48)
Recovery of defaulted bond*	19,336	-
	22,843	4,064

* Relates to judgement sum and accrued interest awarded to the Company.

24 NET INSURANCE BENEFITS AND CLAIMS

	2022 RM'000	2021 RM'000
(a) Gross benefits and claims:		
Insurance contracts		
• Death	(29,060)	(21,819)
• Maturity	(22,374)	(36,237)
• Surrender	(80,019)	(79,197)
• Others	(56,975)	(50,345)
	(188,428)	(187,598)
(b) Claims ceded to reinsurers:		
Insurance contracts	7,996	5,639
(c) Gross change in contract liabilities:		
Insurance contracts	(9,329)	37,716
(d) Change in contract liabilities ceded to reinsurers:		
Insurance contracts	243	(262)

25 MANAGEMENT EXPENSES

	2022 RM'000	2021 RM'000
Employee benefits expense (Note 25 (a))	46,785	51,239
Directors' remuneration:		
- current year (Note 25 (d))	982	915
*Auditors' remuneration:		
- statutory audit services	293	266
- audit-related services	410	-
- non-audit services	40	-
Depreciation of properties and equipment (Note 3)	2,143	2,536
Depreciation of right-of-use assets (Note 7)	2,856	3,421
Amortisation of intangible assets (Note 5)	2,735	2,844
Impairment of intangible assets (Note 5)	137	-
Training expenses	228	214
Printing and stationery	272	285
Postage, telephone and telefax	641	835
EDP expenses	6,921	7,185
Investment expenses	6,465	9,142
Write-off of bad debts	358	26
Administration and general expenses	14,732	17,058
	85,998	95,966

* There was no indemnity given or insurance effected for the auditors of the Company during the financial year.

	2022 RM'000	2021 RM'000
(a) Employee benefits expense		
Wages, salaries and bonuses	36,600	40,657
Contributions to social security ("SOCSO")	250	251
Contributions to EPF	6,107	6,546
Share based payment	-	95
Other benefits	3,828	3,690
Total employee benefits expenses	46,785	51,239

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM1,554,000 (2021: RM2,732,000) as disclosed in Note 25 (b) to the financial statements.

25 MANAGEMENT EXPENSES (CONTINUED)

(b) CEO remuneration

The details of remuneration, attributable to the CEO of the Company are as follow:

(i) CEO for the period up to 23 January 2021

	2022 RM'000	2021 RM'000
Salary	-	94
Bonus	-	1,053
Benefits-in-kind	-	2
Retirement benefit	-	11
Others	-	358
	-	1,518

(ii) CEO for the period beginning 24 January 2021

	2022 RM'000	2021 RM'000
Salary	868	776
Bonus	411	189
Benefits-in-kind	60	60
Retirement benefit	215	168
Others	-	21
	1,554	1,214
Total	1,554	2,732

(c) Compensation of key management personnel

The compensation of the key management personnel excluding the CEO as disclosed in Note 25 (b) to the financial statements is as follows:

	2022 RM'000	2021 RM'000
Short term employee benefits	7,680	4,319
Defined contribution plan	1,233	594
	8,913*	4,913

*This amount includes the compensation of key management personnel who are other material risk takers ("OMRT") for the financial year ended 31 December 2022. OMRTs' compensation was not included for the financial year ended 31 December 2021.

25 MANAGEMENT EXPENSES (CONTINUED)

(d) Directors' remuneration

	2022 RM'000	2021 RM'000
Director fees		
Dato' Haji Kamil Khalid Ariff	187	187
Dato' Danapalan A/L T.P. Vinggrasalam	145	153
Ramesh Pillai	157	148
Oh Teik Tatt	153	153
Yu Chwee Kum, Rosalind	132	40
	774	681
Director allowances		
Dato' Haji Kamil Khalid Ariff	45	58
Dato' Danapalan A/L T.P. Vinggrasalam	43	55
Ramesh Pillai	45	55
Oh Teik Tatt	43	57
Yu Chwee Kum, Rosalind	32	9
	208	234
	982	915

26 TAXATION

	Life funds RM'000	Shareholders' Fund RM'000	Total RM'000
2022			
Current tax	6,759	441	7,200
Deferred tax (Note 15)	(5,976)	(11,790)	(17,766)
Tax expense/(income)	783	(11,349)	(10,566)
Current tax			
Current financial year	7,299	440	7,739
(Over)/under provision in prior financial years	(540)	1	(539)
	6,759	441	7,200
Deferred tax			
Origination and reversal of temporary differences	(5,976)	(11,790)	(17,766)
	783	(11,349)	(10,566)
2021			
Current tax	6,324	3,353	9,677
Deferred tax (Note 15)	691	10,313	11,004
Tax expense	7,015	13,666	20,681
Current tax			
Current financial year	7,556	296	7,852
(Over)/under provision in prior financial years	(1,232)	3,057	1,825
	6,324	3,353	9,677
Deferred tax			
Origination and reversal of temporary differences	691	10,313	11,004
	7,015	13,666	20,681

Domestic income tax for shareholders' fund is calculated at the Malaysian statutory rate of 24% (2021: 24%) of the estimated assessable profit for the financial year. The amount of tax charged on the life fund is based on the method prescribed under the Income Tax Act 1967 for life insurance business. The statutory tax rate for the life insurance business is 8%.

26 TAXATION (CONTINUED)

A reconciliation of income tax expenses applicable to profit/loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	2022 RM'000	2021 RM'000
(Loss)/profit before taxation	(67,542)	53,880
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	(16,210)	12,931
Effect of difference in tax rate	(4,058)	(4,554)
Income not subject to tax	(47,913)	(45,890)
Expenses not deductible for tax purpose	58,569	51,616
Tax impact on investment income attributable to policyholders and unit holders	(415)	4,753
(Over)/under provision in prior financial years	(539)	1,825
Tax (income)/expense for the financial year	(10,566)	20,681

27 (LOSS)/PROFIT PER SHARE

The basic earnings per ordinary share has been calculated by dividing the net (loss)/profit for the financial year of the Company over the weighted average number of shares of the Company in issue during the financial year.

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the date of the statement of financial position.

	2022 RM'000	2021 RM'000
Net (loss)/profit for the financial year	(56,976)	33,199
Weighted average number of shares in issue	185,000	165,000
Basic/diluted (loss)/profit per share (sen)	(30.80)	20.12

28 CASH FLOWS

	Note	2022 RM'000	2021 RM'000
Net (loss)/profit for the financial year		(56,976)	33,199
Tax (income)/expense	26	(10,566)	20,681
Investment income	20	(84,845)	(79,634)
Realised gains recorded in statement of income:			
- Investment assets	21	(13,172)	(35,742)
Fair value loss/(gains) recorded in statement of income:			
- Investment property	4	-	(200)
- Investment assets	8 (e)	80,904	328
Purchases of FVTPL financial assets	8 (e)	(234,801)	(314,828)
Maturity/proceeds from sale of FVTPL financial assets	8 (e)	265,260	317,998
Purchases of AFS financial assets	8 (e)	(45,206)	(50,338)
Maturity/proceeds from sale of AFS financial assets	8 (e)	21,000	30,148
Maturity of HTM financial assets	8 (e)	15,000	10,000
(Increase)/decrease in LAR		(1,009)	88
Decrease/(increase) in fixed and call deposits		347	(21)
Non-cash items:			
Depreciation of properties and equipment	3	2,143	2,536
Depreciation of right-of-use assets	7	2,856	3,421
Amortisation of intangible assets	5	2,735	2,844
Reversal on accumulated depreciation on long term leasehold buildings	7	(100)	(95)
Interest on lease liabilities		621	1,074
Gain on property and equipment		(5)	-
Gain on right-of-use assets	7	-	(200)
Intangible assets impairment	5	137	-
Disposal/write-off on properties and equipment	3	406	267
Gain on lease modification		(480)	-
Changes in working capital:			
Decrease in reinsurance assets		3,358	24
(Increase)/decrease in insurance receivables		(6,736)	3,490
Decrease/(increase) in other receivables		43,128	(48,087)
Increase/(decrease) in insurance contract liabilities		15,358	(2,296)
Decrease in insurance payables		(5,587)	(12,691)
(Decrease)/increase in other payables		(68,475)	32,181
Cash used in operating activities		(74,705)	(85,853)

Registration No.
199301022976 (277714-A)

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

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

29 CAPITAL COMMITMENTS

As of 31 December 2022, capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	2022 RM'000	2021 RM'000
Authorised and contracted but not provided for:		
Computer hardware and software	1,373	1,445
Properties and equipment	26	-
	1,399	1,445

30 REGULATORY CAPITAL REQUIREMENTS

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

	2022 RM'000	2021 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	185,000	185,000
Valuation surplus, retained earnings and other capital available	148,949	211,100
	333,949	396,100
Tier 2 Capital		
Eligible Tier 2 Capital	17,400	43,723
Amount deducted from Capital	(7,773)	(9,471)
	9,627	34,252
Total Capital Available	343,576	430,352

31 RELATED PARTY DISCLOSURES

In the normal course of business, the Company undertakes various transactions with other companies deemed related by virtue of being subsidiaries and associated companies of PFI and of BSN. The transactions were entered into between the Company and related parties based on agreed terms and conditions.

(a) Related parties and relationship

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

Related companies	Country of Incorporation	Relationship
Prudential Financial, Inc. ("PFI")	United States of America	Ultimate holding company
The Prudential Insurance Company of America ("PICA")	United States of America	Penultimate holding company
Bank Simpanan Nasional ("BSN")	Malaysia	Substantial shareholder
Gibraltar BSN Holdings Sdn. Bhd. ("GH")	Malaysia	Immediate holding company
Affiliated company		
Key management personnel	Malaysia	Key management personnel are those people defined as having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

31 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party balances

The significant related party balances as at end of the financial year are as follows:

	2022 RM'000	2021 RM'000
Included in cash and cash equivalents and investments:		
Bank balances, fixed and call deposits placed with		
• BSN	27,234	32,834
Interest income receivable from		
• BSN	2	85
Included in other payables:		
Outstanding general and administrative expenses due to		
• BSN	(1,845)	(2,580)
• PFI	(330)	(540)

31 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related party transactions

The significant related party transactions of the Company with related parties during the financial year are as follows:

	2022 RM'000	2021 RM'000
Commission expenses paid/payable to:		
• BSN	(2,401)	(2,799)
Interest income received/receivable from:		
• BSN	526	655
General and administrative expenses paid/payable to:		
• PFI	(410)	(1,161)
• BSN	(4,275)	(4,375)

(d) Key management personnel

Identified key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Company's key management personnel as disclosed in Note 25 to the financial statements.

32 RISK MANAGEMENT FRAMEWORK

(a) Overview of the Enterprise Risk Management Framework

The Enterprise Risk Management Framework ("the Framework") sets out the governance structure in place to support implementation of a structured Risk Management process and to embed the risk management culture across the Company. It seeks to promote principles of sound corporate governance and effective management of risk to ensure that the risk-taking activities are aligned with the Company's objectives and risk appetite.

The Framework ensures that all key risks are identified, adequately assessed, treated, monitored, controlled and reported to the relevant stakeholders on a timely basis. Apart from safeguarding the Company's financial strength and providing a strong platform for sustainable growth, it enables the Company to fulfill its obligations due to policyholders, shareholders, stakeholders, and at the same time, meeting the expectation of the Regulator.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Enterprise Risk Management Principles

Risk is defined as the possibility that an event may occur and adversely impact the achievement of the Company's mission or business objectives. Proactive management of risk is an integral part of our business and the main objective of having the Framework in place is to ensure that all key risks are appropriately managed.

Broadly, the Framework classifies management of risks into seven broad categories and these are:

1. Market risk
2. Credit risk
3. Liquidity risk
4. Insurance risk
5. Operational risk
6. Technology & Cyber risk
7. Strategic risk

During the course of business, decisions taken and/or functions performed may expose the Company to one or more categories of risks. In order to strike a right balance of risks versus returns, these risks are managed to within acceptable limits, either by the Business and/or operational heads or established committees. This is possible owing to the proper Risk Governance structure being put in place within the Company. To this end, each of the committees have been set up and governed under clearly defined Terms of Reference, roles and responsibilities and level of delegated authorities, to ensure that the committees perform as intended.

(c) Capital management

The Company's capital management policy is to ensure that scenarios under which the possibility of future shortage of capital are accurately and timely identified and reported so that immediate remedial actions can be taken, utilise capital efficiently given limited resources for life insurers, achieve optimal balance in the management of risk, return, capital requirement as well as capital availability, and reduce the capital requirement by putting in place proper controls, risk management processes and procedures to minimise and reduce unwanted surplus/losses.

Regulatory capital

The Company is required to comply with the RBC Framework which is the capital adequacy framework for all insurers licensed under the FSA. The CAR is calculated as follows:

$$\text{CAR} = \frac{\text{Total Capital Available ("TCA")}}{\text{Total Capital Required ("TCR")}} \times 100\%$$

The Company has met all the regulatory requirements and operates at capital level above Individual Target Capital Level throughout the financial year.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(d) Governance framework

The Company's Board of Directors retains the overall risk management responsibilities in accordance with BNM's Corporate Governance (BNM/RH/PD 029-9) and Guidelines on Risk Governance (BNM/RH/GL 013-5).

Whilst the Board still retains ultimate responsibilities for risk management and for determining the appropriate level of risk appetite, a Board Risk Management Committee consisting of non-executive directors has been established to assist the Board in overseeing the risk management strategies and provide an independent risk management reporting line for the Company.

An Enterprise Risk Management Committee is also established at senior management level and shall meet at least four times a year, to review the Company's risk exposure and to raise and discuss matters regarding risk management.

An Operational Risk Committee ("ORC") is established to provide governance and oversight of the operational risk management activities within the Company by ensuring the operational risk management activities are governed by the guiding principles and processes in the Company's Enterprise Risk Management Framework, with the emphasis of operational risks.

Whilst the Risk Management Department spearheads the development and implementation of the Enterprise Risk Management Framework of the Company, the senior management remains accountable and responsible for the development of detailed policies, procedures and limits for managing risks inherent in the Company's activities based on the business and risk management strategies approved by the Board.

Consistent with the provisions set out in the guidelines, the Company's operational management or business lines, typically known as the first line of defense, are accountable for the day-to-day management of business activities and all types of risks associated with these activities within the established limits. The Risk Management and Compliance functions, typically known as the second line of defense, are accountable for ensuring adequate programs are in place in exercising its control and oversight responsibilities. The internal audit function, typically known as the third line of defense are accountable for providing the Board with an independent assurance that the risk management and oversight approach undertaken, system of internal controls, governance process of the Company are adequate and effective.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Insurance risks of life insurance contracts

The Company is exposed to life insurance risks when it signs a contract with the insured party or policyholder for a premium amount and in return promises to compensate the policyholder if a specified uncertain future event or an insured event adversely affects the policyholder. Life insurance risks arise when the prices charged for life insurance contracts may be ultimately inadequate to support the future contractual obligations due to adverse deviation of the assumptions used in pricing the insurance contracts from the actual experience. Assumptions used in product pricing include items such as policy lapses, policy claims such as mortality and morbidity, expenses as well as investment return and discount rate.

Experience studies are carried out annually to ensure that pricing assumptions are adequate, appropriate and consistent with the actual experience for insurance product pricing purposes.

The Company has implemented underwriting and claims management guidelines and procedures to manage its life insurance risks. Whilst proper underwriting process is put in place to control the risk of anti-selection, appropriate claims management also help to identify fraudulent claims.

The mortality and morbidity risks are also managed through reinsurance programme. The bulk of the Company's reinsurance is in the form of automatic treaties. These treaties are of risk premium type and cover both individual business and group business. In addition, there is another layer of reinsurance that is in the form of a catastrophe treaty. Both of these types of reinsurance serve to protect the Company's solvency, especially when there is an accumulation of risk, for example a natural disaster.

A substantial portion of the Company's life insurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the Company has the option of revising the bonus rates and dividends payable to the policyholders.

For non-participating funds, the risk is that policy benefits are guaranteed to the policyholders and these obligations must be fulfilled in spite of the Company's poor investment performance or unfavorable claims experience. To mitigate this risk, investment mandate is put in place to ensure that appropriate investment strategy that focuses on Low Risk Assets ("LRA") as well as corporate bonds and sukuk with minimum equity exposure is adopted by the fund managers.

For investment-linked funds, the risk exposure for the Company is limited only to the underwriting aspect as all investment risks are borne by the policyholders and proper expense management is in place to minimise actual costs incurred.

The BNM's Policy Document of Stress Testing provides standards and guidance for the insurance industry in conducting stress testing to support a licensed person's risk and capital management. The purpose of Stress Testing is to test the solvency of life insurance funds under various scenarios according to the prescribed statutory valuation basis, simulating drastic changes in major parameters like interest rates, investment return, inflation rate, investment asset value, new business volume, mortality/morbidity patterns as well as expense patterns. In addition, stress testing also provides an early warning signal for the Company to take necessary measures to protect its financial position.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Insurance risks of life insurance contracts (continued)

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

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2022							
Whole Life	286,756	93,956	380,712	-	-	-	380,712
Endowment	396,983	170,160	567,143	-	-	-	567,143
Term – Mortgage	-	149,774	149,774	-	-	-	149,774
Term – Others	56	10,522	10,578	-	-	-	10,578
M&H	-	(193)	(193)	-	-	-	(193)
Riders	294	57,093	57,387	-	-	-	57,387
Other Provision	23,167	159,831	182,998	(113)	(6,187)	(6,300)	176,698
Total insurance contract liabilities	707,256	641,143	1,348,399	(113)	(6,187)	(6,300)	1,342,099
31 December 2021							
Whole Life	290,359	94,671	385,030	-	-	-	385,030
Endowment	403,534	169,517	573,051	-	-	-	573,051
Term - Mortgage	-	164,877	164,877	-	-	-	164,877
Term - Others	47	11,712	11,759	-	-	-	11,759
M&H	-	296	296	-	-	-	296
Riders	152	51,125	51,277	-	-	-	51,277
Other Provision	5,867	101,800	107,667	(113)	(5,943)	(6,056)	101,611
Total insurance contract liabilities	699,959	593,998	1,293,957	(113)	(5,943)	(6,056)	1,287,901

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Insurance risks of life insurance contracts (continued)

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.

Key assumptions

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

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

(i) Mortality rates

Best estimate assumptions are based on the Company's recent experience studies.

(ii) Expenses

Best estimate assumptions are based on the experience of the Company and long-term expected expenses levels. An inflation rate of 2.5% per annum is assumed over time. Allowance is also made for payment of commission to distributors.

(iii) Lapse and surrender rates

Best estimate assumptions are based on the experience studies. The Company conducts a persistency study annually, or on a more regular basis when appropriate. Statistical methods are used to determine appropriate lapse and surrender rates. Lapse and surrender rates vary by product type and policy duration.

(iv) Discount rate

Risk free discount rate is used in the valuation of actuarial liabilities for non-participating fund and the non-unit liabilities of investment-linked funds and the guaranteed benefit liabilities of participating funds.

These risk free rates from durations of 1 to 15 years are the MGS yields taken from Bond Pricing Agency Malaysia, which is a recognised bond pricing agency in Malaysia. Interpolation or extrapolation is used to determine yields for terms where MGS yields are not available. For cash flows with duration of 15 years or more, the 15-year MGS yield is used for discounting purposes.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Insurance risks of life insurance contracts (continued)

(v) Fund based yield

Fund based yield is used in the valuation of actuarial liabilities for participating fund to discount expected cashflows for future years. Expected cashflows include an allowance for non-guaranteed benefits. The selected yield reflects the expected return on participating fund, based on investment strategy employed, and can be differentiated between groups of products to reflect characteristics of the products, which may affect the investment strategy employed. The yield is reduced to allow for expected tax on investment income.

(vi) Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. No management actions (e.g. possible revision of bonus rates for participating fund products) have been assumed in the calculation of net and gross liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Impact on change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
31 December 2022					
Mortality/morbidity	+25%	59,828	59,828	(44,038)	(44,038)
Expenses	+25%	27,750	27,750	(17,846)	(17,846)
Lapse and surrender rates	+25%	(1,313)	(1,313)	(1,671)	(1,671)
Discount rate	-1%	62,900	62,900	(33,001)	(33,001)
31 December 2021					
Mortality/morbidity	+25%	67,180	67,180	(50,445)	(50,445)
Expenses	+25%	30,257	30,257	(20,280)	(20,280)
Lapse and surrender rates	+25%	(1,495)	(1,495)	(2,044)	(2,044)
Discount rate	-1%	65,800	65,800	(37,425)	(37,425)

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

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk

(i) Credit risk

Credit risk is the potential financial loss resulting from counterparty's inability or unwillingness to fully meet its contractual financial obligations as and when they fall due. The counterparties may include debtors, borrowers, brokers, policyholders, reinsurers and guarantors.

The Company's primary exposure to credit risk is through its investments in fixed income securities, lending activities such as policy loans are secured against the surrender value of policies and carry no substantial credit risk and potential obligations of reinsurers arising out of reinsurance arrangements.

The Company's Management Investment Committee ("MIC") manages credit risk associated with investments in fixed income securities through the setting of investment policies as well as credit exposure limits approved by the Board and within the guidelines issued by BNM.

Credit evaluation of an issuer of credit facilities is undertaken by the Investment Department. The credit profile of an issuer is assessed by considering factors such as industry and business background, operating performance or viability of a project, business risk factors, financial ratio analysis, financial strength and flexibility, availability of cash flows and identified sources of repayment, management credibility and shareholders' profile as well as security enhancement.

In addition, a credit review of individual exposure is also conducted by the investment team at least once a year to review and monitor the creditworthiness of issuers or counterparties. Additional review will be carried out when there is a downgrade of credit rating, a change in the nature of an issuer's business or a corporate restructuring of an issuer.

Reinsurance programme is arranged with reinsurers that have a good credit rating in order to reduce credit risk arising from reinsurance arrangements.

Credit risk in respect of policyholder balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(i) Credit risk (continued)

Credit exposure

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

	Life and Shareholders' Funds	Investment-Linked Funds	Total
	RM'000	RM'000	RM'000
31 December 2022			
HTM financial assets:			
Malaysian government guaranteed bonds	10,009	-	10,009
Debt securities	159,101	-	159,101
Accrued interest	1,869	-	1,869
LAR:			
Loans	44,880	-	44,880
Fixed and call deposits	800	-	800
Accrued interest	16,585	-	16,585
AFS financial assets:			
Debt securities	365,044	-	365,044
Malaysian Government Securities	10,108	-	10,108
Malaysian government guaranteed bonds	664,021	-	664,021
Accrued interest	11,190	-	11,190
FVTPL financial assets:			
Debt securities	-	29,715	29,715
Accrued interest	-	311	311
Reinsurance assets	9,185	-	9,185
Insurance receivables	10,294	-	10,294
Other receivables	16,791	19,177	35,968
Cash and cash equivalents	194,271	1,095	195,366
	1,514,148	50,298	1,564,446

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(i) Credit risk (continued)

Credit exposure (continued)

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

	Life and Shareholders' Funds RM'000	Investment-Linked Funds RM'000	Total RM'000
31 December 2021			
HTM financial assets:			
Malaysian government guaranteed bonds	10,011	-	10,011
Debt securities	174,447	-	174,447
Accrued interest	3,227	-	3,227
LAR:			
Loans	43,871	-	43,871
Fixed and call deposits	1,147	-	1,147
Accrued interest	15,779	-	15,779
AFS financial assets:			
Debt securities	378,918	-	378,918
Malaysian Government Securities	10,450	-	10,450
Malaysian government guaranteed bonds	659,480	-	659,480
Accrued interest	10,799	-	10,799
FVTPL financial assets:			
Debt securities	-	30,012	30,012
Accrued interest	-	319	319
Reinsurance assets	12,543	-	12,543
Insurance receivables	3,558	-	3,558
Other receivables	6,161	14,193	20,354
Cash and cash equivalents	196,668	2,346	199,014
	1,527,059	46,870	1,573,929

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial risk (continued)

(i) Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past due nor impaired				
	Investment grade (AAA to A)	Not rated	Investment-linked	Impaired	Total
31 December 2022	RM'000	RM'000	RM'000	RM'000	RM'000
HTM financial assets					
Malaysian government guaranteed bonds	-	10,009	-	-	10,009
Debt securities	159,101	-	-	-	159,101
Accrued interest	1,700	169	-	-	1,869
LAR					
Loans	-	44,880	-	-	44,880
Fixed and call deposits	800	-	-	-	800
Accrued interest	-	16,585	-	-	16,585
AFS financial assets					
Debt securities	357,927	-	-	7,117	365,044
Malaysian Government Securities	-	10,108	-	-	10,108
Malaysian government guaranteed bonds	20,387	643,634	-	-	664,021
Accrued interest	3,737	7,453	-	-	11,190
FVTPL financial assets					
Debt securities	-	-	29,715	-	29,715
Accrued interest	-	-	311	-	311
Reinsurance assets	50	9,135	-	-	9,185
Insurance receivables	10,294	-	-	-	10,294
Other receivables	16,663	128	19,177	-	35,968
Cash and cash equivalents	190,103	4,168	1,095	-	195,366
	760,762	746,269	50,298	7,117	1,564,446

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial risk (continued)

(i) Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties. (continued)

	Neither past due nor impaired				
	Investment grade (AAA to A)	Not rated	Investment-linked	Impaired	Total
31 December 2021	RM'000	RM'000	RM'000	RM'000	RM'000
HTM financial assets					
Malaysian government guaranteed bonds	-	10,011	-	-	10,011
Debt securities	174,447	-	-	-	174,447
Accrued interest	3,058	169	-	-	3,227
LAR					
Loans	-	43,871	-	-	43,871
Fixed and call deposits	1,147	-	-	-	1,147
Accrued interest	-	15,779	-	-	15,779
AFS financial assets					
Debt securities	372,380	-	-	6,538	378,918
Malaysian Government Securities	-	10,450	-	-	10,450
Malaysian government guaranteed bonds	10,559	648,921	-	-	659,480
Accrued interest	3,804	6,995	-	-	10,799
FVTPL financial assets					
Debt securities	-	-	30,012	-	30,012
Accrued interest	-	-	319	-	319
Reinsurance assets	111	12,432	-	-	12,543
Insurance receivables	3,558	-	-	-	3,558
Other receivables	5,800	361	14,193	-	20,354
Cash and cash equivalents	191,362	5,306	2,346	-	199,014
	766,226	754,295	46,870	6,538	1,573,929

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial risk (continued)

(ii) Liquidity risk

Liquidity risk is the risk of exposure to losses in the event that insufficient liquid asset will be available from among the assets supporting the policy obligations to meet the cash flow requirements of the obligations to policyholders when they fall due. For example, lower than expected investment income to meet claims necessitate unexpected realisation of assets. Unexpected demands for liquidity may also be triggered by market conditions that encourage widespread exercise of embedded options, adverse change in the surrender rate as well as uncertainty in the level of new business growth.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and to mitigate the effects of fluctuations in cash requirements. Liquidity management requires the Company to maintain a liquid position at all times to meet unexpected claims payments when they fall due and simultaneously hold an asset mix that meets the Company's target return.

The Company manages its liquidity risk by maintaining an adequate level of cash and cash equivalents. The liquidity risk is also minimised by close monitoring of surrenders and redemptions.

In addition, guidelines on asset allocation, portfolio limit structure and maturity profile of assets are also put in place to ensure sufficient funding is available to meet insurance and investment contracts' obligations. Compliance with the guidelines and policies, exposures and breaches are monitored and reported on regular basis to the Company's MIC.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial risk (continued)

(ii) Liquidity risk (continued)

Maturity analysis

Below is the summary table for the maturity profile of the financial assets and liabilities based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For insurance contracts liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unit-linked liabilities are repayable or transferable on demand and are included in the "Current" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2022	Carrying Value RM'000	Current RM'000	1 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial instruments:							
HTM	169,110	16,352	118,692	66,150	-	-	201,194
LAR	45,680	800	-	-	-	44,880	45,680
AFS	1,042,518	51,338	453,897	737,231	240,354	-	1,482,820
FVTPL	555,073	3,069	16,509	12,297	14,209	525,359	571,443
Accrued interest:							
HTM	1,869	1,869	-	-	-	-	1,869
LAR	16,585	16,585	-	-	-	-	16,585
AFS	11,190	11,190	-	-	-	-	11,190
FVTPL	311	311	-	-	-	-	311
Reinsurance assets	9,185	9,185	-	-	-	-	9,185
Insurance receivables	10,294	10,294	-	-	-	-	10,294
Other receivables	35,968	35,729	239	-	-	-	35,968
Cash and cash equivalents	195,366	195,366	-	-	-	-	195,366
Financial assets	2,093,149	352,088	589,337	815,678	254,563	570,239	2,581,905

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial risk (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

Below is the summary table for the maturity profile of the financial assets and liabilities based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For insurance contracts liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unit-linked liabilities are repayable or transferable on demand and are included in the "Current" column. Repayments which are subject to notice are treated as if notice were to be given immediately. (continued)

31 December 2022	Carrying Value RM'000	Current RM'000	1 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Insurance contract liabilities	1,822,300	559,757	518,322	557,296	698,741	-	2,334,116
Insurance payables	26,946	18,496	439	2,325	5,686	-	26,946
Lease liabilities	12,849	2,890	10,274	1,031	-	-	14,195
Other payables	24,983	24,983	-	-	-	-	24,983
Financial liabilities	1,887,078	606,126	529,035	560,652	704,427	-	2,400,240

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial risk (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

Below is the summary table for the maturity profile of the financial assets and liabilities based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For insurance contracts liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unit-linked liabilities are repayable or transferable on demand and are included in the "Current" column. Repayments which are subject to notice are treated as if notice were to be given immediately. (continued)

31 December 2021	Carrying Value RM'000	Current RM'000	1 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial instruments:							
HTM	184,458	20,828	103,805	99,258	-	-	223,891
LAR	45,018	1,147	-	-	-	43,871	45,018
AFS	1,052,193	56,591	349,029	819,490	258,397	-	1,483,507
FVTPL	647,952	829	12,042	18,480	22,883	617,940	672,174
Accrued interest:							
HTM	3,227	3,227	-	-	-	-	3,227
LAR	15,779	15,779	-	-	-	-	15,779
AFS	10,799	10,799	-	-	-	-	10,799
FVTPL	319	319	-	-	-	-	319
Reinsurance assets	12,543	12,543	-	-	-	-	12,543
Insurance receivables	3,558	3,558	-	-	-	-	3,558
Other receivables	20,354	20,110	244	-	-	-	20,354
Cash and cash equivalents	199,014	199,014	-	-	-	-	199,014
Financial assets	2,195,214	344,744	465,120	937,228	281,280	661,811	2,690,183

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial risk (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

Below is the summary table for the maturity profile of the financial assets and liabilities based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For insurance contracts liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unit-linked liabilities are repayable or transferable on demand and are included in the "Current" column. Repayments which are subject to notice are treated as if notice were to be given immediately. (continued)

31 December 2021	Carrying Value RM'000	Current RM'000	1 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Insurance contract liabilities	1,832,926	459,304	583,184	588,914	624,663	-	2,256,065
Insurance payables	32,533	20,954	761	5,052	5,766	-	32,533
Lease liabilities	19,485	3,923	14,003	4,928	-	-	22,854
Other payables	22,879	22,879	-	-	-	-	22,879
Financial liabilities	1,907,823	507,060	597,948	598,894	630,429	-	2,334,331

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial risk (continued)

(iii) Market risk

Market risk is the risk that the fair value of assets or future cash flows of assets supporting the insurance/investment contract liabilities, or the carrying value of the contract liabilities will fluctuate because of changes in market prices and rates. These include changes in equity prices, interest rates and exchange rates. Market risk also includes such factors as changes in economic environment, consumption pattern and investor's expectation that may have significant impact on the value of the investments.

The Company distinguishes market risk as follows:

(a) Interest rate risk;
(b) Equity price risk; and
(c) Currency risk.

The Company manages market risk by putting in place investment mandates and policies to ensure that appropriate investment strategy is adopted by the fund managers. In addition, asset allocation, portfolio and exposure limit structure as well as performance benchmark are also set to ensure that assets support the specific contract liabilities and that assets held are adequate and sufficient to deliver income and gains to policyholders in accordance with the terms of respective contracts and in line with the policyholders' expectations. Compliance with the investment mandates and policies is monitored and reported regularly to the Company's MIC and exposures and breaches are reported as soon as practicable.

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

(a) Interest rate risk

The Company is exposed to interest rate risk primarily through investments of insurance funds in fixed income securities, credit facilities as well as cash deposits.

The presence of interest rate risk is the result of asset-liability duration mismatch. To illustrate, since the duration of contract liabilities is longer than the duration of assets, the Company's financial position is vulnerable to decrease in interest rates. When interest rates fall, the value of liabilities will increase significantly more than the value of assets due to the asset-liability duration mismatch, thus reducing the insurance fund's surplus.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial risk (continued)

(iii) Market risk (continued)

(a) Interest rate risk (continued)

As one of the reasons for asset-liability duration mismatch is the scarcity of longer tenure assets in the local financial market, the Company has adopted investment strategy that focuses on identifying suitable investment opportunities which can lengthen the duration of assets and acquiring longer tenure assets whenever available so as to mitigate interest rate risk.

The Company also manages its interest rate risk by calculating the asset and liability durations and monitoring the duration gap on periodic basis.

The Company has no significant concentration of interest rate risk.

The sensitivity analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impacts for the financial year ended:

Change in variables	Impact on profit after tax	Impact on equity	Impact on insurance contract liabilities
	RM'000	RM'000	RM'000
31 December 2022			
+50 basis points	(10,749)	(58,138)	(45,011)
-50 basis points	12,255	75,995	65,622
31 December 2021			
+50 basis points	(10,664)	(57,740)	(45,862)
-50 basis points	13,144	75,943	66,165

In the above analysis, the impact arising from changes in interest rate risk to fixed income securities and liabilities of the life participating and investment-linked funds are retained in the life insurance contract liabilities. The impact to the Company's profit after tax and equity arise from the investment in fixed income securities of the funds other than life participating and investment-linked funds.

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

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial risk (continued)

(iii) Market risk (continued)

(b) Equity price risk

The Company is exposed to equity price risk through direct investments in equity of listed and unlisted companies by both life insurance funds and shareholders' fund as the Company bears some of the volatility in returns and investment performance risk.

Equity price risk also exists in investment-linked products as the revenue of the insurance operations are linked to the value of the underlying equity funds and this has an impact on the level of fees earned.

The Company monitors its equity exposure against a benchmark set and agreed by the MIC. The portfolio benchmarks include indices such as the Kuala Lumpur Composite Index and the FTSE Bursa Malaysia Index.

The Company's investment policy also requires it to manage market risk by monitoring the asset class limit and single security exposure of the portfolio against the internal investment limits as well as regulatory limits stipulated by BNM. The Company has complied with both the internal and BNM stipulated investment limits during the financial year and has no significant concentration of equity price risk.

The sensitivity analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impacts for the financial year ended:

	Change in variables	Impact on profit after tax	Impact on equity	Impact on insurance contract liabilities
		RM'000	RM'000	RM'000
31 December 2022				
Bursa Malaysia	30%	36,640	36,640	102,075
Bursa Malaysia	-30%	(36,640)	(36,640)	(102,075)
31 December 2021				
Bursa Malaysia	30%	38,593	38,593	125,370
Bursa Malaysia	-30%	(38,593)	(38,593)	(125,370)

The potential impact arising from other market indices are deemed insignificant as the Company's holdings in equity securities listed in other bourses are not material.

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

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial risk (continued)

(iii) Market risk (continued)

(c) Currency risk

Currency risk is the risk that relative changes in currency values will ultimately decrease the value of foreign assets or increase the value of financial obligations denominated in foreign currencies.

As the Company operates mainly in Malaysia, its financial assets are primarily maintained in Malaysia as required under the FSA, and are primarily denominated in the same currency (the local RM) as its insurance and investment contract liabilities. Therefore, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which the insurance and investment contract liabilities are expected to be settled.

The Company does not engage in derivative transactions for speculative or hedging purposes.

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

In the investment-linked business, the policyholders bear the currency risk on the foreign assets held in some of the investment-linked funds as the policy benefits are directly linked to the net asset value of the funds. The Company's exposure to currency risk on this business is therefore limited to the extent that income arising from asset management charges is based on the net asset value of the funds.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(g) Operational risk

Operational risk may be defined as the risk of loss arising from system failure, inadequate or failed internal processes, human factors, from internal and/or external events. When the controls measures in place are inadequate or poorly implemented, it may expose the Company to operational risks. These operational risks, if materialised, may lead to both financial and/or non-financial losses.

In mitigating this, the Company ensures the internal operational controls are implemented when discharging.

Business and operational activities continue to be relevant and effective. The manner in which operational risk is managed can be best demonstrated through implementation of proper governance structure, supported by over-arching framework of policies, procedures and standards. Some of the controls being implemented include clear reporting lines, proper segregation of duties and responsibilities, adequate check and balance, properly defined role-based access controls, authorisation and reconciliation procedures, staff training and evaluation procedures to name a few.

In order to gauge the effectiveness of the controls being put in place, all Business and/or Operational Head perform thorough risk identification and assessment of risk. In order to mitigate of identified risks (moderate and above), the Business and/or Operational Heads will assess and implement mitigation action plans to manage the risk to within acceptable limits.

The Risk Management and Compliance functions continue to play proactive role in ensuring that proper programs are in place to instill the right control culture within the Company and at the same time, works with the Business and/or Operational Heads to assess the appropriateness of controls and remedial action plans being implemented in mitigating the risks, consistent with its control and oversight responsibilities.

The internal audit function will perform its independent assurance work to ensure that the risk management and oversight approach undertaken, systems of internal controls, governance process of the Company are adequate, relevant and effective in managing the risks.

(h) Strategic risk

Strategic risk is the risk of loss arising from adverse business decisions, improper implementation of those decisions, and lack of responsiveness to industry or competitive environmental changes. This risk is monitored through the Company's strategic planning and budgeting process.

GIBRALTAR BSN LIFE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

33 INSURANCE FUNDS

The Company's activities are organised by funds and segregated into the life and shareholders' fund in accordance with FSA.

Statement of Financial Position by Funds
For the financial year ended

	Shareholders' Fund		Life Funds		Investment-Linked Funds		Elimination		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Properties and equipment	2	-	1,161	3,335	-	-		-	1,163	3,335
Investment property	-	-	5,400	5,400	-	-		-	5,400	5,400
Intangible assets	-	-	7,254	7,833	-	-		-	7,254	7,833
Right-of-use asset	-	-	17,323	23,617	-	-		-	17,323	23,617
Investments	188,166	170,712	1,427,028	1,509,531	233,715	286,079	(6,573)	(6,577)	1,842,336	1,959,745
Reinsurance assets	-	-	9,185	12,543	-	-		-	9,185	12,543
Insurance receivables	-	-	10,294	3,558	-	-		-	10,294	3,558
Other receivables	(4,697)	68,761	19,487	6,162	19,177	14,281	2,001	(68,850)	35,968	20,354
Cash and cash equivalents	48,706	73,877	145,565	122,791	1,095	2,346		-	195,366	199,014
Total Assets	**232,177**	**313,350**	**1,642,697**	**1,694,770**	**253,987**	**302,706**	**(4,572)**	**(75,427)**	**2,124,289**	**2,235,399**
Share capital	185,000	185,000	-	-	-	-	-	-	185,000	185,000
Retained earnings	43,550	100,526	-	-	-	-	-	-	43,550	100,526
AFS fair value reserves	4,538	14,504	-	-	-	-	-	-	4,538	14,504
Asset revaluation reserves	45	44	-	-	-	-	-	-	45	44
Total Equity	**233,133**	**300,074**	**-**	**-**	**-**	**-**	**-**	**-**	**233,133**	**300,074**
Insurance contract liabilities	-	-	1,581,289	1,544,261	247,584	295,242	(6,573)	(6,577)	1,822,300	1,832,926
Deferred tax liabilities	(1,423)	12,726	2,018	5,450	2,733	7,331	-	-	3,328	25,507
Insurance payables	-	-	26,946	32,533	-	-	-	-	26,946	32,533
Tax payable	72	89	678	1,906	-	-	-	-	750	1,995
Other payables	395	461	18,917	91,135	3,670	133	2,001	(68,850)	24,983	22,879
Lease liabilities	-	-	12,849	19,485	-	-	-	-	12,849	19,485
Total Liabilities	**(956)**	**13,276**	**1,642,697**	**1,694,770**	**253,987**	**302,706**	**(4,572)**	**(75,427)**	**1,891,156**	**1,935,325**
Total Policyholders' Funds and Liabilities	**232,177**	**313,350**	**1,642,697**	**1,694,770**	**253,987**	**302,706**	**(4,572)**	**(75,427)**	**2,124,289**	**2,235,399**

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

33 INSURANCE FUNDS (CONTINUED)

Statement of Income by Funds
For the financial year ended

	Shareholders' Fund		Life Funds		Investment-Linked Funds		Elimination		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating revenue	5,523	4,527	229,520	233,028	41,889	40,825	-	-	276,932	278,380
Gross premiums	-	-	156,029	162,779	36,058	35,967	-	-	192,087	198,746
Premiums ceded to reinsurers	-	-	(10,791)	(11,004)	-	-	-	-	(10,791)	(11,004)
Net premiums	-	-	145,238	151,775	36,058	35,967	-	-	181,296	187,742
Investment income	5,523	4,527	73,491	70,249	5,831	4,858	-	-	84,845	79,634
Realised (loss)/gains	(145)	4	(573)	13,917	13,890	21,821	-	-	13,172	35,742
Fair value (loss)/gains	(150)	(1,302)	(23,175)	(4,767)	(57,584)	5,874	5	67	(80,904)	(128)
Other operating income	(8,351)	(7,491)	31,194	11,555	-	-	-	-	22,843	4,064
Other income	(3,123)	(4,262)	80,937	90,954	(37,863)	32,553	5	67	39,956	119,312
Gross benefits and claims	-	-	(142,935)	(144,917)	(45,493)	(42,681)	-	-	(188,428)	(187,598)
Claims ceded to reinsurers	-	-	7,996	5,639	-	-	-	-	7,996	5,639
Gross change in contract liabilities	-	-	(56,982)	57,319	47,658	(19,536)	(5)	(67)	(9,329)	37,716
Change in contract liabilities to reinsurers	-	-	243	(262)	-	-	-	-	243	(262)
Net insurance benefits and claims	-	-	(191,678)	(82,221)	2,165	(62,217)	(5)	(67)	(189,518)	(144,505)

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

33 INSURANCE FUNDS (CONTINUED)

Statement of Income by Funds
For the financial year ended (continued)

	Shareholders' Fund		Life Funds		Investment-Linked Funds		Elimination		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fee and commission expenses	(1,250)	(1,926)	(12,028)	(10,777)	-	-	-	-	(13,278)	(12,703)
Management expenses	(2,405)	(2,568)	(79,851)	(89,369)	(3,742)	(4,029)	-	-	(85,998)	(95,966)
Other expenses	(3,655)	(4,494)	(91,879)	(100,146)	(3,742)	(4,029)	-	-	(99,276)	(108,669)
(Loss)/profit before taxation	(6,778)	(8,756)	(57,382)	60,362	(3,382)	2,274	-	-	(67,542)	53,880
Transfer from revenue accounts	(61,546)	55,621	61,546	(55,621)	-	-	-	-	-	-
(Loss)/profit before taxation	(68,324)	46,865	4,164	4,741	(3,382)	2,274	-	-	(67,542)	53,880
Tax income/(expense)	11,348	(13,666)	(4,164)	(4,741)	3,382	(2,274)	-	-	10,566	(20,681)
(Loss)/profit for the financial year	(56,976)	33,199	-	-	-	-	-	-	(56,976)	33,199

34 ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES

The Company has applied the temporary exemption from the adoption of MFRS 9 "Financial Instruments" from 1 January 2018 to no later than 1 January 2023.

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets.

The following table presents the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

Financial assets	Fair value as at 31.12.2022	Change in fair value	Cash flows characteristics
	RM'000	RM'000	
Malaysian government securities	10,320	(368)	SPPI
Malaysian government guaranteed bonds	681,527	(20,602)	SPPI
Unquoted debt securities	532,153	(14,295)	SPPI
Quoted equity securities	344,736	(113,885)	Non SPPI
Quoted unit trust and property trust funds	180,623	11,311	Non SPPI
Unquoted equity securities	3,345	-	Non SPPI
Fixed and call deposits	800	-	SPPI
Loans and receivables ("LAR")	61,465	-	SPPI
Cash and cash equivalents	195,366	-	SPPI
	2,010,335	(137,839)	

Insurance receivables and reinsurance assets have been excluded from the above assessment as they are under the scope of MFRS 4 – Insurance Contracts.

Other than the financial assets included in the table above and assets that are within the scope of MFRS 4, all other assets in the statement of financial position are non-financial asset.

All financial assets with SPPI cash flows of the Company as at 31 December 2022 have low credit risk and are disclosed in Note 32 to the financial statements.

35 SUBSEQUENT EVENTS

Net liability position in the life non-participating fund

The Company is subjected to Section 82(1)(b) of Financial Services Act 2013 ("FSA") which states that "A licensed insurer shall maintain at all times assets in an insurance fund of a value equivalent to or higher than the liabilities of that insurance fund" and based on Bank Negara Malaysia Policy Document on Management of Insurance Funds (BNM/RH/PD 032-15) Section 13.14:

"Where a life insurance fund is determined to be in deficit by an actuarial valuation as at the end of the financial year the licensed insurer must:

(a) apply any amount, determined as transferable to the shareholder's fund in accordance with the requirements in this section from another life insurance fund, to make good the deficit; and
(b) Immediately make good any deficit subsisting by a transfer from the shareholders' fund into the life insurance fund in compliance with the requirement in section 82(1)(b) of the FSA."

Following the actuarial valuation, the life non-participating fund was in a net liability position as at 31 December 2022.

The Company made good the deficit with fund transfers from the investment-linked operating fund and the shareholders' fund to the non-participating fund on 26 January 2023.

Transfer of shareholding

Following the Minister of Finance approval via Bank Negara Malaysia early 2023, on 9 February 2023, The Prudential Insurance Company of America ("PICA") entered into a sale and purchase agreement to sell its full 70% shareholding in Gibraltar BSN Holdings Sdn. Bhd. ("GH") to the FWD Group. GH owns Gibraltar BSN Life Berhad wholly. Post completion, FWD Group will consolidate Gibraltar BSN Life Berhad. The transfer of PICA's shareholding to FWD Group is expected to be completed in the second quarter of 2023.