

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2022

0002A3/ii

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

CONTENTS	PAGE
DIRECTORS' REPORT	1 - 16
STATEMENT BY DIRECTORS	17
STATUTORY DECLARATION	17
INDEPENDENT AUDITORS' REPORT	18 - 21
STATEMENTS OF FINANCIAL POSITION	22
STATEMENTS OF COMPREHENSIVE INCOME	23
STATEMENTS OF CHANGES IN EQUITY	24
STATEMENTS OF CASH FLOWS	25 - 26
NOTES TO THE FINANCIAL STATEMENTS	27 - 131

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to present this report with the audited financial statements of the Group and the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Group and the Company are engaged principally in underwriting life insurance and investment-linked business. There were no significant changes in the Group's and the Company's principal activities during the financial year.

FINANCIAL RESULTS

	<u>Group/Company</u> RM'000
Net profit for the financial year	59,752

DIVIDENDS

The amount of dividends the Company paid or declared since the end of the previous financial year are as follows:

For the financial year ended 31 December 2021:

	RM'000
Dividend paid on 29 June 2022:	
- Single-Tier Final Dividend in respect of the Perpetual Non-cumulative Preference Shares of 8.00 sen per RM1.00 share	8,000
- Single-Tier Final Dividend in respect of the Ordinary Shares of 25.62 sen per RM1.00 share	62,000
	<u>70,000</u>

The Directors have not recommended any dividend to be paid for the financial year under review.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

RESERVES AND PROVISIONS

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

PROVISION FOR INSURANCE LIABILITIES

Before the Group and the Company made their financial statements, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods as specified in Part D of the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia.

SHARE CAPITAL

The Group and the Company did not issue any shares during the financial year.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

Before the Group and the Company made their financial statements, the Directors took reasonable steps to ensure that any current assets unlikely to be realised in the ordinary course of business would have their values as shown in the accounting records of the Group and the Company to be written down to an amount which they might be expected so to realise.

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

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

VALUATION METHODS

As of the date of this report, the Directors are not aware of any circumstances that arose which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the Group's and the Company's assets that arose since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and the Company that arose since the end of the financial year.

No contingent or other liability of the Group and the Company has become enforceable, or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the Group's and the Company's ability 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 the Group's and the Company's business.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the Group's and the Company's operations 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.

In the interval between the end of the financial year and the date of this report, no item, transaction, or event arose of a material and unusual nature which is likely, in the opinion of the Directors, to affect substantially the results of the Group's and the Company's operations for the financial year in which this report is made.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The Directors who held office since the date of the last report and as of the date of this report and the Directors' attendance during the financial year are as follows:

	<u>Attendance</u>
Dato' Noorazman Bin Abd Aziz – Chairman (Independent Non-Executive Director) (Appointed on 13 May 2022)	4/4
Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz (Non-Independent Non-Executive Director)	4/5
Encik Ooi Say Teng (Non-Independent Non-Executive Director)	5/5
Encik Nigel Robin Hazell (Independent Non-Executive Director) (Appointed on 13 May 2022)	4/4
Puan Yap Seong Yong (Independent Non-Executive Director) (Appointed on 1 September 2022)	2/2
Encik Wong Ah Kow (Independent Non-Executive Director) (Appointed on 22 September 2022)	2/2
Puan Ingrid Gail Johnson (Executive Director) (Appointed on 22 September 2022)	2/2
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman (Independent Non-Executive Director) (Retired on 12 May 2022)	1/1
Dato' Mohd Shukri Bin Hussin (Independent Non-Executive Director) (Retired on 21 May 2022)	1/1
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director) (Retired on 22 May 2022)	1/1
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director) (Retired on 27 July 2022)	2/2

In accordance with Article 96 of the Company's Articles of Association, Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

Pursuant to Article 101 of the Company's Articles of Association, Puan Yap Seong Yong, Encik Wong Ah Kow and Puan Ingrid Gail Johnson shall retire at the forthcoming Annual General and, being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE

The Group and the Company have complied with all the prescriptive requirements and adopt management practices consistent with the principles prescribed under the Financial Services Act, 2013 (FSA) and Bank Negara Malaysia (BNM) Guidelines, in particular, BNM/RH/GL 018-5 on Fit and Proper Criteria and BNM/RH/PD 029-9 on Corporate Governance and BNM/RH/GL/003-2 on the Prudential Framework of Corporate Governance for Insurers.

Board of Directors (the Board)

The Board of Directors is responsible for supervising the management of the Group's business and the Company's business and affairs of the Company.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors (the Board) (continued)

In discharging its stewardship responsibilities, the Board assumes the following duties and responsibilities either directly or through its Committees and notwithstanding that, it still remains fully accountable for any authority delegated to the Committees:

Board

- (i) Plans Board and Committee's size and composition, establishes Board Committees and appoints its members, and determines Directors' compensation;
- (ii) Maintains formal orientation programmes for new Directors and ongoing education programmes for Directors;
- (iii) Establishes corporate governance practices and policies; and
- (iv) Assesses annually its effectiveness and the effectiveness of its Committees, the Chairman, the Committee Chairs, including the fitness and proper criteria of individual Directors.

Senior Management

- (i) Selects, evaluates and, if necessary, replaces the Chief Executive Officer and other members of senior management, including the Appointed Actuary;
- (ii) Delegates powers to management to manage the Group and the Company;
- (iii) Oversees succession planning for senior management positions;
- (iv) Approves compensation of senior management;
- (v) Advises the Chief Executive Officer; and
- (vi) Reviews and approves the organisational structure.

Ethics and Integrity

- (i) Sets the ethical tone for the Group and the Company;
- (ii) Satisfies itself that senior management maintain a culture of integrity throughout the Group and the Company;
- (iii) Approves amendments and reviews employee compliance with Code of Business Conduct.
- (vii) Complied and reviews employee compliance with the Group's and Company's Code of Business Conduct and promptly discloses any waivers of the Group's and Company's Code of Business Conduct for Directors or senior management.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors (the Board) (continued)

Strategy

- (i) Approves the Group's and the Company's vision and mission statements;
- (ii) Reviews the effectiveness of the strategic planning process;
- (iii) Approves the Group's and the Company's business objectives, strategies, capital, and financial plans annually; and
- (iv) Monitors the Group's and the Company's performance against these statements, objectives, and plans on an ongoing basis.

Risk Management, Capital Management and Internal Control

- (i) At least annually, approves policies and procedures for the management and control of risk and capital, and reviews compliance with these policies and procedures;
- (ii) Reviews the internal control and management information systems that provide reasonable assurance for the reliability of the Group's and the Company's financial information and safeguarding of its assets; and
- (iii) Reviews compliance with legislative and regulatory requirements.

Material Transactions

- (i) Reviews and approves material investments and transactions.

Financial Reporting

- (i) Reviews and approves annual and interim financial statements.

Communication and Disclosure

- (i) Oversees the timely reporting of financial results to Shareholders and other stakeholders;
- (ii) Reviews and, when appropriate, approves policies on public disclosure, confidentiality of information, and securities trading; and
- (iii) Enables Shareholders to provide feedback to the independent Directors.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors (the Board) (continued)

Others

- (i) Engages any special advisors it deems necessary to provide independent advice at the expense of the Group and the Company
- (ii) Performs such other functions as prescribed by law or as assigned to the Board in the Group's and the Company's governing documents; and
- (iii) Reviews and approves the changes to the Board Charter and Forward Agenda annually, as necessary.

Directors' Training

The Nomination and Remuneration Committee (NRC) ensures that Directors undergo appropriate induction programmes and receive continuous training. The induction programmes include briefing on the Group's and the Company's operations and businesses and the applicable BNM guidelines and other legislation. The Financial Institutions Directors' Education (FIDE) Forum organises various topics for the participation of the Directors.

During the year, the Directors were briefed and updated on the BNM guidelines and the Directors also participated in external training programmes on various topics to keep abreast with the latest developments.

Audit Committee (AC)

The AC, comprising the Independent Non-Executive Directors, Non-Independent Non-Executive Director and their attendance during the financial year are as follows:

	<u>Attendance</u>
Encik Wong Ah Kow – Chairman (Appointed on 1 October 2022)	1/1
Encik Nigel Robin Hazell (Appointed as Chairman on 19 May 2022 and re-designated to Member on 1 October 2022)	3/3
Dato' Noorazman Bin Abd Aziz (Appointed on 19 May 2022)	3/3
Encik Pushpanathan A/L S.A. Kanagarayar – Chairman (Retired on 26 July 2022)	2/2
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (Retired on 12 May 2022)	1/1
Encik Jose Isidro Navato Camacho (Retired on 19 May 2022)	1/1
Encik Ooi Say Teng (Appointed on 27 July 2022 and resigned on 1 October 2022)	1/1

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

The AC's duties and responsibilities are as follows:

Financial Reporting

- (i) Reviews with the External Auditor and management and makes recommendations to the Board on the approval of:
 - (a) The interim unaudited financial statements, including the notes thereto; and
 - (b) The annual audited financial statements, including the notes thereto.
- (ii) In conducting its review of the annual financial statements:
 - (a) Discusses with the External Auditor any significant changes that were required in the external audit plan, any significant issues raised with management during the course of the audit or review, including any restrictions on the scope of activities or access to information; and those matters that are required to be discussed under the International Standards on Auditing (ISA);
 - (b) Receives a report from management of their review of financial statements;
 - (c) Assures itself that the External Auditor is satisfied that the accounting estimates and judgements made by management, and management's selection of accounting principles, reflect an appropriate application of generally accepted accounting principles;
 - (d) Seeks assurances from the External Auditor that the financial statements, including the notes thereto, fairly present the financial position, results of operations and cash flows of the Group's and the Company;
 - (e) Discusses with the Appointed Actuary the parts of the annual audited consolidated financial statements prepared by the officer;
 - (f) Reviews with management and the External Auditor the Group's and Company's principal accounting practices and policies; and
 - (g) Considers emerging industry, regulatory and accounting standards and the possible impact on the Group's and the Company's principal accounting practices and policies.

External Auditor

- (i) Responsible for the appointment of the External Auditor having particular regard to the External Auditor's objectivity, performance and independence;
- (ii) Reviews the independence of the External Auditor, including the requirements relating to such independence in the laws governing the Group and the Company and the applicable financial legislative and regulatory requirements;

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

External Auditor (continued)

- (iii) Assesses the performance of the External Auditor and recommends to the Board the reappointment or, if so determined by the AC, the replacement of the External Auditor, subject to the approval of the Shareholders;
- (iv) Determines, reviews, and approves the services the External Auditor performs and the fees to be paid to the External Auditor for audit, audit-related, and other services permitted by law;
- (v) Reviews with the External Auditor and management the overall scope of the annual audit plan, quality control procedures, and the resources the External Auditor devotes to the audit;
- (vi) Reviews with the External Auditor any regulatory investigations that pertain to the External Auditor; and
- (vii) Investigates reasons for any request made by management to dismiss the External Auditor, or any resignation by the External Auditor. The results of the investigation will be disclosed to the Board with recommendations on the proposed actions to be taken.

Internal Audit

- (i) The Chairman of the AC is consulted in advance in connection with the appointment, reassignment, replacement and dismissal of the Head of Internal Audit. The Chairman of the AC is consulted annually on the performance assessment and compensation awarded to the Head of Internal Audit;
- (ii) The AC is to ensure on an on-going basis that the internal audit department has adequate and competent resources, given the size and complexity of the insurer's operations. The AC shall approve the appointment, remuneration, performance evaluation, removal and redeployment of the Head of Internal Audit and senior officers of the internal audit functions and be informed of any resignation of the internal audit staff and reasons thereof and provide resigning staff with an opportunity to submit reasons for their resignation;
- (iii) Reviews with the Head of Internal Audit and management:
 - (a) The overall scope of the annual internal audit plan, including the extent of coordination and reliance placed by the External Auditor on their audit plan, and the adequacy of the resources available to the Head of Internal Audit; and
 - (b) The effectiveness of internal control procedures.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

Audit and Control Functions

- (i) Requires management to implement and maintain appropriate internal control procedures, and reviews, evaluates and approves the procedures;
- (ii) Reviews management's reports on the effectiveness of the Group's and Company's disclosure controls and procedures and its internal control over financial reporting;
- (iii) Ensures that management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by internal audit, external audit and other control functions;
- (iv) Notes any significant disagreements between the Head of Internal Audit, the external auditors, the other control functions and the rest of the management team, irrespective of whether these have been resolved, to identify any impact the disagreements may have on the audit process or findings; and
- (v) Reviews third-party opinions on the design and effectiveness of the Group's and Company's internal control framework.

Governance

- (i) Reviews and approves changes to the statements of mandate, responsibility and authority of the Internal Audit function;
- (ii) Ensures that the Head of Internal Audit has adequate authority and independence to perform the Internal Audit mandate;
- (iii) Ensures that an independent review of the Internal Audit function is conducted as needed;
- (iv) Discusses with the External Auditor, if necessary, the impact of the financial and control-related aspects of material transactions the Group and the Company propose;
- (v) Reviews and discusses with the External Auditor and Appointed Actuary such reports and regulatory returns of the Group and the Company as may be specified by law;
- (vi) Reviews matters within its mandate that are addressed in the regular examination and similar reports received from regulatory authorities, including management's responses and recommendations thereon;
- (vii) Discusses the qualifications for and determines whether a member of the AC is a financial expert and, in conjunction with the Nomination and Remuneration Committee, ensures the ongoing financial literacy of AC members; and
- (viii) Reviews, updates, and monitors any related party transactions and conflict of interest situations that may arise within the Group and the Company, including any transactions, procedures, or conduct that raise questions of management integrity.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

Others

- (i) Performs such other duties and exercises, such other powers as the Board may, from time to time, assign or vest in the AC, and such other functions as may be required of an AC by law and regulations; and
- (ii) The AC, in consultation with the Chairman of the Board, may engage any special advisors it deems necessary to provide independence advice, at the expense of the Company.

Nomination and Remuneration Committee (NRC)

The NRC, comprising Independent Non-Executive Directors, Non-Independent Non-Executive Director and their attendance during the financial year are as follows:

	<u>Attendance</u>
Encik Nigel Robin Hazell – Chairman (Appointed on 19 May 2022)	3/3
Dato' Noorazman Bin Abd Aziz (Appointed on 19 May 2022)	3/3
Encik Ooi Say Teng (Appointed on 19 May 2022)	3/3
Puan Yap Seong Yong (Appointed on 1 October 2022)	2/2
Dato' Mohd Shukri Bin Hussin – Chairman (Retired on 19 May 2022)	1/1
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (Retired on 12 May 2022)	1/1
Encik Jose Isidro Navato Camacho (Retired on 19 May 2022)	1/1

The NRC's duties and responsibilities with regards to the nomination role are as follows:

- (i) Establishes minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively and oversees the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between Executive Directors, Non-Executive, and Independent Directors, and other core competencies required through annual reviews;

The NRC also reviews the mix of skills of the members of the Board Committees through annual reviews;
- (ii) Recommends and assesses the fitness and propriety of nominees for directorship, the Directors to fill the Board Committees, as well as nominees for the position of the Chief Executive Officer and the Company Secretary. This includes assessing the Directors and the Chief Executive Officer, including the proposal for re-appointment before an application for approval is submitted to BNM;
- (iii) Establishes a mechanism for formal assessment and assesses the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees, and the performance of the Chief Executive Officer annually;
- (iv) Recommends to the Board the removal of a Director and Chief Executive Officer for ineffectiveness, or being errant or negligent in discharging responsibilities;

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Nomination and Remuneration Committee (NRC) (continued)

- (v) Ensures that all Directors undergo appropriate induction programmes and receive continuous training;
- (vi) Oversees the appointments, succession planning of management, and performance evaluation of Key Senior Officers, and recommends to the Board the removal of Key Senior Officers for ineffectiveness, or being errant or negligent in discharging their responsibilities;
- (vii) Seeks the services of advisors or consultants as it deems necessary to fulfill its responsibilities; and
- (viii) Reviews the list of key responsible persons, as defined in BNM guidelines, annually and make changes as appropriate.

The NRC's duties and responsibilities with regards to the remuneration role are as follows:

- (i) Recommends a framework of remuneration for Directors, Chief Executive Officer, and Key Senior Officers; and
- (ii) Recommends specific remuneration packages for Directors, Chief Executive Officer, and Key Senior Officers.

Risk Management Committee (RMC)

The RMC, comprising the Company's Independent Non-Executive Directors, Non-Independent Non-Executive Director and the RMC members' attendance during the financial year are as follows:

	<u>Attendance</u>
Encik Nigel Robin Hazell – Chairman (Appointed on 19 May 2022)	3/3
Dato' Noorazman Bin Abd Aziz (Appointed on 19 May 2022)	3/3
Puan Yap Seong Yong (Appointed on 1 October 2022)	1/1
Encik Wong Ah Kow (Appointed on 1 October 2022)	1/1
Encik Ooi Say Teng (Appointed on 27 July 2022 and Resigned on 1 October 2022)	1/1
Encik Jose Isidro Navato Camacho – Chairman (Retired on 19 May 2022)	1/1
Dato' Mohd Shukri Bin Hussin (Retired on 19 May 2022)	1/1
Encik Pushpanathan A/L S.A. Kanagarayar (Retired on 26 July 2022)	2/2

The RMC's duties and responsibilities are as follows:

Risk Management

- (i) Reviews and recommends risk management strategies, policies, risk tolerance, and risk appetite for the Board's approval;
- (ii) Reviews at least annually and assesses the adequacy of Compliance with Risk Management policies and framework for identifying, measuring, monitoring, and controlling risks, as well as extent of these to which these are operating effectively;

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee (RMC) (continued)

Risk Management (continued)

- (iii) Ensures adequate infrastructure, resources, and systems are in place for effective risk management (e.g. ensures that the employee responsible for implementing risk management systems performs those duties independently taking into account the Group's and the Company's risk taking activities);
- (iv) Ensures that the Chief Risk Officer have adequate authority, independence and resource to perform mandate;
- (v) Reviews Management's periodic reports on risk exposure, risk portfolio composition, and risk management activities;
- (vi) Reviews and assesses matters in the Shareholders Agreement as recommended by the Executive Committee, for the Board's approval;
- (vii) Reviews the performance of the Enterprise Risk Management Committee (ERMC), the Asset and Liability Committee (ALCO), and the Investment Committee (IC) within the context of the Group's and the Company's strategy, risk appetite, and charters of the respective Committees;
- (viii) Reviews and assesses the results of the stress and scenario testings, before endorsing for the Board's approval. In addition, ensuring management's timely identification and continuous monitoring of suitable corrective action plans in addressing the identified risks;
- (ix) Reviews key risk-related issues incorporated into the business plans annually;
- (x) Reviews management's actions related to product design through the process in the Risk Management policies; and
- (xi) Assists in the implementation of a sound remuneration structure and without prejudice to the tasks of the NRC and examines whether incentives provided by the remuneration structure take into consideration risks, capital, liquidity, and the likelihood and timing of earnings.

Compliance

- (i) Reviews at a minimum annually and approves changes to policies or programmes that provide for the monitoring of compliance with legal and regulatory requirements, including legislative compliance within management systems;
- (ii) Reviews at a minimum annually the adequacy of, and in compliance with the Group's and the Company's Code of Conduct and its enterprise-wide policies for the management and mitigation of compliance risks, including risks associated with money laundering, terrorist financing, market conduct, bribery, corruption, and fraud;
- (iii) Reviews quarterly compliance reports presented to RMC with respect to, among others, compliance trends and themes enterprise-wide, regulatory reviews, and the Group's and compliance risks and programmes;

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee (RMC) (continued)

Compliance (continued)

- (iv) Ensures adequate infrastructure, resources and systems are in place for an effective compliance risk management (e.g. ensures that the employee responsible for implementing compliance risk management systems perform duties independently taking into account the Group's and the Company's compliance risk taking activities); and
- (v) Ensures that the Chief Compliance Officer has adequate authority, independence, and resources to perform the mandates.

Governance

- (i) Reviews, at a minimum annually, and approves changes to the statements of mandate, responsibility, and authority of the Chief Risk Officer; and
- (ii) Reviews and recommend to the Board for approval, the appointment, initial remuneration and termination of the Chief Risk Officer and the Chief Compliance Officer.

The Committee is authorised by the Board:

- (i) To approve the Charter of the ERM, the ALCO and the IC, including delegated responsibility to manage the risk profile of the Group and the Company;
- (ii) To request and receive any management information required to support its risk management oversight activities, as well as to invite any person to be in attendance or seek the advice of professionals in specific areas of expertise it considers necessary in carrying out its duties; and
- (iii) To provide overall oversight on IT related matters including ex-ante risk assessments on IT applications and to designate Senior Management (C-Suite level) to be responsible for the overall IT risk controls and security.

Executive Committee (EXCO)

The EXCO comprises an equal number of Directors nominated by each of the Shareholders, with a maximum of two nominees from each Shareholder. The composition of the EXCO is as follows:

Encik Ooi Say Teng
Encik Ingrid Gail Johnson (Appointed on 22 September 2022)

The EXCO's duties and responsibilities are as follows:

- (i) Reviews and recommends for approval of certain matters in the Shareholders Agreement before being tabled to the RMC and, subsequently, to the Board for deliberation and approval; and
- (ii) Performs such other duties and exercises and such other powers as the Board may, from time to time, assign or vest in the EXCO.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS' BENEFITS

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

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

The Directors and officers of the Group and of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The current year's insurance premium amounts to RM61,750.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Company has kept the Register of Directors' Shareholdings under Section 59 of the Companies Act 2016. None of the Directors in office at the end of the financial year hold shares or have beneficial interests in the shares of the Company or hold shares, options over shares, and debentures or have beneficial interests in the shares, options over shares, and debentures of its related companies during and at the end of the financial year.

DIRECTORS' REMUNERATION

Directors' remuneration of the Group and the Company for the financial year is RM828,000. Details of Directors' remuneration are set out in Note 24 to the financial statements.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

HOLDING COMPANIES

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company, and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is no longer a financial holding company effective from 2 October 2019. All three companies are incorporated in Malaysia.

AUDITORS' REMUNERATION

Auditors' remuneration of the Group and the Company is RM1,014,000. Details of the auditors' remuneration are stated in Note 24 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with the resolution of the Directors dated 15 March 2023.

DATO' NOORAZMAN BIN ABD AZIZ
DIRECTOR

WONG AH KOW
DIRECTOR

Kuala Lumpur

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

We, Dato' Noorazman Bin Abd Aziz and Wong Ah Kow, being two of the Directors of Sun Life Malaysia Assurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements on pages 22 to 131 are drawn up to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and the financial performance of the Group and of the Company for the financial year ended 31 December 2022, in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 15 March 2023.

DATO' NOORAZMAN BIN ABD AZIZ
DIRECTOR

WONG AH KOW
DIRECTOR

Kuala Lumpur

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

I, Chew Chin Lim, being the Officer primarily responsible for the financial management of Sun Life Malaysia Assurance Berhad, do solemnly and sincerely declare that the financial statements on pages 22 to 131 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the declarations to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW CHIN LIM
MIA No. CA10652

Subscribed and solemnly declared by the above named Chew Chin Lim at Kuala Lumpur in the state of Wilayah Persekutuan in Malaysia on 15 March 2023.

Before me,

COMMISSIONER FOR OATHS

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD**
(Incorporated in Malaysia)
Registration No. 199001005930 (197499-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 22 to 131.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)
Registration No. 199001005930 (197499-U)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)
Registration No. 199001005930 (197499-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)
Registration No. 199001005930 (197499-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

WONG HUI CHERN
03252/05/2024 J
Chartered Accountant

Kuala Lumpur
15 March 2023

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Property and equipment	3	57,529	54,577	57,529	54,577
Intangible assets	4	14,855	16,632	14,855	16,632
Right-of-use assets	5	6,378	9,641	6,378	9,641
Financial assets	6	2,948,739	2,919,391	2,955,440	2,952,275
Loans and receivables	9	162,827	158,731	156,056	125,770
Reinsurance assets	10	24,845	124,592	24,845	124,592
Insurance receivables	11	8,649	13,778	8,649	13,778
Other receivables	12	30,701	22,933	30,701	22,933
Cash and bank balances		9,530	12,493	9,519	12,483
TOTAL ASSETS		3,264,053	3,332,768	3,263,972	3,332,681
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES					
Share capital	13	358,000	358,000	358,000	358,000
Retained earnings	14	80,670	98,361	80,670	98,361
Reserves		134,357	126,914	134,357	126,914
Total equity		573,027	583,275	573,027	583,275
Insurance contract liabilities	15	2,433,172	2,546,173	2,433,172	2,546,173
Insurance claims liabilities		67,428	55,918	67,428	55,918
Insurance payables	16	19,211	13,758	19,211	13,758
Lease liabilities		6,691	9,964	6,691	9,964
Other financial liabilities	17	41,846	2,755	41,846	2,755
Other payables	18	90,450	78,396	90,369	78,309
Current tax liabilities		516	1,211	516	1,211
Deferred tax liabilities	19	31,712	41,318	31,712	41,318
Total liabilities		2,691,026	2,749,493	2,690,945	2,749,406
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		3,264,053	3,332,768	3,263,972	3,332,681

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

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Gross premiums		634,086	962,335	634,086	962,335
Premiums ceded to reinsurers		(70,286)	(69,185)	(70,286)	(69,185)
Net premiums		563,800	893,150	563,800	893,150
Investment income	20	125,380	114,426	114,907	116,008
Net realised gains	21	46	-	46	-
Other operating income	22	13,063	12,542	13,063	12,542
Other income		138,489	126,968	128,016	128,550
Gross benefits and claims paid		(334,397)	(440,710)	(334,397)	(440,710)
Claims ceded to reinsurers		63,916	62,583	63,916	62,583
Gross change in contract liabilities		113,001	(242,629)	113,001	(242,629)
Change in contract liabilities ceded to reinsurers		(105,764)	17,800	(105,764)	17,800
Net claims		(263,244)	(602,956)	(263,244)	(602,956)
Net fair value losses	23	(168,810)	(106,451)	(159,129)	(109,374)
Net realised losses	21	-	(21)	-	(21)
Commission expenses		(65,702)	(78,239)	(65,702)	(78,239)
Management expenses	24	(133,332)	(138,955)	(132,540)	(137,614)
Other operating expenses		(1,051)	(1,055)	(1,051)	(1,055)
Investment expenses		(2,316)	(1,889)	(2,316)	(1,889)
Finance cost		(310)	(344)	(310)	(344)
Other expenses		(371,521)	(326,954)	(361,048)	(328,536)
Profit before taxation		67,524	90,208	67,524	90,208
Tax credit attributable to policyholders and unitholders		4,702	653	4,702	653
Profit before taxation attributable to Shareholders		72,226	90,861	72,226	90,861
Taxation	25	(7,772)	(11,448)	(7,772)	(11,448)
Tax credit attributable to policyholders and unitholders		(4,702)	(653)	(4,702)	(653)
Tax expense attributable to Shareholders		(12,474)	(12,101)	(12,474)	(12,101)
Net profit and total comprehensive income for the financial year		59,752	78,760	59,752	78,760
Basic earnings per share (sen)	26	24.69	32.55	24.69	32.55

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

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

	<u>Note</u>	<u>Non-distributable</u>		<u>Distributable</u>	<u>Total</u> RM'000
		<u>Share capital</u> RM'000	<u>Reserves¹</u> RM'000	<u>Retained earnings</u> RM'000	
<u>Group/Company</u>					
At 1 January 2022		358,000	126,914	98,361	583,275
Dividend paid	27	-	-	(70,000)	(70,000)
Total comprehensive income for the financial year		-	7,443	52,309	59,752
At 31 December 2022		<u>358,000</u>	<u>134,357</u>	<u>80,670</u>	<u>573,027</u>
<u>Group/Company</u>					
At 1 January 2021		358,000	77,692	68,823	504,515
Total comprehensive income for the financial year		-	49,222	29,538	78,760
At 31 December 2021		<u>358,000</u>	<u>126,914</u>	<u>98,361</u>	<u>583,275</u>

¹ Reserves comprise unallocated surpluses from Life fund (net of deferred tax). This amount is only distributable upon the annual recommendation by the Appointed Actuary to transfer the Life fund surplus to the Shareholders' fund.

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year	59,752	78,760	59,752	78,760
Adjustments for:				
Gross change in contract liabilities	(113,001)	242,629	(113,001)	242,629
Change in contract liabilities ceded to reinsurers	105,764	(17,800)	105,764	(17,800)
Property and equipment				
- depreciation	3,995	3,051	3,995	3,051
- (gains)/losses on disposal	(46)	21	(46)	21
Amortisation of intangible assets	11,785	9,642	11,785	9,642
Amortisation of right-of-use assets	4,040	3,037	4,040	3,037
Net fair value losses on investments at fair value through profit or loss	168,810	106,451	159,129	109,374
Interest income	(105,274)	(97,880)	(89,751)	(82,068)
Dividend income	(19,706)	(16,082)	(24,756)	(33,476)
Rental income	(400)	(464)	(400)	(464)
Finance cost	310	344	310	344
Taxation	7,772	11,448	7,772	11,448
Short term lease expense	110	144	110	144
Low value lease assets expense	36	11	36	11
	123,947	323,312	124,739	324,653
Profit from operations before changes in operating assets and liabilities				
Increase in loans and receivables	(4,051)	(37,569)	(30,241)	(13,612)
Increase in receivables	(538)	(6,673)	(538)	(6,673)
Increase in right-of-use assets	(777)	(3,440)	(777)	(3,440)
Increase in insurance claims liabilities	5,493	9,296	5,493	9,296
Increase in payables	57,397	4,839	57,403	4,835
Purchase of investments	(906,478)	(911,280)	(577,472)	(796,094)
Proceeds from disposal and maturity of investments	709,505	536,871	415,857	395,372
	(15,502)	(84,644)	(5,536)	(85,663)
Investment income received:				
- Dividend	19,916	15,980	24,966	33,374
- Interest	104,044	96,351	89,027	79,976
- Rental	400	464	400	464
Interest paid	(309)	(343)	(309)	(343)
Taxation paid	(20,384)	(7,100)	(20,384)	(7,100)
Short term and low value lease assets paid	(157)	(163)	(157)	(163)
	88,008	20,545	88,007	20,545
Net cash generated from operating activities				

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	55	3	55	3
Purchase of property and equipment	(13,470)	(15,070)	(13,470)	(15,070)
Purchase of intangible assets	(3,494)	(2,034)	(3,494)	(2,034)
Net cash used in investing activities	<u>(16,909)</u>	<u>(17,101)</u>	<u>(16,909)</u>	<u>(17,101)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(70,000)	-	(70,000)	-
Payment of lease liabilities	(4,062)	(2,941)	(4,062)	(2,941)
Net cash used in financing activities	<u>(74,062)</u>	<u>(2,941)</u>	<u>(74,062)</u>	<u>(2,941)</u>
Net (decrease)/increase in cash and cash equivalents	(2,963)	503	(2,964)	503
Cash and cash equivalents at beginning of the financial year	<u>12,493</u>	<u>11,990</u>	<u>12,483</u>	<u>11,980</u>
Cash and cash equivalents at end of the financial year	<u><u>9,530</u></u>	<u><u>12,493</u></u>	<u><u>9,519</u></u>	<u><u>12,483</u></u>
Cash and cash equivalents comprise:				
Cash and bank balances	<u><u>9,530</u></u>	<u><u>12,493</u></u>	<u><u>9,519</u></u>	<u><u>12,483</u></u>

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

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

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

1 CORPORATE INFORMATION

The Group and the Company are engaged principally in underwriting life insurance and investment-linked business. There were no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The Company's registered office and principal place of business is at the 11th Floor, No. 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company, and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is no longer a financial holding company, effective from 2 October 2019. All three companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 March 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Group's and the Company's financial statements were prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies, and comply with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards, and the provisions of the Companies Act 2016.

The Company met the minimum capital requirements as prescribed by the Risk-Based Capital Framework (the RBC Framework) as of the date of the statement of financial position.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the Group's and the Company's accounting policies.

The preparation of financial statements in conformity with the 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 as of the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. 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 2.3 to the financial statements.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations that are effective:

New standard that is effective and was adopted

The amendments and improvements to published standards and interpretations that the Group and the Company have adopted for the first time for the financial year beginning on or after 1 January 2022 are as follows:

- (i) Amendments to MFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”
- (ii) Amendments to MFRS 3 “Reference to the Conceptual Framework”

The adoption of this amendment did not have any material impact to the Group’s and the Company’s financial statements.

New standard that is effective and was deferred for adoption

The amendments and improvements to published standards and interpretations that are relevant and effected for the financial years beginning on or after 1 January 2018, but were deferred for adoption by the Group and the Company are as follows:

- Amendments to MFRS 4 – Extension of the Temporary Exemption from Applying MFRS 9 “Financial Instruments” with MFRS 4 “Insurance Contracts” effective for annual periods beginning on or after 1 January 2018.

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 “Financial Instruments” before the application of MFRS 17, the new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 4 “Insurance Contracts”, the related liabilities from insurance contracts are often measured on amortised cost basis.

The amendments provide two different approaches for entities: (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and (ii) the overlay approach. Both approaches are optional.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning 1 January 2023 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations that are effective:
(continued)

New standard that is effective and was deferred for adoption (continued)

The Group's and the Company's business activity are predominately insurance and, hence, qualify for the temporary exemption approach. Consequently, management decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2023, which is in line with the adoption of MFRS 17 Insurance Contracts. The additional disclosures are in Note 36.

All other new standards, amendments to published standards, and interpretations that are effective for the current financial period are not relevant to the Group and the Company.

(b) Standards, amendments to published standards, and interpretation of existing standards that are applicable to the Group and the Company, but not yet effective:

A number of new standards and amendments to standards and interpretations are effective for financial years beginning after 1 January 2022. None of these are expected to have a significant effect on the financial statements of the Group and Company, except for the following as set out below:

- MFRS 17 "Insurance Contracts" (effective from 1 January 2023) replaces MFRS 4 "Insurance Contracts".

The adoption of MFRS 17 did not change the classification of the Group's and the Company's insurance contracts. MFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group and the Company. The key principles of MFRS 17 are that the Group and the Company:

- Identify insurance contracts as those under which the Group and the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- Separate specified embedded derivatives, distinct investment components and distinct goods or services other than insurance contract services from insurance contracts and accounts for them in accordance with other standards (MFRS 9 for embedded derivatives and investment components or MFRS 15 for non-insurance goods and services);
- Divides the insurance and reinsurance contracts into groups it will recognise and measure; and
- Recognise profit from a group of insurance contracts over each period the Group and the Company provide insurance contract services, as the Company is released from risk. If a group of contracts is expected to be onerous (i.e. loss-making) over the remaining coverage period, the Group and the Company recognise the loss immediately.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards, and interpretation of existing standards that are applicable to the Group and the Company, but not yet effective: (continued)

MFRS 17 introduces three new measurement models, reflecting a different extent of policyholder participation in investment performance or overall insurance company performance. The general measurement model (“GMM”), also known as the building block approach (“BBA”), consists of the fulfillment cash flows (“FCF”) and the contractual service margin (“CSM”), both held as liability for remaining coverage (“LFRC”). The FCF represent the risk-adjusted present value of an entity’s rights and obligations to the policyholders, comprising estimates of expected future cash flows, discounting and risk adjustment (“RA”) for non-financial risk. The CSM represents the unearned profit from in-force contracts that an entity will recognise as it provides services over the coverage period. The contractual service margin is adjusted for changes in cash flows related to future services (operating assumption change) and grows by interest accretion at locked-in interest rates at initial recognition. A release from the CSM is recognised in profit or loss each period to reflect the services provided in that period.

The RA for non-financial risk represents the compensation that the Group and the Company require for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount. The Group and the Company estimate the risk adjustment by referencing to provision of risk margin for adverse deviation (PRAD) technique. The PRAD technique requires the Group and the Company to estimate the probability distribution of the fulfillment cash flows, and the additional provision that it requires at each future date in the cash flow projection to comply with the statutory reserving requirements. Besides that, the Group and the Company have decided to disaggregate the change in RA between the insurance service result and insurance finance income or expenses for GMM measured insurance contracts.

The variable fee approach (“VFA”) is a mandatory modification of the GMM regarding the treatment of the contractual service margin in order to accommodate direct participating contracts, if the following three requirements are met: the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items; the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

For contracts with direct participation features (“DPF”), the contractual service margin is adjusted for changes in the amount of the entity’s share of the fair value of the underlying items arising from operating assumption change and adjustment for financial risks.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards, and interpretation of existing standards that are applicable to the Group and the Company, but not yet effective: (continued)

The premium allocation approach (“PAA”) is an optional simplified measurement model in MFRS 17 when the approach provides a measurement which is not materially different from that under the GMM or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the PAA, the LFRC is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

In determining the measurement models, firstly the Group and the Company can choose to use PAA if at the inception of the contract, the coverage period of each insurance contract in the group of insurance contracts is one year or less. Alternatively the Group and the Company can still apply PAA if they can reasonably expect that such simplification can produce a measurement of the LFRC which would not differ materially as compared to the LFRC computed under the GMM by performing the PAA Eligibility Testing. Should the Group’s and the Company’s group of insurance contracts fail the PAA and VFA eligibility test, GMM will be used as the measurement model of that group of insurance contracts.

At the end of a reporting period, the carrying amount of a group of insurance contracts is the sum of the LFRC and the liability of incurred claims (“LFIC”).

LFIC consists of fulfillment cash flows related to past services, including claims that have been incurred but not yet reported. The measurement of the LFIC is identical under all three measurement models.

In terms of presentation and disclosures in financial statements, MFRS 17 will significantly change how insurance contracts, reinsurance contracts and investment contracts with DPF are presented and disclosed in financial statements. Under MFRS 17, portfolios of insurance contracts, reinsurance contracts and investment contracts with DPF are presented separately in the statement of financial position as assets and liabilities. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately.

In terms of transition approach, MFRS 17 has to be applied retrospectively unless this is impracticable. Fulfillment cash flows are determined prospectively at every reporting date, including the date of initial application. However, the contractual service margin is rolled-forward over time, a split of profits between equity (“earned profits”) and CSM (“unearned profits”) is required, but is often very challenging due to the long-term nature of life insurance contracts.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards, and interpretation of existing standards that are applicable to the Group and the Company, but not yet effective: (continued)

If it is impracticable to apply a full retrospective, an entity can choose between a modified retrospective approach or a fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach. Under the fair value approach, the contractual service margin of a group of contracts at transition is determined as the difference between the fair value of this group at transition determined in accordance with MFRS 13 and the corresponding MFRS 17 fulfillment cash flows measured at transition.

The Group and the Company have applied the fair value approach on transition for all insurance contracts issued prior to transition date as of 1 January 2022 and applied the modified retrospective approach for all reinsurance contracts held prior to transition date as of 1 January 2022.

The combined effect on the Group and the Company's statement of financial position on transition to MFRS 9 and MFRS 17 as at 1 January 2022 is improvement in the total equity due to change in reserving basis to comply with MFRS 17 guidelines, partially offset by creation of CSM. The preparation of the 2022 comparative and the 1 January 2023 results under the new standard is progressing as planned.

- Amendments to MFRS 101 "Classification of liabilities as current or non-current" (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

There is no financial impact of this amendment to the Group and the Company.

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on "Disclosure of Accounting Policies" and "Definition of Accounting Estimates" (effective 1 January 2023).

MFRS 101 and MFRS Practice Statement 2 require the Group and the Company to disclose material accounting policies rather than significant accounting policies. The disclosures are expected to be specific to the Group and the Company and not generic disclosures on MFRS applications.

The amendment explains that an accounting policy is material if, when considered together with other information included in the Group and the Company's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards, and interpretation of existing standards that are applicable to the Group and the Company, but not yet effective: (continued)

MFRS 8 provides clarity on how to distinguish changes in accounting policies from changes in accounting estimates. The amendments clarify that 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.

There is no financial impact of these amendments to the Group and the Company.

2.2 Summary of significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

Group refers to the Company and its investment in structured entities.

(ii) Change in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that are transactions with the owner in their capacity as owners. The difference between the fair value of any consideration paid and relevant shares equivalent of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the subsidiary is remeasured to its fair value as of the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries (including structured entities) are carried at fair value in accordance with MFRS 139, Financial Instruments: Recognition and Measurement. On disposal of investment in subsidiaries, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

(c) Business combination

The purchase method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed as of the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired as of the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the acquired net assets, the difference is recognised directly in profit or loss.

(d) Property and equipment

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the 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 profit or loss during the financial year in which they are incurred.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Property and equipment (continued)

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated as it has an infinite life. Depreciation of other property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Furniture, fittings, and renovation	10 years
Computer equipment	3 years
Office equipment	5 years
Motor vehicles	3 years
Buildings	50 years

Work-in-progress is not depreciated until the asset is ready for its intended use.

The residual values, useful lives, and depreciation methods are reviewed at each financial year-end to ensure that the amount, method, and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

At each date of the statement of financial position, the Group and the Company assess 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. Refer to accounting policy Note 2.2(h) on impairment of non-financial assets.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

(e) Intangible asset

The Group's and the Company's intangible assets consist of exclusive partnership fee and computer software.

(i) Exclusive partnership fee

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. The exclusive partnership agreement provides the Group and the Company with an exclusive right to the use of the partnership network. The fee for this right is amortised over its partnership agreement term using the straight-line method. The asset is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. The partnership fee has been fully impaired in 2020. See accounting policy Note 2.2(h)(ii) on impairment of non-financial assets.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Intangible assets (continued)

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs directly associated with identifiable software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond 1 year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives of 3 years.

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. Refer to accounting policy Note 2.2(h)(ii) on impairment of non-financial assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Financial assets

The Group and the Company classify their financial assets in the following categories: at fair value through profit or loss (FVTPL) and loans and other receivables (LAR).

The classification depends on the purpose for which the financial assets were acquired or originated. Management determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Group and the Company commit to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

FVTPL

Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets typically bought with the intention to sell in the near future are classified as held-for-trading. For financial assets designated at fair value through profit or loss, 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.

The Group and the Company classify assets acquired for the purpose of selling in the short term as held-for-trading or it is part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Investments held by investment-linked-funds are designated at FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

These financial assets are initially recorded at fair value. Subsequent to initial recognition, these financial assets are re-measured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss. Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Financial assets (continued)

LAR

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

(g) Fair value of financial instruments

The fair value of financial instruments actively traded in organised financial markets is determined by reference to quoted market bid prices for assets on the date of the statement of financial position.

For investments in unit trusts and real estate investment 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 other 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 Government Investment Issues, Cagamas bonds, and unquoted bonds are based on indicative fair market prices/indexes by reference to quotations provided by banks and rating agencies.

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

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 financial assets.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment

(i) Financial assets

The Group and the Company assess at each date of the statement of financial position whether a financial asset or group of financial assets is impaired.

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 the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (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 through the use of an allowance account and the impairment loss is recorded in profit or loss.

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed as of the date of the statement of financial position.

If, in a subsequent financial period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) 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 asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment as of the date of the statement of financial position. The impairment loss is charged to profit or loss 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 profit or loss unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

(i) Derecognition of financial assets

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

(j) Equity instruments

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity.

Dividends

Dividends on ordinary shares and preference shares classified as equity instruments are recognised as a liability and deducted from equity when they are declared.

Dividends for the financial year that are declared after the date of the statement of financial position are dealt with as an event after the date of the statement of financial position.

Reserves

Unallocated surpluses from Life fund, where the amounts of surplus are yet to be allocated or distributed to the Shareholders by the end of the financial year, are classified as equity.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Product classification

The Group and the Company issue contracts that transfer insurance risk or financial risk or both.

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.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Group and the Company (the insurer) accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group and the Company define 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.

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

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

Based on the Group's and the Company's assessment, all contracts the Company underwrites meet the definition of insurance contracts and are accordingly classified as insurance contracts.

Insurance 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:

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Product classification (continued)

Surpluses in the non-DPF fund arising during the year are recognised in the statement of comprehensive income and the unallocated surplus where the amount of surplus allocation to shareholders has yet to be determined by the end of the financial year is held in equity.

Surpluses in the DPF fund are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. However, the Group and the Company have the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders.

Unallocated surpluses of the DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year are held in equity in line with the approval granted from BNM in April 2018.

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.

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

(l) Reinsurance

The Group and the Company cede insurance risk in the normal course of business for most 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 Group and the Company from their obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Reinsurance (continued)

Reinsurance assets are reviewed for impairment at each date of the statement of financial position 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 occurs after initial recognition of the reinsurance asset that the Group and 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 Group and the Company will receive from the reinsurer. The Group and the Company gather objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost and the impairment loss is calculated following the same method used for these financial assets in Note 2.2(h) to the financial statements. The impairment loss is recorded in profit or loss.

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

(m) Life insurance underwriting results

The surplus transferable from the Life fund to the Shareholders' fund 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 and the RBC Framework by the Company's Appointed Actuary. In the event the actuarial valuation indicates that a transfer is required from the Shareholder's fund, the transfer will be made to the Life fund accordingly.

Gross premiums

Gross premiums include premiums recognised in the Life fund and the Investment-linked fund.

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

Gross premiums of the Investment-linked fund include 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.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured and are still within the grace period allowed for payment or covered by the cash surrender values of the policies.

Reinsurance premiums

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Life insurance underwriting results (continued)

Benefits and claims expenses

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

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

- maturity and other policy benefit payments due on specified dates are treated as benefits payable on the due dates;
- death, surrender, and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;
- benefits payable under the Investment-linked fund are in respect of net cancellation of units and are recognised as surrenders; and
- bonus on DPF policy upon its declaration.

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

Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premiums on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged/credited to profit or loss in the financial year in which they are incurred/derived.

(n) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value. 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 Group and the Company reduce the carrying amount of the insurance receivables accordingly and recognise that impairment loss in profit or loss. The Group and the Company gather the objective evidence that insurance receivables are 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 2.2(h) to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(i) to the financial statements, are met.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Insurance contract liabilities

(i) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best-estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, participating life policies, and the non-unit liabilities of investment-linked policies. The valuation basis, including the determination of the appropriate risk discount rate, is in accordance with Part D of the RBC Framework and Appendix VII: Valuation Basis for Life Insurance Liabilities of the RBC Framework, and any related Circulars issued by BNM relevant to the guidelines.

In the case of a life policy where a part or the whole of the premiums are accumulated in a fund, the liabilities is the higher of the accumulated amount, or the sum of the accumulated amount and the actuarial liability calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that were not yet reported to the Group and the Company.

Adjustments to the liabilities at each date of the statement of financial position are recorded in the Life fund. Profits originating from margins of adverse deviations on run-off contracts are recognised in the Life fund over the life of the contract, whereas losses are fully recognised in the Life fund during the first year of run-off.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

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

At each date of the statement of financial position, an assessment is made of whether the recognised life insurance liabilities are adequate, net of present value of in-force business (PVIF), by using an existing liability adequacy test.

Any inadequacy is recorded in profit or loss, initially, by impairing PVIF and subsequently, by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that failed the adequacy test is based on the assumptions established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years, if the impairment no longer exists.

For the purpose of complying with the requirement of a liability adequacy test under MFRS4 Insurance Contracts, insurance operators are deemed to comply if the valuation methods used are in accordance with Appendix VI or Appendix VII of the Risk-Based Capital Framework for Insurers, as specified by BNM.

(ii) Unallocated surplus

Unallocated surplus from Life fund, where the amounts of surplus are yet to be allocated or distributed to the Shareholders by the end of the financial year, are classified as equity.

For financial options and guarantees 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Insurance contract liabilities (continued)

(iii) Net asset value attributable to unit holders

The unit liability of an investment-linked policy is equal to the net asset value of the investment-linked funds, which represents net premium received and investment returns credited to the policy, less deduction for mortality, morbidity costs and expense charges.

(p) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

Other interest income, including amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental income

Rental income is recognised on a time proportion basis.

Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

Realised gains and losses on investments

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Taxation

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of taxable profits for the financial year and is measured using the tax rates enacted as of the date of the statement of financial position. Current tax is recognised in profit or loss. In the event of uncertain tax position, the tax is measured using the single best estimate of the most likely outcome.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses, and unused tax credits to the extent that it is probable taxable profits will be available against which the deductible temporary differences, unused tax losses, and unused tax credits can be used.

Deferred tax is measured at the tax rates expected to apply in the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted as of the date of the statement of financial position.

Deferred tax is recognised as income or expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also recognised directly in other comprehensive income.

(r) Provisions

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

(s) Employee benefits

(i) Short-term employee benefits

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

(ii) Post-employment benefits

Defined contribution plan

The Group's and the Company's contributions to the Employees' Provident Fund (EPF), the national defined contribution plan, are charged to profit or loss in the financial year to which they relate. Once the contributions are paid, the Group and the Company have no further payment obligations.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(iii) Share-based payment plan

Certain employees of the Group and the Company are granted a share-based payment plan as consideration for services rendered.

The share-based payment plan is based on the value of Sun Life Financial Inc.'s (SLF) common shares as disclosed in Note 24(c) to the financial statements. The total liabilities for this plan are computed based on the estimated number of SLF's common shares expected to vest at the end of the vesting period. The liabilities are recomputed at the end of each reporting period and are measured at the fair value of SLF's common shares at the reporting date. The liabilities are accrued and expensed on a straight-line basis over the vesting periods. The liabilities are settled in cash at the end of the vesting period.

(t) Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability, but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the Group's and the Company's control 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 case 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 the occurrence or non-occurrence of one or more uncertain future events beyond the Group's and the Company's control. The Group and the Company do not recognise contingent assets, but disclose their existence where inflows of economic benefits are probable, but not virtually certain.

(u) Other financial liabilities and insurance payables

Other financial liabilities and insurance payables are recognised when due and measured on initial recognition at fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(v) Cash and cash equivalents

Cash and cash equivalents consist of cash in-hand and balances at bank and deposits held at call with financial institutions with original maturities of 3 months or less. It excludes deposits which are held for investment purposes.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Leases

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

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

(i) Lease term

In determining the lease term, the Group and 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 Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the Group's and the Company's control and whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included in the determination of the lease term. A revision in lease term results in remeasurement of the lease liabilities.

(ii) Right-of-use assets

Right-of-use assets are initially measured at cost comprising the following:

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

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

While the Group and the Company revalue land and building (presented as part of property and equipment) they own, they have chosen not to revalue the right-of-use building held by the Group and the Company.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) 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 incentives receivable;
- The exercise price of a purchase and extension option if the Group and the Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and 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 Group and 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 right-of-use assets in a similar economic environment with similar terms, security, and conditions.

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

The Group and the Company present the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

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

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates, and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, as of the date of the statement of financial position. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in any future period. These factors could include:

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

(a) Critical judgements made in applying the Group's and the Company's accounting policies

In determining and applying accounting policies, judgement is often required for items where choice of a specific policy could materially affect the reported results and financial position of the Group and the Company. However, the Directors are of the opinion that there are currently no accounting policies that require the exercise of significant judgement.

(b) Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as of the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of intangible asset

The Group and the Company test annually whether the intangible assets on partnership fee is impaired by measuring the recoverable amount of the cash generating units based on the value-in-use method, which require the use of the estimates of future cash flow projections and discount rate. Changes to the assumption used by Management, particularly the discount rate, may affect the results of the impairment assessment.

Valuation of actuarial liabilities

The liability for life insurance contracts and investment contracts with DPF is based on current assumptions, reflecting the best estimate at the time of its determination and increased with a margin for risk and adverse deviation.

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

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

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate.

Lapse and surrender rates are based on the Group's and the Company's historical experience of lapses and surrenders.

Discount rate for non-participating policies, participating policies, and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian Government Security (MGS). The approach used to set the discount rates for participating policies are the same as for non-participating ones in line with the approval granted from BNM in April 2018.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

3 PROPERTY AND EQUIPMENT

<u>Group/Company</u>	<u>Furniture, fittings and renovation</u> RM'000	<u>Computer equipment</u> RM'000	<u>Office equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Freehold land and buildings</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>							
1 January 2021	5,709	15,083	2,035	912	43,939	10,431	78,109
Additions	7	1,941	104	-	-	13,018	15,070
Disposals	-	(10)	(77)	-	-	-	(87)
Reclassification	-	874	84	-	-	(958)	-
Reclassification to Intangible Assets	-	-	-	-	-	(11,441)	(11,441)
At 31 December 2021/ 1 January 2022	5,716	17,888	2,146	912	43,939	11,050	81,651
Additions	605	2,598	482	378	-	9,407	13,470
Disposals	-	(15)	-	(314)	-	-	(329)
Reclassification	1,912	1,028	242	-	-	(3,182)	-
Reclassification to Intangible Assets	-	-	-	-	-	(6,514)	(6,514)
At 31 December 2022	8,233	21,499	2,870	976	43,939	10,761	88,278

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

3 **PROPERTY AND EQUIPMENT (CONTINUED)**

<u>Group/Company</u>	<u>Furniture, fittings and renovation</u> RM'000	<u>Computer equipment</u> RM'000	<u>Office equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Freehold land and buildings</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Accumulated depreciation</u>							
1 January 2021	3,721	12,762	1,649	911	5,043	-	24,086
Charge for the financial year (note 24)	402	2,094	172	-	383	-	3,051
Disposals	-	(7)	(56)	-	-	-	(63)
At 31 December 2021/ 1 January 2022	4,123	14,849	1,765	911	5,426	-	27,074
Charge for the financial year (note 24)	624	2,654	261	74	382	-	3,995
Disposals	-	(6)	-	(314)	-	-	(320)
At 31 December 2022	4,747	17,497	2,026	671	5,808	-	30,749
<u>Net carrying amount</u>							
31 December 2022	3,486	4,002	844	305	38,131	10,761	57,529
31 December 2021	1,593	3,039	381	1	38,513	11,050	54,577

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

4 INTANGIBLE ASSETS

	Partnership fee <u>RM'000</u>	Computer software <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>Group/Company</u>			
<u>Cost</u>			
At 1 January 2021	5,869	60,862	66,731
Addition	-	2,034	2,034
Reclassification from Property and Equipment	-	11,441	11,441
	<u>5,869</u>	<u>74,337</u>	<u>80,206</u>
At 31 December 2021/1 January 2022	5,869	74,337	80,206
Addition	-	3,494	3,494
Reclassification from Property and Equipment	-	6,514	6,514
	<u>5,869</u>	<u>84,345</u>	<u>90,214</u>
At 31 December 2022	5,869	84,345	90,214
<u>Accumulated amortisation</u>			
At 1 January 2021	2,163	48,063	50,226
Amortisation charged to profit or loss (note 24)	-	9,642	9,642
	<u>2,163</u>	<u>57,705</u>	<u>59,868</u>
At 31 December 2021/1 January 2022	2,163	57,705	59,868
Amortisation charged to profit or loss (note 24)	-	11,785	11,785
	<u>2,163</u>	<u>69,490</u>	<u>71,653</u>
At 31 December 2022	2,163	69,490	71,653
<u>Accumulated allowance for impairment loss</u>			
At 1 January 2021	3,706	-	3,706
Allowance for impairment loss	-	-	-
	<u>3,706</u>	<u>-</u>	<u>3,706</u>
At 31 December 2021/1 January 2022	3,706	-	3,706
Allowance for impairment loss	-	-	-
	<u>3,706</u>	<u>-</u>	<u>3,706</u>
At 31 December 2022	3,706	-	3,706
<u>Net carrying amount</u>			
31 December 2022	<u>-</u>	<u>14,855</u>	<u>14,855</u>
31 December 2021	<u>-</u>	<u>16,632</u>	<u>16,632</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

5 RIGHT-OF-USE ASSETS

<u>Group/Company</u>	<u>Information Technology</u> RM'000	<u>Property</u> RM'000	<u>Office equipment</u> RM'000	<u>Total</u> RM'000
At 1 January 2022	6,180	3,236	225	9,641
Additions	400	197	180	777
Amortisation charged to profit and loss (note 24)	(2,572)	(1,348)	(120)	(4,040)
At 31 December 2022	<u>4,008</u>	<u>2,085</u>	<u>285</u>	<u>6,378</u>
At 1 January 2021	8,653	504	81	9,238
Additions	-	3,226	214	3,440
Amortisation charged to profit and loss (note 24)	(2,473)	(494)	(70)	(3,037)
At 31 December 2021	<u>6,180</u>	<u>3,236</u>	<u>225</u>	<u>9,641</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

6 FINANCIAL ASSETS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities	693,648	682,214	658,395	620,218
Cagamas bonds	5,648	5,911	5,648	5,911
Unquoted corporate debt securities	1,623,649	1,490,693	1,328,525	1,207,165
Quoted equity securities	144,239	188,498	144,239	188,498
Unit trust funds	429,341	500,411	429,341	500,411
Controlled structured entities (note 7)	-	-	337,078	378,408
Structured product (note 8)	52,040	51,490	52,040	51,490
Unquoted equity securities	174	174	174	174
	2,948,739	2,919,391	2,955,440	2,952,275

The Group's and the Company's financial assets are summarised by categories as follows:

	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Fair value through profit or loss (FVTPL)				
- designated upon initial recognition	2,948,739	2,919,391	2,955,440	2,952,275

The following financial assets are expected to be realised after 12 months:

	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
FVTPL - designated upon initial recognition	1,963,751	2,032,550	1,963,751	1,740,656

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

6 FINANCIAL ASSETS (CONTINUED)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
(a) FVTPL - designated upon initial recognition				
Malaysian Government Securities	693,648	682,214	658,395	620,218
Cagamas bonds	5,648	5,911	5,648	5,911
Unquoted corporate debt securities	1,623,649	1,490,693	1,328,525	1,207,165
Quoted equity securities	144,239	188,498	144,239	188,498
Unit trust funds	429,341	500,411	429,341	500,411
Controlled structured entities	-	-	337,078	378,408
Structured product	52,040	51,490	52,040	51,490
Unquoted equity securities	174	174	174	174
	2,948,739	2,919,391	2,955,440	2,952,275
(b) Carrying values of financial assets				
<u>Group</u>			<u>FVTPL/Total</u> RM'000	
At 1 January 2022			2,919,391	
Purchases			906,478	
Maturities			(47,825)	
Disposals			(683,170)	
Fair value losses recorded in:				
Profit or loss (note 23)			(147,320)	
Movement in accrued interest			1,185	
At 31 December 2022			2,948,739	
At 1 January 2021			2,650,081	
Purchases			911,280	
Maturities			(50,258)	
Disposals			(473,524)	
Fair value losses recorded in:				
Profit or loss (note 23)			(119,540)	
Movement in accrued interest			1,352	
At 31 December 2021			2,919,391	

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

6 **FINANCIAL ASSETS (CONTINUED)**

(b) Carrying values of financial assets (continued)

<u>Company</u>	<u>FVTPL/Total</u> <u>RM'000</u>
At 1 January 2022	2,952,275
Purchases	577,472
Maturities	(15,017)
Disposals	(414,331)
Fair value losses recorded in:	
Profit or loss (note 23)	(145,638)
Movement in accrued interest	679
At 31 December 2022	<u>2,955,440</u>
At 1 January 2021	2,659,011
Purchases	796,094
Maturities	(45,144)
Disposals	(337,198)
Fair value losses recorded in:	
Profit or loss (note 23)	(122,404)
Movement in accrued interest	1,916
At 31 December 2021	<u>2,952,275</u>

(c) Fair value hierarchy

The Group and the Company categorise their fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Group's and 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 reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Group and the Company have 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.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

6 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

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 are not market observable, including implied volatility, option sensitivity and assumptions about risk.

The following table presents the Group's and the Company's financial assets that are carried at fair value as at 31 December 2022.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Group</u>				
<u>FVTPL</u>				
<u>2022</u>				
Malaysian Government				
Securities	-	693,648	-	693,648
Cagamas bonds	-	5,648	-	5,648
Unquoted corporate debt				
Securities	-	1,623,649	-	1,623,649
Quoted equity securities	144,239	-	-	144,239
Unit trust funds	429,341	-	-	429,341
Structured product	-	52,040	-	52,040
Unquoted equity securities	-	-	174	174
	<u>573,580</u>	<u>2,374,985</u>	<u>174</u>	<u>2,948,739</u>
<u>2021</u>				
Malaysian Government				
Securities	-	682,214	-	682,214
Cagamas bonds	-	5,911	-	5,911
Unquoted corporate debt				
Securities	-	1,490,693	-	1,490,693
Quoted equity securities	188,498	-	-	188,498
Unit trust funds	500,411	-	-	500,411
Structured product	-	51,490	-	51,490
Unquoted equity securities	-	-	174	174
	<u>688,909</u>	<u>2,230,308</u>	<u>174</u>	<u>2,919,391</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

6 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Company</u>				
<u>FVTPL</u>				
<u>2022</u>				
Malaysian Government Securities	-	658,395	-	658,395
Cagamas bonds	-	5,648	-	5,648
Unquoted corporate debt securities	-	1,328,525	-	1,328,525
Quoted equity securities	144,239	-	-	144,239
Unit trust funds	429,341	-	-	429,341
Structured product	-	52,040	-	52,040
Controlled structured entities	337,078	-	-	337,078
Unquoted equity securities	-	-	174	174
	<u>910,658</u>	<u>2,044,608</u>	<u>174</u>	<u>2,955,440</u>
<u>FVTPL</u>				
<u>2021</u>				
Malaysian Government Securities	-	620,218	-	620,218
Cagamas bonds	-	5,911	-	5,911
Unquoted corporate debt securities	-	1,207,165	-	1,207,165
Quoted equity securities	188,498	-	-	188,498
Unit trust funds	500,411	-	-	500,411
Structured product	-	51,490	-	51,490
Controlled structured entities	378,408	-	-	378,408
Unquoted equity securities	-	-	174	174
	<u>1,067,317</u>	<u>1,884,784</u>	<u>174</u>	<u>2,952,275</u>

There were no movements in Levels 1, 2 and 3 of the fair value hierarchy during the current financial year.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

7 CONTROLLED STRUCTURED ENTITIES

The Company has determined that its investment in wholesale unit trust funds amounting to RM337,078,000 (2021: RM378,408,000) as disclosed in Note 6 to the financial statements as investment in structured entities (investee funds). The Company invests in a investee fund whose objective is to achieve medium to long-term returns while preserving capital and whose investment strategy does not include the use of leverage. The investee fund is managed by Opus Asset Management Sdn Bhd and applies various investment strategies to accomplish the investment objectives. The investee fund finances its operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the investee fund's net assets.

The Company holds 100% of the Opus Income Fund 2, a fund established in Malaysia, and thus has control over the investee fund. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The investee funds are classified as FVTPL investments and the change in fair value of the investee fund is included in the statement of comprehensive income in the Company's financial statements.

The Company's exposure to investments in the investee fund is disclosed below.

	<u>2022</u>	<u>2021</u>
Number of wholesale unit trust funds	1	1
Average net asset value per unit of wholesale unit trust funds:		
Opus Income Fund 2 (RM)	0.9838	1.0243
Fair value of underlying net assets:	RM'000	RM'000
Malaysian Government Securities	35,253	61,996
Unquoted corporate debt securities	295,124	283,528
Deposits with licensed financial institutions	6,771	32,961
Cash equivalents	11	10
Payables	(81)	(87)
	<u>337,078</u>	<u>378,408</u>
Total fair value gains/(losses) for the financial year*	<u>2,492</u>	<u>(24,472)</u>

The Company's maximum exposure to loss from its interests in the investee fund is equal to the fair value of its investment in the investee fund.

As the Company has control over the investee fund which is considered a controlled structured entity, the structured entity is consolidated at the Group level. The underlying assets of the structured entity are duly consolidated in the financial statements.

* The Company's total fair value gains/(losses) for the financial year is included in the unrealized gains/(losses) of the financial assets at FVTPL – designated upon initial recognition in Note 23.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

8 STRUCTURED PRODUCT

The structured product is a principal protected note involving an investment structure which performance is linked to an Environmental, Social and Governance (ESG) equity index. The note comprises of two underlying financial instruments, a zero-coupon note and options written on an ESG equity index.

Structured product of the Group and the Company is classified as FVTPL. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The carrying amount of structured product is presented as follows:

	<-----2022----->	
	Notional amount RM'000	Net carrying amount RM'000
Financial assets at FVTPL		
Index linked notes	50,000	52,040
	<u>50,000</u>	<u>52,040</u>
Total structured product	<u><u>50,000</u></u>	<u><u>52,040</u></u>
	<-----2021----->	
	Notional amount RM'000	Net carrying amount RM'000
Financial assets at FVTPL		
Index linked notes	50,000	51,490
	<u>50,000</u>	<u>51,490</u>
Total structured product	<u><u>50,000</u></u>	<u><u>51,490</u></u>

The net carrying amount of the structured product of the Group and the Company represents the fair value of the products and is derived based on valuation techniques from market observable inputs. They are revalued at the reporting date using such values provided by the respective counterparties and as validated by the Group and the Company.

9 LOANS AND RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Policy loans	29,620	26,991	29,620	26,991
Fixed and call deposits with licensed financial institutions	133,207	131,740	126,436	98,779
	<u>162,827</u>	<u>158,731</u>	<u>156,056</u>	<u>125,770</u>
Receivable within 12 months	133,207	131,740	126,436	98,779
Receivable after 12 months	29,620	26,991	29,620	26,991
	<u>162,827</u>	<u>158,731</u>	<u>156,056</u>	<u>125,770</u>

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

10 REINSURANCE ASSETS

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Reinsurance of insurance contracts		
- insurance claims liabilities	32,975	26,958
- insurance contract liabilities (note 15)	(8,130)	97,634
	<u>24,845</u>	<u>124,592</u>
Receivable within 12 months	30,145	32,769
Receivable after 12 months	(5,300)	91,823
	<u>24,845</u>	<u>124,592</u>

11 INSURANCE RECEIVABLES

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	8,534	13,560
Due from reinsurers and cedants	115	218
	<u>8,649</u>	<u>13,778</u>
Receivable within 12 months	<u>8,649</u>	<u>13,778</u>

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Gross amounts of recognised financial assets	56,298	52,598
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (note 16)	(47,649)	(38,820)
Net amounts of financial assets presented in the statement of financial position	<u>8,649</u>	<u>13,778</u>

There are no financial instruments subjected to an enforceable master netting arrangement or financial collaterals (including cash collaterals) pledged or received as at 31 December 2022 (2021: nil).

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

12 OTHER RECEIVABLES

	Group/Company	
	2022	2021
	RM'000	RM'000
Amount due from fund manager/brokers	603	170
Amount due from related parties	18,912	15,039
Deposits receivable	616	624
Dividend receivable	80	290
Subscription to LIAM shares	2,147	2,147
Other receivables	8,343	4,663
	<u>30,701</u>	<u>22,933</u>
Receivable within 12 months	28,554	20,786
Receivable after 12 months	2,147	2,147
	<u>30,701</u>	<u>22,933</u>

Amount due from related parties is unsecured, interest free and has no fixed repayment terms.

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

13 SHARE CAPITAL

<u>Group/Company</u>	<u>2022</u>		<u>2021</u>	
	<u>Number of shares</u> <u>'000</u>	<u>Nominal value</u> <u>RM'000</u>	<u>Number of shares</u> <u>'000</u>	<u>Nominal value</u> <u>RM'000</u>
<u>Issued and paid up</u>				
Ordinary shares with no par value:				
- At beginning/end of the financial year	242,000	258,000	242,000	258,000
Perpetual non-cumulative preference shares (PPS) with no par value:				
- At beginning/end of the financial year	100,000	100,000	100,000	100,000
	<u>342,000</u>	<u>358,000</u>	<u>342,000</u>	<u>358,000</u>

Features of the Perpetual Non-cumulative Preference Shares (PPS)

The PPS is a subordinated and unsecured obligation of the Company and shall rank pari passu among themselves and senior only to the Company's ordinary shares. The PPS shall not represent any fixed charge on the earnings of the Company and shall carry no right to vote at any general meeting of the ordinary shareholders of the Company.

The PPS confers on the holder the right to receive a non-cumulative gross dividend of 8% per annum, payable annually in arrears after the anniversary of the issue date of the PPS. The payment of dividend on the PPS is at the Company's discretion.

The PPS is not convertible to ordinary shares of the Company and the tenure of the PPS is perpetual and redeemable after year 2013 at the sole option of the Company subject to Bank Negara Malaysia's approval. At the date of this report, the Company has yet to exercise its redemption option.

14 RETAINED EARNINGS

Under the single tier system, there are no restrictions on the Company to frank the payment of dividends out of its entire retained earnings as of the date of the statement of financial position.

The Company may distribute single tier 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 January 2014. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

15 **INSURANCE CONTRACT LIABILITIES**

The insurance contract liabilities and its movements are further analysed as follows:

<u>Group/Company</u>	<u>2022</u>			<u>2021</u>		
	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000
Actuarial liabilities	1,922,223	8,130	1,930,353	1,971,999	(97,634)	1,874,365
Net asset value attributable to unitholders	510,949	-	510,949	574,174	-	574,174
	<u>2,433,172</u>	<u>8,130</u>	<u>2,441,302</u>	<u>2,546,173</u>	<u>(97,634)</u>	<u>2,448,539</u>
Current	607,242	2,830	610,072	635,033	(5,811)	629,222
Non-current	1,825,930	5,300	1,831,230	1,911,140	(91,823)	1,819,317
	<u>2,433,172</u>	<u>8,130</u>	<u>2,441,302</u>	<u>2,546,173</u>	<u>(97,634)</u>	<u>2,448,539</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

15 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

The insurance contract liabilities and its movements are further analysed as follows:

<u>Group/Company</u>	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2022	2,546,173	(97,634)	2,448,539
<u>Projected changes of inforce policies</u>			
Premium income	313,093	(65,426)	247,667
Expense and commission	(34,548)	-	(34,548)
Benefits	(272,658)	72,613	(200,045)
Interest on cashflows	39,700	(922)	38,778
Others	(6,003)	(4,377)	(10,380)
Experience variance on inforce policies	39,600	27	39,627
Reserve for new policies	40,423	(16,522)	23,901
<u>Assumption changes</u>			
Discount rate	(39,664)	3,058	(36,606)
Mortality	(134,805)	117,362	(17,443)
Lapse rates	(2,030)	501	(1,529)
Economic	775	-	775
Others	763	(595)	168
Expense reserve	318	-	318
Other changes	5,260	45	5,305
Movement in net asset value attributable to unitholders	(63,225)	-	(63,225)
At 31 December 2022	<u>2,433,172</u>	<u>8,130</u>	<u>2,441,302</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

15 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

The insurance contract liabilities and its movements are further analysed as follows: (continued)

<u>Group/Company</u>	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2021	2,303,544	(79,834)	2,223,710
<u>Projected changes of inforce policies</u>			
Premium income	394,665	(66,748)	327,917
Expense and commission	(59,584)	141	(59,443)
Benefits	(248,312)	67,386	(180,926)
Interest on cashflows	32,646	(1,324)	31,322
Others	(27,352)	7,827	(19,525)
Experience variance on inforce policies	49,511	(5,120)	44,391
Reserve for new policies	48,559	(18,891)	29,668
<u>Assumption changes</u>			
Discount rate	(97,892)	5,070	(92,822)
Mortality	(1)	1	-
Lapse rates	(4,362)	5,480	1,118
Policy expenses	2,927	-	2,927
Expense reserve	(10,245)	-	(10,245)
Other changes	(208)	(11,622)	(11,830)
Movement in net asset value attributable to unitholders	162,277	-	162,277
At 31 December 2021	<u>2,546,173</u>	<u>(97,634)</u>	<u>2,448,539</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

16 INSURANCE PAYABLES

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Due to agents and intermediaries	6,457	5,145
Due to reinsurers and cedants	12,754	8,613
	<u>19,211</u>	<u>13,758</u>
Payable within 12 months	<u>19,211</u>	<u>13,758</u>

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Gross amounts of recognized financial liabilities	66,860	52,578
Less: Gross amounts of recognized financial assets set off in the statement of financial position (note 11)	<u>(47,649)</u>	<u>(38,820)</u>
Net amounts of financial liabilities presented in the statement of financial position	<u>19,211</u>	<u>13,758</u>

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2022 (2021: nil).

17 OTHER FINANCIAL LIABILITIES

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Outstanding purchases of investment securities	40,233	501	40,233	501
Unprocessed proposals	1,565	2,197	1,565	2,197
Others	48	57	48	57
	<u>41,846</u>	<u>2,755</u>	<u>41,846</u>	<u>2,755</u>
Payable within 12 months	<u>41,846</u>	<u>2,755</u>	<u>41,846</u>	<u>2,755</u>

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

18 OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Deposits	57	79	57	79
Amount due to related parties	267	2,325	267	2,325
Accrual for bonus	30,949	30,433	30,949	30,433
Accrual for electronic data processing expenses	4,037	1,861	4,037	1,861
Accrual for sales and marketing expenses	13,311	11,689	13,311	11,689
Accrual for advertising cost	851	1,153	851	1,153
Accrual for other expenses	12,711	9,812	12,630	9,725
Advance premium	20,788	13,739	20,788	13,739
Others	7,479	7,305	7,479	7,305
	90,450	78,396	90,369	78,309

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position and all amounts are payable within one year.

19 DEFERRED TAX LIABILITIES

	Group/Company	
	2022	2021
	RM'000	RM'000
At 1 January 2022	41,318	44,819
Recognised in:		
Profit or loss (note 25)	(9,606)	(3,501)
At 31 December 2022	31,712	41,318
Current	-	5
Non-current	31,712	41,313
	31,712	41,318

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.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

19 DEFERRED TAX LIABILITIES (CONTINUED)

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	<u>Group/Company</u>	
	<u>2022</u> RM'000	<u>2021</u> RM'000
Deferred tax liabilities	31,712	41,318
	<u>31,712</u>	<u>41,318</u>

<u>Group/Company</u>	<u>Accelerated depreciation</u> RM'000	<u>Revaluation- financial assets</u> RM'000	<u>Provision for expenses</u> RM'000	<u>Reserves</u> RM'000	<u>Total</u> RM'000
<u>Deferred tax liabilities/(assets)</u>					
At 1 January 2021	308	25,198	(110)	19,423	44,819
Recognised in: Profit or loss (note 25)	<u>(275)</u>	<u>(13,457)</u>	<u>(116)</u>	<u>10,347</u>	<u>(3,501)</u>
At 31 December 2021/ 1 January 2022	33	11,741	(226)	29,770	41,318
Recognised in: Profit or loss (note 25)	<u>4</u>	<u>(11,349)</u>	<u>(7)</u>	<u>1,746</u>	<u>(9,606)</u>
At 31 December 2022	<u>37</u>	<u>392</u>	<u>(233)</u>	<u>31,516</u>	<u>31,712</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

19 DEFERRED TAX LIABILITIES (CONTINUED)

The composition of deferred tax assets/liabilities before and after appropriate offsetting, is as follows:

	<u>Group/Company</u>	
	<u>2022</u> RM'000	<u>2021</u> RM'000
<u>Subject to income tax:</u>		
<u>Deferred tax assets (before offsetting)</u>		
Provision for expenses	233	226
Offsetting	(233)	(226)
Deferred tax assets (after offsetting)	<u>-</u>	<u>-</u>
<u>Deferred tax liabilities (before offsetting)</u>		
Property and equipment	37	33
Financial assets	392	11,741
Reserves	31,516	29,770
Offsetting	31,945 (233)	41,544 (226)
Deferred tax liabilities (after offsetting)	<u>31,712</u>	<u>41,318</u>

20 INVESTMENT INCOME

	<u>Group</u>		<u>Company</u>	
	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000
Rental income	400	464	400	464
Financial assets at FVTPL – designated upon initial recognition				
Interest income	100,749	94,150	85,601	78,745
Dividend income				
- equity securities quoted in Malaysia	18,450	15,766	18,450	15,766
- equity securities unquoted in Malaysia	1,256	316	1,256	316
- controlled structured entities	-	-	5,050	17,394
LAR interest income	4,525	3,730	4,150	3,323
	<u>125,380</u>	<u>114,426</u>	<u>114,907</u>	<u>116,008</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

21 NET REALISED GAINS/(LOSSES)

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Gains/(losses) on disposal of property and equipment	46	(21)

22 OTHER OPERATING INCOME

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Fee income	12,941	12,409	12,941	12,409
Others	122	133	122	133
	<u>13,063</u>	<u>12,542</u>	<u>13,063</u>	<u>12,542</u>

23 NET FAIR VALUE LOSSES

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL - designated upon initial recognition				
Unrealised losses* (note 6(b))	(147,320)	(119,540)	(145,638)	(122,404)
	<u>(147,320)</u>	<u>(119,540)</u>	<u>(145,638)</u>	<u>(122,404)</u>
<u>Realised (losses)/gains:</u>				
- Malaysian Government Securities	(4,279)	(2,322)	(554)	(2,284)
- Quoted equity securities	(4,156)	(16)	(4,156)	(16)
- Unquoted corporate debt securities	(12,370)	(2,277)	(6,224)	(2,374)
- Unit trust funds	(685)	17,704	(685)	17,704
- Controlled structured entities	-	-	(1,872)	-
	<u>(21,490)</u>	<u>13,089</u>	<u>(13,491)</u>	<u>13,030</u>
	<u>(168,810)</u>	<u>(106,451)</u>	<u>(159,129)</u>	<u>(109,374)</u>

* Includes fair value gains/(losses) on controlled structured entities at the Company level amounting to RM2,492,000 (2021: RM24,472,000) as stated in Note 7.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

24 MANAGEMENT EXPENSES

	Group		Company	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (note 24(a))	48,654	59,386	48,654	59,386
Directors' fees and allowance (note 24(b))	807	828	807	828
Auditors' remuneration:				
Statutory audit				
- current financial year	429	416	429	416
Audit related services	500	-	500	-
Tax services	85	50	85	50
Electronic data processing expenses	6,112	5,649	6,112	5,649
Sales and marketing expenses	37,526	37,066	37,526	37,066
Advertising cost	2,323	2,113	2,323	2,113
Depreciation of property and equipment (note 3)	3,995	3,051	3,995	3,051
Amortisation of intangible assets (note 4)	11,785	9,642	11,785	9,642
Amortisation of right-of-use assets (note 5)	4,040	3,037	4,040	3,037
Rental expenses	54	41	54	41
Telephone and postage expenses	683	935	683	935
Short term leases expense	110	144	110	144
Low value lease assets expense	36	11	36	11
Others	16,193	16,586	15,402	15,245
	<u>133,332</u>	<u>138,955</u>	<u>132,540</u>	<u>137,614</u>
(a) Employee benefits expense				
Salaries and bonus	35,106	47,185	35,106	47,185
Defined contribution plan	5,177	6,623	5,177	6,623
Share-based payment plan (note 24(c))	1,005	775	1,005	775
Expatriate allowances	3,146	867	3,146	867
Other staff benefits	4,220	3,936	4,220	3,936
	<u>48,654</u>	<u>59,386</u>	<u>48,654</u>	<u>59,386</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

24 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' and Chief Executive Officer's remuneration

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows:

<u>Group/Company</u>	<u>Salary and bonus</u> RM'000	<u>Defined contribution plan</u> RM'000	<u>Benefits- in-kind</u> RM'000	<u>Share-based payment plan</u> RM'000	<u>Fees and allowance</u> RM'000	<u>Total</u> RM'000
<u>2022</u>						
Chief Executive Officer:						
Lew Yung Chow	2,592	363	30	494	-	3,479
Executive Director:						
Puan Ingrid Gail Johnson	-	-	-	-	-	-
Non-Executive Directors:						
Dato' Noorazman Bin Abd Aziz	-	-	-	-	128	128
Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	95	95
Encik Ooi Say Teng	-	-	-	-	121	121
Encik Nigel Robin Hazell	-	-	-	-	115	115
Puan Yap Seong Yong	-	-	-	-	45	45
Encik Wong Ah Kow	-	-	-	-	40	40
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	61	61
Dato' Mohd Shukri Bin Hussin	-	-	-	-	55	55
Encik Jose Isidro Navato Camacho	-	-	-	-	64	64
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	83	83
	<u>2,592</u>	<u>363</u>	<u>30</u>	<u>494</u>	<u>807</u>	<u>4,286</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

24 **MANAGEMENT EXPENSES (CONTINUED)**

(b) Directors' and Chief Executive Officer's remuneration (continued)

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows: (continued)

	Fixed remuneration		Variable remuneration		Total RM'000
	Cash-based RM'000	Cash-based RM'000	Shares and share- linked instruments RM'000	Benefits- in-kind RM'000	
<u>Total value of remuneration awards for the financial year:</u>					
<u>2022</u>					
Chief Executive Officer:					
Lew Yung Chow	1,682	1,273	494	30	3,479
Executive Director:					
Puan Ingrid Gail Johnson	-	-	-	-	-
Non-Executive Directors:					
Dato' Noorazman Bin Abd Aziz	114	14	-	-	128
Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz	90	5	-	-	95
Encik Ooi Say Teng	110	11	-	-	121
Encik Nigel Robin Hazell	102	13	-	-	115
Puan Yap Seong Yong	40	5	-	-	45
Encik Wong Ah Kow	36	4	-	-	40
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	58	3	-	-	61
Dato' Mohd Shukri Bin Hussin	52	3	-	-	55
Encik Jose Isidro Navato Camacho	60	4	-	-	64
Encik Pushpanathan A/L S.A. Kanagarayar	77	6	-	-	83
	<u>2,421</u>	<u>1,341</u>	<u>494</u>	<u>30</u>	<u>4,286</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

24 **MANAGEMENT EXPENSES (CONTINUED)**

(b) Directors' and Chief Executive Officer's remuneration (continued)

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows: (continued)

<u>Group/Company</u>	<u>Salary and bonus</u> RM'000	<u>Defined contribution plan</u> RM'000	<u>Benefits- in-kind</u> RM'000	<u>Share-based payment plan</u> RM'000	<u>Fees and allowance</u> RM'000	<u>Total</u> RM'000
<u>2021</u>						
Chief Executive Officer: Lew Yung Chow	1,938	271	30	418	-	2,657
Executive Director: Encik Leo Michel Grepin	-	-	-	-	-	-
Non-Executive Directors:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	172	172
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	146	146
Encik Jose Isidro Navato Camacho	-	-	-	-	171	171
Dato' Mohd Shukri Bin Hussin	-	-	-	-	147	147
Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	96	96
Encik Ooi Say Teng	-	-	-	-	96	96
	<u>1,938</u>	<u>271</u>	<u>30</u>	<u>418</u>	<u>828</u>	<u>3,485</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

24 **MANAGEMENT EXPENSES (CONTINUED)**

(b) **Directors' and Chief Executive Officer's remuneration (continued)**

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows: (continued)

	Fixed remuneration		Variable remuneration		Total RM'000
	Cash-based RM'000	Cash-based RM'000	Shares and share- linked instruments RM'000	Benefits- in-kind RM'000	
<u>Total value of remuneration awards for the financial year:</u>					
<u>2021</u>					
Chief Executive Officer:					
Lew Yung Chow	1,589	620	418	30	2,657
Executive Director:					
Encik Leo Michel Grepin	-	-	-	-	-
Non-Executive Directors:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	160	12	-	-	172
Encik Pushpanathan A/L S.A. Kanagarayar	135	11	-	-	146
Encik Jose Isidro Navato Camacho	155	16	-	-	171
Dato' Mohd Shukri Bin Hussin	135	12	-	-	147
Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz	90	6	-	-	96
Encik Ooi Say Teng	90	6	-	-	96
	<u>2,354</u>	<u>683</u>	<u>418</u>	<u>30</u>	<u>3,485</u>

All the remuneration awards above are non-deferred remuneration except for shares and share-linked instruments. During the financial year, there were payments for shares and share-linked instruments amounting to RM2,082,400 (2021: RM712,000).

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

24 **MANAGEMENT EXPENSES (CONTINUED)**

(c) **Share-based payment plan**

Expenses arising from the share-based payment transactions recognised during the financial year as part of the employee benefits expense were as follows:

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Sun Share Unit Plan	1,005	775

Sun Share Units (SSU) are granted to certain employees of the Group and the Company as part of the annual performance reward cycle and has a vesting period of over 36 months from grant date. Each SSU entitles the recipient to receive payment equal to the market value of common shares, plus credited dividends, at the time of vesting, subject to any performance conditions. These SSU expenses are paid out in cash at the end of the vesting period.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

25 TAXATION

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Tax expense on the profit for the financial year:				
Income tax:				
Current tax	17,813	14,949	17,813	14,949
Deferred tax (note 19)	(9,606)	(3,501)	(9,606)	(3,501)
	<u>8,207</u>	<u>11,448</u>	<u>8,207</u>	<u>11,448</u>
Over provision in prior financial years	(435)	-	(435)	-
	<u>7,772</u>	<u>11,448</u>	<u>7,772</u>	<u>11,448</u>
Tax expense attributable to Shareholders	12,474	12,101	12,474	12,101
Tax credit attributable to policyholders and unitholders	(4,702)	(653)	(4,702)	(653)
	<u>7,772</u>	<u>11,448</u>	<u>7,772</u>	<u>11,448</u>

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to the Group's and the Company's effective income tax rate is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Profit before taxation attributable to Shareholders	72,226	90,861	72,226	90,861
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	17,334	21,807	17,334	21,807
Income not subject to tax	(1,438)	(4,518)	(1,248)	(4,196)
Expenses not deductible for tax purposes	472	761	282	439
Section 110B tax credit set off	(3,459)	(5,949)	(3,459)	(5,949)
Over provision in prior financial years	(435)	-	(435)	-
	<u>12,474</u>	<u>12,101</u>	<u>12,474</u>	<u>12,101</u>
Tax expense attributable to Shareholders	12,474	12,101	12,474	12,101
Tax credit attributable to policyholders and unitholders	(4,702)	(653)	(4,702)	(653)
	<u>7,772</u>	<u>11,448</u>	<u>7,772</u>	<u>11,448</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

26 BASIC EARNINGS PER SHARE

The Group's and the Company's basic earnings per share is calculated by dividing the profit for the financial year attributable to the Group's and the Company's ordinary equity holders by the weighted average number of ordinary shares in issue during the financial year.

	Group/Company	
	2022	2021
	RM'000	RM'000
Profit attributable to ordinary equity holders (RM'000)	59,752	78,760
Weighted average number of shares in issue ('000)	242,000	242,000
Basic earnings per share (sen)	24.69	32.55

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

27 DIVIDENDS

The amounts of dividends paid or declared by the Company are as follows:

	2022		2021	
	RM per share	RM'000	RM per share	RM'000
Dividend in respect of the previous financial year:				
Perpetual Non-cumulative Preference Shares	0.08	8,000	-	-
Ordinary Shares	0.26	62,000	-	-
		<u>70,000</u>		<u>-</u>

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

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

28 OPERATING LEASE COMMITMENTS

The future minimum lease payments of the operating lease commitments are as follows:

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Not later than 1 year	143	38
Later than 1 year and not later than 5 years	-	5
	<u>143</u>	<u>43</u>

29 CAPITAL COMMITMENTS

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Approved and contracted for: Intangible assets	4,393	1,873
Approved but not contracted for Intangible assets	3,090	268
	<u>7,483</u>	<u>2,141</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

30 **SIGNIFICANT RELATED PARTY DISCLOSURES**

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

<u>Company</u>	<u>Country of incorporation</u>	<u>Relationship</u>
Khazanah Nasional Berhad (KNB)	Malaysia	Ultimate holding company
Avicennia Capital Sdn Bhd (ACSB)	Malaysia	Penultimate holding company
Renggis Ventures Sdn Bhd (RVSB)	Malaysia	Immediate holding company
Sun Life Assurance Company of Canada (SLACC)	Canada	Significant shareholder
Sun Life Financial Inc. (SLF)	Canada	Ultimate holding company of SLACC
CIMB Group Holdings Berhad (CIMBG)	Malaysia	Associate of the ultimate holding company
CIMB Bank Berhad (CIMB Bank)	Malaysia	Subsidiary of CIMBG
Principal Asset Management Berhad (Principal)	Malaysia	Associate of the ultimate holding company
CIMB Islamic Bank Berhad (CIBB)	Malaysia	Subsidiary of CIMBG
Sun Life Financial Asia Service Limited (ASCP)	Philippines	Fellow subsidiary of SLF
Sun Life India Service Centre Pvt. Ltd (ASCI)	India	Fellow subsidiary of SLF
Sun Life Malaysia Takaful Berhad (SLMTB)	Malaysia	Fellow subsidiary of the ultimate holding company
Sun Life Capital Management (Canada) Inc. (SLCM)	Canada	Fellow subsidiary of SLF

Key management personnel*

* Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the Group's and the Company's activities either directly or indirectly. The key management personnel of the Company comprise the Board of Directors, Chief Executive Officer and the Group's and the Company's management committee members.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on terms and conditions negotiated between the related parties.

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

<u>(Income)/expenses</u>	<u>Location</u>	<u>Group/Company</u>	
		<u>2022</u>	<u>2021</u>
		RM'000	RM'000
Premiums received from CIMB Bank and Principal	Malaysia	(22,667)	(15,196)
Premiums paid to SLMTB	Malaysia	407	384
Commission paid to CIMB Bank	Malaysia	74,054	80,706
Sales and marketing expenses paid to CIMB Bank	Malaysia	50,815	47,346
Charges paid to CIMB Bank	Malaysia	631	248
Reimbursement of expenses received from CIMB Bank	Malaysia	-	(71)
Rental income received from CIMB Bank and SLMTB	Malaysia	(400)	(464)
Shared service expenses charged to SLMTB	Malaysia	(127,171)	(96,938)
Charges paid to SLACC	Canada	3,252	2,651
Investment management fee paid to Principal	Malaysia	804	516
Charges paid to ASCP	Philippines	279	1,054
Reimbursement of expenses received from SLACC	Canada	(1,103)	(2,590)
Charges paid to ASCI	India	1,329	1,698
Charges paid to SLCM	Canada	525	-
		<u> </u>	<u> </u>

- (b) Included in the Group's and the Company's statement of financial position are significant related party balances, represented by the following:

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Amount due from SLMTB	18,912	14,919
Amount due from Principal	17	118
Amount due to SLCM	(45)	(384)
Amount due to SLACC	(753)	(885)
Amount due to CIMB Bank and Principal	(8,393)	(1,055)
	<u> </u>	<u> </u>

Amounts due from/(to) related parties are unsecured, non-interest bearing and have no fixed repayment terms.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

Total compensation paid and payable to the Group's and the Company's key management personnel during the financial year was as follows:

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Salaries and other short-term employee benefits	15,188	11,079
Defined contribution plan	1,922	1,362
Fees and allowance	807	828
Share-based payment plan	1,005	775
	<u>18,922</u>	<u>14,044</u>

The estimated cash value of benefits-in-kind provided to the Group's and the Company's key management personnel amounted to RM113,512 (2021 RM65,203).

(d) Compensation of senior management and other material risk takers

Total value of remuneration awards paid and payable to the Group's and the Company's senior management and other material risk takers during the financial year was as follows:

	<u>Group/Company</u>			<u>Group/Company</u>		
	<u>2022</u>			<u>2021</u>		
	<u>Number</u>	<u>Unrestricted</u>	<u>Deferred</u>	<u>Number</u>	<u>Unrestricted</u>	<u>Deferred</u>
	<u>of persons</u>	<u>RM'000</u>	<u>RM'000</u>	<u>of persons</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed remuneration cash-based	16	10,567	-	13	9,762	-
Variable remuneration cash-based	16	6,543	-	13	2,679	-
Shares and share-linked remuneration	16	-	1,005	13	-	775
Benefits-in-kind	3	114	-	3	65	-

During the financial year, none of the key management personnel were entitled to sign-on awards. (2021: RM nil).

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

31 **RISK MANAGEMENT FRAMEWORK**

(a) Risk management

The Board recognises that risk management is an integral part of the Group's and the Company's business objectives and it is critical for the Group and the Company to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Group and the Company have put in place a Risk Management Framework (RMF) to manage their risks and opportunities. The Board has established the Risk Management Committee (RMC) with the primary responsibility of ensuring the effective functioning of the RMF. The RMC is supported by management-level committees; namely, the Enterprise Risk Management Committee (ERMC), the Asset and Liability Committee (ALCO) and the Investment Committee that provide oversight responsibilities on operational, financial and insurance risk management in facilitating the optimisation of the Group's and the Company's risk and return profile.

The RMF involves an on-going process of identifying, measuring, managing, monitoring and reporting significant risks affecting the achievement of the Group's and the Company's business objectives. It provides the Board and the management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and regulatory environment and the Group's and the Company's strategies and functional activities throughout the financial year.

The Group and the Company operate a 'three lines of defence' model. Primary responsibility for the application of the RMF lies with business management (the first line of defence). Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by the risk management function (the second line of defence). The design of the RMF is also primarily the responsibility of the second line of defence. Independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal control is provided by the Internal Audit division (the third line of defence).

To promote a consistent and rigorous approach to risk management, the Group and the Company have a set of formal risk management policies. These risk policies set out the risk management and control standards for the Group's and the Company's operations. As the Group's and the Company's business respond to changing market conditions and customer needs, the management regularly monitor the appropriateness of the Group's and the Company's risk policies to ensure that they remain up-to-date.

(b) Capital management

Capital adequacy risk is defined as the risk that capital is not or will not be sufficient to withstand adverse economic conditions, maintain financial strength or to allow the Group and the Company to take advantage of opportunities for expansion.

The Group's and the Company's capital risk policy is intended to safeguard capital for the benefit of all the stakeholders including the shareholders, and the policyholders. The interest of the shareholders is to maximize returns. The interests of participating and other policyholders are also protected under the appropriate regulatory requirements.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

31 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Capital management (continued)

The Internal Capital Adequacy Assessment Process (ICAAP) guideline requires the Capital Management Plan (CMP) to specify thresholds for corrective actions. The Group and the Company need to calibrate the acceptable limits of local solvency, i.e. a corridor of acceptable solvency, where a solvency level outside of this corridor would not meet the risk appetite requirement. The Capital Management Plan specifies the different capital levels, escalation process, possible corrective actions, and the frequency of monitoring based on the capital level.

(c) Governance

The risk management policies identify the risks inherent in different elements of the Group and the Company and articulate how these should be managed. The policies include the level of tolerance (or appetite) in relation to each of the inherent risks and where the risk is material, the minimum standards of control the Group and the Company are expected to maintain. From a risk management governance perspective, the RMC has been established to assist the Board in its oversight of risk and risk management in the Group and the Company. The RMC reports and recommends to the Board on the risk management strategies, policies, risk tolerance, risk appetite, review and assessment of the adequacy of the risk management policies and framework, measurement, monitoring and controlling of risks as well as the extent to which these are operating effectively.

(d) Asset-Liability Management (ALM)

ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve the Group's and the Company's financial and business objectives, given the organization's risk tolerances and other constraints. ALM is the practice of managing a business so that decisions made and actions taken with respect to assets and liabilities are appropriately coordinated. This ongoing process is critical for the sound management of any financial intermediary or organization that conducts investment activity to support future cash flow needs and capital requirements. While the primary focus is on long-term economic value, ALM also considers stability of reported earnings, tax effects and capital implications.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

32 INSURANCE RISK

Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Group and the Company to financial loss and may result in the inability to meet its liabilities.

The Group's and the Company's life insurance businesses are exposed to a range of life insurance risks from various products. In providing insurance protection, the Group and the Company has to manage risks such as mortality (the death of policyholders), morbidity (ill health), persistency, product design and pricing.

The mortality and morbidity risks are managed through the use of reinsurance to transfer excessive risk exposures, using appropriate actuarial techniques as well as other mitigation measures.

Persistency (or lapse) risk is managed through frequent monitoring of experience. Where possible, the potential financial impact of lapses is reduced by the product design. Persistency risk is also mitigated through persistency management, applying best practices in the setting of lapse assumptions, product design requirements, experience monitoring and management actions.

Poorly designed or inadequately priced products can lead to both financial loss and reputation risk to the Group and the Company. Policies have been developed to support the Group and the Company through the product cycle development process, financial analysis and pricing.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

32 **INSURANCE RISK (CONTINUED)**

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

<u>Group/Company</u>	<u>2022</u>			<u>2021</u>		
	<u>Gross</u> RM'000	<u>Re-</u> <u>insurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>insurance</u> RM'000	<u>Net</u> RM'000
Whole life	320,281	(1,051)	319,230	266,840	(997)	265,843
Term assurance	(24,669)	(822)	(25,491)	11,639	(4,443)	7,196
Endowment	872,569	(2,569)	870,000	810,609	(2,436)	808,173
Mortgage	657,032	10,940	667,972	787,991	(89,307)	698,684
Others	97,010	1,632	98,642	94,920	(451)	94,469
	<u>1,922,223</u>	<u>8,130</u>	<u>1,930,353</u>	<u>1,971,999</u>	<u>(97,634)</u>	<u>1,874,365</u>

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

Key assumptions

Material judgment is required in determining the actuarial liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

32 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

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

Discount rate

i. Risk-free rate

Risk-free rate is used to discount cash flows for corresponding durations for Non-Participating and Investment-Linked policies' liabilities calculation, and Participating insurance fund policies, where only the guaranteed benefits are considered.

These risk-free rates from durations of 1 to 15 years are the Malaysian Government Securities (MGS) yields taken from Bond Web, which is a recognised bond pricing agency in Malaysia. As MGS yields are only available for terms of 1, 2, 3, 5, 7, 10 and 15 years, the yields in between are interpolated.

For durations of 15 years or more, the MGS yields with 15-years term to maturity are used.

The risk-free rates employed are gross of tax on investment income in the life fund.

ii. Fund-based yield

Fund-based yield was used in the Participating fund to discount the cash flows for corresponding durations where total guaranteed and non-guaranteed benefits are considered.

Following the approval granted from BNM in 2018, the Company has adopted the risk-free rate to discount the cash flows of the Participating fund policies' liabilities calculation.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

32 **INSURANCE RISK (CONTINUED)**

Key assumptions (continued)

Mortality and morbidity

Best estimate assumptions are based on the Group's and the Company's recent experience studies. Mortality assumption used for the Company's major product is based on a percentage of the industry's mortality table with provision of risk margin for adverse deviation (PRAD) of 8%.

Lapse rate

Best estimate assumptions are based on the Group's and the Company's recent experience studies. Depending on the product type, PRAD is set at a range of 15% to 45% of the best estimate assumptions.

Management expenses

Best estimate assumptions are based on the Group's and the Company's experience. An inflation rate of 3.8% per annum is adopted for each policy expense. Maintenance expense overruns for future years have been set aside. The PRAD on expense loading is set at 5% of the best estimate assumptions. Allowance is also made for payment of commission to distributors.

Investment-linked funds' future growth rate

Net-of-tax expected fund investment return is used for non-guaranteed Investment-Linked funds' growth rate assumption. Effective September 2021, an explicit PRAD is applied to allow for the inherent uncertainty in the best estimate assumptions. The PRAD is set to apply 4.00% to money market, 5.00% to bonds and 20.00% to equities.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

32 INSURANCE RISK (CONTINUED)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate actuarial 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.

<u>Group/Company</u>	<u>Change in best estimate assumptions</u> %	<u>Impact on gross actuarial liabilities</u> RM'000	<u>Impact on net actuarial liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity</u> RM'000
<u>2022</u>					
Mortality/morbidity	+10	63,133	8,273	(8,273)	(6,701)
Expenses	+10	7,746	7,742	(7,742)	(6,271)
Lapse and surrender rates	+10	9,443	9,775	(9,775)	(7,918)
Discount rate	-1	109,033	109,825	(109,825)	(88,958)

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

32 INSURANCE RISK (CONTINUED)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate actuarial 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.

<u>Group/Company</u>	<u>Change in best estimate assumptions</u> %	<u>Impact on gross actuarial liabilities</u> RM'000	<u>Impact on net actuarial liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity</u> RM'000
<u>2021</u>					
Mortality/morbidity	+10	76,245	10,152	(10,152)	(8,223)
Expenses	+10	8,028	8,026	(8,026)	(6,501)
Lapse and surrender rates	+10	6,363	8,065	(8,065)	(6,533)
Discount rate	-1	126,802	118,358	(118,358)	(95,870)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 **FINANCIAL RISKS**

(a) **Credit risk**

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet the payment obligations of the principal and/or interest. Exposure to such risk arises primarily from default risk of corporate bonds purchased.

The Group and the Company manage the exposure to individual counterparties, by measuring exposure against internal and regulatory limits. These limits are governed by BNM's regulatory limits and the Group's and the Company's internal limits, taking into account credit ratings issued by authorised rating agencies. The Group and the Company are also exposed to credit risk through the use of reinsurance. Reinsurance arrangements are only placed with providers who meet the Group's and the Company's counterparty credit standards.

The Group and the Company only purchase corporate bonds of high credit standing (with minimum rating of A-) as rated by authorised rating agencies. The Group and the Company also actively monitor and consider the risk of fall in the value of fixed interest securities from changes in the perceived credit worthiness of the issuer by conducting credit reviews and credit bond analysis on a regular basis as stipulated in the Group's and the Company's Investment Guidelines.

It is the Group's and the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's and the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

The method used in monitoring the credit risk exposure to the Group and the Company did not change from the previous financial year.

The Group and the Company have not provided the credit risk analysis for the financial assets of the investment-linked business. This is due to the fact that in investment-linked business, the liabilities to policyholders are linked to the performance and value of the assets that back those liabilities and shareholders have no direct exposure to any credit risk in these assets. The Group and the Company actively manage their product mix to ensure that there are no significant concentration of credit risk.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

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

	Group			Company		
	Life and Shareholders' funds RM'000	Investment- linked funds RM'000	Total RM'000	Life and Shareholders' funds RM'000	Investment- linked funds RM'000	Total RM'000
<u>2022</u>						
<u>LAR</u>						
Fixed and call deposits	125,052	8,155	133,207	118,281	8,155	126,436
Loans	29,620	-	29,620	29,620	-	29,620
Financial assets at FVTPL – designated <u>upon initial recognition</u>						
Malaysian Government Securities	689,796	3,852	693,648	654,543	3,852	658,395
Cagamas bonds	5,648	-	5,648	5,648	-	5,648
Quoted equity securities	75,268	68,971	144,239	75,268	68,971	144,239
Unit trust funds	-	429,341	429,341	-	429,341	429,341
Unquoted corporate debt securities	1,580,543	43,106	1,623,649	1,285,419	43,106	1,328,525
Structured product	52,040	-	52,040	52,040	-	52,040
Controlled Structure Entities (Wholesale Fund)	-	-	-	337,078	-	337,078
Unquoted equity securities	174	-	174	174	-	174
Reinsurance assets	24,845	-	24,845	24,845	-	24,845
Insurance receivables	8,649	-	8,649	8,649	-	8,649
Other receivables	30,174	527	30,701	30,174	527	30,701
Cash and bank balances	9,519	11	9,530	9,508	11	9,519
	<u>2,631,328</u>	<u>553,963</u>	<u>3,185,291</u>	<u>2,631,247</u>	<u>553,963</u>	<u>3,185,210</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(a) 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.

	Group			Company		
	Life and Shareholders' funds RM'000	Investment- linked funds RM'000	Total RM'000	Life and Shareholders' funds RM'000	Investment- linked funds RM'000	Total RM'000
<u>2021</u>						
<u>LAR</u>						
Fixed and call deposits	123,706	8,034	131,740	90,745	8,034	98,779
Loans	26,991	-	26,991	26,991	-	26,991
Financial assets at FVTPL – designated <u>upon initial recognition</u>						
Malaysian Government Securities	678,208	4,006	682,214	616,212	4,006	620,218
Cagamas bonds	5,911	-	5,911	5,911	-	5,911
Quoted equity securities	117,171	71,327	188,498	117,171	71,327	188,498
Unit trust funds	-	500,411	500,411	-	500,411	500,411
Unquoted corporate debt securities	1,450,354	40,339	1,490,693	1,166,826	40,339	1,207,165
Structured product	51,490	-	51,490	51,490	-	51,490
Controlled Structure Entities (Wholesale Fund)	-	-	-	378,408	-	378,408
Unquoted equity securities	174	-	174	174	-	174
Reinsurance assets	124,592	-	124,592	124,592	-	124,592
Insurance receivables	13,778	-	13,778	13,778	-	13,778
Other receivables	21,993	940	22,933	21,993	940	22,933
Cash and bank balances	12,473	20	12,493	12,463	20	12,483
	<u>2,626,841</u>	<u>625,077</u>	<u>3,251,918</u>	<u>2,626,754</u>	<u>625,077</u>	<u>3,251,831</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the authorised rating agencies' credit ratings of counterparties.

Group

<u>2022</u>	Neither past-due nor impaired					Not subject to credit risk	Investment-linked funds	Past due but not impaired	Past due and impaired	Total
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>										
Fixed and call deposits	79,324	18,096	-	-	27,632	-	8,155	-	-	133,207
Loans	-	-	-	-	29,620	-	-	-	-	29,620
Financial assets at FVTPL - designated upon initial recognition										
Malaysian Government Securities	-	-	-	-	689,796	-	3,852	-	-	693,648
Cagamas bonds	5,648	-	-	-	-	-	-	-	-	5,648
Quoted equity securities	-	-	-	-	-	75,268	68,971	-	-	144,239
Unit trust funds	-	-	-	-	-	-	429,341	-	-	429,341
Structured product	-	-	-	-	-	52,040	-	-	-	52,040
Unquoted corporate debt securities	219,997	538,698	22,072	2,899	796,877	-	43,106	-	-	1,623,649
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	22,176	-	-	2,669	-	-	-	-	24,845
Insurance receivables	-	115	-	-	8,534	-	-	-	-	8,649
Other receivables	-	-	-	-	30,174	-	527	-	-	30,701
Cash and bank balances	9,510	9	-	-	-	-	11	-	-	9,530
	<u>314,479</u>	<u>579,094</u>	<u>22,072</u>	<u>2,899</u>	<u>1,585,302</u>	<u>127,482</u>	<u>553,963</u>	<u>-</u>	<u>-</u>	<u>3,185,291</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the authorised rating agencies' credit ratings of counterparties. (continued)

Group

2021	Neither past-due nor impaired					Not subject to credit risk	Investment-linked funds	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>										
Fixed and call deposits	87,224	28,160	-	-	8,322	-	8,034	-	-	131,740
Loans	-	-	-	-	26,991	-	-	-	-	26,991
Financial assets at FVTPL <u>- designated upon initial recognition</u>										
Malaysian Government Securities	-	-	-	-	678,208	-	4,006	-	-	682,214
Cagamas bonds	5,911	-	-	-	-	-	-	-	-	5,911
Quoted equity securities	-	-	-	-	-	117,171	71,327	-	-	188,498
Unit trust funds	-	-	-	-	-	-	500,411	-	-	500,411
Structured product	-	-	-	-	-	51,490	-	-	-	51,490
Unquoted corporate debt securities	163,556	408,948	30,119	-	847,731	-	40,339	-	-	1,490,693
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	71,330	-	-	53,262	-	-	-	-	124,592
Insurance receivables	-	218	-	-	13,560	-	-	-	-	13,778
Other receivables	-	-	-	-	21,993	-	940	-	-	22,933
Cash and bank balances	12,442	31	-	-	-	-	20	-	-	12,493
	269,133	508,687	30,119	-	1,650,067	168,835	625,077	-	-	3,251,918

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(a) 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 authorised rating agencies' credit ratings of counterparties.

Company

<u>2022</u>	<u>Neither past-due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Investment-linked funds</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>										
Fixed and call deposits	72,553	18,096	-	-	27,632	-	8,155	-	-	126,436
Loans	-	-	-	-	29,620	-	-	-	-	29,620
<u>Financial assets at FVTPL - designated upon initial recognition</u>										
Malaysian Government Securities	-	-	-	-	654,543	-	3,852	-	-	658,395
Cagamas bonds	5,648	-	-	-	-	-	-	-	-	5,648
Quoted equity securities	-	-	-	-	-	75,268	68,971	-	-	144,239
Unit trust funds	-	-	-	-	-	-	429,341	-	-	429,341
Structured product	-	-	-	-	-	52,040	-	-	-	52,040
Controlled structured entities	-	-	-	-	-	337,078	-	-	-	337,078
Unquoted corporate debt										
Securities	209,648	348,655	-	-	727,116	-	43,106	-	-	1,328,525
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	22,176	-	-	2,669	-	-	-	-	24,845
Insurance receivables	-	115	-	-	8,534	-	-	-	-	8,649
Other receivables	-	-	-	-	30,174	-	527	-	-	30,701
Cash and bank balances	9,499	9	-	-	-	-	11	-	-	9,519
	297,348	389,051	-	-	1,480,288	464,560	553,963	-	-	3,185,210

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

33 FINANCIAL RISKS (CONTINUED)

(a) 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 authorised rating agencies' credit ratings of counterparties.

Company

2021	Neither past-due nor impaired					Not subject to credit risk	Investment-linked funds	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>										
Fixed and call deposits	54,263	28,160	-	-	8,322	-	8,034	-	-	98,779
Loans	-	-	-	-	26,991	-	-	-	-	26,991
Financial assets at FVTPL <u>- designated upon initial recognition</u>										
Malaysian Government Securities	-	-	-	-	616,212	-	4,006	-	-	620,218
Cagamas bonds	5,911	-	-	-	-	-	-	-	-	5,911
Quoted equity securities	-	-	-	-	-	117,171	71,327	-	-	188,498
Unit trust funds	-	-	-	-	-	-	500,411	-	-	500,411
Structured product	-	-	-	-	-	51,490	-	-	-	51,490
Controlled structured entities	-	-	-	-	-	378,408	-	-	-	378,408
Unquoted corporate debt securities	152,872	283,218	-	-	730,736	-	40,339	-	-	1,207,165
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	71,330	-	-	53,262	-	-	-	-	124,592
Insurance receivables	-	218	-	-	13,560	-	-	-	-	13,778
Other receivables	-	-	-	-	21,993	-	940	-	-	22,933
Cash and bank balances	12,432	31	-	-	-	-	20	-	-	12,483
	<u>225,478</u>	<u>382,957</u>	<u>-</u>	<u>-</u>	<u>1,471,076</u>	<u>547,243</u>	<u>625,077</u>	<u>-</u>	<u>-</u>	<u>3,251,831</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 **FINANCIAL RISKS (CONTINUED)**

(b) **Liquidity risk**

Liquidity risk is the risk where the Group and the Company are unable to meet their obligations at reasonable cost or at any time. The Group's and the Company's investment department manages this risk by monitoring daily as well as monthly, projected and actual cash inflows/outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Group and the Company has a strong liquidity position and seek to maintain sufficient financial resources to meet their obligations as they fall due.

The method used in monitoring the liquidity risk did not change from the previous financial year.

Maturity profiles

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities into their relevant maturity groupings based on the remaining undiscounted contractual obligations. All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities, where the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance contract liabilities.

The investment-linked funds are the assets of the investment-linked contracts backing the investment-linked policyholders' account in the insurance contract liabilities. Investment-linked fund liabilities are repayable or transferable upon notice by policyholders and are disclosed separately under the "Investment-linked funds" column. Repayments which are subject to notice are treated as if such notices were given immediately.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Group</u>	Carrying	Up to a	1 - 3	3 - 5	5 - 15	Over 15	No maturity	Investment-	Total
<u>2022</u>	<u>value</u>	<u>year</u>	<u>years</u>	<u>years</u>	<u>years</u>	<u>years</u>	<u>date</u>	<u>linked funds</u>	<u>RM'000</u>
<u>LAR</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed and call deposits	133,207	125,083	-	-	-	-	-	8,155	133,238
Loans	29,620	29,620	-	-	-	-	-	-	29,620
<u>Financial assets at FVTPL</u>									
<u>- designated upon initial recognition</u>									
Malaysian Government Securities	693,648	29,075	65,893	61,315	526,749	430,053	-	3,852	1,116,937
Cagamas bonds	5,648	325	650	650	5,198	-	-	-	6,823
Quoted equity securities	144,239	-	-	-	-	-	75,073	68,971	144,044
Unit trust funds	429,341	-	-	-	-	-	-	429,341	429,341
Structured product	52,040	-	-	-	-	-	52,040	-	52,040
Unquoted corporate debt securities	1,623,649	84,685	350,563	324,755	920,709	469,792	-	43,106	2,193,610
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	24,845	30,181	2,425	706	(8,765)	(2,244)	-	-	22,303
Insurance receivables	8,649	8,649	-	-	-	-	-	-	8,649
Other receivables	30,701	30,174	-	-	-	-	-	527	30,701
Cash and bank balances	9,530	-	-	-	-	-	9,519	11	9,530
Total assets	3,185,291	337,792	419,531	387,426	1,443,891	897,601	136,806	553,963	4,177,010

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Group</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment- linked funds</u> RM'000	<u>Total</u> RM'000
<u>2022</u> (continued)									
Insurance contract liabilities	2,433,172	991,542	124,920	103,185	697,275	618,176	-	510,949	3,046,047
Insurance claims liabilities	67,428	67,428	-	-	-	-	-	-	67,428
Insurance payables	19,211	19,211	-	-	-	-	-	-	19,211
Lease liabilities	6,691	4,123	2,579	-	-	-	-	-	6,702
Other financial liabilities	41,846	41,742	-	-	-	-	-	104	41,846
Other payables	90,450	88,793	-	-	-	-	-	1,657	90,450
Total liabilities	2,658,798	1,212,839	127,499	103,185	697,275	618,176	-	512,710	3,271,684

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Group</u>	<u>Carrying</u>	<u>Up to a</u>	<u>1 - 3</u>	<u>3 - 5</u>	<u>5 - 15</u>	<u>Over 15</u>	<u>No maturity</u>	<u>Investment-</u>	<u>Total</u>
<u>2021</u>	<u>value</u>	<u>year</u>	<u>years</u>	<u>years</u>	<u>years</u>	<u>years</u>	<u>date</u>	<u>linked funds</u>	<u>Total</u>
<u>LAR</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed and call deposits	131,740	123,732	-	-	-	-	-	8,034	131,766
Loans	26,991	26,991	-	-	-	-	-	-	26,991
<u>Financial assets at FVTPL</u>									
<u>- designated upon initial recognition</u>									
Malaysian Government Securities	682,214	29,927	55,480	96,744	477,366	402,363	-	4,006	1,065,886
Cagamas bonds	5,911	325	650	650	5,523	-	-	-	7,148
Quoted equity securities	188,498	-	-	-	-	-	117,115	71,327	188,442
Unit trust funds	500,411	-	-	-	-	-	-	500,411	500,411
Structured product	51,490	-	-	-	-	-	51,490	-	51,490
Unquoted corporate debt securities	1,490,693	116,015	275,102	273,730	868,530	506,751	-	40,339	2,080,467
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	124,592	32,822	20,159	16,932	57,386	39,107	-	-	166,406
Insurance receivables	13,778	13,778	-	-	-	-	-	-	13,778
Other receivables	22,933	21,993	-	-	-	-	-	940	22,933
Cash and bank balances	12,493	-	-	-	-	-	12,473	20	12,493
Total assets	3,251,918	365,583	351,391	388,056	1,408,805	948,221	181,252	625,077	4,268,385

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Group</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment- linked funds</u> RM'000	<u>Total</u> RM'000
<u>2021</u> (continued)									
Insurance contract liabilities	2,546,173	867,275	164,232	111,964	690,073	632,301	-	574,174	3,040,019
Insurance claims liabilities	55,918	55,918	-	-	-	-	-	-	55,918
Insurance payables	13,758	13,758	-	-	-	-	-	-	13,758
Lease liabilities	9,964	3,826	6,138	-	-	-	-	-	9,964
Other financial liabilities	2,755	2,755	-	-	-	-	-	-	2,755
Other payables	78,396	77,299	-	-	-	-	-	1,097	78,396
Total liabilities	2,706,964	1,020,831	170,370	111,964	690,073	632,301	-	575,271	3,200,810

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company

<u>2022</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000
<u>LAR</u>									
Fixed and call deposits	126,436	118,312	-	-	-	-	-	8,155	126,467
Loans	29,620	29,620	-	-	-	-	-	-	29,620
<u>Financial assets at FVTPL - designated upon initial recognition</u>									
Malaysian Government Securities	658,395	29,075	65,893	61,315	511,886	409,769	-	3,852	1,081,790
Cagamas bonds	5,648	325	650	650	5,198	-	-	-	6,823
Quoted equity securities	144,239	-	-	-	-	-	75,073	68,971	144,044
Unit trust funds	429,341	-	-	-	-	-	-	429,341	429,341
Structured product	52,040	-	-	-	-	-	52,040	-	52,040
Controlled structured entities	337,078	-	-	-	-	-	337,078	-	337,078
Unquoted corporate debt securities	1,328,525	84,685	307,428	195,982	867,255	469,792	-	43,106	1,968,248
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	24,845	30,181	2,425	706	(8,765)	(2,244)	-	-	22,303
Insurance receivables	8,649	8,649	-	-	-	-	-	-	8,649
Other receivables	30,701	30,174	-	-	-	-	-	527	30,701
Cash and bank balances	9,519	-	-	-	-	-	9,508	11	9,519
Total assets	3,185,210	331,021	376,396	258,653	1,375,574	877,317	473,873	553,963	4,246,797

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000
<u>2022</u> (continued)									
Insurance contract liabilities	2,433,172	991,542	124,920	103,185	697,275	618,176	-	510,949	3,046,047
Insurance claims liabilities	67,428	67,428	-	-	-	-	-	-	67,428
Insurance payables	19,211	19,211	-	-	-	-	-	-	19,211
Lease liabilities	6,691	4,123	2,579	-	-	-	-	-	6,702
Other financial liabilities	41,846	41,742	-	-	-	-	-	104	41,846
Other payables	90,369	88,712	-	-	-	-	-	1,657	90,369
Total liabilities	2,658,717	1,212,758	127,499	103,185	697,275	618,176	-	512,710	3,271,603

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company

<u>2021</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000
<u>LAR</u>									
Fixed and call deposits	98,779	90,771	-	-	-	-	-	8,034	98,805
Loans	26,991	26,991	-	-	-	-	-	-	26,991
<u>Financial assets at FVTPL - designated upon initial recognition</u>									
Malaysian Government Securities	620,218	29,927	55,480	61,040	451,074	402,363	-	4,006	1,003,890
Cagamas bonds	5,911	325	650	650	5,523	-	-	-	7,148
Quoted equity securities	188,498	-	-	-	-	-	117,115	71,327	188,442
Unit trust funds	500,411	-	-	-	-	-	-	500,411	500,411
Structured product	51,490	-	-	-	-	-	51,490	-	51,490
Controlled structured entities	378,408	-	-	-	-	-	378,408	-	378,408
Unquoted corporate debt securities	1,207,165	62,385	225,489	161,591	820,469	486,665	-	40,339	1,796,938
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	124,592	32,822	20,159	16,932	57,386	39,107	-	-	166,406
Insurance receivables	13,778	13,778	-	-	-	-	-	-	13,778
Other receivables	22,933	21,993	-	-	-	-	-	940	22,933
Cash and bank balances	12,483	-	-	-	-	-	12,463	20	12,483
Total assets	3,251,831	278,992	301,778	240,213	1,334,452	928,135	559,650	625,077	4,268,297

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment- linked funds</u> RM'000	<u>Total</u> RM'000
<u>2021</u> (continued)									
Insurance contract liabilities	2,546,173	867,275	164,232	111,964	690,073	632,301	-	574,174	3,040,019
Insurance claims liabilities	55,918	55,918	-	-	-	-	-	-	55,918
Insurance payables	13,758	13,758	-	-	-	-	-	-	13,758
Lease liabilities	9,964	3,826	6,138	-	-	-	-	-	9,964
Other financial liabilities	2,755	2,755	-	-	-	-	-	-	2,755
Other payables	78,309	77,212	-	-	-	-	-	1,097	78,309
Total liabilities	2,706,877	1,020,744	170,370	111,964	690,073	632,301	-	575,271	3,200,723

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 **FINANCIAL RISKS (CONTINUED)**

(c) **Market risk**

Market risk is the risk of assets/liabilities values being adversely affected by movements in market prices or rates. This includes equity prices and interest rates. It is recognised that such risk is inevitable from the business that the Group and the Company undertake, and that a certain level of market risk is desirable to deliver benefits to both policyholders and shareholders by achieving the Group's and the Company's financial objectives.

The Group and the Company manage market risk by adopting asset liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from market movements. However where any mismatch is within the Group's and the Company's appetite, the impact is monitored through economic capital measures.

Volatility in interest rate is the Group's and the Company's largest market risk exposure. The Group and the Company monitor market price movements through regular stress/sensitivity testing and constant supervision.

The method used in monitoring market risk did not change from the previous financial year.

(i) **Interest rate risk**

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Group's and the Company's concentration of interest rate risk arises from fixed rate instruments and the Group's and the Company's asset liability risk management policy requires management to manage the interest rate risk by maintaining an appropriate liability driven investment strategy. Interest on fixed rate instruments is priced at the issuance of the financial instrument and is fixed until the instrument matures.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after taxation and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk (continued)

<u>2022</u>	<u>Group</u>		<u>Company</u>	
	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in interest rate</u>				
+ 100 basis points	<u>(52,366)</u>	<u>(52,366)</u>	<u>(51,698)</u>	<u>(51,698)</u>
- 100 basis points	<u>57,568</u>	<u>57,568</u>	<u>56,901</u>	<u>56,901</u>
<u>2021</u>	<u>Group</u>		<u>Company</u>	
<u>Change in interest rate</u>	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
+ 100 basis points	<u>(128,154)</u>	<u>(128,154)</u>	<u>(127,643)</u>	<u>(127,643)</u>
- 100 basis points	<u>148,040</u>	<u>148,040</u>	<u>147,527</u>	<u>147,527</u>

* Impact on equity reflects adjustments for tax, where applicable.

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

(ii) Price risk

Price risk is the risk that the fair value of a financial instrument or portfolio will decline from adverse movement in the market price of an asset, whether those changes are caused by factors specific to the individual financial instrument, overall performance of the market and economy, or its issuer or factors affecting similar financial instruments traded in the market.

The Group's and the Company's equity price risk exposure relates to risk of losses arising from equity assets as a result of movement in market prices, principally investment securities not held for the account of unit-linked business.

The Group's and the Company's asset liability risk management policy requires it to manage equity price risk and interest rate risk by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in the country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Group and the Company comply with BNM's stipulated limits during the financial year and have no significant concentration of price risk.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

33 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Price risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after taxation and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

<u>2022</u>	<u>Group</u>		<u>Company</u>	
	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in price</u>				
Market price + 20%	14,358	14,358	14,358	14,358
- 20%	(14,358)	(14,358)	(14,358)	(14,358)
<u>2021</u>	<u>Group</u>		<u>Company</u>	
	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in price</u>				
Market price + 20%	21,163	21,163	21,163	21,163
- 20%	(21,163)	(21,163)	(21,163)	(21,163)

* Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous financial year. The impact of changes in equity price risk of Investment-linked funds is retained in the insurance contract liabilities.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

34 OPERATIONAL RISK

Operational risk is defined as the risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems, or from external events.

The Group and the Company have in place an Operational Risk Management (ORM) Framework. The purpose of this Framework is to:

- Set out the framework for ensuring effective management of the Group's and the Company's Operational Risks, including processes for identifying, measuring, managing, monitoring and reporting these risks across the Group and the Company; and
- Establish standard tools and processes for managing Operational Risks within the Group and the Company.

From the governance perspective, the RMC and the ERMC monitor and oversee the implementation of the ORM Framework to ensure that the operational risk management processes are in place and functioning effectively.

35 REGULATORY CAPITAL REQUIREMENTS

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

	<u>Group</u>		<u>Company</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
<u>Eligible Tier 1 Capital</u>				
Share capital (paid-up)	358,000	358,000	358,000	358,000
Retained earnings	80,670	98,361	80,670	98,361
Eligible contract liabilities	165,873	156,684	165,873	156,684
	<u>604,543</u>	<u>613,045</u>	<u>604,543</u>	<u>613,045</u>
Amounts deducted from capital	(14,872)	(16,632)	(14,872)	(16,632)
Total capital available	<u>589,671</u>	<u>596,413</u>	<u>589,671</u>	<u>596,413</u>

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

36 **ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS**

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 Group's and 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) or other than SPPI:

<u>Fair value as at 31 December 2022</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial asset</u> RM'000	<u>Total*</u> RM'000
<u>Group</u>			
Financial assets			
Malaysian Government Securities	182,890	510,758	693,648
Cagamas bonds	-	5,648	5,648
Unquoted corporate debt securities	529,592	1,081,366	1,610,958
Unquoted corporate securities (perpetual instruments)	-	12,691	12,691
Quoted equity securities	-	144,239	144,239
Unquoted equity securities [#]	-	27,288	27,288
Unit trust funds	-	429,341	429,341
Structured product	-	52,040	52,040
Loans and receivables – Fixed and call Deposits	-	133,207	133,207
Other receivables	-	30,701	30,701
Cash and bank balances	-	9,530	9,530
	<u>712,482</u>	<u>2,436,809</u>	<u>3,149,291</u>
<u>Company</u>			
Financial assets			
Malaysian Government Securities	182,890	475,505	658,395
Cagamas bonds	-	5,648	5,648
Unquoted corporate debt securities	529,592	798,933	1,328,525
Quoted equity securities	-	144,239	144,239
Unquoted equity securities [#]	-	27,288	27,288
Unit trust funds	-	429,341	429,341
Structured product	-	52,040	52,040
Controlled structured entities	-	337,078	337,078
Loans and receivables – Fixed and call deposits	-	126,436	126,436
Other receivables	-	30,701	30,701
Cash and bank balances	-	9,519	9,519
	<u>712,482</u>	<u>2,436,728</u>	<u>3,149,210</u>

* Insurance receivables, reinsurance assets, policy loans, automatic premium loans have been excluded from the above assessment as these will be under the scope of MFRS 17, Insurance Contracts. Other than the financial assets listed above and assets that are within the scope of MFRS 17, Insurance Contracts, all other assets in the statement of financial position are non-financial assets.

Under MFRS 9, the unquoted equity securities are stated at market value.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

36 **ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (CONTINUED)**

<u>Fair value as at 31 December 2021</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial asset</u> RM'000	<u>Total*</u> RM'000
<u>Group</u>			
Financial assets			
Malaysian Government Securities	-	682,214	682,214
Cagamas bonds	-	5,911	5,911
Unquoted corporate debt securities	-	1,485,504	1,485,504
Unquoted corporate securities (perpetual instruments)	-	5,189	5,189
Quoted equity securities	-	188,498	188,498
Unquoted equity securities#	-	26,087	26,087
Unit trust funds	-	500,411	500,411
Structured product	-	51,490	51,490
Loans and receivables – Fixed and call deposits	131,740	-	131,740
Other receivables	22,933	-	22,933
Cash and bank balances	12,493	-	12,493
	<u>167,166</u>	<u>2,945,304</u>	<u>3,112,470</u>
<u>Company</u>			
Financial assets			
Malaysian Government Securities	-	620,218	620,218
Cagamas bonds	-	5,911	5,911
Unquoted corporate debt securities	-	1,207,165	1,207,165
Quoted equity securities	-	188,498	188,498
Unquoted equity securities#	-	26,087	26,087
Unit trust funds	-	500,411	500,411
Structured product	-	51,490	51,490
Controlled structured entities	-	378,408	378,408
Loans and receivables – Fixed and call deposits	98,779	-	98,779
Other receivables	22,933	-	22,933
Cash and bank balances	12,483	-	12,483
	<u>134,195</u>	<u>2,978,188</u>	<u>3,112,383</u>

* Insurance receivables, reinsurance assets, policy loans, automatic premium loans have been excluded from the above assessment as these will be under the scope of MFRS 17, Insurance Contracts. Other than the financial assets listed above and assets that are within the scope of MFRS 17, Insurance Contracts, all other assets in the statement of financial position are non-financial assets.

Under MFRS 9, the unquoted equity securities are stated at market value.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

36 **ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (CONTINUED)**

<u>31 December 2022</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial assets</u> RM'000	<u>Total</u> RM'000
<u>Changes in fair value during the year*</u>			
<u>Group</u>			
Financial assets			
Malaysian Government Securities	(781)	(14,445)	(15,226)
Cagamas bonds	-	(264)	(264)
Unquoted corporate debt securities	(17,543)	(18,583)	(36,126)
Unquoted corporate debt securities (perpetual instruments)	-	(291)	(291)
Quoted equity securities	-	(14,642)	(14,642)
Unquoted equity securities [#]	-	1,201	1,201
Unit trust funds	-	(81,321)	(81,321)
Structured product	-	550	550
	<u>(18,324)</u>	<u>(127,795)</u>	<u>(146,119)</u>
<u>Company</u>			
Financial assets			
Malaysian Government Securities	(781)	(16,139)	(16,920)
Cagamas bonds	-	(264)	(264)
Unquoted corporate debt securities	(17,543)	(17,990)	(35,533)
Quoted equity securities	-	(14,642)	(14,642)
Unquoted equity securities [#]	-	1,201	1,201
Unit trust funds	-	(81,321)	(81,321)
Structured product	-	550	550
Controlled structured entities	-	2,492	2,492
	<u>(18,324)</u>	<u>(126,113)</u>	<u>(144,437)</u>

* The changes in fair value during the year other than for unquoted equity securities have been included in Note 23.

Under MFRS 9, the unquoted equity securities are stated at market value.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

36 **ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (CONTINUED)**

<u>31 December 2021</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial assets</u> RM'000	<u>Total</u> RM'000
<u>Changes in fair value during the year*</u>			
<u>Group</u>			
Financial assets			
Malaysian Government Securities	-	(42,781)	(42,781)
Cagamas bonds	-	(429)	(429)
Unquoted corporate debt securities	-	(74,919)	(74,919)
Unquoted corporate debt securities (perpetual instruments)	-	(201)	(201)
Quoted equity securities	-	5,943	5,943
Unquoted equity securities [#]	-	3,551	3,551
Unit trust funds	-	(8,643)	(8,643)
Structured product	-	1,490	1,490
	-	(115,989)	(115,989)
	-	(115,989)	(115,989)
<u>Company</u>			
Financial assets			
Malaysian Government Securities	-	(38,936)	(38,936)
Cagamas bonds	-	(429)	(429)
Unquoted corporate debt securities	-	(57,357)	(57,357)
Quoted equity securities	-	5,943	5,943
Unquoted equity securities [#]	-	3,551	3,551
Unit trust funds	-	(8,643)	(8,643)
Structured product	-	1,490	1,490
Controlled structured entities	-	(24,472)	(24,472)
	-	(118,853)	(118,853)
	-	(118,853)	(118,853)

* The changes in fair value during the year other than for unquoted equity securities have been included in Note 23.

Under MFRS 9, the unquoted equity securities are stated at market value.

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

36 **ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (CONTINUED)**

Financial assets with SPPI cash flows*

The table below provides information on the gross carrying amounts under MFRS 139 by credit risk rating grades.

	<u>AAA</u>	<u>AA</u>	<u>Non-rated</u>	<u>Investment-linked funds</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2022</u>					
<u>Group</u>					
Loans and receivables – Fixed and					
Call deposits	79,324	18,096	27,632	8,155	133,207
Other receivables	-	-	30,174	527	30,701
Cash and bank balances	9,510	9	-	11	9,530
	<u>88,834</u>	<u>18,105</u>	<u>57,806</u>	<u>8,693</u>	<u>173,438</u>
<u>Company</u>					
Loans and receivables	72,553	18,096	27,632	8,155	126,436
Other receivables	-	-	30,174	527	30,701
Cash and bank balances	9,499	9	-	11	9,519
	<u>82,052</u>	<u>18,105</u>	<u>57,806</u>	<u>8,693</u>	<u>166,656</u>
<u>31 December 2021</u>					
<u>Group</u>					
Loans and receivables – Fixed and					
Call deposits	87,224	28,160	8,322	8,034	131,740
Other receivables	-	-	21,993	940	22,933
Cash and bank balances	12,442	31	-	20	12,493
	<u>99,666</u>	<u>28,191</u>	<u>30,315</u>	<u>8,994</u>	<u>167,166</u>
<u>Company</u>					
Loans and receivables	54,263	28,160	8,322	8,034	98,779
Other receivables	-	-	21,993	940	22,933
Cash and bank balances	12,432	31	-	20	12,483
	<u>66,695</u>	<u>28,191</u>	<u>30,315</u>	<u>8,994</u>	<u>134,195</u>

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

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

37 **INSURANCE FUNDS**

The Group's and the Company's activities are organised by funds and segregated into Life and Shareholders' funds in accordance with the Financial Services Act, 2013 and Insurance Regulations, 1996.

The Group's and the Company's statement of financial position and statement of comprehensive income have been further analysed by funds which are as follows:

Statement of Financial Position by Funds as at 31 December 2022

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
<u>Assets</u>								
Property and equipment	-	-	57,529	54,577	-	-	57,529	54,577
Intangible assets	-	-	14,855	16,632	-	-	14,855	16,632
Right-of-use assets	-	-	6,378	9,641	-	-	6,378	9,641
Financial assets	377,984	393,792	2,614,373	2,569,332	(43,618)	(43,733)	2,948,739	2,919,391
Loans and receivables	13,495	34,009	149,332	124,722	-	-	162,827	158,731
Reinsurance assets	-	-	24,845	124,592	-	-	24,845	124,592
Insurance receivables	-	-	8,649	13,778	-	-	8,649	13,778
Other receivables	229,231	196,776	27,422	22,378	(225,952)	(196,221)	30,701	22,933
Cash and bank balances	22	21	9,508	12,472	-	-	9,530	12,493
Total assets	<u>620,732</u>	<u>624,598</u>	<u>2,912,891</u>	<u>2,948,124</u>	<u>(269,570)</u>	<u>(239,954)</u>	<u>3,264,053</u>	<u>3,332,768</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

37 **INSURANCE FUNDS (CONTINUED)**

Statement of Financial Position by Funds as at 31 December 2022 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	80,670	98,361	-	-	-	-	80,670	98,361
Reserves	134,357	126,914	-	-	-	-	134,357	126,914
Total equity	573,027	583,275	-	-	-	-	573,027	583,275
<u>Liabilities</u>								
Insurance contract liabilities	-	-	2,476,790	2,589,906	(43,618)	(43,733)	2,433,172	2,546,173
Insurance claims liabilities	-	-	67,428	55,918	-	-	67,428	55,918
Insurance payables	974	495	18,237	13,263	-	-	19,211	13,758
Lease liabilities	-	-	6,691	9,964	-	-	6,691	9,964
Other financial liabilities	-	128	41,846	2,627	-	-	41,846	2,755
Other payables	1,058	1,034	315,344	273,583	(225,952)	(196,221)	90,450	78,396
Current tax liabilities	11,400	7,600	(10,884)	(6,389)	-	-	516	1,211
Deferred tax liabilities	34,273	32,066	(2,561)	9,252	-	-	31,712	41,318
Total liabilities	47,705	41,323	2,912,891	2,948,124	(269,570)	(239,954)	2,691,026	2,749,493
Total equity, policyholders' funds and liabilities	620,732	624,598	2,912,891	2,948,124	(269,570)	(239,954)	3,264,053	3,332,768

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

37 **INSURANCE FUNDS (CONTINUED)**

Statement of Financial Position by Funds as at 31 December 2022 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
<u>Assets</u>								
Property and equipment	-	-	57,529	54,577	-	-	57,529	54,577
Intangible assets	-	-	14,855	16,632	-	-	14,855	16,632
Right-of-use assets	-	-	6,378	9,641	-	-	6,378	9,641
Financial assets	384,685	426,676	2,614,373	2,569,332	(43,618)	(43,733)	2,955,440	2,952,275
Loans and receivables	6,724	1,048	149,332	124,722	-	-	156,056	125,770
Reinsurance assets	-	-	24,845	124,592	-	-	24,845	124,592
Insurance receivables	-	-	8,649	13,778	-	-	8,649	13,778
Other receivables	229,231	196,776	27,422	22,378	(225,952)	(196,221)	30,701	22,933
Cash and bank balances	11	11	9,508	12,472	-	-	9,519	12,483
Total assets	620,651	624,511	2,912,891	2,948,124	(269,570)	(239,954)	3,263,972	3,332,681

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

37 **INSURANCE FUNDS (CONTINUED)**

Statement of Financial Position by Funds as at 31 December 2022 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	80,670	98,361	-	-	-	-	80,670	98,361
Reserves	134,357	126,914	-	-	-	-	134,357	126,914
Total equity	573,027	583,275	-	-	-	-	573,027	583,275
<u>Liabilities</u>								
Insurance contract liabilities	-	-	2,476,790	2,589,906	(43,618)	(43,733)	2,433,172	2,546,173
Insurance claims liabilities	-	-	67,428	55,918	-	-	67,428	55,918
Insurance payables	974	495	18,237	13,263	-	-	19,211	13,758
Lease liabilities	-	-	6,691	9,964	-	-	6,691	9,964
Other financial liabilities	-	128	41,846	2,627	-	-	41,846	2,755
Other payables	977	947	315,344	273,583	(225,952)	(196,221)	90,369	78,309
Current tax liabilities	11,400	7,600	(10,884)	(6,389)	-	-	516	1,211
Deferred tax liabilities	34,273	32,066	(2,561)	9,252	-	-	31,712	41,318
Total liabilities	47,624	41,236	2,912,891	2,948,124	(269,570)	(239,954)	2,690,945	2,749,406
Total equity, policyholders' funds and liabilities	620,651	624,511	2,912,891	2,948,124	(269,570)	(239,954)	3,263,972	3,332,681

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

37 **INSURANCE FUNDS (CONTINUED)**

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2022

	Shareholders' Fund		Life Fund		Elimination		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross premiums	-	-	634,086	962,335	-	-	634,086	962,335
Premiums ceded to reinsurers	-	-	(70,286)	(69,185)	-	-	(70,286)	(69,185)
Net premium	-	-	563,800	893,150	-	-	563,800	893,150
Investment income	15,762	15,954	109,618	98,472	-	-	125,380	114,426
Net realised gains/(losses)	-	-	46	(21)	-	-	46	(21)
Other operating income	-	-	13,063	12,542	-	-	13,063	12,542
Other income	15,762	15,954	122,727	110,993	-	-	138,489	126,947
Gross benefits and claims paid	(9)	(507)	(334,388)	(440,203)	-	-	(334,397)	(440,710)
Claims ceded to reinsurers	-	-	63,916	62,583	-	-	63,916	62,583
Gross change in contract liabilities	-	-	113,116	(243,546)	(115)	917	113,001	(242,629)
Change in contract liabilities ceded to reinsurers	-	-	(105,764)	17,800	-	-	(105,764)	17,800
Net claims	(9)	(507)	(263,120)	(603,366)	(115)	917	(263,244)	(602,956)

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

37 **INSURANCE FUNDS (CONTINUED)**

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2022 (continued)

	Shareholders' Fund		Life Fund		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
<u>Group</u>								
Net fair value losses	(9,789)	(20,554)	(159,136)	(84,980)	115	(917)	(168,810)	(106,451)
Commission expenses	(462)	(815)	(65,240)	(77,424)	-	-	(65,702)	(78,239)
Management expenses	(1,459)	(1,816)	(131,873)	(137,139)	-	-	(133,332)	(138,955)
Other operating expenses	(971)	(937)	(80)	(118)	-	-	(1,051)	(1,055)
Investment expenses	(35)	(33)	(2,281)	(1,856)	-	-	(2,316)	(1,889)
Finance cost	-	-	(310)	(344)	-	-	(310)	(344)
Other expenses	(12,716)	(24,155)	(358,920)	(301,861)	115	(917)	(371,521)	(326,933)
Profit/(loss) before taxation	3,037	(8,708)	64,487	98,916	-	-	67,524	90,208
Tax credit attributable to policyholders and unitholders	-	-	4,702	653	-	-	4,702	653
Transfer from life fund	69,189	99,569	(69,189)	(99,569)	-	-	-	-
Profit before taxation attributable to Shareholders	72,226	90,861	-	-	-	-	72,226	90,861
Taxation	(12,474)	(12,101)	4,702	653	-	-	(7,772)	(11,448)
Tax credit attributable to Policyholders and unitholders	-	-	(4,702)	(653)	-	-	(4,702)	(653)
Tax expense attributable to Shareholders	(12,474)	(12,101)	-	-	-	-	(12,474)	(12,101)
Net profit for the financial year	59,752	78,760	-	-	-	-	59,752	78,760

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

37 **INSURANCE FUNDS (CONTINUED)**

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2022 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u>Company</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gross premiums	-	-	634,086	962,335	-	-	634,086	962,335
Premiums ceded to reinsurers	-	-	(70,286)	(69,185)	-	-	(70,286)	(69,185)
Net premiums	-	-	563,800	893,150	-	-	563,800	893,150
Investment income	5,289	17,536	109,618	98,472	-	-	114,907	116,008
Net realised gains/(losses)	-	-	46	(21)	-	-	46	(21)
Other operating income	-	-	13,063	12,542	-	-	13,063	12,542
Other income	5,289	17,536	122,727	110,993	-	-	128,016	128,529
Gross benefits and claims paid	(9)	(507)	(334,388)	(440,203)	-	-	(334,397)	(440,710)
Claims ceded to reinsurers	-	-	63,916	62,583	-	-	63,916	62,583
Gross change in contract liabilities	-	-	113,116	(243,546)	(115)	917	113,001	(242,629)
Change in contract liabilities ceded to reinsurers	-	-	(105,764)	17,800	-	-	(105,764)	17,800
Net claims	(9)	(507)	(263,120)	(603,366)	(115)	917	(263,244)	(602,956)

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

37 **INSURANCE FUNDS (CONTINUED)**

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2022 (continued)

	Shareholders' Fund		Life Fund		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
<u>Company</u>								
Net fair value losses	(108)	(23,477)	(159,136)	(84,980)	115	(917)	(159,129)	(109,374)
Commission expenses	(462)	(815)	(65,240)	(77,424)	-	-	(65,702)	(78,239)
Management expenses	(667)	(475)	(131,873)	(137,139)	-	-	(132,540)	(137,614)
Other operating expenses	(971)	(937)	(80)	(118)	-	-	(1,051)	(1,055)
Investment expenses	(35)	(33)	(2,281)	(1,856)	-	-	(2,316)	(1,889)
Finance cost	-	-	(310)	(344)	-	-	(310)	(344)
Other expenses	(2,243)	(25,737)	(358,920)	(301,861)	115	(917)	(361,048)	(328,515)
Profit/(loss) before taxation	3,037	(8,708)	64,487	98,916	-	-	67,524	90,208
Tax credit attributable to policyholders and unitholders	-	-	4,702	653	-	-	4,702	653
Transfer from life fund	69,189	99,569	(69,189)	(99,569)	-	-	-	-
Profit before taxation attributable to Shareholders	72,226	90,861	-	-	-	-	72,226	90,861
Taxation	(12,474)	(12,101)	4,702	653	-	-	(7,772)	(11,448)
Tax credit attributable to Policyholders and unitholders	-	-	(4,702)	(653)	-	-	(4,702)	(653)
Tax expense attributable to Shareholders	(12,474)	(12,101)	-	-	-	-	(12,474)	(12,101)
Net profit for the financial year	59,752	78,760	-	-	-	-	59,752	78,760

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

37 **INSURANCE FUNDS (CONTINUED)**

Information on Cash Flows by Funds for the financial year ended 31 December 2022

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u>Group</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from:						
Operating activities	70,001	1	18,007	20,544	88,008	20,545
Investing activities	-	-	(16,909)	(17,101)	(16,909)	(17,101)
Financing activities	(70,000)	-	(4,062)	(2,941)	(74,062)	(2,941)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents:						
Net (decrease)/increase in cash and cash equivalents	1	1	(2,964)	502	(2,963)	503
At beginning of the financial year	21	20	12,472	11,970	12,493	11,990
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of the financial year	<u>22</u>	<u>21</u>	<u>9,508</u>	<u>12,472</u>	<u>9,530</u>	<u>12,493</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

37 **INSURANCE FUNDS (CONTINUED)**

Information on Cash Flows by Funds for the financial year ended 31 December 2022

	Shareholders' Fund		Life Fund		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u>Company</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from:						
Operating activities	70,000	1	18,007	20,544	88,007	20,545
Investing activities	-	-	(16,909)	(17,101)	(16,909)	(17,101)
Financing activities	(70,000)	-	(4,062)	(2,941)	(74,062)	(2,941)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents:						
Net (decrease)/increase in cash and cash equivalents	-	1	(2,964)	502	(2,964)	503
At beginning of the financial year	11	10	12,472	11,970	12,483	11,980
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of the financial year	<u>11</u>	<u>11</u>	<u>9,508</u>	<u>12,472</u>	<u>9,519</u>	<u>12,483</u>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

38 INVESTMENT-LINKED FUNDS

(a)(i) Investment-linked funds' Statement of Financial Position as at 31 December 2022

	Group/Company	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
<u>Assets</u>		
Financial assets	545,270	616,083
Loans and receivables	8,155	8,034
Other receivables	527	940
Deferred tax assets	2,636	-
Cash and bank balances	11	20
	<hr/>	<hr/>
Total assets	556,599	625,077
	<hr/>	<hr/>
<u>Liabilities</u>		
Other financial liabilities	104	-
Other payables	1,657	1,097
Current tax liabilities	271	1,696
Deferred tax liabilities	-	4,377
	<hr/>	<hr/>
Total liabilities	2,032	7,170
	<hr/>	<hr/>
Net asset value	554,567	617,907
	<hr/> <hr/>	<hr/> <hr/>

(ii) Investment-linked funds' Statement of Comprehensive Income for the financial year ended 31 December 2022

	Group/Company	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Investment income	16,960	14,546
Other operating income	256	229
	<hr/>	<hr/>
Net fair value (losses)/gains	17,216	14,775
Management expenses	(86,565)	12,041
Investment expenses	(1,590)	(1,546)
	<hr/>	<hr/>
(Loss)/profit before taxation	(331)	(315)
	<hr/>	<hr/>
(Loss)/profit before taxation	(71,270)	24,955
Taxation	6,741	(1,132)
	<hr/>	<hr/>
Net (loss)/profit for the financial year	(64,529)	23,823
	<hr/> <hr/>	<hr/> <hr/>

Registration No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

38 INVESTMENT-LINKED FUNDS (CONTINUED)

- (b) The statements of financial position and comprehensive income of Investment-linked funds have been adjusted and eliminated for the following assets, liabilities and net asset values of Sun Life Malaysia Balanced Stable Fund, Sun Life Malaysia Balanced Moderate Fund and Sun Life Malaysia Balanced Aggressive Fund as these funds were only invested in Sun Life Malaysia Growth Fund and Sun Life Malaysia Conservative Fund:

Statement of Financial Position

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
<u>Assets</u>		
Financial assets	27,269	27,343
Other receivables	223	278
	<hr/>	<hr/>
Total assets	27,492	27,621
	<hr/>	<hr/>
<u>Liabilities</u>		
Other payables	35	40
Current tax liabilities	37	53
Deferred tax liabilities	172	229
	<hr/>	<hr/>
Total liabilities	244	322
	<hr/>	<hr/>
Net asset value	27,248	27,299
	<hr/> <hr/>	<hr/> <hr/>

Statement of Comprehensive Income

	<u>Group/Company</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Net fair value gains	254	1,014
Management expenses	(11)	(11)
	<hr/>	<hr/>
Profit before taxation	243	1,003
Taxation	(20)	(81)
	<hr/>	<hr/>
Net profit for the financial year	223	922
	<hr/> <hr/>	<hr/> <hr/>