

ETIQA LIFE INSURANCE BERHAD
Company No.: 201701025113 (1239279-P)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2025

ETIQA LIFE INSURANCE BERHAD
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(Incorporated in Malaysia)

CONTENTS	PAGES
Directors' report	1 - 6
Corporate governance disclosures	7 - 23
Statement by directors	24
Statutory declaration	24
Independent auditors' report	25 - 28
Statement of financial position	29
Income statement	30
Statement of comprehensive income	31
Statement of changes in equity	32 - 33
Statement of cash flows	34 - 36
Notes to the financial statements	37 - 204

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2025.

PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	2025 RM'000
Net profit for the financial year	<u>196,969</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

MAYBANK GROUP EMPLOYEES' SHARE GRANT PLAN ("ESGP") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE GRANT PLAN ("CESGP")

The existing ESGP ("ESGP2018") is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting ("EGM") held on 6 April 2017, and was implemented on 14 December 2018 for a period of seven (7) years from the effective date. A total of five (5) awards have been made under the ESGP2018 from 2018 to 2022, of which all the awards have been vested to eligible employees from 2021 to 2025. No new awards under ESGP2018 have been issued to staff since 2023, and the plan has officially expired on 13 December 2025.

As continuation of the existing employees' share grant plan, the shareholders at the EGM held on 3 May 2023 have approved the establishment of a new ESGP plan ("ESGP2023"). The ESGP2023 was implemented on 20 September 2023 for eligible talents and senior management. The features of the ESGP2023 are similar to the ESGP2018 with the exception being the plan period i.e. 10 years as compared to ESGP2018 of 7 years. Three (3) out of eight (8) awards have been made in 2023 to 2025, which will vest in 2026 to 2028, subject to fulfilment of the ESGP vesting conditions as well as meeting the performance criteria at the Maybank Group and individual levels.

Both ESGP2018 and ESGP2023 are administered by the Maybank Group Nomination and Remuneration Committee ("NRC").

The ESGP consists of two (2) types of performance-based awards: Employees' Share Grant Plan ("ESGP Shares") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group NRC.

The ESGP Shares is a form of Restricted Share Units ("RSU") and the NRC may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executives, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and the NRC may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

The maximum number of ordinary shares in Malayan Banking Berhad ("Maybank") available under the ESGP should not exceed 3.5% of the total number of issued and paid-up capital of Maybank at any point of time during the duration of the ESGP schemes.

The number of ESGP shares to be vested is based on a multiple of the initial grant whereby the multiple is determined according to the performance targets and/or conditions. In the event the performance targets and/or conditions are not met by the eligible employees, the ESGP shares shall not be vested to them at the end of the ESGP vesting schedule.

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DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Mohd Najib Bin Abdullah (Chairman)
Mr. Frank Johan Gerard Van Kempen (Vice Chairman)
Mr. Wong Pakshong Kat Jeong Colin Stewart
Dr. Ariffin Bin Datuk Yahaya
Dr. Siew Chan Cheong [Appointed with effect from 17 February 2025]

Pursuant to Article 101 of the Company's Constitution, the Directors appointed under the Provision of the Constitution shall not be subject to retirement by rotation under Section 205 of the Companies Act, 2016.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than arising from the Maybank Group ESGP.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The Directors' benefits are as follows:

	RM'000
Fees	693
Other emoluments	150
	<u>843</u>

DIRECTORS' INDEMNITY

The Maybank Group maintains on a group basis, a Directors' and Officers' Liability Insurance ("D&O") against any legal liability incurred by the Directors in the discharge of their duties while holding office for the Company. The Directors shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

The D&O policy provides coverage of RM300 million for all directors of the Maybank Group for the financial year. The total premium paid for the policy amounted to RM1.43 million, compared with RM1.38 million in FY2024.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings kept by the Company under Section 59 of the Companies Act 2016, the interests of Directors in office at the end of the financial year in shares of the ultimate holding company, Maybank during the financial year were as follows:

	Number of Ordinary Shares		
	As at 17 February 2025	Acquired 2025	As at 31 December 2025
Ultimate Holding Company			
Direct interest:			
Dr. Siew Chan Cheong	-	85,400	85,400
Indirect interest:			
Dr. Siew Chan Cheong ¹	5,000	-	5,000

¹ Shares in Maybank held by spouse.

	As at 1 January 2025	Acquired 2025	As at 31 December 2025
Indirect interest:			
Mr. Wong Pakshong Kat Jeong Colin Stewart ²	34,253	-	34,253

² Shares in Maybank held by spouse.

The ultimate holding company has awarded the ESGP shares to the following Director:

	Award date	Number of of ESGP shares awarded	Vesting Year
Dr. Siew Chan Cheong	30 September 2022	104,000	2025
	20 September 2023	195,000	2026
	8 March 2024	195,000	2027
	30 April 2025	195,000	2028
		689,000	

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance as disclosed from pages 7 to 23.

FINANCIAL HOLDING COMPANY

The financial holding company is Maybank Ageas Holdings Berhad ("MAHB").

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

The Directors regard MAHB, a Company incorporated in Malaysia, as the Company's immediate holding company and Etiqa International Holdings Sdn. Bhd. ("EIHSB") and Maybank, companies incorporated in Malaysia, as the penultimate and ultimate holding companies respectively.

OTHER STATUTORY INFORMATION

- (a) Before the Statement of Financial Position and Income Statement of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) the amount written-off for bad debts or the amount of the allowances for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONTD.)

(f) In the opinion of the Directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e)(ii) and (f)(i) above, contingent liabilities or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

SIGNIFICANT EVENTS

There were no significant events during the financial year that require disclosure in the financial statements.

SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial year that would require disclosure or adjustment in the financial statements.

AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	RM'000
Ernst & Young PLT	<u>848</u>

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 March 2026.



DATUK MOHD NAJIB BIN ABDULLAH



SIEW CHAN CHEONG

CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

The Board of Directors (“the Board”) of Etiqa Life Insurance Berhad (“the Company”), a wholly-owned subsidiary of Maybank Ageas Holdings Berhad, the immediate holding company (“MAHB”) and its subsidiaries (collectively referred to as “the Group”), acknowledges the importance of a robust and sound Corporate Governance (“CG”) Framework in promoting integrity, accountability and transparency throughout the Group. The Board continuously refines the Company’s CG practices and processes to uphold the highest standards of conduct, as guided by the Companies Act 2016 and Bank Negara Malaysia (“BNM”) Policy Document on CG. Disclosures in this section are made pursuant to Paragraph 22 of the BNM Policy Document on CG.

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT

(a) Board Composition

As at 31 December 2025, the Board comprises five (5) Directors:-

- (i) Three (3) Independent Non-Executive Directors (“INED”);
- (ii) One (1) Non-Independent Non-Executive Director (“NINED”); and
- (iii) One (1) Executive Director (“ED”).

The composition of the Board meets the requirement of having a majority of independent directors and common directors remain in the minority as set out in the BNM Policy Document on CG. None of the INED had exceeded their respective nine-year tenure pursuant to the MAHB Group’s Policy on Tenure of Directorship which limits the tenure of an INED to a cumulative period of nine (9) years. Datuk Mohd Najib Bin Abdullah, an INED, is the Chairman of the Board, Mr. Frank Johan Gerard Van Kempen NINED who is also the Vice Chairman, is a nominee of Ageas Insurance International N.V. (“Ageas”), a shareholder of MAHB whilst Dr. Siew Chan Cheong is the ED.

The Board is committed to ensuring diversity and inclusiveness in its composition and decision-making process. The Company also embraces the proposition that having a diverse Board would have a positive, value-added impact on the Company. In this regard, the Board considers diversity from a number of different aspects, including gender, age, cultural and educational background, nationality, professional experience, skills, knowledge and length of service.

The Board meets at least once on a bi-monthly basis, and the meeting dates are scheduled in advance (before the commencement of each financial year) to enable the Directors to plan ahead. When required, the Board will meet on an ad hoc basis to consider urgent matters. All Directors attended more than 75% of Board meetings held during the financial year.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(a) Board Composition (contd.)

The composition of the Board and the attendance of the Directors at meetings held during the financial year are as follows:

Members of the Board	Designation	Number of Board Meetings attended	%
Datuk Mohd Najib Bin Abdullah <i>(Chairman)</i>	INED ¹	11/11	100
Mr. Frank Johan Gerard Van Kempen <i>Kempen (Vice Chairman)</i>	NINED	11/11	100
Mr. Wong Pakshong Kat Jeong Colin <i>Stewart</i>	INED ²	11/11	100
Dr. Ariffin Bin Yahaya	INED	11/11	100
Dr. Siew Chan Cheong	ED ³	8/10	80

¹ He is also a member of the Nomination and Remuneration Committee.

² He is also a member of the Risk Management Committee.

³ Appointed as an ED of the Company with effect from 17 February 2025.

Profile of Directors

Name/Designation/Age/Nationality	Background/Experience	Other Directorship within the Group
Datuk Mohd Najib Bin Abdullah Chairman/INED 65 years of age Malaysian	Banking & Insurance	• INED, MAHB • Chairman/INED, Etiqa General Insurance Berhad <i>(Resigned with effect from 31 December 2025)</i>
Mr. Frank Johan Gerard Van Kempen Vice Chairman/NINED 58 years of age Dutch	Insurance	Nil

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(a) Board Composition (contd.)

Profile of Directors (contd.)

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorship within the Group
Mr. Wong Pakshong Kat Jeong Colin Stewart INED 66 years of age Singaporean	Insurance	• INED, Etiqa Family Takaful Berhad
Dr. Ariffin Bin Yahaya INED 61 years of age Malaysian	Economics and Computer Science	Nil
Dr. Siew Chan Cheong Executive Director 48 years of age Malaysian	Strategy, Innovation and Banking	Nil

Detailed profile of each Director is available on the Group's corporate website (www.etiqa.com). Directors' interests in shares and share options in the ultimate holding company, Malayan Banking Berhad ("MBB" or "Maybank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2025 ("FYE 2025").

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(b) Roles and Responsibilities of the Board

The business and affairs of the Company are managed under the direction and oversight of the Board, which also has the responsibility to periodically review and approve the overall strategies, business, organisation and significant policies of the Company. The Board also sets the core values, and adopts proper standards to ensure that the Company operates with integrity and complies with the relevant rules and regulations.

The roles and responsibilities of the Board are set out in the Company's Board Charter and the Terms of Reference of the Board which are available on the Group's corporate website (www.etiqa.com).

(c) Board Committees Composition and Roles & Responsibilities

The Company leverages on the Group Board Committees at MAHB, which MAHB Board had established to assist the Board in carrying out effective oversight of the operations and business affairs of the Company, namely:-

- (i) Nomination and Remuneration Committee;
- (ii) Audit Committee of the Board; and
- (iii) Risk Management Committee.

(i) Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") consists of a majority of INEDs and is chaired by an INED.

The primary objective of the NRC is to support the Board of the Group in discharging their duties and responsibilities in the appointments, removals, composition, performance evaluation and development, fit and proper assessments concerning the Board, Chief Executive Officers ("CEOs"), Shariah Committee members¹, Senior Officers² and Company Secretary of the Group. In addition, the NRC oversees the design and operation of the remuneration system, and periodically reviews the appropriate remuneration of the Board, CEOs, Shariah Committee members¹ and Senior Officers² of the Group.

The NRC also establishes a formal and transparent procedure for the nomination and appointment of Directors, CEOs, Shariah Committee members¹, Senior Officers² and Company Secretary of the Group.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(i) Nomination and Remuneration Committee (contd.)

The Board via the NRC assesses the independence of INEDs prior to their appointments and re-appointments, as part of the annual Fit and Proper Assessment exercise. Pursuant to the NRC's recommendation based on the assessment undertaken for the financial year, the Board is satisfied that all the INEDs of the Company have met the independence criteria, as set out in BNM Policy Document on CG as well as the MAHB Group's Policy on Directors' Independence. Once every three (3) years, the NRC would engage an external consultant to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board, Board Committees, and individual Directors.

The NRC plays a major role in the recruitment and selection process of potential candidates, which includes procuring from time to time the curriculum vitae of prospective candidates discreetly to ensure that the Board always have a steady pool of talent whenever there is a need for the appointment of Directors. This is not only to ensure continuity in meeting its long term goals but also to ensure the knowledge, experience and skillset of the Board members, both individually and collectively, are well suited to meet the demands of the ever-changing landscape of the insurance industry.

In addition, the NRC is also responsible to implement a formal and transparent procedure for developing a remuneration framework for Directors, CEOs, Shariah Committee members¹, Senior Officers² and Other Material Risk Takers of the Group; and also to ensure the compensation is competitive and consistent with the Group's culture, objectives and strategy as well as the industry standards.

The roles and responsibilities of the NRC are as detailed in its Terms of Reference, which is available on the Group's corporate website (www.etiqa.com).

¹ The word 'Shariah Committee' shall refer to the Group Shariah Committee which reports to Etiqa Family Takaful Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB.

² The word 'Senior Officers' shall refer to Senior Officers of the Group which includes the following: (i) Senior Management Committee and Senior Management Team members (including Principal Officer of Labuan entities); (ii) Direct reports to the CEOs, (where relevant); (iii) Chief Compliance Officer; (iv) Chief Internal Auditor; and (v) Appointed Actuary, as defined in Paragraph 5.2 of the Fit and Proper Criteria Policy Document, or such revisions by BNM from time to time.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(i) Nomination and Remuneration Committee (contd.)

The composition of the NRC and the attendance of its members at meetings held during the financial year are as follows:

Members of NRC	Designation	Number of NRC Meetings attended	%
Cik Che Zakiah Binti Che Din (Chairman)	INED	10/10	100
Datuk Mohd Najib Bin Abdullah	INED	10/10	100
Mr. Glenn John Williams	NINED ¹	4/4	100
Dato' Majid Bin Mohamad	INED ²	10/10	100
Pn. Fauziah Binti Hisham	INED ³	6/6	100
Mr. Gary Lee Crist	NINED ⁴	5/6	83
Ms. Daniela Adaggi	NINED ⁵	-	-

¹ Appointed as a member of the NRC with effect from 1 July 2025.

² Ceased as a member of the NRC with effect from 30 November 2025.

³ Ceased as a member of the NRC with effect from 1 July 2025 following her appointment as the Chairman of the Malayan Banking Berhad ("MBB" or "Maybank") NRC on the same date.

⁴ Ceased as a member of the NRC with effect from 30 June 2025.

⁵ Ceased as a member of the NRC with effect from 1 January 2025.

(ii) Audit Committee of the Board

The Audit Committee of the Board ("ACB") consists of a majority of INEDs and is chaired by an INED.

ACB supports the Board in ensuring reliable and transparent financial reporting processes, oversees and monitors the effectiveness of the internal and external audit functions, reviews related-party transactions and conflicts of interest situations, assess the suitability, objectivity and independence of the Group's appointed external auditors and independently assess the integrity of organisational wide management practices through the review of audit findings raised by the internal auditors, external auditors and/or regulators, ensuring that corrective actions, where necessary, are resolved in a timely manner to ensure the Group's operations run in an effective and efficient manner as well as to safeguard Group's assets and stakeholders' interests.

The roles and responsibilities of the ACB are set out in its Terms of Reference which is available on the Group's corporate website (www.etiqa.com).

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(ii) Audit Committee of the Board (contd.)

The composition of the ACB and the attendance of its members at meetings held during the financial year are as follows:-

Members of ACB	Designation	Number of ACB Meetings attended	%
Cik Nora Junita Binti Mohd Hussaini (<i>Chairman</i>)	INED ¹	9/9	100
Mr. Wong Shu Yoon	INED ²	9/9	100
Mr. Glenn John Williams	NINED ³	4/4	100
Mr. Gary Lee Crist	NINED ⁴	5/5	100
Professor Dr. Azman Bin Mohd Noor	INED ⁵	5/5	100

¹ Re-designated from a member to the Chairman of the ACB with effect from 1 January 2025.

² Ceased as a member of the ACB with effect from 31 December 2025.

³ Appointed as a member of the ACB with effect from 1 July 2025.

⁴ Ceased as a member of the ACB with effect from 30 June 2025.

⁵ Ceased as a member of the ACB with effect from 14 June 2025.

(iii) Risk Management Committee

The Risk Management Committee (“RMC”) consists of a majority of INEDs and is chaired by an INED.

RMC supports the Board in risk management by upholding the principles set out in the Enterprise Risk Management Framework and ensuring that the risk exposures and outcomes affecting the Group are effectively managed and addressed by the Board. More specifically, the RMC is responsible for reviewing, endorsing or/and approving policies and frameworks to identify, monitor, manage and control material risks impacting the Group under the key risk categories of financial, insurance, operational and enterprise risks.

The roles and responsibilities of the RMC are set out in its Terms of Reference which is available on the Group’s corporate website (www.etiqa.com).

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(iii) Risk Management Committee (contd.)

The composition of the RMC and the attendance of its members at meetings held during the financial year are as follows:

Members of RMC	Designation	Number of RMC Meetings attended	%
En. Mohd Din Bin Merican (Chairman)	INED ¹	9/9	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	9/9	100
En. Mohamad Shukor Bin Ibrahim	INED ²	9/9	100
Mr. Tan Kwang Kherng	INED	9/9	100
Mr. Ajay Kumar Garg	NINED ³	5/5	100
Mr. Emmanuel Gerard C. Van Grimbergen	NINED ⁴	4/4	100

¹ Ceased as the Chairman and member of the RMC with effect from 31 December 2025.

² Ceased as a member of the RMC with effect from 31 December 2025.

³ Appointed as a member of the RMC with effect from 1 July 2025.

⁴ Ceased as a member of the RMC with effect from 30 June 2025.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(d) Directors' Training

The Board acknowledges the importance of continuing education for its Directors to ensure they are well equipped with the necessary skills and knowledge to perform their duties and meet the challenges facing the Board.

During the financial year, the Board members have attended various training programmes and workshops on issues relevant to the Group, including key training programmes for new Directors, namely the Induction Programme, Financial Institutions Directors' Education ("FIDE") and In-house training programme by international speakers and Senior Management Committee members/Head of Departments.

(i) Induction Programme

A comprehensive induction programme has also been established and coordinated by the Company Secretary to ease new Directors into their new role and to assist them in their understanding of the Group's business strategy and operational matters. New Directors are required to attend the programme as soon as possible after they have been appointed. The programme includes intensive one-on-one session with the Senior Management Committee members/Head of Departments, wherein new Directors would be briefed and brought up to speed on the challenges and issues faced by the Group.

(ii) Training Attended by Directors

The Board continues to assess the training needs of its Directors and identify key areas of focus for training programmes vide continuous feedback after the In-house training programme and the Board Effectiveness Evaluation assessment conducted for each financial year.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(d) Directors' Training (contd.)

(ii) Training Attended by Directors (contd.)

Training attended by the Directors during the financial year were summarised as follows:-

Training attended by Directors	DN¹	FKV²	WPC³	AY⁴	SCC⁵
A. In-house Training					
1. Etiqa: Responsibilities & Liabilities of Directors and Officers and Corporate Governance, Messrs. Wong & Partners	✓		✓		✓
2. Etiqa: FY2025 Annual MAHB Board Risk Landscape Workshop, MAHB Risk Management Department	✓	✓	✓		
3. Etiqa: The Insurance Horizon: Trends Shaping SEA's Future, Institute of Corporate Directors Malaysia (ICDM)	✓				
4. Etiqa: MAHB Offsite Strategy Meeting 2025 – Optimising Capital & Resources – IT Highlights & Readiness, Milliman Southeast Asia	✓	✓	✓		✓
5. Etiqa: Takaful Governance for Boards, Shariah & Strategy, The International Center for Education in Islamic Finance (INCEIF) University and ISRA Consulting	✓		✓		
6. Etiqa: The Nexus of Regulation & Board Governance, Achieving Cyber Resilience, Ernst & Young (EY) Consulting Sdn. Bhd.	✓		✓		
7. Etiqa: E-Invoicing for Directors: MyInvois & MyTax Portal Walkthrough with EY Malaysia, Ernst & Young Consulting Sdn. Bhd.			✓		
8. Etiqa: Annual Engagement with Etiqa Takaful Shariah Committee, Shariah Committee of Etiqa Family Takaful Berhad (EFTB) and Etiqa General Takaful Berhad (EGTB)			✓		
9. Etiqa: Etiqa Sustainability Day 2025 – The Environmental, Social & Governance (ESG) Reset Panel Session: Reinvent, Rebrand or Retreat?, Corporate Planning & Strategy, MAHB		✓			
10. Maybank: Maybank Annual Board Risk & Compliance Workshop 2025, Group Risk, PricewaterhouseCoopers (PwC), Oliver Wyman & Deloitte	✓		✓		
11. Maybank: Corporate Governance Excellence: Navigating Governance in Groups, Asia School of Business (ASB)			✓		
12. Maybank: Annual Cybersecurity Awareness, Accenture Cybersecurity Global		✓	✓		✓
13. Maybank: Cyber Risk & Security Awareness Session, Mandiant & Trellix		✓	✓		
14. Ageas Academy: Financial Excellence course on IFRS17 and Solvency II, Ageas Group		✓			
15. Ageas Group: Responsible Artificial Intelligence (AI), Ageas Group		✓			
16. Ageas Group: Ageas Partnership Days, Ageas Group	✓	✓			
17. Ageas Group: MS Copilot Advanced & Copilot Agents, Ageas Group		✓			
18. Ageas Group: Ageas NextGen Partnerships webinar, Ageas Group		✓			
19. Ageas Group: Training on MS Copilot Prompt Engineering, Ageas Group		✓			
20. Ageas Group: Ageas Life Product and Pricing Conference, Ageas Group		✓			

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(d) Directors' Training (contd.)

(ii) Training Attended by Directors (contd.)

Training attended by Directors	DN¹	FKV²	WPC³	AY⁴	SCC⁵
A. In-house Training (contd.)					
21. Ageas Group: 2025 NextGen Partnerships Conference / Ageas Bancassurance Conference, Ageas Group		√			
22. Ageas Group: Ageas: Data and AI Conference, Ageas Group		√			
23. Ageas Group: International Women's Day - The gender health gap, Hong Kong Fintech Association		√			
24. Ageas Academy: The Battle for the New World Order: Between Chaos and Opportunity (Webcast), Ageas Group		√			
25. Ageas Group: Leading for Growth, Ageas Group		√			
B. External Trainings					
1. Megatrends Day Forum, Khazanah Nasional Berhad	√				
2. What To Expect From Global Financial Services Regulation In 2025, Ernst & Young Consulting Sdn. Bhd.	√				
3. Global Ethical Finance Initiative (GEFI) and the Asian Institute of Chartered Bankers (AICB): Ethical Finance ASEAN 2025 : Driving Inclusivity & Sustainability, GEFI & AICB	√				
4. Global Ethical Finance Initiative (GEFI) and the Asian Institute of Chartered Bankers (AICB): Post-COP30 Briefing, GEFI & AICB	√				
5. Why It's Time To Take Another Look At Your Governance And Risk Management Frameworks, Ernst & Young LLP	√				
6. The Future-Ready Enterprise Ecosystem, International Institute for Management Development	√				
7. Belgium-Luxembourg Chamber of Commerce in Hong Kong: China Seminar 2025, Aegon & Post NL		√			
8. Actuarial Society Hong Kong (AHSK)Health Insurance Conference, AHSK, Hong Kong Insurance Authority, AIA Hong Kong, Gen Re, BUPA (Asia) Limited, Health Mutual Group, 1F Consulting, Milliman, Qianhai Reinsurance, Taiping Reinsurance, and Aon Hong Kong		√			
9. EastWest Bank: Annual Corporate Governance Training, The Center for Global Best Practices (CGBP)		√			
10. Masterclass: On the cusp of Net Zero, an Financial Institution's (FI) journey, Institute of Banking and Finance (IBF) & Standard Chartered Bank (SCB)			√		
11. The Carbon Conundrum: Capture, Credit & Coverage, Insurtech Insights			√		
12. Singapore Actuarial Society (SAS) Applied Data Science with ChatGPT Hands-On Workshop, SAS			√		
13. Singapore Actuarial Society Annual Conference, SAS			√		
14. GA100: Generative AI for Automation and Productivity, Heicoders Academy			√		
15. FIDE Forum: FIDE Core Modules A & B (Insurance), FIDE Forum					√
16. Strategic Leadership Communication Refresher, Fox West Communication Consultancy					√

¹ DN - Datuk Mohd Najib Bin Abdullah
² FVK - Mr. Frank Johan Gerard Van Kempen

³ WPC - Mr. Wong Pakshong Kat Jeong Colin Stewart
⁴ AY - Dr. Ariffin Bin Yahaya

⁵ SCC - Dr. Siew Chan Cheong

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(3) INTERNAL CONTROL FRAMEWORK

The Board exercises overall responsibility on the Company's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing risk. The Company has established internal controls which cover all levels of personnel and business processes to ensure the Company's operations run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholders' interests. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action, where necessary, is taken in a timely manner. As a custodian of public funds, the Company's dealings with the public are always conducted fairly honestly and professionally.

(4) REMUNERATION - QUALITATIVE DISCLOSURES

(a) Board Performance

In line with good corporate governance, the Board via NRC has set out its intention to periodically review the remuneration of NEDs as per Maybank's Remuneration Policy for Directors.

The Board believes that one area that the Board needs to focus on in order to remain effective in discharging its duties and responsibilities is the setting of a fair and competitive remuneration package which commensurates with the level of expertise, skills, commitment and responsibilities undertaken, with being a director of a financial institution.

The remuneration package of NEDs consists of the following:

Fees and meeting allowances – Directors' fees and meeting allowances for NEDs are based on a fixed sum as determined by the NRC and Board, and subsequently approved by the shareholders.

(b) Senior Management Appointment and Performance

The NRC recommends and assesses the nominee for the position of CEO and re-appointment of CEO as well as oversees the appointment and succession planning of Senior Management.

The NRC is responsible to oversee the performance evaluation of CEO and Senior Management.

The NRC is also responsible to ensure all Key Responsible Persons ("KRPs") fulfil the fit and proper requirements, in line with the Fit and Proper Policy for KRPs.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES

(a) NEDs' Remuneration

The NEDs' Remuneration for the financial year are as follows:-

<u>Remuneration</u>	<u>Per Annum (RM)</u>
(i) Fees	
• Board	
- Chairman	190,000
- Member	130,000
• Committee	
- Chairman	34,000
- Member	30,000
(ii) Meeting Allowance	
• per meeting attended	2,200

(b) Disclosure of Directors' and CEO's Remuneration

The details of Directors' and CEO's Remuneration for FYE 2025 are disclosed in the Notes 32 and 33 to the Company's Financial Statements.

(c) Remuneration Policy in respect of Officers of the Company

The Company adopts a total rewards management approach to our remuneration and related practices. Aligned with our business and people strategies, the aim is to create long-term sustainable value for our shareholders, customers and other stakeholders.

Through our integrated Talent Management Framework and Total Rewards Framework, we drive employee engagement with timely and differentiated rewards, benefits and career development/progression opportunities. This enables us to attract and retain top talent, and to deliver exponential business results responsibly.

The frameworks is anchored on the principles of pay for performance and affordability, ensuring our workforce is rewarded equitably, reasonably and in line with relevant indices. We are driven to remaining competitive against our peers, while differentiating our rewards by being inclusive, fair and relevant.

Focused on accelerating our environmental, social and governance (ESG) as well as sustainability commitments, we have embedded ESG considerations into our total rewards management through rigorous governance, performance metrics, and prudent risk management. We remain committed to supporting the well-being and dignity of our employees through fair remuneration. In Malaysia, all employees, including eligible contract staff, are paid at or above the living wage threshold of RM3,100 per month, enabling them to enjoy a decent standard of living.

Our remuneration policies and practices are periodically reviewed to align with regulatory requirements and to promote a high-performance culture.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(c) Remuneration Policy in respect of Officers of the Company (contd.)

Components of remuneration

Our comprehensive Total Rewards Framework is supported by three pillars: total compensation, benefits and well-being, and development and career opportunities.

i) Total Compensation

The Group's Compensation Policy ensures competitive pay benchmarked against market standards. Through annual salary reviews, variable bonuses and long-term incentives for eligible senior management and above, we retain, motivate and reward our talents.

Our holistic approach to compensation encompasses fixed and variable pay, calibrated to align with the Company's long-term performance goals and objectives while motivating employees and rewarding their achievements as well as contributions.

Fixed Pay

We attract and retain talents with competitive and equitable pay, which is reviewed annually using internal and external benchmarking against relevant peers and locations. The review considers market dynamics, individual responsibilities, functions and roles, performance, skillsets and competencies.

Variable Bonus/Incentive

Bonuses and incentives reflect a pay-for-performance culture in line with the Company's core values. These bonuses/incentives are based on the Group's overall performance as well as that of the business/corporate functions and individuals. A balanced scorecard is used, comprising financial and non-financial KPIs to drive behaviours and performance that create long-term shareholder value.

Long-Term Incentive Award

A significant component of senior management's total compensation, the award is integral to long-term risk management and to meeting the Group's strategy.

Variable Pay Awards complement the Group's risk management and performance goals through deferral and clawback policies.

- **Deferral Policy:** Bonuses/incentives exceeding certain thresholds are deferred over a period of time and lapse upon termination of employment, including resignation, except in the event of ill health, disability, redundancy, retirement or death.
- **Clawback Provision:** The Company may adjust or clawback bonuses or long-term incentive awards if deemed appropriate for risk management purposes, financial misstatement, fraud, gross negligence or wilful misconduct.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(c) Remuneration Policy in respect of Officers of the Company (contd.)

ii) Benefits, Well-being and Recognition

The Company remains committed to fostering a safe, inclusive and empowering workplace where employees can thrive. Our comprehensive benefits support holistic well-being, including extensive medical coverage, with no age limit for children with disabilities; parental, sabbatical and volunteerism leave; competitive employee financing including housing, electric vehicle and solar financing; and insurance and retirement protection. Employees are further supported through a flexible benefits scheme that allows personalisation and a staff welfare fund for urgent medical or disaster-related needs. In 2025, we intensified our focus on well-being through comprehensive awareness efforts and preventive health initiatives, creating stronger foundations for our people's growth.

As part of the Company's commitment to a high-performance, values-driven culture, the SPOT Award was introduced to recognise impactful behaviours as they happen. The immediate acknowledgement of contributions comprises real-time recognition such as mini celebrations and gift vouchers, complementing the Company's formal reward structures. It reinforces a culture where the employees feel valued for the difference they make.

iii) Development & Career Opportunities

We cultivate a learning culture that supports employees' growth and enables them to contribute effectively throughout their careers. Our learning and development programmes are designed to be relevant, accessible and aligned with the Group's strategic priorities. They provide opportunities for employees to strengthen technical capabilities, enhance leadership competencies and build future-ready skills to navigate a dynamic operating environment.

Our development approach integrates formal learning with on-the-job experience, coaching and mentorship, ensuring employees gain the knowledge and practical exposure required to perform and progress.

Internal mobility is core to our talent development and succession strategy, supporting leadership readiness and the continuity of critical roles across the Group. Guided by our enterprise mobility framework, employees are encouraged to broaden and deepen their skills through movements within and across functions, sectors and countries. Exposure to different environments and business models enables them to acquire both technical and leadership capabilities, as well as versatility for future roles. This approach strengthens our succession pipeline, enhances organisational resilience and supports long-term capability building across the Group.

We remain committed to providing employees with the development opportunities, platforms and mobility pathways needed to pursue meaningful career progression, ensuring an agile and competitive workforce, aligned with the Group's long-term aspirations.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(c) Remuneration Policy in respect of Officers of the Company (contd.)

Long-Term Incentive Plan ("LTIP")

Employees' Share Grant Plan ("ESGP")

To align with our LTIP and strategic objectives of rewarding sustainable performance, retaining key talent and strengthening our ESG commitments, we launched our ESGP in December 2018. Until its expiry in December 2025, five awards were granted annually from 2018 to 2022, with all the tranches vested to eligible employees between 2021 and 2025.

Subsequently, a new 10-year ESGP scheme was introduced on 20 September 2023, sustaining our LTIP strategy until 2033. Three awards were granted under the new ESGP scheme in 2023, 2024, and 2025, which will vest in 2026, 2027, and 2028, contingent upon the fulfilment of both Group and individual-level performance criteria and vesting conditions.

Performance Measures: ESG KPIs have been integrated into the vesting criteria of the LTIP alongside financial metrics such as return on equity ("ROE") and our relative total shareholder return ("TSR"). This ensures our incentive structures drive long-term shareholder value and a sustainable future for our business and communities.

Governance & Controls – Remuneration Practices

We maintain strong corporate governance practices with remuneration policies and practices that comply with all statutory and regulatory requirements, reinforced by robust risk management and controls.

Performance and remuneration control functions are assessed independently of business units to avoid conflicts of interest. The remuneration of employees in control functions is predominantly fixed, reflecting their responsibilities. Annual reviews against internal and market benchmarks to ensure competitiveness.

Our KPIs emphasise outcome-based performance while integrating risk governance and compliance goals for senior officers and other material risk takers ("OMRTs"). These help to shape our organisational culture and drive risk and compliance agendas. Input from control functions and Board committees is incorporated into the respective functional areas and individual performance results.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(c) Remuneration Policy in respect of Officers of the Company (contd.)

Senior Officers and Other Material Risk Takers ("OMRT")

Following annual reviews, the remuneration of senior officers and OMRTs are recommended by the Nomination and Remuneration Committee to the Board for approval. This ensures alignment with risk management and sustainability goals, while maintaining fairness and transparency in deferred compensation.

Total Value of remuneration awards for the Financial Year (RM'000)	Senior Officers		OMRTs	
	Unrestricted	Restricted	Unrestricted	Restricted
Fixed Compensation				
Cash	6,145 (14 headcount)	-	-	-
Shares and share-linked instrument	-	-	-	-
Others	-	-	-	-
Variable Compensation				
Cash	2,268 (14 headcount)	-	-	-
Shares and share-linked instrument	1,400 (11 headcount)^	Refer to note below	-	-
Others	-	-	-	-
Definition	Senior Officers are defined as Chief Executive Officer (CEO); Direct Reports to the CEO and Appointed Actuary.		OMRTs are defined as employees who can materially commit or control significant amounts of a financial institution's resources or whose actions are likely to have a significant impact on its risk profile or those among the most highly remunerated officers.	

Notes:

* In FY2025, a total of 120,000 units of Maybank shares (based on On-Target performance levels) under the Maybank Group ESGP/Cash-settled Employees' Share Grant Plan (CESGP) were awarded to 10 Senior Officers. The number of ESGP/CESGP units to be vested/paid by 2028 would be conditional upon the said employees fulfilling the vesting/payment criteria.

^ A total of 136,900 units of ESGP/CESGP granted in September 2022 have vested to 11 Senior Officers in 2025. ESGP values are based on statutory guidelines for taxable gains calculation while CESGP value is based on volume weighted average market price (VWAMP) for the five market days immediately preceding the CESGP vesting date.

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

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

We, Datuk Mohd Najib Bin Abdullah and Siew Chan Cheong, being two of the Directors of Etiqa Life Insurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 29 to 204 are drawn up in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2025 and of the results and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 March 2026.



DATUK MOHD NAJIB BIN ABDULLAH



SIEW CHAN CHEONG

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

I, Dhalia Binti Mohd Nor, being the officer primarily responsible for the financial management of Etiqa Life Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 29 to 204 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed DHALIA BINTI MOHD NOR
at Kuala Lumpur in Wilayah Persekutuan
on 26 March 2026



DHALIA BINTI MOHD NOR
HEAD, FINANCE

Before me,

Commissioner for Oaths



50A-1, Jalan Kemuja
Bangsar Utama,
59000 Kuala Lumpur



**Shape the future
with confidence**

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
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201701025113 (1239279-P)

**Independent auditors' report to the member of
Etiqa Life Insurance Berhad
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Etiqa Life Insurance Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2025 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 29 to 204.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025 and of its financial performance and cash flows for the year then ended in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), as applicable to audits of financial statements of public interest entities and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

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



Shape the future
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201701025113 (1239279-P)

**Independent auditors' report to the member of
Etiga Life Insurance Berhad (contd.)
(Incorporated in Malaysia)**

Information other than the financial statements and auditors' report thereon (Contd.)

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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



Shape the future
with confidence

201701025113 (1239279-P)

**Independent auditors' report to the member of
Etiqa Life Insurance Berhad (contd.)
(Incorporated in Malaysia)**

Auditors' responsibilities for the audit of the financial statements (Contd.)

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:

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

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



Shape the future
with confidence

201701025113 (1239279-P)

Independent auditors' report to the member of
Etiqa Life Insurance Berhad (contd.)
(Incorporated in Malaysia)

Other Matters

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Yeo Beng Yean
No. 03013/10/2026 J
Chartered Accountant

Kuala Lumpur, Malaysia
26 March 2026

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	2025 RM'000	2024 RM'000
<u>Assets</u>			
Property, plant and equipment	3	28,402	28,384
Investment properties	4	1,032,165	1,027,510
Prepaid land lease payments	5	836	862
Right-of-use assets ("ROU")	6	1	28
Intangible assets	7	38,179	36,531
Investments	8	12,447,411	12,265,208
Financing receivables	10	22,181	23,874
Reinsurance contract assets	11	70,804	71,246
Other assets	13	153,248	161,028
Derivative assets	14	4,661	5,679
Current tax assets	16	41,711	21,098
Cash and bank balances		23,513	87,111
Total Assets		13,863,112	13,728,559
<u>Equity</u>			
Share capital	17	100,000	100,000
Reserves	18	1,655,214	1,454,201
Total Equity		1,755,214	1,554,201
<u>Liabilities</u>			
Insurance contract liabilities	12	11,207,761	11,310,129
Derivative liabilities	14	102	665
Deferred tax liabilities, net	15	509,143	508,179
Other liabilities	19	363,621	355,385
Current tax liabilities	16	27,271	-
Total Liabilities		12,107,898	12,174,358
Total Equity and Liabilities		13,863,112	13,728,559

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

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	Note	2025 RM'000	2024 RM'000
Insurance revenue	20	644,568	590,130
Insurance service expenses	21	(423,533)	(366,855)
Net expenses from reinsurance contracts held	22	(20,024)	(29,236)
Insurance service result		<u>201,011</u>	<u>194,039</u>
Interest revenue from financial assets not measured at Fair Value through Profit or Loss ("FVTPL")	23	83,067	80,910
Net fair value gains on financial assets measured at FVTPL	24	264,194	629,108
Net fair value gains on derecognition of financial assets measured at Fair Value through Other Comprehensive Income ("FVOCI")	25	10,555	4,296
Other investment income	26	448,089	479,909
(Allowance for)/reversal of impairment loss on financial assets	27	(420)	172
Net foreign exchange losses	28	(106,560)	(42,659)
Net investment income		<u>698,925</u>	<u>1,151,736</u>
Finance expenses from insurance contracts issued	29	(597,527)	(941,535)
Finance income from reinsurance contracts held	30	707	2,666
Net insurance financial result		<u>(596,820)</u>	<u>(938,869)</u>
Total net investment income and net insurance financial results	30	<u>102,105</u>	<u>212,867</u>
Other expenses, net	31	<u>(14,684)</u>	<u>(7,470)</u>
Profit before taxation attributable to policyholders		288,432	399,436
Tax expense attributable to policyholders	34	(46,296)	(80,062)
Profit before taxation		<u>242,136</u>	<u>319,374</u>
Tax expense	35	(45,167)	(75,240)
Net profit for the financial year		<u>196,969</u>	<u>244,134</u>
Basic and diluted earnings per share (sen)	36	<u>196.97</u>	<u>244.13</u>

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

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025**

	Note	2025 RM'000	2024 RM'000
Net profit for the financial year		196,969	244,134
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to income statement:			
Net fair value gains on investments in debt securities measured at FVOCI		33,181	18,885
Net fair value losses on derecognition of financial assets measured at FVOCI	25	(10,555)	(4,296)
Tax effect relating to these items	35	(1,790)	(2,687)
		20,836	11,902
Finance income/(expenses) from insurance contracts issued	29	11,734	(31,504)
Tax effect relating to these items	35	(981)	1,852
		10,753	(29,652)
Items that will not be subsequently reclassified to income statement:			
Change in fair value of equity securities at FVOCI		11,497	36,645
Tax effect relating to these items	35	(6,199)	(3,378)
		5,298	33,267
Finance expenses from insurance contracts issued	29	(40,992)	-
Tax effect relating to these items	35	8,149	-
		(32,843)	-
Other comprehensive income for the financial year, net of tax		4,044	15,517
Total comprehensive income for the financial year		201,013	259,651

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

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	Note	Non-distributable			Retained Earnings			Total Equity RM'000	
		Share Capital RM'000	FVOCI Reserve RM'000	Insurance Finance Reserve RM'000	Revaluation Reserve RM'000	Non-Distributable Life Fund Surplus RM'000	Distributable Shareholder's Fund Surplus RM'000		Sub-total Retained Profits RM'000
At 1 January 2025		100,000	90,513	(93,285)	78,896	1,326,662	51,415	1,378,077	1,554,201
Net profit for the financial year		-	-	-	-	198,069	(1,100)	196,969	196,969
Other comprehensive income/(loss) for the financial year		-	26,134	(22,090)	-	-	-	-	4,044
Total comprehensive income/(loss)		-	26,134	(22,090)	-	198,069	(1,100)	196,969	201,013
Transfer from life fund surplus upon recommendation by Appointed Actuary ¹		-	-	-	-	(194,302)	194,302	-	-
Reclassification upon disposal of equity securities		-	(38,555)	32,843	-	5,712	-	5,712	-
At 31 December 2025		100,000	78,092	(82,532)	78,896	1,336,141	244,617	1,580,758	1,755,214

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	Note	<----- Non-distributable ----->				Retained Earnings			Total Equity RM'000
		Share Capital RM'000	FVOCI Reserve RM'000	Insurance Finance Reserve RM'000	Revaluation Reserve RM'000	Non-Distributable Life Fund Surplus RM'000	Distributable Shareholder's Fund Surplus RM'000	Sub-total Retained Profits RM'000	
At 1 January 2024		100,000	45,472	(63,633)	78,896	1,095,744	438,071	1,533,815	1,694,550
Net profit for the financial year		-	-	-	-	254,085	(9,951)	244,134	244,134
Other comprehensive income/(loss) for the financial year		-	45,169	(29,652)	-	-	-	-	15,517
Total comprehensive income/(loss)		-	45,169	(29,652)	-	254,085	(9,951)	244,134	259,651
Transfer from life fund surplus upon recommendation by Appointed Actuary ¹		-	-	-	-	(22,548)	22,548	-	-
Reclassification upon disposal of equity securities		-	(128)	-	-	(619)	747	128	-
Dividend on ordinary shares	37	-	-	-	-	-	(400,000)	(400,000)	(400,000)
At 31 December 2024		100,000	90,513	(93,285)	78,896	1,326,662	51,415	1,378,077	1,554,201

¹ In accordance with the Financial Services Act 2013 in Malaysia, the unallocated surplus of the Life Fund can only be distributed to the shareholder upon approval by the Appointed Actuary. The approved transfers from the life fund's unallocated surplus for the financial years ended 31 December 2025 and 31 December 2024 were RM255,392,000 and RM29,400,000, respectively (or RM194,302,000 and RM22,548,000, net of tax at 24%).

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

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	Note	2025 RM'000	2024 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		242,136	319,374
<i>Adjustments for:</i>			
Amortisation of:			
- intangible assets	32	7,926	8,528
- prepaid land lease payments	32	26	26
Net amortisation of premiums	26	7,939	8,493
Depreciation of property, plant and equipment	32	5,799	6,242
ROU expenses:			
- depreciation	32	28	34
- interest on lease liability	32	-	1
Fair value gains on:			
- investments	24	(170,149)	(452,932)
- investment properties	26	(4,571)	(20,626)
Losses on foreign exchange:			
- realised	28	9,689	2,396
- unrealised	28	96,871	40,263
Gains on disposal of investments		(104,600)	(180,472)
Dividend income	26	(82,073)	(85,502)
Interest income	23, 26	(402,995)	(414,038)
Rental income	26	(81,542)	(79,946)
Reversal of impairment losses on investments	27	(5)	(64)
Allowance for/(reversal of) impairment losses on financing receivables	27	425	(108)
Allowance for/(reversal of) impairment losses on other assets	31	52	(70)
Reversal of impairment losses on reinsurance contract assets	44(i)	(47)	(85)
Other assets written off	31	28	-
Tax expense attributable to policyholders	34	46,296	80,062
Operating cash flows before working capital changes, carried forward		(428,767)	(768,424)

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	Note	2025 RM'000	2024 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)			
Operating cash flows before working capital changes, brought forward		(428,767)	(768,424)
Changes in working capital:			
Increase in placement of deposits with financial institutions		(19,164)	(101,315)
Decrease in reinsurance contract assets		489	316
Increase in ROU assets	6	(1)	(1)
Decrease/(increase) in financing receivables		1,268	(721)
Decrease/(increase) in other assets		8,567	(14,405)
(Decrease)/increase in insurance contract liabilities		(129,890)	291,942
Increase/(decrease) in other liabilities		6,962	(16,536)
<i>Operating cash flows after working capital changes</i>		<u>(560,536)</u>	<u>(609,144)</u>
Investment income received		405,438	420,798
Dividends received		82,608	86,558
Rental income received		77,696	81,252
Tax paid		(86,398)	(103,576)
<i>Net cash used in operating activities</i>		<u>(81,192)</u>	<u>(124,112)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of:			
- property, plant and equipment	3	(5,817)	(8,928)
- intangible assets	7	(9,797)	(2,856)
- investment properties	4	(84)	(474)
- investments		(3,250,118)	(3,372,196)
Proceeds from disposals of:			
- property, plant and equipment	3	-	745
- intangible assets	7	223	-
- investments		3,283,215	3,951,360
<i>Net cash invested in investing activities</i>		<u>17,622</u>	<u>567,651</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividend	37	-	(400,000)
Payment of lease liabilities	6	(28)	(35)
<i>Net cash used in financing activities</i>		<u>(28)</u>	<u>(400,035)</u>

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	Note	2025 RM'000	2024 RM'000
Net (decrease)/increase in cash and cash equivalents		(63,598)	43,504
Cash and cash equivalents at beginning of financial year		87,111	43,607
Cash and cash equivalents at end of financial year		<u>23,513</u>	<u>87,111</u>

Cash and cash equivalents comprise:

Cash and bank balances of:

Shareholder's fund	-	637
Life Insurance fund	23,513	86,474
	<u>23,513</u>	<u>87,111</u>

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2025

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur, Malaysia.

The immediate, penultimate and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad ("MAHB"), Etiqa International Holdings Sdn. Bhd. ("EIHSB") and Malayan Banking Berhad ("Maybank") respectively, all of which are incorporated in Malaysia. Maybank is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are the underwriting of life insurance and investment-linked businesses.

There were no significant changes in the nature of the principal activities of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 March 2026.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation and presentation of the financial statements

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The accounting policies and presentation adopted by the Company for the financial statements are consistent with those used in the financial year ended 31 December 2024 except for those disclosed in Note 2.3.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Insurers ("RBC Framework") issued by BNM as at the reporting date.

(b) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of material accounting policy information.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (contd.)

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000) unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRS Accounting Standards and IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

i) Estimates of future cash flows

In estimating the future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experiences, updated to reflect current expectations of future events, as referred in Note 12(b).

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date and current expectations of future events that might affect those cash flows.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (contd.)

(d) Use of estimates and judgements (contd.)

i) Estimates of future cash flows (contd.)

Cash flows are attributed to acquisition activities and other fulfilment activities either directly or estimated based on the type of activities performed by the respective business function. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics, such as based on total premiums, number of policies or number of claims.

The following assumptions were used when estimating future cash flows:

Mortality and morbidity rates

Assumptions are based on standard industry, reinsurance, national and/or company specific tables, according to the type of contract written and the territory in which the covered person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by policyholder gender, underwriting class and contract type.

An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Company.

Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by a number of factors including (but not limited to) policyholder gender, underwriting class and contract type.

An increase in expected longevity rates will lead to an increase in expected cost of immediate annuity payments which will reduce future expected profits of the Company.

Lapse and surrender rates

Lapses relate to the termination of contracts due to non-payment of premiums. Surrenders relate to the voluntary termination of contracts by policyholders. Contract termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, contract duration and sales trends.

An increase in lapse rates early in the life of the contract would tend to reduce profits of the Company, but later increases are broadly neutral in effect.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (contd.)

(d) Use of estimates and judgements (contd.)

ii) Discount rates

The Company generally determines discount rates by using risk free rates, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of government securities, meanwhile the illiquidity premium is determined by reference to observable market rates, including low risk assets and corporate bonds. The yield curves will be extrapolated between the last liquid point and the ultimate forward rate, which reflects long-term real interest rate and inflation expectations. Although the ultimate forward rate will be subject to revision, it is expected to be updated only on significant changes in the long-term expectations being observed.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		3 year		Portfolio duration 5 year		10 year		15 year		
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	
Insurance contracts issued											
Ringgit Malaysia	2.85% - 3.08%	3.28% - 3.48%	3.10% - 3.33%	3.53% - 3.73%	3.31% - 3.55%	3.66% - 3.86%	3.56% - 3.80%	3.86% - 4.06%	3.87% - 4.11%	4.03% - 4.23%	
Reinsurance contracts held											
Ringgit Malaysia	2.85% - 3.01%	3.28% - 3.45%	3.10% - 3.26%	3.53% - 3.70%	3.31% - 3.47%	3.66% - 3.83%	3.56% - 3.73%	3.86% - 4.03%	3.87% - 4.04%	4.03% - 4.20%	

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (contd.)

(d) Use of estimates and judgements (contd.)

iii) Risk adjustments for non-financial risks

Risk adjustments for non-financial risks are determined to reflect the compensation that the Company would require for bearing non-financial risks and its degree of risk aversion. The Company applies a confidence level technique to determine the risk adjustments for non-financial risks of both its insurance and reinsurance contracts.

Under a confidence level technique, the Company estimates the probability distribution of the expected value of the future cash flows at each reporting date and calculates the risk adjustment for non-financial risks as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The target confidence level is the 75th percentile, in line with the regulatory requirement of BNM under the RBC Framework for Insurers.

iv) Contractual service margin

The CSM is a component of the assets or liabilities for the group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the services provided under the group of insurance contracts in that period. The amount is determined by:

- Identifying the coverage units in the group;
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future years; and
- Recognising in profit or loss the amount allocated to coverage units provided in the period.

Coverage units represent the quantity of services provided by a group of insurance contracts and are used to allocate the contractual service margin to profit or loss over the coverage period. For contracts measured under the GMM, coverage units reflect the quantity of insurance contract services provided during the period.

For contracts measured under the VFA, coverage units reflect both insurance coverage and investment-related services arising from the obligation to manage underlying items on behalf of policyholders.

The number of coverage units is determined by considering, for each contract within the group, the quantity of benefits provided and its expected coverage duration.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (contd.)

(d) Use of estimates and judgements (contd.)

iv) Contractual service margin (contd.)

For groups of Life insurance contracts, the quantity of benefit is the contractually agreed sum covered over the duration of the contracts. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

v) Insurance and reinsurance contracts

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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 in Note 2.1(d)(i) to Note 2.1(d)(iv). The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The Company disaggregates information to disclose insurance contracts issued and reinsurance contracts held separately. This disaggregation has been determined based on how the Company are managed.

vi) Valuation of investment properties, as referred in Note 2.2(ii).

vii) Impairment losses on financial assets, as referred in Note 2.2(vii)(a).

2.2 Summary of material accounting policy information

(i) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment are recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an indefinite useful life and therefore, is not depreciated.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(i) Property, plant and equipment and depreciation (contd.)

Work-in-progress is also not depreciated as this asset is not available for use. When work-in-progress is completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment and depreciation of the asset begins.

Buildings on leasehold land are depreciated over 50 years or the remaining period of the respective leases, whichever is shorter.

Depreciation on property, plant and equipment is computed on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Buildings on freehold land	2%
Furniture, fittings, equipment and renovations	11% - 25%
Computers and peripherals	14% - 25%
Electrical and security equipment	10%

The residual values, useful lives and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant 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 and the net carrying amount is recognised in profit or loss.

(ii) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflect market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered professional independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and/or periodic intervening valuations by internal professionals, as appropriate. The Board determines the policies and procedures for recurring and non-recurring fair value measurement and takes responsibility in the selection of the independent valuers.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the financial year in which they arise, including the corresponding tax effect.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ii) Investment properties (contd.)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to self-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from self-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.2(i) up to the date of change in use. Where the fair value of the property exceeds its carrying amount, the difference or revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the financial year in which they arise.

(iii) Leases

(a) Classification

At inception of a contract, the Company assesses whether a contract is, or contains, a lease arrangement based on whether the contract conveys to the user ("the lessee") the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent remeasurement of the contract on the basis of their relative stand-alone selling prices. The Company combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

(b) Recognition and initial measurement

(1) The Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognises lease liabilities to make lease payments and right-of-use asset representing the right of use of the underlying assets.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

(1) The Company as lessee (contd.)

(i) Right-of-use ("ROU") assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option, unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term.

The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

Premises	2 years
----------	---------

Right-of-use assets are subject to impairment assessment. The impairment policy for ROU assets are in accordance with impairment of non-financial assets as described in Note 2.2(vii)(b).

(ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance, fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Leases (contd.)

(b) Recognition and measurement (contd.)

(1) The Company as lessee (contd.)

(ii) Lease liabilities (contd.)

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. The Company applies an Incremental Borrowing Rate ("IBR") determined by reference to the Company's external borrowing costs, adjusted for lease term, security, economic environment and entity-specific credit risk at commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(2) Short-term leases, leases of low-value assets and variable payments

(i) Leases with a lease term of 12 months or shorter;

The Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date that does not have renewable clause options and purchase options.

(ii) Leases for low-value assets which are less than RM10,000; and

The Company also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value and are recognised as expense in profit or loss on a straight-line basis over the lease term.

(iii) Leases with variable lease payments

Variable lease payments of the Company does not contain any component of fixed rent in the clauses of the contract.

The Company is to recognise the lease payments, when incurred, in profit or loss for the leases that do not meet the ROU assessment and for which it has applied the exemptions as permitted by the standard.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Leases (contd.)

(b) Recognition and measurement (contd.)

(3) Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of three to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. The Company considers all relevant factors that create an economic incentive to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

(c) Lease modifications

The Company shall account for a lease modification as a separate lease if both:

- i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

(iv) Intangible assets

Intangible assets include software development costs and computer software and licenses. Intangible assets acquired separately are measured on initial recognition at fair value. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iv) Intangible assets (contd.)

Amortisation is charged to profit or loss. Work-in-progress are also not amortised as these assets are not available for use.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

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

(a) Software development costs

Software development costs are tested for impairment annually and represent development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. When development is complete and the asset is available for use, it is reclassified to computer software and amortisation of the asset begins. During the period in which the asset is not yet in use, it is tested for impairment annually.

(b) Computer software and licenses

Computer software and licenses are initially stated at cost. Following initial recognition, the assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Subsequently, expenditure in relation to computer software and licenses are capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is recognised in profit or loss as incurred.

Impairment is assessed whenever there is indication of impairment. The amortisation period and method are also reviewed at least at each reporting date.

These assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iv) Intangible assets (contd.)

(c) Amortisation period

The Company's intangible assets are amortised on a straight-line basis over their estimated useful lives.

	Useful lives
Computer software and licenses	10 years

(v) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instruments.

(a) Initial and subsequent measurement

Financial assets are classified, at initial recognition, as at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The Company determines the classification of financial assets at initial recognition depends on the business model for managing the financial assets and the contractual cash flows characteristic as below:

(i) Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance contract liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(i) Business model assessment (contd.)

The Company does not assess the business model on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that effect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stressed case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Change in business model is not expected to be frequent; but should such event take place, it must be:

- i) Determined by the Company's senior management as a result of external or internal changes;
- ii) Significant to the Company's operations; and
- iii) Demonstrable to external parties.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(i) Business model assessment (contd.)

A change in the Company's business model will occur only when the Company begin or cease to perform an activity that is significant to its operations. A change in the objective of the business model must be effected before the reclassification date.

(ii) The Solely Payments of Principal and Interest ("SPPI") test

As a second step of its classification process, the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

(iii) Classification of financial assets

The categories include financial assets at FVTPL, FVOCI and AC.

(a) Financial assets at FVTPL

Financial assets in this category are those financial assets that are held for trading or financial assets that qualify for neither held at AC nor at FVOCI. This category includes debt instruments whose cash flow characteristic fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both collect contractual cash flows and sell. Equity instruments that were not elected for FVOCI will be measured at FVTPL.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets (contd.)

(a) Financial assets at FVTPL (contd.)

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss.

(b) Financial assets at FVOCI

Financial assets in this category are those financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and interest.

(i) Financial assets at FVOCI (debt instruments)

Financial assets at FVOCI for debt instruments are measured at fair value. Exchange differences, interest and dividend income on financial assets at FVOCI are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Other net gains and losses are recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. On derecognition, gains or losses accumulated in other comprehensive income are reclassified to profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets (contd.)

(b) Financial assets at FVOCI (contd.)

(ii) Financial assets at FVOCI (equity instruments)

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Company can elect to classify as equity instruments designated at fair value through other comprehensive income when they meet the definition and is not held for trading. The classification is determined on an instrument-by-instrument (i.e share-by-share) basis. Amounts presented in other comprehensive income are not subsequently reclassified to profit or loss. Upon disposal of the investment, the cumulative fair value gains or losses recognised in other comprehensive income are transferred within equity to a non-distributable reserve. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(c) Financial assets at AC

Financial assets in this category are those financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest.

Subsequent to initial recognition, financial assets at AC are measured at amortised cost using effective interest method. Exchange differences, interest and dividend income on financial assets at AC are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. On derecognition, any gains or losses are recognised in profit or loss.

(b) Derecognition of financial assets

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Company has transferred substantially all the risks and rewards of the financial asset.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(c) Write off of financial assets

An estimate is made for doubtful debts based on a review of all outstanding balances as at reporting date. Any financial assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business will be written down to an amount which they might be expected so to realise.

The amount written off for bad debts in the financial statements of the Company are expensed to profit or loss as disclosed in Note 31.

(vi) Fair value of financial assets

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

For financial assets in both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in unquoted equity instruments that do not have quoted market prices in an active market, the fair values are measured based on the net asset method by referencing to the annual financial statements of the entity that the Company invested in.

For non-exchange traded financial assets such as unquoted fixed income securities, fair values are determined based on over-the-counter quotes at the reporting date. These are based on market observable inputs such as benchmark market rates of interest, reported trades and broker-dealer quotes available for these investments.

Over-the-counter derivatives comprise foreign exchange forward contracts and currency swap contracts and options. Over-the-counter derivatives are revalued at each reporting date, based on valuations provided by the respective counterparties in accordance with market conventions.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value which is the cost of the deposit/placement.

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 instruments or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment, except in the case of financial assets at FVTPL where the transaction costs are recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vii) Impairment

(a) Financial assets

The Company assesses the impairment of financial assets based on an Expected Credit Loss ("ECL") model. The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances, financing, insurance receivables, debts instruments and deposits held by the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases*.

ECL would be recognised from the point at which the financial assets are originated or purchased. A 12-month ECL must be recognised initially for all assets subject to impairment.

The measurement of expected loss will involve increased complexity and judgement that include:

(i) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECLs and one that is based on lifetime ECLs. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The Company will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

3 Stage approach	Stage 1 Performing	Stage 2 Under-performing	Stage 3 Non-performing
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of interest/profit income	Gross carrying amount	Gross carrying amount	Net carrying amount

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vii) Impairment (contd.)

(a) Financial assets (contd.)

(ii) Forward-looking information and ECL measurement

The amount of credit loss recognised is based on forward-looking estimates that reflect current and forecast economic conditions. The forward-looking adjustment is interpreted as an adjustment for the expected future economic conditions, as indicated by different macroeconomic factors and/or expert experienced in credit judgement.

Financing receivables

The Company calculates ECL by incorporating forward-looking information through three macroeconomic scenarios - Base, Upside and Downside. These scenarios collectively represent an unbiased, probability-weighted range of potential economic outcomes:

- Base scenario: Assumes the continuation of current macroeconomic conditions.
- Upside and Downside scenarios: Represent optimistic and pessimistic economic projections relative to the Base scenario, determined through expert judgment and comprehensive analysis.

The forward-looking ECL assessment integrates specific macroeconomic variables selected based on historical data from the Company's insurance receivables portfolio. For the Corporate Portfolio, these variables include Crude Oil Price, Producer Price Growth and Real GDP Growth. For the Retail Portfolio, these variables include Real GDP Growth, Unemployment Rate and Real Personal Disposable Income Growth.

The ECL estimate involves comprehensive evaluations of current and forecasted Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and relevant discount factors, adjusted to incorporate expert judgment and anticipated macroeconomic conditions.

Financial assets at FVOCI and AC

In accordance to the three-stage approach, all newly purchased financial assets shall be classified in Stage 1, except for credit impaired financial assets. It will move from Stage 1 to Stage 2 when there is significant increase in credit risk ("SICR"), and Stage 2 to Stage 3 when there is an objective evidence of impairment. Financial assets which have experienced a SICR since initial recognition are classified as Stage 2, and are assigned a lifetime ECL.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vii) Impairment (contd.)

(a) Financial assets (contd.)

(ii) Forward-looking information and ECL measurement (contd.)

Financial assets at FVOCI and AC (contd.)

Financial assets which have not experienced a SICR since initial recognition are classified as Stage 1, and assigned a 12-month ECL. All financial assets are assessed for objective evidence of impairment except for:

- Financial assets measured at FVTPL;
- Equity instruments; and
- Local federal governments and local central banks issued bonds, Treasury Bills and Notes. Low credit risk on the basis that both federal government and central bank have strong capacity in repaying the instruments upon maturity. In addition, there is no past historical lost experiences arising from these government securities in all jurisdiction.

The macroeconomic factors used for the forecast are GDP Growth, Unemployment Rate, Equity Index, Energy Index, Non-Energy Index and Proportion of Rating Downgrade.

(b) Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying value of an asset exceeds its estimated recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount nor does it exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(viii) Financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. During the financial year and as at the reporting date, the Company did not classify any of its financial liabilities at FVTPL.

The Company's other financial liabilities include other payables.

Other payables

Other payables (i.e amount due to) are subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (i.e. the present value of the cash flows under the new loan (including any fees paid) has a variance of 10% or more as compared to the present value of the remaining cash flows of the existing loan), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(ix) Repurchase (“repo”)/Sale and buy back (“SBBA”) agreement

Obligations on securities sold under repo/SBBA agreements are securities which have been sold from the Company's portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a financial liability in the statements of financial position.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ix) Repurchase (“repo”)/Sale and buy back (“SBBA”) agreement (contd.)

The securities sold under repo/SBBA agreements are treated as pledged assets and are not derecognised from the statements of financial position.

The Company shall recognise any income on the pledged asset and any expense incurred on the financial liability in profit or loss statement.

The repo/SBBA transaction may trigger the margin settlement arising from the lower of the pledged assets exceeded the agreed threshold which require the transferor to top up the short fall and to be paid by cash, vice versa. Subsequently, the transferee will place that cash in the Deposit. Upon maturity of repo/SBBA agreement, the transferee will pay the cash including the interest/profit to the transferor. The accounting journal to be raise accordingly to reflect such transaction (if any).

(x) Insurance contracts and reinsurance contracts classification

Insurance contracts

The Company issues contracts that contain insurance risk or both insurance risk and financial risk.

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

An insurance contract is a contract under which an entity has accepted 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. As a general guideline, the Company defines whether significant insurance risk has been accepted by comparing benefits paid or payable on the occurrence of an insured event against benefits paid or payable if the insured event had not occurred. If the ratio of the former exceeds the latter by 5% or more, the insurance risk accepted is deemed to be significant.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Insurance contracts and reinsurance contracts classification (contd.)

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

- (a) Likely to be a significant portion of the total contractual benefits;
- (b) Whose amount or timing is contractually at the discretion of the issuer; and
- (c) Contractually based on the:
 - Performance of a specified pool of contracts or a specified type of contracts;
 - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - Profit or loss of the entity or fund that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise its discretion as to the quantum and timing of their payment to contracts holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within insurance contracts liabilities as at the end of the reporting date.

The Company also cedes insurance risk in the normal course of its business. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. For both ceded and assumed reinsurance, premiums, claims and benefits paid or payable are presented on a gross basis.

Reinsurance contracts

Reinsurance arrangements entered into by the Company, that meet the classification requirements of insurance contracts as described above are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

Reinsurance assets represent amounts recoverable from reinsurers for insurance contracts liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the underlying insurance contracts and the terms of the relevant reinsurance arrangement.

At each reporting date, or more frequently, the Company assesses whether objective evidence exists that reinsurance assets are impaired. The impairment loss is recognised in profit or loss.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment

(a) Separating components from insurance and reinsurance contracts

The Company assesses its insurance and outwards reinsurance contracts to determine whether they contain distinct components which must be accounted for under another MFRS rather than MFRS 17. After separating any distinct components, an entity must apply MFRS 17 to all remaining components of the (host) insurance contracts. Currently, the Company's products do not include distinct components that require separation.

Some term Life insurance contracts issued by the Company include a surrender option under which the surrender value is paid to the policyholder on maturity or earlier lapse of the contracts. These surrender options have been assessed to meet the definition of a non-distinct investment component in MFRS 17.

MFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether a insured event occurs.

Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are recorded outside of profit or loss. The surrender options are considered non distinct investment components as the Company is unable to measure the value of the surrender option component separately from the Life insurance portion of the contract.

(b) Level of aggregation

The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. In determining the level of aggregation, the Company identifies a contracts as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contracts for accounting purposes may differ from what is considered as a contracts for other purposes (i.e. legal or management). For reinsurance contract held, the basis depends on the type of reinsurance arrangement. There is no group for level of aggregation purposes that contain contracts issued more than one year apart.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(b) Level of aggregation (contd.)

The Company has defined portfolios of insurance contracts issued and reinsurance contracts held based on its product lines due to the fact that the products are subject to similar risks and managed together.

The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business.

In determining groups of contracts, the Company has elected to include in the same group contracts where its ability to set prices or levels of benefits for policyholders with different characteristics is constrained by regulation.

The portfolio are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue portfolios of insurance contracts are divided into:

- A group of contracts that are onerous at initial recognition.
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently.
- A group of the remaining contracts in the portfolio.

The reinsurance contracts held portfolios are divided into:

- A group of contracts on which there is a net gain on initial recognition.
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition.
- A group of the remaining contracts in the portfolio.

(c) Recognition

The Company recognises groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts.
- The date when the first payment from a policyholder is due, or when the first payment is received if there is no due date.
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group of contract is onerous.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(c) Recognition (contd.)

The Company recognises a group of reinsurance contracts held at:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contracts is initially recognised, if that date is later than beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contracts held at or before that date.

The reinsurance contracts held by the Company provide proportionate cover. Therefore the Company does not recognise a proportional reinsurance contract held until at least one underlying direct insurance contract has been recognised. Groups of reinsurance contracts held are recognised when the coverage of the first underlying contract starts.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contract, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

The Company adds new contracts to the group in the reporting period in which the contracts meets one of the criteria set out above.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

(d) Onerous groups of contracts

The profitability of group of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood changes in applicable facts and circumstances.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(d) Onerous groups of contracts (contd.)

The Company looks at facts and circumstances to identify if groups of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

If the facts and circumstances indicate that a group is expected to be onerous, a loss component should be recognised in the statement of financial position and the corresponding loss should be recognised in profit or loss accordingly as disclosed in Note 2.2(xi)(k)(ii).

(e) Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
 - (i) The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
 - (ii) The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contracts are not recognised. Such amounts relate to future insurance contracts.

For contracts with renewal periods, the Company assess whether premiums and related cash flows that arise from the renewed contracts are within the contract boundary. The pricing of the renewals are established by the Company by considering all the risks covered for the policyholder by the Company, that the Company would consider when underwriting equivalent contracts on the renewal dates for the remaining coverage. The Company reassess the contract boundary of each group at the end of each reporting period.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts

Contracts measured under Premium allocation approach ("PAA")

Initial measurement

The Company may apply the PAA to the insurance contracts that it issues and reinsurance contracts that it holds, provided that:

- The coverage period of each contract in the group is one year or less, including coverage arising from all premiums within the contract boundary (Note 2.2(xi)(e)); or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. PAA eligibility is assessed at the inception of the group of insurance contracts and does not need to be reassessed at subsequent measurement.

For contracts with the contract boundary of 12 months or less, following simplifications apply:

- The Company shall assume that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise; and
- While the Company can further subdivide groups of contracts if this is consistent with internal management and reporting purposes, this policy does not require any further subdivision.

The Company have performed an eligibility assessment, and it was concluded that they qualify for PAA since there was no material difference in the measurement of the liability for remaining coverage between PAA and the general measurement model for contracts longer than 1 year.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group of contracts being equal to the fulfilment cash flows ("FCF"). A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 2.2(xi)(k)(ii).

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

Subsequent measurement

For a group of contracts that apply the PAA, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition;
- Minus any insurance acquisition cash flows at that date, unless if the payments are recognised as an expense; and
- Plus or minus any amount arising from the derecognition at that date of the asset or liability recognised for insurance acquisition cash flows.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims.

Where, during the coverage period, a group of insurance contracts becomes onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

For the determination of discount rates used, please refer to Note 2.1(d)(ii).

Contracts not measured under PAA

Initial measurement

General measurement model ("GMM")

The GMM measures a group of insurance contracts as the total of:

- Fulfilment cash flows
- A Contractual Service Margin ("CSM") represents the unearned profit as the Company will recognise as it provides service under the insurance contracts in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

The Company's objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows.
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims.
 - (i) Payments to policyholders resulting from embedded surrender value options.
 - (ii) An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs.
- Claims handling costs.
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries.
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts.
- Transaction-based taxes.

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by policyholders.
- Other information about the known or estimated characteristics of the insurance contracts.
- Historical data about the Company's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions.
- Current pricing information, when available.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contracts in a systematic and rational way on the basis of the passage of time. The Company does not elect to accrete interest on insurance acquisition cash flows to be allocated to profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

Variable fee approach ("VFA")

The Company also issues certain insurance contracts certificates that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Company's policy is to hold such investment assets.

An insurance contract certificate with direct participation features is defined by the Company as one which, at inception, meets the following criteria:

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

The Company uses judgement to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value returns on the underlying items.

The measurement approach for insurance contracts with direct participation features is referred to as the VFA.

The VFA modifies the accounting model in MFRS 17 (referred to as the GMM) to reflect that the consideration an entity receives for the contracts is a variable fee.

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the Company's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders) less the fulfilment cash flow ("FCF") that do not vary based on the returns on underlying items.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

Subsequent measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The changes in fulfilment cash flows relating to future service, except to the extent that such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss or such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- The effect of any new contracts added to the group.
- For contracts measured under GMM, interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- Non-distinct investment component variances.
- The effect of any currency exchange differences on the CSM.
- The amount recognised as insurance revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach at inception.

GMM

For insurance contracts under the GMM, the changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

GMM (contd.)

- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the profit or loss and other comprehensive income rather than adjusting the CSM).
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period.
- Changes in the risk adjustment for non-financial risk that relate to future service.

Whereas the changes in fulfilment cash flows that are not relating to future service and thus do not adjust the CSM comprise of:

- Changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- Changes in the FCF relating to the liability for incurred claims ("LIC");
- Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows); and
- Change in the risk adjustment for non-financial risks for risks expired.

VFA

For insurance contracts certificates under the VFA, the changes in fulfilment cash flows relating to future service and thus adjust the CSM comprise of:

- Changes in the Company share of the fair value of the underlying items; and
- Changes in the FCF that do not vary based on the returns of underlying items:
 - (i) Changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
 - (ii) Experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
 - (iii) Changes in estimates of the present value of future cash flows in the LRC;
 - (iv) Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
 - (v) Changes in the risk adjustment for non-financial risk that relate to future service.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

VFA (contd.)

For insurance contracts certificates under the VFA, the changes in fulfilment cash flows that are not relating to future service and thus do not adjust the CSM comprise of:

- Changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
- Changes in the FCF that do not vary based on the returns of underlying items:
 - (i) Changes in the FCF relating to the LIC;
 - (ii) Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows); and
 - (iii) Change in the risk adjustment for non-financial risks for risks expired.

For contracts measured under GMM, except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

Where, during the coverage period, a group of insurance contracts becomes onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosure on the loss component, please refer to Note 2.2(xi)(k)(ii).

The Company measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Company comprised the fulfilment cash flows related to past service allocated to the group at that date.

(g) Measurement - Reinsurance contracts

Initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(g) Measurement - Reinsurance contracts (contd.)

Initial measurement (contd.)

For Life insurance, the measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes.
- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.
- The Company recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition.
- Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.

The Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, it establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts, the Company expects to recover from the group of reinsurance contracts held. Where only some contracts in the onerous underlying group are covered by the group of reinsurance contracts held, the Company uses a systematic and rational method to determine the portion of losses recognised on the underlying group of insurance contracts to insurance contracts covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Where the Company enters into reinsurance contracts held which provide coverage relating to events that occurred before the purchase of the reinsurance, such cost of reinsurance is recognised in profit or loss on initial recognition.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(g) Measurement - Reinsurance contracts (contd.)

Subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurance, including the effects of collateral and losses from disputes.
- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurance.
- Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.
- Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contracts held do not adjust the contractual service margin as they do not relate to future service.

Any change in the fulfilment cash flows of a retroactive reinsurance contracts held due to the changes of the liability for incurred claims of the underlying contracts is taken to profit or loss and not the contractual service margin of the reinsurance contract held.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where the Company has established a loss-recovery component, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

A loss-recovery component reverses consistent with reversal of the loss component of underlying groups of contracts issued, even when a reversal of the loss-recovery component is not a change in the fulfilment cash flows of the group of reinsurance contracts held. Reversals of the loss-recovery component that are not changes in the fulfilment cash flows of the group of reinsurance contracts held adjust the CSM.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(h) Insurance receivable and payables

The liability for remaining coverage disclosed under insurance contracts liabilities are including insurance receivable and payables.

i) Liability for remaining coverage - Insurance receivable

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration to be received. The carrying value of premiums due and uncollected is reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss.

Insurance receivables are derecognised following the derecognition criteria for financial instruments.

The impairment on insurance receivables are measured at initial recognition and throughout its life at an amount equal to lifetime ECL. The ECL is calculated using a provision matrix based on historical data where the insurance and reinsurance receivables are grouped based on different sales channel and different reinsurance premium type's arrangement respectively. The impairment is calculated on the total outstanding balance including all aging buckets from current to 12 months and above. Roll rates are to be applied on the outstanding balance of the aging bucket which forms the base of the roll rate. Forward-looking information has been included in the calculation of ECL.

ii) Liability for remaining coverage - Insurance payable

Insurance payables are recognised when due and measured on initial recognition at fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(i) Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contracts are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contracts as an adjustment to the relevant liability for remaining coverage.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(j) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Company uses a systematic and rational method to allocate:

- (a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
- to that group; and
 - to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.
- (b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the CSM of the related group of insurance contracts. The Company expects to derecognise all assets for insurance acquisition cash flows within insurance coverage period.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts certificates not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(j) Insurance acquisition cash flows (contd.)

The Company recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

(k) Presentation

The Company has presented separately in the statement of financial position the carrying amount of groups of insurance contracts issued that are assets, groups of insurance contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts certificates are included in the carrying amount of the related groups of insurance contracts issued.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

(i) Insurance revenue

Contracts measured under PAA

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contracts services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(k) Presentation (contd.)

(i) Insurance revenue (contd.)

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

Contracts not measured under PAA

The Company's insurance revenue depicts the provision of coverage and other services arising from a group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any distinct investment components).

The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts relating to the risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- Amounts related to tax that are specifically chargeable to the policyholders.
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The CSM release.
- The experience adjustments for premium receipts other than those that related to future service.
- Amount related to insurance acquisition cash flows.

For management judgement applied to the amortisation of CSM, please refer to Note 2.1(d)(iv).

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(k) Presentation (contd.)

(ii) Loss components

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to:

- (i) the loss component; and
- (ii) the liability for remaining coverage excluding the loss component

The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

(iii) Loss-recovery components

When the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(k) Presentation (contd.)

(iii) Loss-recovery components (contd.)

Where a loss-recovery component has been set up at initial recognition or subsequently, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

(iv) Net income or expense from reinsurance contracts held

The Company presents the net amounts of income or expense expected to be recovered/paid from/to reinsurers on the face of the income statement and other comprehensive income.

The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the income statement and other comprehensive income. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(k) Presentation (contd.)

(v) Insurance finance income and expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- Interest accreted on the LIC; and
- the effect of changes in interest rates and other financial assumptions.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

- Interest accreted on the FCF and the CSM;
- The effect of changes in interest rates and other financial assumptions; and
- Net foreign exchange differences arising from contracts denominated in a foreign currency.

For contracts measured under the VFA, the main amounts within insurance finance income or expenses are:

- Changes in the fair value of underlying items;
- Interest accreted on the FCF relating to cash flows that do not vary with returns on underlying items; and
- The effect of changes in interest rates and other financial assumptions on the FCF relating to cash flows that do not vary with returns on underlying items.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Insurance contracts and reinsurance contracts accounting treatment (contd.)

(k) Presentation (contd.)

(v) Insurance finance income and expenses (contd.)

The Company disaggregates insurance finance income or expenses on insurance contracts issued between profit or loss and other comprehensive income. The impact of changes in market interest rates on the value of the insurance and related reinsurance assets and liabilities are reflected in other comprehensive income in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing the insurance issued portfolios are predominantly measured at amortised cost or fair value through other comprehensive income. Finance income and expenses on the Company's issued reinsurance contracts is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

In the event of transfer of a group of insurance contracts certificates or derecognition of an insurance contracts, the Company reclassifies the insurance income finance or expense to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contracts) that were previously recognised in other comprehensive income.

(xii) Revenue recognition

Revenue from contracts with customers

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to a customer. Generally, satisfaction of a performance obligation occurs when/as the Company's control of the goods or services is transferred to the customer. Control can be defined as the ability to direct the use of an asset and to obtain substantially all of the remaining benefits from the asset. Control also includes the ability to prevent another entity from directing the use of and obtaining the benefits from an asset.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xii) Revenue recognition (contd.)

Revenue from contracts with customers (contd.)

For each separate performance obligation, the Company will need to determine whether the performance obligation is satisfied by transferring the control of goods or services over time. If the performance obligation is not satisfied over time, then it is satisfied at a point in time.

When/as a performance obligation is satisfied, the Company shall recognise as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained, that is allocated to that performance obligation).

Other revenue

(a) Interest income

Interest income is recognised using the effective interest yield method over the term of the underlying investments.

(b) Dividend income

Dividend income is recognised at a point in time when the Company's right to receive payment is established.

(c) Rental income

Rental income is accounted for on a straight-line basis over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xiii) Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions ("SOCSSO") are recognised as an expense in profit or loss in the period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised as an expense in profit or loss when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised as an expense in profit or loss when the absences occur.

(b) Long-term employee benefits

Long-term employee benefits are benefits that are not expected to be settled wholly before twelve months after the end of the reporting date in which employees render the related services.

The cost of long-term employee benefits is accrued to match the services rendered by employees of the Company using the recognition and measurement bases similar to that for defined contribution plans disclosed in Note 2.2(xiii)(c), except that the remeasurements of the net defined contribution liability or asset are recognised immediately in profit or loss.

(c) Defined contribution plans

As required by law, the Company makes contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss when incurred.

(d) Share-based compensation

(1) Employees' Share Grant Plan ("ESGP Shares")

The ESGP Shares is awarded to eligible Executive Directors and employees of participating companies within the Maybank Group (excluding dormant subsidiaries). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of the NRC.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xiii) Employee benefits (contd.)

(d) Share-based compensation (contd.)

(1) Employees' Share Grant Plan ("ESGP Shares") (contd.)

The total fair value of ESGP Shares granted to eligible employees is recognised as an employee cost with a corresponding increase in amount due to Maybank. The fair value of ESGP Shares is measured at grant date, taking into account, the market and non-market vesting conditions upon which the ESGP Shares were granted. Upon vesting of ESGP Shares, Maybank will recognise the impact of the actual numbers of ESGP Shares vested as compared to original estimates.

(2) Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

The CESGP is awarded to the eligible Executive Directors and employees of participating companies within the Maybank Group, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries. Upon vesting, the cash amount equivalent to the value of the Maybank Reference Shares will be transferred to the eligible employees.

The total fair value of CESGP granted to eligible employees is recognised as an employee cost, with a corresponding increase in Maybank's liability over the vesting period and taking into account the probability that the CESGP will vest. The fair value of CESGP is measured at grant date, taking into account, the market and non-market vesting conditions upon which the CESGP were granted. Upon vesting of CESGP, Maybank will recognise the impact of the actual numbers of CESGP vested as compared to original estimates.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xiv) Foreign currencies

(a) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the financial year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

(xv) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or a group of people that is responsible to allocate resources and assess the performances of the operating segments of an entity. The Company have determined the Chief Executive Officer as its chief operating decision-maker.

All transactions between business segments (Intra-segment revenue and costs) are eliminated at Company level. Income and expenses directly associated with each business segment are included in determining business segment performance.

The Company disclosed its segment information by funds in Note 49.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.3 New and amended standards and interpretations

On 1 January 2025, the Company adopted the following Amendments to Standards mandatory for annual financial periods beginning on or after 1 January 2025:

Description	Effective for annual periods beginning on or after
MFRS 121 <i>The Effects of Changes in Foreign Exchange Rates</i> (Amendments to MFRS 121) <i>Lack of Exchangeability</i>	1 January 2025

Other than above, the adoption of the above Amendments to Standards did not have any significant financial impact to the Company's financial statements.

2.4 Standards and annual improvements to standards issued but not yet effective

The following are Standards and Amendments to Standards issued by the Malaysian Accounting Standard Board ("MASB"), but which are not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these Standards and Amendments to Standards, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
Amendments that are part of Annual Improvements - Volume 11: Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2026
Amendments to MFRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2026
Amendments to MFRS 9 <i>Financial Instruments</i>	1 January 2026
Amendments to MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2026
Amendments to MFRS 107 <i>Statement of Cash Flows</i>	1 January 2026
<i>Amendments to the Classification and Measurement of Financial Instruments</i> (Amendments to MFRS 9 <i>Financial Instruments</i> and MFRS 7 <i>Financial Instruments: Disclosures</i>)	1 January 2026
<i>Contracts Referencing Nature-dependent Electricity</i> (Amendments to MFRS 9 <i>Financial Instruments</i> and MFRS 7 <i>Financial Instruments: Disclosures</i>)	1 January 2026

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective
 (contd.)

Description	Effective for annual periods beginning on or after
MFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
MFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
Amendments to MFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
<i>Translation to a Hyperinflationary Presentation Currency</i> (Amendments to MFRS 121 <i>The Effects of Changes in Foreign Exchange Rates</i>)	1 January 2027

The adoption of the above pronouncements are not expected to have a significant impact on the Company, except for MFRS 18 which the Company is in the process of assessing the financial impact of this Standard on its financial statements.

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

3. PROPERTY, PLANT AND EQUIPMENT

	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Work- in-progress RM'000	Total RM'000
2025						
Cost						
At 1 January 2025	305	52,848	11,891	53,440	10,535	129,019
Additions	-	2,294	-	40	3,483	5,817
Reclassification	-	3,242	-	-	(3,242)	-
At 31 December 2025	<u>305</u>	<u>58,384</u>	<u>11,891</u>	<u>53,480</u>	<u>10,776</u>	<u>134,836</u>
Accumulated Depreciation and Impairment Losses						
At 1 January 2025	259	45,469	11,232	43,675	-	100,635
Depreciation charge for the financial year (Note 32)	-	2,703	640	2,456	-	5,799
At 31 December 2025	<u>259</u>	<u>48,172</u>	<u>11,872</u>	<u>46,131</u>	<u>-</u>	<u>106,434</u>
Analysed as:						
- Accumulated depreciation	50	48,172	11,872	46,131	-	106,225
- Accumulated allowance for impairment losses	209	-	-	-	-	209
	<u>259</u>	<u>48,172</u>	<u>11,872</u>	<u>46,131</u>	<u>-</u>	<u>106,434</u>
Net Book Value						
At 31 December 2025	<u>46</u>	<u>10,212</u>	<u>19</u>	<u>7,349</u>	<u>10,776</u>	<u>28,402</u>

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Work- in-progress RM'000	Total RM'000
2024						
Cost						
At 1 January 2024	305	50,274	11,871	53,095	5,434	120,979
Additions	-	3,063	42	345	5,478	8,928
Disposal	-	(489)	(22)	-	(377)	(888)
At 31 December 2024	<u>305</u>	<u>52,848</u>	<u>11,891</u>	<u>53,440</u>	<u>10,535</u>	<u>129,019</u>
Accumulated Depreciation and Impairment Losses						
At 1 January 2024	259	42,835	10,148	41,294	-	94,536
Depreciation charge for the financial year (Note 32)	-	2,776	1,085	2,381	-	6,242
Disposal	-	(142)	(1)	-	-	(143)
At 31 December 2024	<u>259</u>	<u>45,469</u>	<u>11,232</u>	<u>43,675</u>	<u>-</u>	<u>100,635</u>
Analysed as:						
- Accumulated depreciation	50	45,469	11,232	43,675	-	100,426
- Accumulated allowance for impairment losses	209	-	-	-	-	209
	<u>259</u>	<u>45,469</u>	<u>11,232</u>	<u>43,675</u>	<u>-</u>	<u>100,635</u>
Net Book Value						
At 31 December 2024	<u>46</u>	<u>7,379</u>	<u>659</u>	<u>9,765</u>	<u>10,535</u>	<u>28,384</u>

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
2025			
Cost			
At 1 January/31 December 2025	100	205	305
Accumulated Depreciation and Impairment Losses			
At 1 January/31 December 2025	54	205	259
Analysed as:			
- Accumulated depreciation	-	50	50
- Accumulated allowance for impairment losses	54	155	209
	54	205	259
Net Book Value			
At 31 December 2025	46	-	46
2024			
Cost			
At 1 January/31 December 2024	100	205	305
Accumulated Depreciation and Impairment Losses			
At 1 January/31 December 2024	54	205	259
Analysed as:			
- Accumulated depreciation	-	50	50
- Accumulated allowance for impairment losses	54	155	209
	54	205	259
Net Book Value			
At 31 December 2024	46	-	46

4. INVESTMENT PROPERTIES

	Freehold land and buildings <----- At valuation -----> RM'000	Leasehold land and buildings <----- At valuation -----> RM'000	Total RM'000
2025			
At 1 January 2025	370,510	657,000	1,027,510
Additions	-	84	84
Fair value adjustments (Note 26)	3,055	1,516	4,571
At 31 December 2025	<u>373,565</u>	<u>658,600</u>	<u>1,032,165</u>
2024			
At 1 January 2024	366,410	640,000	1,006,410
Additions	-	474	474
Fair value adjustments (Note 26)	4,100	16,526	20,626
At 31 December 2024	<u>370,510</u>	<u>657,000</u>	<u>1,027,510</u>

The rental income and rental related expenses in relation to the investment properties are as disclosed below:

	2025 RM'000	2024 RM'000
Rental income (Note 26)	81,542	79,946
Rental related expenses (Note 26)	<u>(28,175)</u>	<u>(26,398)</u>
	<u>53,367</u>	<u>53,548</u>

4. INVESTMENT PROPERTIES (CONTD.)

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Investment properties are stated at fair value in accordance with the policies as described in Note 2.2(ii) which have been determined based on valuations that reflect market conditions at the end of the reporting period.

The fair value of investment properties is classified under Level 3 of the fair value hierarchy as disclosed in Note 47(c). The fair value gains are recognised in profit or loss.

5. PREPAID LAND LEASE PAYMENTS

	2025	2024
	RM'000	RM'000
Cost		
At 1 January/31 December	1,298	1,298
Accumulated amortisation and impairment losses		
At 1 January	436	410
Amortisation charge for the financial year (Note 32)	26	26
At 31 December	462	436
Analysed as:		
- Accumulated amortisation	462	436
Net Book Value		
At 31 December	836	862

6. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

The movement of right-of-use assets is disclosed as follows:

	Premises	
	2025	2024
	RM'000	RM'000
Cost		
At 1 January	111	110
Contract renewal	1	1
At 31 December	<u>112</u>	<u>111</u>
Accumulated Depreciation and Impairment Losses		
At 1 January	83	49
Depreciation charge for the financial year (Note 32)	28	34
At 31 December	<u>111</u>	<u>83</u>
Net Book Value		
At 31 December	<u>1</u>	<u>28</u>

The movement of lease liabilities is disclosed as follows:

	Premises	
	2025	2024
	RM'000	RM'000
Lease liabilities		
At 1 January	28	62
Interest on lease liabilities (Note 32)	-	1
Payment of lease liabilities	(28)	(35)
At 31 December (Note 19)	<u>-</u>	<u>28</u>
Lease liabilities by remaining maturity:		
Less than 12 months	-	28
Total	<u>-</u>	<u>28</u>

7. INTANGIBLE ASSETS

	Computer software and licenses RM'000	Software development costs RM'000	Total RM'000
2025			
Cost			
At 1 January 2025	123,881	891	124,772
Additions	2,895	6,902	9,797
Disposals	(239)	-	(239)
Reclassification	15	(15)	-
At 31 December 2025	<u>126,552</u>	<u>7,778</u>	<u>134,330</u>
Accumulated Amortisation			
At 1 January 2025	88,241	-	88,241
Amortisation charge for the financial year (Note 32)	7,926	-	7,926
Disposal	(16)	-	(16)
At 31 December 2025	<u>96,151</u>	<u>-</u>	<u>96,151</u>
Net Book Value			
At 31 December 2025	<u>30,401</u>	<u>7,778</u>	<u>38,179</u>
2024			
Cost			
At 1 January 2024	121,397	519	121,916
Additions	2,484	372	2,856
At 31 December 2024	<u>123,881</u>	<u>891</u>	<u>124,772</u>
Accumulated Amortisation			
At 1 January 2024	79,713	-	79,713
Amortisation charge for the financial year (Note 32)	8,528	-	8,528
At 31 December 2024	<u>88,241</u>	<u>-</u>	<u>88,241</u>
Net Book Value			
At 31 December 2024	<u>35,640</u>	<u>891</u>	<u>36,531</u>

8. INVESTMENTS

	2025	2024
	RM'000	RM'000
Malaysian government papers	1,152,939	1,179,656
Equity securities	2,404,731	2,276,738
Debt securities	7,021,904	6,865,470
Unit and property trust funds	1,115,782	1,111,193
Redeemable loan stocks	998	-
Structured products (Note 9)	114,443	219,667
Negotiable Islamic certificates of deposit ("NICD")	4,966	-
Deposits with financial institutions	631,648	612,484
	<u>12,447,411</u>	<u>12,265,208</u>

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

	2025	2024
	RM'000	RM'000
Fair value through profit or loss ("FVTPL") (Note a):		
- Designated upon initial recognition	6,136,509	6,140,596
- Held for trading ("HFT")	4,123,914	4,005,476
	<u>10,260,423</u>	<u>10,146,072</u>
Fair value through other comprehensive income ("FVOCI") (Note b)	1,555,340	1,506,652
Amortised cost ("AC") (Note c)	631,648	612,484
	<u>12,447,411</u>	<u>12,265,208</u>

Of which, the following investments mature after 12 months:

	2025	2024
	RM'000	RM'000
FVTPL		
- Designated upon initial recognition	5,596,170	5,990,103
- HFT	730,425	785,627
FVOCI	1,390,319	1,331,545
	<u>7,716,914</u>	<u>8,107,275</u>

8. INVESTMENTS (CONTD.)

	2025 RM'000	2024 RM'000
(a) FVTPL		
(i) Designated upon initial recognition		
<u>At fair value</u>		
Malaysian government papers	768,951	663,055
Debt securities:		
Unquoted in Malaysia	5,062,771	5,156,536
Unquoted outside Malaysia	185,440	101,430
Structured products (Note 9)	114,381	219,575
NICD	4,966	-
Total financial assets designated as FVTPL upon initial recognition	6,136,509	6,140,596
(ii) HFT		
<u>At fair value</u>		
Malaysian government papers	82,482	138,522
Debt securities:		
Unquoted in Malaysia	669,855	648,908
Equity securities:		
Quoted in Malaysia	2,045,226	1,909,385
Quoted outside Malaysia	73,824	60,595
Unquoted in Malaysia	135,685	136,781
Unit and property trust funds:		
Quoted in Malaysia	77,481	15,951
Quoted outside Malaysia	1,038,301	1,095,242
Redeemable loan stocks	998	-
Structured products (Note 9)	62	92
Total HFT financial assets	4,123,914	4,005,476
Total FVTPL financial assets	10,260,423	10,146,072

8. INVESTMENTS (CONTD.)

	2025 RM'000	2024 RM'000
(b) FVOCI		
<u>At fair value</u>		
Malaysian government papers	301,506	378,079
Debt securities:		
Unquoted in Malaysia	1,103,838	958,596
Equity securities*:		
Quoted in Malaysia	149,996	169,977
Total FVOCI financial assets	<u>1,555,340</u>	<u>1,506,652</u>

* The Company has elected to recognise these equity investments at fair value through other comprehensive income as these investments are held as long term strategic investments that are not expected to be sold in the short term to medium term. Gains or losses on the derecognition of these equity investments are not transferred to profit or loss.

During the financial year, the Company has disposed selected equity securities from its portfolio of FVOCI financial assets as the securities no longer aligned with the long term investment strategies of the Company as high dividend yielding stocks. The total fair value on the date of sales (gross of tax) are RM81,873,000 (2024: RM11,468,000) and the realised gains recognised on disposal of these securities amounted to RM47,854,000 (2024: RM214,000).

(c) AC

Fixed and call deposits with:		
Licensed financial institutions	549,220	591,371
Other licensed financial institutions	82,428	21,113
Total AC financial assets	<u>631,648</u>	<u>612,484</u>

The carrying amounts of financial assets measured at AC are reasonable approximations of fair values due to the short term maturity of the financial assets.

Fair Value of Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 47(c) to the financial statements.

9. STRUCTURED PRODUCTS

Structured products of the Company are classified as FVTPL financial assets. 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 products is presented as follows:

	<----- 2025 ----->		<----- 2024 ----->	
	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000
Financial assets at FVTPL				
Structured deposits	112,000	114,381	210,000	219,575
Index-linked notes	27,063	62	27,063	92
Total structured products (Note 8)		<u>114,443</u>		<u>219,667</u>

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

10. FINANCING RECEIVABLES

	2025 RM'000	2024 RM'000
<u>At amortised cost:</u>		
Staff loans - Secured	21,866	23,104
Non-staff loans	1,224	1,254
Allowance for impairment losses (Note 44(i))	(909)	(484)
	<u>22,181</u>	<u>23,874</u>
Of which, receivable after 12 months	<u>22,991</u>	<u>22,159</u>

The carrying amount of financing receivables approximates fair value as these loans are issued at interest rates that are comparable to instruments in the market with similar characteristics and risk profiles and, accordingly, the impact of discounting thereon is not material. The impact of discounting on staff loans is not material.

The weighted average effective interest rates during the financial year were as follows:

	2025 Per annum	2024 Per annum
Staff loans	0.54%	1.93%
Non-staff loans	4.74%	5.02%

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

11. REINSURANCE CONTRACT ASSETS

Composition of Statement of Financial Position

The breakdown of groups of reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	2025			2024		
	Asset RM'000	Liability RM'000	Net RM'000	Asset RM'000	Liability RM'000	Net RM'000
Reinsurance contracts held						
Non-participating:						
- Proportional	43,269	-	43,269	52,981	-	52,981
- Non-Proportional Excess of Loss	892	-	892	1,359	-	1,359
	<u>44,161</u>	<u>-</u>	<u>44,161</u>	<u>54,340</u>	<u>-</u>	<u>54,340</u>
Investment linked:						
- Proportional	26,643	-	26,643	16,906	-	16,906
	<u>70,804</u>	<u>-</u>	<u>70,804</u>	<u>71,246</u>	<u>-</u>	<u>71,246</u>
Total reinsurance contracts held	70,804	-	70,804	71,246	-	71,246
Of which:						
Measured at PAA	892	-	892	1,359	-	1,359
Not measured at PAA	69,912	-	69,912	69,887	-	69,887
	<u>70,804</u>	<u>-</u>	<u>70,804</u>	<u>71,246</u>	<u>-</u>	<u>71,246</u>

11. REINSURANCE CONTRACT ASSETS (CONTD.)

(a) Analysis by remaining coverage and amounts recoverable on incurred claim measured at PAA

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage ("ARC") and amounts recoverable on incurred claims ("AIC") arising business ceded to reinsurers is disclosed in the table below:

2025	Note	ARC	AIC	Total RM'000
		Excluding loss recovery component RM'000	Present value of future cash flows RM'000	
Reinsurance contract assets as at 1 January 2025		-	1,359	1,359
Allocation of reinsurance premium:				
Amounts relating to the changes in assets for remaining coverage		(1,579)	-	(1,579)
Amounts recoverable from reinsurers:				
Amounts recoverable for incurred claims and other expenses		-	(219)	(219)
Changes that relates to past services - adjustment to AIC		-	739	739
		-	520	520
Net (expense)/income from reinsurance contracts held	22	(1,579)	520	(1,059)
Total amount recognised in profit or loss		(1,579)	520	(1,059)
Cash flows				
Premiums paid, net of ceding commission		946	-	946
Recoveries from reinsurer		-	(354)	(354)
Total cash flows		946	(354)	592
Reinsurance contract assets as at 31 December 2025		(633)	1,525	892

11. REINSURANCE CONTRACT ASSETS (CONTD.)

(a) Analysis by remaining coverage and amounts recoverable on incurred claim measured at PAA (contd.)

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage ("ARC") and amounts recoverable on incurred claims ("AIC") arising business ceded to reinsurers is disclosed in the table below (contd.):

	Note	ARC	AIC	Total RM'000
		Excluding loss recovery component RM'000	Present value of future cash flows RM'000	
2024				
Reinsurance contract assets as at 1 January 2024		(581)	2,125	1,544
Allocation of reinsurance premium:				
Amounts relating to the changes in assets for remaining coverage		(2,663)	-	(2,663)
Amounts recoverable from reinsurers:				
Amounts recoverable for incurred claims and other expenses		-	1,239	1,239
Changes that relates to past services - adjustment to AIC		-	561	561
		-	1,800	1,800
Net (expense)/income from reinsurance contracts held	22	(2,663)	1,800	(863)
Total amount recognised in profit or loss		(2,663)	1,800	(863)
Cash flows				
Premiums paid, net of ceding commission		3,244	-	3,244
Recoveries from reinsurer		-	(2,566)	(2,566)
Total cash flows		3,244	(2,566)	678
Reinsurance contract assets as at 31 December 2024		-	1,359	1,359

11. REINSURANCE CONTRACT ASSETS (CONTD.)

(a) Analysis by remaining coverage and amounts recoverable on incurred claim not measured at PAA

The roll-forward of the net asset or liability for reinsurance contracts held showing ARC and AIC arising business ceded to reinsurers is disclosed in the table below:

	Note	<u>ARC</u> Excluding loss recovery component RM'000	AIC RM'000	Total RM'000
2025				
Reinsurance contract assets as at 1 January 2025		31,254	38,633	69,887
Allocation of reinsurance premium:				
Amounts relating to the changes in assets for remaining coverage		(56,683)	-	(56,683)
Amounts recoverable from reinsurers:				
Amounts recoverable for incurred claims and other expenses		-	17,469	17,469
Changes that relates to past services - adjustment to AIC		-	20,249	20,249
		-	37,718	37,718
Net (expense)/income from reinsurance contracts held	22	(56,683)	37,718	(18,965)
Finance income from reinsurance contracts held	30	711	-	711
Effect of changes in non-performance risk of reinsurers	30	-	(4)	(4)
Total amount recognised in profit or loss		(55,972)	37,714	(18,258)
Cash flows				
Premiums paid, net of ceding commission		57,463	-	57,463
Recoveries from reinsurer		-	(39,180)	(39,180)
Total cash flows		57,463	(39,180)	18,283
Reinsurance contract assets as at 31 December 2025		32,745	37,167	69,912

11. REINSURANCE CONTRACT ASSETS (CONTD.)

(a) Analysis by remaining coverage and amounts recoverable on incurred claim not measured at PAA (contd.)

The roll-forward of the net asset or liability for reinsurance contracts held showing ARC and AIC arising business ceded to reinsurers is disclosed in the table below (contd.):

2024	Note	ARC Excluding loss recovery component RM'000	AIC RM'000	Total RM'000
Reinsurance contract assets as at 1 January 2024		(1,209)	71,142	69,933
Allocation of reinsurance premium:				
Amounts relating to the changes in assets for remaining coverage		(50,672)	-	(50,672)
Amounts recoverable from reinsurers:				
Amounts recoverable for incurred claims and other expenses*		-	14,537	14,537
Changes that relates to past services - adjustment to AIC*		-	7,762	7,762
		-	22,299	22,299
Net (expense)/income from reinsurance contracts held	22	(50,672)	22,299	(28,373)
Finance income from reinsurance contracts held	30	2,662	-	2,662
Effect of changes in non-performance risk of reinsurers	30	-	4	4
Total amount recognised in profit or loss		(48,010)	22,303	(25,707)
Cash flows				
Premiums paid, net of ceding commission		80,473	-	80,473
Recoveries from reinsurer		-	(54,812)	(54,812)
Total cash flows		80,473	(54,812)	25,661
Reinsurance contract assets as at 31 December 2024		31,254	38,633	69,887

* Certain amounts have been reclassified between the line items to conform with current year's presentation and disclosure requirements.

11. REINSURANCE CONTRACT ASSETS (CONTD.)

(b) Analysis showing estimates of present value of future cash flows, risk adjustment and CSM for reinsurance contracts held not measured at PAA

The roll-forward of reinsurance contract assets and liabilities showing estimates of the present value of future cash flows, risk adjustment, CSM and the impact of the transition approaches adopted to establish CSMs for Life reinsurance contracts held portfolios are shown below:

	Note	Estimate of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000	CSM			Total RM'000
					New contracts and contracts measured under the full retrospective approach at transition RM'000	Contracts measured under the modified retrospective approach at transition RM'000	Contracts measured under the fair value approach at transition RM'000	
2025								
Reinsurance contract assets as at 1 January 2025		(52,403)	92,585	29,705	13,309	8,373	8,023	69,887
Changes that relate to current services								
CSM recognised for services received		-	-	(10,393)	(5,517)	(1,796)	(3,080)	(10,393)
Change in the risk adjustment for non-financial risks for the risks expired	22	-	(8,193)	-	-	-	-	(8,193)
Experience adjustments		(20,628)	-	-	-	-	-	(20,628)
Changes that relate to future services								
Contracts initially recognised in the year		(26,804)	11,876	14,928	14,928	-	-	-
Changes in estimates that adjust the CSM		(20,558)	(16,384)	36,942	17,319	5,864	13,759	-
Changes that relate to past services								
Changes in amounts recoverable arising from changes in liability for incurred claims	22	20,249	-	-	-	-	-	20,249
Insurance service results		(47,741)	(12,701)	41,477	26,730	4,068	10,679	(18,965)
Finance (expenses)/income from reinsurance contract held		(5,761)	4,553	1,919	1,034	431	454	711
Effect of changes in non-performance risk of reinsurer	30	(4)	-	-	-	-	-	(4)
Total amount recognised in profit or loss		(53,506)	(8,148)	43,396	27,764	4,499	11,133	(18,258)
Cash flows								
Premiums paid, net of ceding commission		57,463	-	-	-	-	-	57,463
Recoveries from reinsurer		(39,180)	-	-	-	-	-	(39,180)
Total cash flows		18,283	-	-	-	-	-	18,283
Reinsurance contract assets as at 31 December 2025		(87,626)	84,437	73,101	41,073	12,872	19,156	69,912

11. REINSURANCE CONTRACT ASSETS (CONTD.)

(b) Analysis showing estimates of present value of future cash flows, risk adjustment and CSM for reinsurance contracts held not measured at PAA (contd.)

The roll-forward of reinsurance contract assets and liabilities showing estimates of the present value of future cash flows, risk adjustment, CSM and the impact of the transition approaches adopted to establish CSMs for Life reinsurance contracts held portfolios are shown below (contd.):

	Note	Estimate of the present value of future cash flows RM'000	Risk adjustment for non- financial risks RM'000	Contractual service margin (CSM) RM'000	CSM			Total RM'000
					New contracts and contracts measured under the full retrospective approach at transition RM'000	Contracts measured under the modified retrospective approach at transition RM'000	Contracts measured under the fair value approach at transition RM'000	
2024								
Reinsurance contract assets as at 1 January 2024		(8,940)	69,610	9,263	(190)	719	8,734	69,933
Changes that relate to current services								
CSM recognised for services received		-	-	(5,661)	(2,144)	(1,172)	(2,345)	(5,661)
Change in the risk adjustment for non-financial risks for the risks expired	22		(7,694)	-	-	-	-	(7,694)
Experience adjustments*		(22,780)	-	-	-	-	-	(22,780)
Changes that relate to future services								
Contracts initially recognised in the year		(32,828)	17,479	15,349	15,349	-	-	-
Changes in estimates that adjust the CSM		(19,335)	9,371	9,964	39	8,569	1,356	-
Changes that relate to past services								
Changes in amounts recoverable arising from changes in liability for incurred claims*	22	7,762	-	-	-	-	-	7,762
Insurance service results		(67,181)	19,156	19,652	13,244	7,397	(989)	(28,373)
Finance (expenses)/income from reinsurance contract held		(1,947)	3,819	790	255	257	278	2,662
Effect of changes in non-performance risk of reinsurer	30	4	-	-	-	-	-	4
Total amount recognised in profit or loss		(69,124)	22,975	20,442	13,499	7,654	(711)	(25,707)
Cash flows								
Premiums paid, net of ceding commission		80,473	-	-	-	-	-	80,473
Recoveries from reinsurer		(54,812)	-	-	-	-	-	(54,812)
Total cash flows		25,661	-	-	-	-	-	25,661
Reinsurance contract assets as at 31 December 2024		(52,403)	92,585	29,705	13,309	8,373	8,023	69,887

* Certain amounts have been reclassified between the line items to conform with current year's presentation and disclosure requirements.

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

11. REINSURANCE CONTRACT ASSETS (CONTD.)

(c) Impact of contracts recognised in the financial year

The components of new business for Life reinsurance contracts held portfolios is disclosed in the table below:

	2025	2024
	Contracts	Contracts
	purchased	purchased
	RM'000	RM'000
Estimates of the present value of future cash outflows	(78,891)	(99,909)
Estimates of the present value of future cash inflows	52,087	67,081
Risk adjustment for non-financial risks	11,876	17,479
CSM	14,928	15,349
Cost of retroactive cover on reinsurance contract held at 31 December	-	-

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

12. INSURANCE CONTRACT LIABILITIES

Composition of Statement of Financial Position

The breakdown of groups of insurance contracts issued, that are in an asset position and those in a liability position is set out in the table below:

	2025			2024		
	Asset	Liability	Net	Asset	Liability	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Insurance contracts issued						
Group	-	2,704	2,704	-	2,169	2,169
Retail						
- Non-participating	-	2,838,666	2,838,666	-	2,665,493	2,665,493
- Participating	-	5,409,689	5,409,689	-	5,550,201	5,550,201
- Investment linked	-	2,956,702	2,956,702	-	3,092,266	3,092,266
	-	11,205,057	11,205,057	-	11,307,960	11,307,960
Total insurance contracts issued	-	11,207,761	11,207,761	-	11,310,129	11,310,129
Of which:						
Measured at PAA	-	20,048	20,048	-	17,634	17,634
Not measured at PAA	-	11,187,713	11,187,713	-	11,292,495	11,292,495
	-	11,207,761	11,207,761	-	11,310,129	11,310,129

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

(a) Analysis by liability for remaining coverage and the liability for incurred claims measured at PAA

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is disclosed in the table below:

2025	Note	LRC		LIC		Total RM'000
		Excluding loss component RM'000	Loss component RM'000	Present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	
Insurance contract liabilities as at 1 January 2025		2,817	1,114	12,861	842	17,634
Insurance revenue						
Contracts under fair value approach		(87)	-	-	-	(87)
Contracts under full retrospective approach and new contracts issued during the year		(45,974)	-	-	-	(45,974)
	20	(46,061)	-	-	-	(46,061)
Insurance service expenses						
Incurred claims and other insurance service expenses		-	(5,204)	39,611	845	35,252
Amortisation of insurance acquisition cash flows		4,871	-	-	-	4,871
Changes that relates to past services - adjustment to LIC		-	-	(4,589)	(832)	(5,421)
Losses and reversal of losses on onerous contracts		-	5,793	-	-	5,793
	21	4,871	589	35,022	13	40,495
Insurance service result		(41,190)	589	35,022	13	(5,566)
Finance expenses from insurance contract issued	29	-	-	270	27	297
Total amount recognised in profit or loss and OCI		(41,190)	589	35,292	40	(5,269)

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

(a) Analysis by liability for remaining coverage and the liability for incurred claims measured at PAA (contd.)

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is disclosed in the table below (contd.):

	Note	LRC		LIC		Total RM'000
		Excluding loss component RM'000	Loss component RM'000	Present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	
2025						
Cash flows						
Premiums received	(i)	48,899	-	-	-	48,899
Claims and other insurance service expenses paid		-	-	(35,655)	-	(35,655)
Insurance acquisition cash flows		(5,325)	-	-	-	(5,325)
Total cash flows		<u>43,574</u>	<u>-</u>	<u>(35,655)</u>	<u>-</u>	<u>7,919</u>
Transfer to other liabilities	(ii)	-	-	(236)	-	(236)
Insurance contract liabilities as at 31 December 2025		<u>5,201</u>	<u>1,703</u>	<u>12,262</u>	<u>882</u>	<u>20,048</u>

Notes:

- (i) Refunds of premiums have been included in this line.
- (ii) These are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of premiums in the course of collection and withholding tax on amount payables.

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

(a) Analysis by liability for remaining coverage and the liability for incurred claims measured at PAA (contd.)

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is disclosed in the table below (contd.):

2024	Note	LRC		LIC		Total RM'000
		Excluding loss component RM'000	Loss component RM'000	Present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	
Insurance contract liabilities as at 1 January 2024						
		4,917	2,003	11,786	975	19,681
Insurance revenue						
		(178)	-	-	-	(178)
		(48,763)	-	-	-	(48,763)
	20	(48,941)	-	-	-	(48,941)
Insurance service expenses						
		-	(7,362)	46,922	805	40,365
		5,250	-	-	-	5,250
		-	-	(5,906)	(968)	(6,874)
		-	6,473	-	-	6,473
	21	5,250	(889)	41,016	(163)	45,214
Insurance service result						
		(43,691)	(889)	41,016	(163)	(3,727)
	29	-	-	292	30	322
		(43,691)	(889)	41,308	(133)	(3,405)

* Certain amounts have been reclassified between the line items to conform with current year's presentation and disclosure requirements.

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

(a) Analysis by liability for remaining coverage and the liability for incurred claims measured at PAA (contd.)

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is disclosed in the table below (contd.):

2024	Note	Excluding loss component RM'000	LRC Loss component RM'000	LIC		Total RM'000
				Present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	
Cash flows						
Premiums received	(i)	46,542	-	-	-	46,542
Claims and other insurance service expenses paid		-	-	(38,849)	-	(38,849)
Insurance acquisition cash flows		(4,951)	-	-	-	(4,951)
Total cash flows		41,591	-	(38,849)	-	2,742
Transfer to other liabilities	(ii)	-	-	(1,384)	-	(1,384)
Insurance contract liabilities as at 31 December 2024		2,817	1,114	12,861	842	17,634

Notes:

(i) Refunds of premiums have been included in this line.

(ii) These are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of premiums in the course of collection and withholding tax on amount payables.

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

(a) Analysis by liability for remaining coverage and the liability for incurred claims not measured at PAA

The roll-forward of the net asset or liability for insurance contracts issued, showing the LRC and the LIC is disclosed in the table below:

	Note	LRC		LIC	Total
		Excluding loss component	Loss component		
		RM'000	RM'000	RM'000	RM'000
2025					
Insurance contract liabilities as at 1 January 2025		8,960,722	1,633	2,330,140	11,292,495
Insurance revenue					
Contracts under modified retrospective approach		(119,427)	-	-	(119,427)
Contracts under fair value approach		(248,005)	-	-	(248,005)
Contracts under full retrospective approach and new contracts issued during the year		(231,075)	-	-	(231,075)
	20	<u>(598,507)</u>	<u>-</u>	<u>-</u>	<u>(598,507)</u>
Insurance service expenses					
Incurred claims and other insurance service expenses		-	(787)	262,020	261,233
Amortisation of insurance acquisition cash flows		50,626	-	-	50,626
Changes that relates to past services - adjustment to LIC		-	-	60,073	60,073
Losses and reversal of losses on onerous contracts		-	11,106	-	11,106
	21	<u>50,626</u>	<u>10,319</u>	<u>322,093</u>	<u>383,038</u>
Investment components		(1,547,060)	-	1,547,060	-
Insurance service result		<u>(2,094,941)</u>	<u>10,319</u>	<u>1,869,153</u>	<u>(215,469)</u>
Finance expenses from insurance contract issued	29	625,753	318	417	626,488
Total amount recognised in profit or loss and OCI		<u>(1,469,188)</u>	<u>10,637</u>	<u>1,869,570</u>	<u>411,019</u>

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

(a) Analysis by liability for remaining coverage and the liability for incurred claims not measured at PAA (contd.)

The roll-forward of the net asset or liability for insurance contracts issued, showing the LRC and the LIC is disclosed in the table below (contd.):

2025	Note	Excluding loss component RM'000	LRC Loss component RM'000	LIC	Total RM'000
				Present value of future cash flow RM'000	
Cash flows					
Premiums received	(i)	862,683	-	-	862,683
Claims and other insurance service expenses paid		-	-	(1,246,004)	(1,246,004)
Insurance acquisition cash flows		(136,337)	-	-	(136,337)
Total cash flows		726,346	-	(1,246,004)	(519,658)
Transfer to other liabilities	(ii)	-	-	3,857	3,857
Insurance contract liabilities as at 31 December 2025		8,217,880	12,270	2,957,563	11,187,713

Notes:

(i) Refunds of premiums have been included in this line.

(ii) These are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of premiums in the course of collection and withholding tax on amount payables.

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

(a) Analysis by liability for remaining coverage and the liability for incurred claims not measured at PAA (contd.)

The roll-forward of the net asset or liability for insurance contracts issued, showing the LRC and the LIC is disclosed in the table below (contd.):

	Note	Excluding loss component RM'000	LRC Loss component RM'000	LIC	Total RM'000
				Present value of future cash flows RM'000	
2024					
Insurance contract liabilities as at 1 January 2024		9,623,417	1,453	1,343,984	10,968,854
Insurance revenue					
Contracts under modified retrospective approach		(126,988)	-	-	(126,988)
Contracts under fair value approach		(231,307)	-	-	(231,307)
Contracts under full restrospective approach and new contracts issued during the year		(182,894)	-	-	(182,894)
	20	(541,189)	-	-	(541,189)
Insurance service expenses					
Incurred claims and other insurance service expenses*		-	(25)	253,727	253,702
Amortisation of insurance acquisition cash flows		44,945	-	-	44,945
Changes that relates to past services - adjustment to LIC*		-	-	22,846	22,846
Losses and reversal of losses on onerous contracts*		-	148	-	148
	21	44,945	123	276,573	321,641
Investment components		(2,135,763)	-	2,135,763	-
Insurance service result		(2,632,007)	123	2,412,336	(219,548)
Finance expenses from insurance contract issued	29	972,381	57	279	972,717
Total amount recognised in profit or loss and OCI		(1,659,626)	180	2,412,615	753,169

* Certain amounts have been reclassified between the line items to conform with current year's presentation and disclosure requirements.

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

(a) Analysis by liability for remaining coverage and the liability for incurred claims not measured at PAA (contd.)

The roll-forward of the net asset or liability for insurance contracts issued, showing the LRC and the LIC is disclosed in the table below (contd.):

	Note	Excluding loss component RM'000	LRC Loss component RM'000	LIC	Total RM'000
				Present value of future cash flow RM'000	
2024					
Cash flows					
Premiums received	(i)	1,140,609	-	-	1,140,609
Claims and other insurance service expenses paid		-	-	(1,428,338)	(1,428,338)
Insurance acquisition cash flows		(143,678)	-	-	(143,678)
Total cash flows		<u>996,931</u>	<u>-</u>	<u>(1,428,338)</u>	<u>(431,407)</u>
Transfer to other liabilities	(ii)	-	-	1,879	1,879
Insurance contract liabilities as at 31 December 2024		<u>8,960,722</u>	<u>1,633</u>	<u>2,330,140</u>	<u>11,292,495</u>

Notes:

(i) Refunds of premiums have been included in this line.

(ii) These are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of premiums in the course of collection and withholding tax on amount payables.

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

(b) Analysis by measurement component of insurance contract not measured at PAA

The table below presents a roll-forward of the net asset or liability showing estimates of the present value of future cash flows, risk adjustment, CSM and the impact of the transition approaches adopted to establishing CSMs for Life insurance contracts issued:

	Note	Estimates of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000	CSM			Total RM'000
					New contracts and contracts measured under the full retrospective approach at transition RM'000	Contracts measured under the modified retrospective approach at transition RM'000	Contracts measured under the fair value approach at transition RM'000	
2025								
Insurance contract liabilities as at 1 January 2025		9,856,209	435,467	1,000,819	251,407	225,464	523,948	11,292,495
Changes that relate to current services								
CSM recognised for services provided		-	-	(152,469)	(45,947)	(24,463)	(82,059)	(152,469)
Change in the risk adjustment for non-financial risks for risk expired		-	(47,313)	-	-	-	-	(47,313)
Experience adjustments		(86,866)	-	-	-	-	-	(86,866)
Changes that relate to future services								
Contracts initially recognised in the year	12(c)	(237,631)	49,260	188,371	188,371	-	-	-
Changes in estimate that adjust the CSM		30,128	(35,308)	5,180	(92,073)	25,809	71,444	-
Changes in estimate that do not adjust the CSM		11,106	-	-	-	-	-	11,106
Changes that relate to past services								
Adjustments to liabilities for incurred claims	21	59,986	87	-	-	-	-	60,073
Insurance service result		(223,277)	(33,274)	41,082	50,351	1,346	(10,615)	(215,469)
Finance expenses from insurance contracts issued	29	597,247	12,025	17,216	10,759	-	6,457	626,488
Total amount recognised in profit or loss and OCI		373,970	(21,249)	58,298	61,110	1,346	(4,158)	411,019
Cash flows								
Premiums received	(i)	862,683	-	-	-	-	-	862,683
Claims and other insurance service expenses paid		(1,246,004)	-	-	-	-	-	(1,246,004)
Insurance acquisition cash flows		(136,337)	-	-	-	-	-	(136,337)
Total cash flows		(519,658)	-	-	-	-	-	(519,658)
Transfer to other liabilities	(ii)	3,857	-	-	-	-	-	3,857
Insurance contract liabilities as at 31 December 2025		9,714,378	414,218	1,059,117	312,517	226,810	519,790	11,187,713

Notes:

(i) Refunds of premiums have been included in this line.

(ii) These are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of contribution in the course of collection and withholding tax on amount payables.

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

(b) Analysis by measurement component of insurance contract not measured at PAA (contd.)

The table below presents a roll-forward of the net asset or liability showing estimates of the present value of future cash flows, risk adjustment, CSM and the impact of the transition approaches adopted to establishing CSMs for Life insurance contracts issued (contd.):

	Note	Estimates of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000	CSM			Total RM'000
					New contracts and contracts measured under the full retrospective approach at transition RM'000	Contracts measured under the modified retrospective approach at transition RM'000	Contracts measured under the fair value approach at transition RM'000	
2024								
Insurance contract liabilities as at 1 January 2024		9,702,613	372,315	893,926	92,915	314,606	486,405	10,968,854
Changes that relate to current services								
CSM recognised for services provided		-	-	(113,023)	(32,584)	(27,872)	(52,567)	(113,023)
Change in the risk adjustment for non-financial risks for risk expired		-	(49,672)	-	-	-	-	(49,672)
Experience adjustments*		(79,847)	-	-	-	-	-	(79,847)
Changes that relate to future services								
Contracts initially recognised in the year	12(c)	(257,864)	64,683	193,187	193,187	-	-	6
Changes in estimate that adjust the CSM		(52,819)	39,091	13,728	(8,226)	(61,270)	83,224	-
Changes in estimate that do not adjust the CSM*		142	-	-	-	-	-	142
Changes that relate to past services								
Adjustments to liabilities for incurred claims*	21	22,846	-	-	-	-	-	22,846
Insurance service result		(367,542)	54,102	93,892	152,377	(89,142)	30,657	(219,548)
Finance expenses from insurance contracts issued	29	950,666	9,050	13,001	6,115	-	6,886	972,717
Total amount recognised in profit or loss and OCI		583,124	63,152	106,893	158,492	(89,142)	37,543	753,169
Cash flows								
Premiums received	(i)	1,140,609	-	-	-	-	-	1,140,609
Claims and other insurance service expenses paid		(1,428,338)	-	-	-	-	-	(1,428,338)
Insurance acquisition cash flows		(143,678)	-	-	-	-	-	(143,678)
Total cash flows		(431,407)	-	-	-	-	-	(431,407)
Transfer to other liabilities	(ii)	1,879	-	-	-	-	-	1,879
Insurance contract liabilities as at 31 December 2024		9,856,209	435,467	1,000,819	251,407	225,464	523,948	11,292,495

Notes:

* Certain amounts have been reclassified between the line items to conform with current year's presentation and disclosure requirements.

(i) Refunds of premiums have been included in this line.

(ii) These are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of contribution in the course of collection and withholding tax on amount payables.

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

(c) Impact of contracts recognised in the financial year

The components of new business for Life insurance contracts issued is disclosed in the table below:

	2025			2024		
	Contracts issued			Contracts issued		
	Non-onerous RM'000	Onerous RM'000	Total RM'000	Non-onerous RM'000	Onerous RM'000	Total RM'000
Estimates of present value of future cash inflows	(1,558,222)	-	(1,558,222)	(1,981,735)	(404)	(1,982,139)
Estimate of present value of future cash outflows:						
Benefits/claims payable and other expenses	1,207,117	-	1,207,117	1,590,117	405	1,590,522
Insurance acquisition cash flows	113,474	-	113,474	133,751	2	133,753
Risk adjustment for non-financial risks	49,260	-	49,260	64,680	3	64,683
CSM	188,371	-	188,371	193,187	-	193,187
Losses on onerous contracts at initial recognition	-	-	-	-	6	6

12. INSURANCE CONTRACT LIABILITIES (CONTD.)

(d) Expected release of CSM

The disclosure of when the CSM is expected to be in profit or loss in future years is presented below:

	2025							Total RM'000
	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	5 - 10 years RM'000	More than 10 years RM'000	
Insurance contracts issued	124,035	109,761	97,578	86,503	76,743	267,276	297,221	1,059,117
Reinsurance contacts held	(11,083)	(8,843)	(7,449)	(6,430)	(5,607)	(18,324)	(15,365)	(73,101)
	2024							
	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	5 - 10 years RM'000	More than 10 years RM'000	Total RM'000
Insurance contracts issued	110,131	97,642	86,926	77,236	68,669	245,090	315,125	1,000,819
Reinsurance contacts held	(5,851)	(4,322)	(3,523)	(2,944)	(2,523)	(7,444)	(3,098)	(29,705)

13. OTHER ASSETS

	2025	2024
	RM'000	RM'000
Sundry receivables, deposits and prepayments	24,028	33,156
Allowance for impairment losses (Note 44(i))	<u>(260)</u>	<u>(254)</u>
	<u>23,768</u>	<u>32,902</u>
Income due and accrued*	120,633	119,838
Allowance for impairment losses (Note 44(i))	<u>(132)</u>	<u>(86)</u>
	<u>120,501</u>	<u>119,752</u>
Amounts due from related companies**: (Note 41(b))		
- Other related companies within the EIHSB Group	-	111
- Other related companies within the MAHB Group	1,222	1,804
Amount due from stockbrokers	<u>7,757</u>	<u>6,459</u>
	<u>8,979</u>	<u>8,374</u>
Total other assets	<u>153,248</u>	<u>161,028</u>

* Included in the income due and accrued are mainly consist of interest, rental and dividend receivables.

** Amounts due from related companies are non-trade in nature, unsecured, interest-free and repayable in the short-term.

The carrying amounts (other than prepayments and deposits) are reasonable approximations of fair values at the reporting date due to the relatively short-term maturity of these balances.

14. DERIVATIVES

The table below shows the fair values of derivative financial instruments, recorded as assets (being derivatives which are in a net gain position) or liabilities (being derivatives which are in a net loss position), together with their notional amounts. 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 notional amounts indicate the volume of transactions outstanding at the end of the financial year and are neither indicative of the market risk nor the credit risk.

	←----- 2025 ----->			←----- 2024 ----->		
	Principal/ Notional Amount RM'000	Asset RM'000	Liabilities RM'000	Principal/ Notional Amount RM'000	Asset RM'000	Liabilities RM'000
Hedging derivatives:						
Cross currency swaps	50,775	427	-	49,300	5,679	-
Forward foreign exchange contracts	176,997	4,234	102	129,249	-	665
Total derivatives		<u>4,661</u>	<u>102</u>		<u>5,679</u>	<u>665</u>

The fair value of derivatives of the Company is derived based on valuation techniques from market observable inputs. They are revalued at the reporting date using such values as provided by the respective counterparties and as validated by the Company. An analysis of the fair value measurement bases used in the determination of the fair values of derivatives are further disclosed in Note 47(c).

Hedging derivatives:

Forwards are customised contracts transacted with a specific counterparty who agrees to buy or sell a specified asset at a pre-agreed rate at a specified future date. The contracts are settled at gross at a specified future date and are considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. It also bears market risks related to the underlying investments. The Company enters into forward foreign exchange contracts for the purpose of hedging part of its investment portfolio in USD denominated foreign debt securities and CNY denominated foreign equities.

Swaps are contractual agreements between two parties to exchange streams of payments over time, based on specified notional amounts, in relation to movements in a specified underlying index such as interest rate, foreign currency rate or equity indices. The Company uses swap contracts to hedge the principal amounts invested in foreign debt securities denominated in AUD and USD which will be settled at a specified contract rate on the maturity date of the contract.

15. DEFERRED TAXATION

Deferred tax is recognised for temporary differences arising between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax relating to items recognised in OCI, including FVOCI financial assets, is also recognised in OCI.

	2025	2024
	RM'000	RM'000
At 1 January	(508,179)	(399,739)
Recognised in:		
Profit or loss	(2,275)	(102,375)
- Tax expense attributable to policyholders (Note 34)	(4,961)	(30,922)
- Taxation (Note 35)	2,686	(71,453)
Other comprehensive income (Note 35)	(7,989)	(6,065)
Transfer to retained earnings upon disposal of equity securities	9,300	-
At 31 December	<u>(509,143)</u>	<u>(508,179)</u>

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 income taxes relate to the same fiscal authority. The deferred tax disclosed in the statement of financial position is presented on a net basis after offsetting as follows:

	2025	2024
	RM'000	RM'000
Deferred tax assets	5,016	3,435
Deferred tax liabilities	(514,159)	(511,614)
	<u>(509,143)</u>	<u>(508,179)</u>

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

15. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Assets

	Impairment losses on receivables RM'000	Net amortisation of premium on investments RM'000	Unrealised currency exchange RM'000	Impairment losses on investments RM'000	Total RM'000
2025					
At 1 January 2025	617	2,600	203	15	3,435
Recognised in:					
Profit or loss	257	153	1,166	5	1,581
- Tax credit attributable to policyholders	155	136	1,166	5	1,462
- Taxation	102	17	-	-	119
At 31 December 2025	<u>874</u>	<u>2,753</u>	<u>1,369</u>	<u>20</u>	<u>5,016</u>

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

15. DEFERRED TAXATION (CONTD.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (contd.):

Deferred Tax Assets (contd.)

	Impairment losses on receivables RM'000	Net amortisation of premium on investments RM'000	Unrealised currency exchange RM'000	Impairment losses on investments RM'000	Provision for bonus RM'000	Total RM'000
2024						
At 1 January 2024	546	3,113	-	37	2,335	6,031
Recognised in:						
Profit or loss	71	(513)	203	(22)	(2,335)	(2,596)
- Tax credit attributable to policyholders	97	241	203	6	-	547
- Taxation	(26)	(754)	-	(28)	(2,335)	(3,143)
At 31 December 2024	<u>617</u>	<u>2,600</u>	<u>203</u>	<u>15</u>	<u>-</u>	<u>3,435</u>

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

15. DEFERRED TAXATION (CONTD.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (contd.):

Deferred Tax Liabilities

	Accelerated capital allowances RM'000	Fair value adjustment RM'000	Life fund unallocated surplus RM'000	Unit- linked RM'000	FVOCI reserve RM'000	Total RM'000
2025						
At 1 January 2025	(3,188)	(81,141)	(379,753)	(38,953)	(8,579)	(511,614)
Recognised in:						
Profit or loss	444	(6,795)	2,514	(19)	-	(3,856)
- Tax credit/(expense) attributable to policyholders	444	(6,848)	-	(19)	-	(6,423)
- Taxation	-	53	2,514	-	-	2,567
Other comprehensive income	-	-	-	-	(7,989)	(7,989)
Transfer to retained earnings upon disposal of equity securities	-	-	-	-	9,300	9,300
At 31 December 2025	<u>(2,744)</u>	<u>(87,936)</u>	<u>(377,239)</u>	<u>(38,972)</u>	<u>(7,268)</u>	<u>(514,159)</u>

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

15. DEFERRED TAXATION (CONTD.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (contd.):

Deferred Tax Liabilities (contd.)

	Accelerated capital allowances RM'000	Fair value adjustment RM'000	Life fund unallocated surplus RM'000	Unrealised currency exchange RM'000	Unit- linked RM'000	FVOCI reserve RM'000	Total RM'000
2024							
At 1 January 2024	(6,034)	(66,216)	(311,297)	(406)	(19,217)	(2,600)	(405,770)
Recognised in:							
Profit or loss	2,846	(14,925)	(68,456)	406	(19,736)	86	(99,779)
- Tax credit/(expense) attributable to policyholders	2,846	(14,935)	-	406	(19,736)	(50)	(31,469)
- Taxation	-	10	(68,456)	-	-	136	(68,310)
Other comprehensive income	-	-	-	-	-	(6,065)	(6,065)
At 31 December 2024	<u>(3,188)</u>	<u>(81,141)</u>	<u>(379,753)</u>	<u>-</u>	<u>(38,953)</u>	<u>(8,579)</u>	<u>(511,614)</u>

16. CURRENT TAX ASSETS/(LIABILITIES)

	2025	2024
	RM'000	RM'000
At 1 January	21,098	(29,552)
Provision of taxation	(93,338)	(52,061)
Over/(under) provision of taxation	447	(619)
Tax paid (Note (a))	78,271	103,330
<u>Additional assessment during the year</u>		
YA 2019	1,753	-
YA 2020	1,892	-
YA 2021	1,971	-
YA 2022	2,346	-
At 31 December	<u>14,440</u>	<u>21,098</u>
Represented by:		
Current Tax Assets	41,711	21,098
Current Tax Liabilities	<u>(27,271)</u>	<u>-</u>
	<u>14,440</u>	<u>21,098</u>

(a) Tax paid in excess for the Year of Assessment 2024, totalling to RM33,749,394.

(b) On 29 August 2025, the Inland Revenue Board of Malaysia (“IRBM”) had raised additional assessments to the Company for Years of Assessment (“YA”) 2019 to 2022, totalling to RM7,962,465.

The Company has made full settlement of the additional assessments raised by the IRBM and submitted Notices of Appeal by filing the required Forms Q with the Special Commissioner of Income Tax (“SCIT”).

The issue raised corresponding to additional tax assessments is in respect to disallowance of expense deductions directly attributable to rental income from investment properties. The adjusted Income of Life business is determined in accordance with subsection 60(3), ITA 1967 where under the provision of 60(3)(a)(i), the Company is required to report the amount of Gross Income from any investment in Life business for the basis period of a year of assessment.

The date for hearing concerning the disallowance of expense deductions directly attributable to rental income from investment properties has yet to be scheduled for the Company.

17. SHARE CAPITAL

	<-Number of shares->		<-----Amount----->	
	2025	2024	2025	2024
	Units '000	Units '000	RM'000	RM'000
Issued and fully paid, at no par value				
Ordinary Shares				
At 1 January/31 December	100,000	100,000	100,000	100,000

18. RESERVES

	Note	2025 RM'000	2024 RM'000
Reserves:			
FVOCI reserve	(i)	78,092	90,513
Insurance finance reserve	(ii)	(82,532)	(93,285)
Revaluation reserve	(iii)	78,896	78,896
		<u>74,456</u>	<u>76,124</u>
Retained profits:			
Distributable	(iv)	244,617	51,415
Non distributable life funds surplus	(v)	1,336,141	1,326,662
		<u>1,580,758</u>	<u>1,378,077</u>
Total reserves		<u>1,655,214</u>	<u>1,454,201</u>

- (i) The FVOCI reserve of the Company arose from the change in the fair values of the financial assets which are measured at fair value through other comprehensive income.
- (ii) The insurance finance reserve represents cumulative OCI and measurement effects attributable to the Policyholders' Risk Fund and/or Policyholders' Investment Fund. These amounts are not distributable to shareholders. On disposal of FVOCI instruments that back the policyholders' funds, cumulative OCI is transferred to this reserve in accordance with the Company's policy and FSA segregation requirements.
- (iii) The revaluation reserve of the Company represents the difference between the carrying amount of properties previously classified as self-occupied properties and subsequently transferred to investment properties upon the end of owner occupation and its fair value at the date of change in use.
- (iv) The entire distributable profits of the Company may be distributed to the shareholders under the single-tier system.
- (v) Non-distributable life fund surplus represents the unallocated surplus from the life funds. In accordance with the Financial Services Act 2013, in Malaysia, the unallocated surplus is only available for distribution to the shareholder's fund upon approval by the Appointed Actuary of the Company. Upon such approval, the distribution is presented as a transfer from non-distributable life fund surplus to distributable retained profits.

19. OTHER LIABILITIES

	2025	2024
	RM'000	RM'000
Premium deposits	4,639	4,466
Dividend payable to policyholders	69,549	68,875
Lease liabilities (Note 6)	-	28
Provision for restoration costs	2	2
Amount due to related companies*: (Note 41(b))		
- Ultimate holding company	1,581	12,104
- Immediate holding company	2,680	3,814
- Penultimate holding company	92	93
- Other related companies within the EIHSB Group	127	24
- Other related companies within the MAHB Group	-	17
- Other related companies within the Maybank Group	42	42
Amount due to stockbrokers	5,931	24,605
Amount due to fund manager	358	337
Unclaimed monies	39,500	32,728
Service tax payable	2,388	853
Sundry payables and other liabilities**	228,776	195,820
Other components of insurance contract liabilities	7,956	11,577
Total other liabilities	<u>363,621</u>	<u>355,385</u>

* Amounts due to related companies are non-trade in nature, unsecured, interest free and are repayable in the short-term.

** Included in the sundry payables and other liabilities are mainly consist of provision for bonus, accrual, payroll payable and other miscellaneous or provision of expenses.

The carrying amounts of financial liabilities are reasonable approximations of fair values at the reporting date due to the relatively short-term maturity of these balances.

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

20. INSURANCE REVENUE

The table below presents an analysis of the total insurance revenue recognised in the financial year:

	Note	2025 RM'000	2024 RM'000
Contracts not measured under the PAA			
Amounts relating to the changes in the liability for remaining coverage			
- Expected claims and insurance service expenses incurred in the year		348,930	338,098
- Change in the risk adjustment for non financial risk		47,313	49,672
- Amount of CSM recognised in profit or loss		152,469	113,023
Amounts relating to recovery of insurance acquisition cash flows	(i)	50,626	41,078
Experience adjustments for premiums receipts		(831)	(682)
Insurance revenue from contracts not measured under the PAA	12(a)	598,507	541,189
Insurance revenue from contracts measured under the PAA			
Release of premiums for current year	12(a)	46,061	48,941
Total insurance revenue		644,568	590,130

Note:

(i) Acquisition cash flows are allocated on a straight-line basis over the coverage period of the groups of contracts. Refer to Note 2.2 for details of accounting policy.

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

21. INSURANCE SERVICE EXPENSES

The table below presents an analysis of the total insurance service expenses recognised in the financial year:

	Note	2025			2024*		
		PAA RM'000	Non-PAA RM'000	Total RM'000	PAA RM'000	Non-PAA RM'000	Total RM'000
Incurring claims and other directly attributable expenses*		35,252	261,233	296,485	40,365	253,702	294,067
Changes that relates to past services - adjustment to LIC*		(5,421)	60,073	54,652	(6,874)	22,846	15,972
Losses on onerous contracts and reversal of those losses*		5,793	11,106	16,899	6,473	148	6,621
Insurance acquisition cash flow amortisation	(i)	4,871	50,626	55,497	5,250	44,945	50,195
Total insurance service expenses	12(a)	40,495	383,038	423,533	45,214	321,641	366,855

Note:

- * Certain amounts have been reclassified between the line items to conform with current year's presentation and disclosure requirements.
- (i) Insurance acquisition cash flows were allocated on a straight-line basis during the coverage period of the respective group of certificates. Please see extracts from accounting policy for details on Note 2.2.

22. NET EXPENSES FROM REINSURANCE CONTRACTS HELD

The Company has disclosed an analysis of the net expenses from reinsurance contracts held during the year, shown in the table below:

Note	2025			2024*			
	PAA RM'000	Non-PAA RM'000	Total RM'000	PAA RM'000	Non-PAA RM'000	Total RM'000	
Amounts relating to the changes in the assets for remaining coverage							
Expected recovery for insurance service expenses incurred in the year	(i)	-	(38,097)	(38,097)	-	(37,081)	(37,081)
Net cost recognised in profit or loss	(ii)	(1,579)	(10,393)	(11,972)	(2,663)	(5,897)	(8,560)
Change in the risk adjustment for non-financial risks	(iii)	-	(8,193)	(8,193)	-	(7,694)	(7,694)
Allocation of reinsurance premium		<u>(1,579)</u>	<u>(56,683)</u>	<u>(58,262)</u>	<u>(2,663)</u>	<u>(50,672)</u>	<u>(53,335)</u>
Amounts recoverable for claims and other expenses incurred in the year*		(219)	17,469	17,250	1,239	14,537	15,776
Changes that relates to past services - adjustment to AIC*		739	20,249	20,988	561	7,762	8,323
Amounts recoverable from reinsurers		<u>520</u>	<u>37,718</u>	<u>38,238</u>	<u>1,800</u>	<u>22,299</u>	<u>24,099</u>
Total net expenses from reinsurance contracts held	11(a)	<u>(1,059)</u>	<u>(18,965)</u>	<u>(20,024)</u>	<u>(863)</u>	<u>(28,373)</u>	<u>(29,236)</u>

Notes:

* Certain amounts have been reclassified between the line items to conform with current year's presentation and disclosure requirements.

- (i) Expected recovery for insurance service expenses incurred in the year comprise recovery for claims and other expenses which the Company expects to receive from reinsurers on covered events occurred during the year.
- (ii) Net cost recognised in profit or loss during the coverage period of the corresponding groups of reinsurance contracts held based on established coverage units. Refer to Note 2.2(xi)(g).
- (iii) Change in risk adjustment reflects the amount of risk which has expired during the year.

23. INTEREST REVENUE FROM FINANCIAL ASSETS NOT MEASURED AT FVTPL

	2025	2024
	RM'000	RM'000
Interest income		
(i) Financial Assets at FVOCI		
Investment		
- Malaysian government papers	17,138	12,324
- Debt securities	48,108	47,690
(ii) Financial Assets at AC		
Investment		
- Deposits with financial institutions	17,427	20,433
Financing receivables		
- Staff loans	342	427
- Non-staff loans	52	36
Total interest revenue from financial assets not measured at FVTPL	83,067	80,910

24. NET FAIR VALUE GAINS ON FINANCIAL ASSETS MEASURED AT FVTPL

	2025	2024
	RM'000	RM'000
Realised gains on financial assets, net	94,045	176,176
Fair value gains/(losses) on:		
- Malaysian government papers	11,976	9,865
- Equity securities	(45,375)	258,369
- Debt securities	77,393	41,935
- Unit and property trust funds	133,607	127,870
- Redeemable loan stocks	262	-
- Structured products	(7,224)	7,156
- NICD	(34)	-
- Derivatives	(456)	7,737
Total net fair value gains on financial assets measured at FVTPL	264,194	629,108

25. NET FAIR VALUE GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FVOCI

	2025	2024
	RM'000	RM'000
Fair value gains/(losses) on:		
- Malaysian government papers	4,974	(6,570)
- Debt securities	5,581	10,866
Total net fair value gains on derecognition of financial assets measured at FVOCI	10,555	4,296

26. OTHER INVESTMENT INCOME

	2025	2024
	RM'000	RM'000
Dividend/distribution income:		
Equity securities	80,761	84,071
Unit and property trust funds	1,312	1,431
Fair value gains:		
Investment properties (Note 4)	4,571	20,626
Interest income from financial assets measured at FVTPL:		
Investments	319,928	333,128
Rental income (Note 4)	81,542	79,946
Rental related expenses (Note 4)	(28,175)	(26,398)
Net amortisation of premiums	(7,939)	(8,493)
Investment related expenses, net	(3,911)	(4,401)
Obligations on financial assets sold under repurchase agreements	-	(1)
Total other investment income	<u>448,089</u>	<u>479,909</u>

27. (ALLOWANCE FOR)/REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2025	2024
	RM'000	RM'000
(Allowance for)/reversal of impairment losses on:		
- financing receivables (Note 44(i))	(425)	108
- investments	5	64
Total net (allowance for)/reversal of impairment losses on financial assets	<u>(420)</u>	<u>172</u>

28. NET FOREIGN EXCHANGE LOSSES

	2025	2024
	RM'000	RM'000
Net realised losses	(9,689)	(2,396)
Net unrealised losses	(96,871)	(40,263)
Total net foreign exchange losses	<u>(106,560)</u>	<u>(42,659)</u>

29. FINANCE EXPENSES FROM INSURANCE CONTRACTS ISSUED

Note	2025			2024*		
	PAA RM'000	Non-PAA RM'000	Total RM'000	PAA RM'000	Non-PAA RM'000	Total RM'000
Finance expenses from insurance contracts issued						
Changes in fair value of underlying assets of contracts measured under the VFA	-	(509,071)	(509,071)	-	(870,585)	(870,585)
Change in financial risk on LIC claims reserve component - Direct	(10)	-	(10)	(3)	-	(3)
Interest accreted using current financial assumptions*	(287)	(70,456)	(70,743)	(319)	(69,849)	(70,168)
Effect of changes in interest rates and other financial assumptions*	-	(39,901)	(39,901)	-	(19,282)	(19,282)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates/Interest accreted using locked-in-rates	-	(7,060)	(7,060)	-	(13,001)	(13,001)
Finance expenses from insurance contracts issued	12(a)	(297)	(626,488)	(322)	(972,717)	(973,039)
Represented by:						
Amount recognised in profit or loss	(297)	(597,230)	(597,527)	(322)	(941,213)	(941,535)
Amount recognised in OCI	-	(29,258)	(29,258)	-	(31,504)	(31,504)
	(297)	(626,488)	(626,785)	(322)	(972,717)	(973,039)

* Certain amounts have been reclassified between the line items to conform with current year's presentation and disclosure requirements.

30. FINANCE INCOME FROM REINSURANCE CONTRACTS HELD

	2025			2024		
	PAA RM'000	Non-PAA RM'000	Total RM'000	PAA RM'000	Non-PAA RM'000	Total RM'000
Reinsurance contracts held						
Finance income from reinsurance contracts held						
Interest accreted using current financial assumptions	-	2,340	2,340	-	2,633	2,633
Effect of changes in interest rates and other financial assumptions	-	680	680	-	(64)	(64)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates/Interest accreted using locked-in-rates	-	(2,309)	(2,309)	-	93	93
Changes in non-performance risks of reinsurers	-	(4)	(4)	-	4	4
Finance income from reinsurance contracts held	11(a)	707	707	-	2,666	2,666
Represented by:						
Amount recognised in profit or loss	-	707	707	-	2,666	2,666

30. FINANCE INCOME FROM REINSURANCE CONTRACTS HELD (CONTD.)

	Note	2025 RM'000	2024 RM'000
<u>Net investment result and net finance income/(expenses):</u>			
Represented by:			
Amount recognised in profit or loss			
Net investment income		698,925	1,151,736
Finance expense from insurance contracts	29	(597,527)	(941,535)
Finance income from reinsurance contracts	30	707	2,666
		<u>102,105</u>	<u>212,867</u>
Amount recognised in OCI			
Net investment income		22,626	14,589
Finance expense from insurance contracts	29	(29,258)	(31,504)
		<u>(6,632)</u>	<u>(16,915)</u>

31. OTHER EXPENSES, NET

	2025 RM'000	2024 RM'000
(A) Other income		
(Impairment)/reversal of impairment losses on:		
- Other assets (Note 44(i))	(52)	70
Other assets written off	(28)	-
Sundry income	1,179	1,509
Total other income	<u>1,099</u>	<u>1,579</u>
(B) Total other expenses (Note 32)	<u>(15,783)</u>	<u>(9,049)</u>
Total other expenses, net	<u>(14,684)</u>	<u>(7,470)</u>

32. EXPENSES

An analysis of the expenses incurred by the Company in the financial year is included in the table below:

	2025				2024			
	Insurance service expenses*		Other expenses RM'000 (Note 31)	Total RM'000	Insurance service expenses*		Other expenses RM'000 (Note 31)	Total RM'000
Expenses attributed to insurance acquisition cash flows RM'000	Other directly attributable expenses RM'000	Expenses attributed to insurance acquisition cash flows RM'000			Other directly attributable expenses RM'000			
Commission expenses (A)	60,763	47,104	-	107,867	71,610	50,898	-	122,508
Other expenses								
Employee benefits expense (Note a)	31,347	70,770	2,212	104,329	32,945	69,539	2,176	104,660
Directors' remuneration (Note 33)	-	-	843	843	-	-	806	806
Shariah Committee's remuneration	-	-	-	-	-	2	-	2
Auditors' remuneration:								
- Statutory audits	-	639	-	639	-	920	-	920
- Regulatory related services	-	209	-	209	-	209	-	209
Amortisation of intangible assets (Note 7)	-	7,926	-	7,926	-	8,528	-	8,528
Amortisation of prepaid land lease payments (Note 5)	-	26	-	26	-	26	-	26
Assured medical fees	536	-	-	536	1,025	-	-	1,025
Other finance cost	-	3,932	-	3,932	-	4,242	5	4,247
Depreciation of property, plant and equipment (Note 3)	-	5,799	-	5,799	-	6,242	-	6,242
Right-of-use expenses: (Note 6)								
- Depreciation	-	28	-	28	-	34	-	34
- Lease liabilities interest	-	-	-	-	-	1	-	1
Other management fees	134	1,512	(5)	1,641	345	574	7	926
Outside services and others	-	1,500	-	1,500	-	325	-	325
Professional fees	-	203	-	203	1	(73)	-	(72)
Short term leases	1,128	3,795	10	4,933	1,140	3,329	10	4,479
Small value assets	-	2	-	2	-	1	-	1
Office facilities expenses	5	69	-	74	5	526	-	531

32. EXPENSES (CONTD.)

An analysis of the expenses incurred by the Company in the reporting year is included in the table below (contd.):

	2025				2024			
	Insurance service expenses*				Insurance service expenses*			
	Expenses attributed to insurance acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000 (Note 31)	Total RM'000	Expenses attributed to insurance acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000 (Note 31)	Total RM'000
Electronic data processing expenses	1,951	2,402	-	4,353	1,720	749	-	2,469
Expensed assets	-	2	-	2	-	1	-	1
Information technology outsourcing	2,205	6,615	-	8,820	2,078	6,235	-	8,313
Postage and stamp duties	480	833	5	1,318	567	1,252	7	1,826
Printing and stationery	-	1,353	-	1,353	-	794	-	794
Promotional and marketing costs	35,455	75	799	36,329	33,818	109	841	34,768
Training expenses	578	1,453	3	2,034	951	780	1	1,732
Utilities, assessment and maintenance	-	1,074	2	1,076	-	1,272	2	1,274
Entertainment	-	-	138	138	-	-	171	171
Travelling expenses	534	513	8	1,055	534	630	9	1,173
Tax services expense	-	-	-	-	-	1	-	1
Legal fees	-	96	-	96	-	97	-	97
License, subscription and levies	-	958	-	958	-	728	-	728
Contract staff services	481	1,090	6	1,577	403	1,521	1	1,925
Policy related expenses	3,582	8,502	2	12,086	2,310	7,725	175	10,210
Others	-	(34)	138	104	-	410	228	638
Total other expenses (B)	78,416	121,342	4,161	203,919	77,842	116,729	4,439	199,010
Other operating expenses								
Sundry expenditure	-	408	11,622	12,030	-	(782)	4,610	3,828
Total other operating expenses (C)	-	408	11,622	12,030	-	(782)	4,610	3,828
Total other expenses (A) + (B) + (C)	139,179	168,854	15,783	323,816	149,452	166,845	9,049	325,346

32. EXPENSES (CONTD.)

2025 **2024**
RM'000 **RM'000**

Represented by:

Insurance service expenses	308,033	316,297
Other expenses (Note 31)	15,783	9,049
	323,816	325,346

* Insurance service expenses included acquisition and maintenance expenses which are directly attributable to group of insurance contracts. Insurance acquisition cash flow is subjected to amortisation in accordance to Note 2.1(d)(i).

(a) Employee Benefits Expense:

Wages, salaries and bonuses	81,616	80,012
Employees Provident Fund ("EPF")	13,267	12,516
Social Security Contributions ("SOCSO")	610	575
Employees' Share Grant Plan ("ESGP")	2,194	1,598
Other benefits	6,642	9,959
	104,329	104,660

Included in employee benefits expense above are remuneration of CEOs of the Company amounting to RM1,485,000 (2024: nil) as further disclosed as below:

(b) The details of remuneration of CEOs in the Company during the year are as follows:

Salary	1,076	-
EPF	172	-
ESGP	202	-
Other emoluments	35	-
	1,485	-

33. DIRECTORS' FEES AND REMUNERATION

	2025 RM'000	2024 RM'000
Non-executive directors:		
Fees	693	663
Other emoluments	150	143
Total directors' fees and remuneration	843	806

The total remuneration of the directors of the Company are as follows:

	Fees RM'000	Other emoluments RM'000	Total RM'000
2025			
Non-executive directors:			
Datuk Mohd Najib Bin Abdullah	190	29	219
Mr. Frank Johan Gerard Van Kempen*	130	26	156
Mr. Wong Pakshong Kat Jeong Colin Stewart	130	39	169
Dr. Ariffin Bin Datuk Yahaya	130	36	166
Dr. Siew Chan Cheong (appointed w.e.f. 17 February 2025)	113	20	133
Total remuneration of the directors of the Company	693	150	843

	Fees RM'000	Other emoluments RM'000	Total RM'000
2024			
Non-executive directors:			
Datuk Mohd Najib Bin Abdullah	186	32	218
Mr. Frank Johan Gerard Van Kempen*	126	25	151
Mr. Wong Pakshong Kat Jeong Colin Stewart	126	32	158
Dr. Ariffin Bin Datuk Yahaya	126	33	159
Mr. Glenn John Williams* (resigned w.e.f. 16 October 2024)	99	21	120
Total remuneration of the directors of the Company	663	143	806

* The directors' fees and other emoluments for nominees of Ageas Insurance International N.V. ("Ageas") are remitted directly to Ageas.

34. TAX EXPENSE ATTRIBUTABLE TO POLICYHOLDERS

	2025	2024
	RM'000	RM'000
<u>Income tax:</u>		
Current financial year	40,528	47,728
Under provision of taxation in prior financial years	807	1,412
<u>Deferred taxation:</u>		
Relating to origination and reversal of temporary differences (Note 15)	4,961	30,922
	<u>46,296</u>	<u>80,062</u>

Taxation of life insurance business

The income tax for life funds are calculated based on the statutory rate of 8% (2024: 8%) of the estimated assessable investment income net of allowable deductions for the financial year for the Malaysian operations.

35. TAXATION

Tax expense

The major components of income tax expense for the years ended 31 December 2025 and 31 December 2024 are as follows:

	2025	2024
	RM'000	RM'000
<u>Profit or loss</u>		
<u>Income tax:</u>		
Current financial year	49,106	4,580
Over provision of taxation in prior financial year	(1,253)	(793)
<u>Deferred taxation:</u>		
Relating to origination and reversal of temporary differences (Note 15)	(2,686)	71,453
	<u>45,167</u>	<u>75,240</u>

35. TAXATION (CONTD.)

	2025	2024
	RM'000	RM'000
<u>Statement of Comprehensive Income:</u>		
Deferred taxation related to other comprehensive income:		
- Fair value changes on debt securities at FVOCI (Note 15)	1,790	2,687
- Fair value changes on equity securities at FVOCI (Note 15)	6,199	3,378
- Insurance finance reserve	(7,168)	(1,852)
	<u>821</u>	<u>4,213</u>

Reconciliation between tax expense and accounting profit

The reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company are as follows:

	2025	2024
	RM'000	RM'000
Profit before taxation	<u>242,136</u>	<u>319,374</u>
Taxation at Malaysian statutory tax rate of 24% (2024: 24%)	58,113	76,650
Income not subject to tax	(18)	(533)
Expenses not deductible for tax purposes	4,435	5,810
Surplus arising from Annuity funds not subject to tax	(2,815)	(3,542)
Over provision of taxation in prior financial year	(1,253)	(793)
Tax relief on actuarial surplus transferred to shareholder's fund	(13,295)	(2,352)
Tax expense for the financial year	<u>45,167</u>	<u>75,240</u>

36. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2025	2024
Profit attributable to ordinary equity holders (RM'000)	196,969	244,134
Weighted average number of ordinary shares in (unit'000) (Note 17)	100,000	100,000
Basic and diluted earnings per share (sen)	196.97	244.13

There were no potential dilutive effects on the ordinary shares during and at the end of financial year. There have been no other transactions involving ordinary shares between the reporting date and the authorisation date of the financial statements.

37. DIVIDENDS

2024
RM'000

Recognised during the financial year:

Final dividend for the financial year ended 31 December 2023:

- 400 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	400,000
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38. OPERATING LEASE COMMITMENTS

The Company as a lessor

The Company has entered into operating lease agreements on its portfolio of investment properties. The leases have remaining lease terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2025 RM'000	2024 RM'000
Not later than one year	57,175	61,646
Between one and five years	71,044	74,757
	<u>128,219</u>	<u>136,403</u>

Rental income on investment properties recognised in the profit or loss during the financial year is disclosed in Note 4 and Note 26.

39. OTHER COMMITMENTS AND CONTINGENCIES

	2025 RM'000	2024 RM'000
Approved and contracted for:		
Property, plant and equipment	5,503	4,352
Intangible assets	-	21
Bank guarantees:		
- in respect of performance bonds (Note a)	75	350
- in respect of security deposits (Note b)	2,100	2,334
	<u>7,678</u>	<u>7,057</u>
Approved but not contracted for:		
Property, plant and equipment	<u>24,392</u>	<u>14,080</u>

Bank guarantees:

a) Performance bonds

Bank guarantees were provided to the Company to secure the policyholders' contractual obligations with insurance business, amounting to RM75,000 (2024: RM350,512). As at the reporting date, the Company does not consider it probable that a claim will be made under these guarantees.

b) Security deposits

These guarantees are held to satisfy regulatory requirements. As at the reporting date, the Company does not consider it probable that a claim will be made under these guarantees.

All of the guarantees issued to the Company for performance bonds and security deposits were made under a bank guarantee facility (with a facility amount of up to RM5 million) obtained from Maybank.

	2025 Full commitment RM'000	2024 Full commitment RM'000
Derivative financial instruments:		
Cross currency swap (Note 14):		
Less than a year	50,775	49,300
Forward foreign exchange contracts (Note 14):		
Less than a year	176,997	129,249
	<u>227,772</u>	<u>178,549</u>

40. SHARE-BASED COMPENSATION

The existing ESGP ("ESGP2018") is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting ("EGM") held on 6 April 2017, and was implemented on 14 December 2018 for a period of seven (7) years from the effective date. A total of five (5) awards have been made under the ESGP2018 from 2018 to 2022, of which all the awards have been vested to eligible employees from 2021 to 2025. No new awards under ESGP2018 have been issued to staff since 2023, and the plan has officially expired on 13 December 2025.

The ESGP consists of two (2) types of performance-based awards: Employees' Share Grant Plan ("ESGP Shares") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group NRC.

The ESGP Shares is a form of Restricted Share Units ("RSU") and the NRC may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executives, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and the NRC may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

40. SHARE-BASED COMPENSATION (CONTD.)

Other principal features of the ESGP are as follows:

- (i) The employees eligible to participate in the ESGP must be on the payroll of the Participating Maybank Group and have not served a notice of resignation or received a notice of termination. Participating Maybank Group includes Maybank and its overseas branches and subsidiaries, but excluding dormant subsidiaries.
- (ii) The entitlement under the ESGP for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of Maybank in a general meeting.
- (iii) The existing ESGP (“ESGP2018”) is valid for a period of seven (7) years from the effective date. No new awards under ESGP2018 have been issued to staff since 2023, and the plan has officially expired on 13 December 2025. The number of ESGP shares to be vested is based on a multiple of the initial grant whereby the multiple is determined according to the performance targets and/or conditions. In the event the performance targets and/or conditions are not met by the eligible employees, the ESGP shares shall not be vested to them at the end of the ESGP vesting schedule. As continuation of the existing employees’ share grant plan, a new ESGP plan (“ESGP2023”) has been established in 2023 and is valid for a period of ten (10) years from the effective date.

Notwithstanding the above, Maybank may terminate the ESGP at any time during the duration of the scheme subject to consent of Maybank’s shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination.

41. SIGNIFICANT RELATED PARTY DISCLOSURES

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

Related parties also include key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the Directors and the Chief Executive Officer of the Company.

The Company has related party relationships with its holding companies and their related companies, subsidiaries, associates, key management personnel and the subsidiaries and associates of a company with significant influence over its shareholders.

Related party transactions have been entered into in the normal course of business under normal trade terms.

(a) Significant transactions of the Company with related parties during the financial year were as follows:

	2025	2024
	RM'000	RM'000
(Expenses)/Income:		
Ultimate holding company:		
Commissions and fees expenses	(76,948)	(85,254)
Dividend income	1,774	1,830
Interest income	148	158
Rental income	6,263	6,076
Other expenses	(9,304)	(7,804)
Hedging expense, net	(556)	(409)
ESGP	(418)	(1,457)
	<hr/>	<hr/>
Immediate holding company:		
Rental income	1,042	1,115
Dividend paid	-	(400,000)
Shared services cost	(47,597)	(26,780)
Remuneration of a seconded employee	(95)	(68)
	<hr/>	<hr/>
Penultimate holding company:		
Rental income	208	107
Shared services cost	(1,056)	(340)
Reimbursement of expenses	(1,131)	(1,917)
	<hr/>	<hr/>

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

- (a) Significant transactions of the Company with related parties during the financial year were as follows (contd.):

	2025	2024
	RM'000	RM'000
(Expenses)/Income (contd.):		
Fellow subsidiaries within the MAHB Group:		
Claims recovery	239	7
Rental income	7,145	7,147
Rental expenses	(1,780)	(1,878)
Other expenses	(564)	(724)
Shared services income	13,899	24,387
Fellow subsidiaries within the EIHSB Group:		
Rental income	1,191	1,166
Other expenses	(41)	(12)
Shared service cost	(185)	(601)
Other related companies within the Maybank Group:		
Profit income	13,848	11,848
Rental income	5,602	5,241
Information Technology outsourcing	(8,844)	(8,428)
Companies related to a company with significant influence over the Maybank Group:		
Gross insurance premium income	3,713	4,446
Claims paid	(1,759)	(5,051)

- (b) Included in the statement of financial position of the Company are investments placed with and amounts due from/(to) related companies represented by the following:

		2025	2024
	Note	RM'000	RM'000
Ultimate holding company:			
Quoted shares		29,965	29,592
Derivatives assets		2,959	5,679
Derivatives liabilities		-	(132)
Bank balances		2,176	69,758
Income due and accrued		-	-
Amount due to ultimate holding company	19	(1,581)	(12,104)
Provision for custodian fee		(222)	(212)
Rental receivable		8	8
Sundry receivables, deposits and prepayments		542	583
Sundry payables and accrued liabilities		(899)	(921)

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(b) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following (contd.):

	Note	2025 RM'000	2024 RM'000
Immediate holding company:			
Amount due to holding company	19	(2,680)	(3,814)
Penultimate holding company:			
Amount due to penultimate holding company	19	(92)	(93)
Fellow subsidiaries within the MAHB Group:			
Amount due from other related companies	13	1,222	1,804
Amount due to other related companies	19	-	(17)
Rental receivable		4	4
Fellow subsidiaries within the EIHSB Group:			
Amount due from other related companies	13	-	111
Amount due to other related companies	19	(127)	(24)
Other related companies within the Maybank Group:			
Fixed and call deposits		424,934	329,766
Income due and accrued		965	763
Rental receivable		11	11
Amount due to other related companies	19	(42)	(42)
Companies related to a company with significant influence over the Maybank Group:			
Insurance receivables		1,398	645
Insurance payables		(1)	(1,674)

Trade and investments related balances with related companies are subject to normal trade terms. The terms for non-trade balances with related companies are as disclosed in Notes 13 and 19.

(c) Key management personnel compensation

(i) The remuneration of key management personnel during the year were as follows:

	2025 RM'000	2024 RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	1,208	-
- Fees	693	663
- Contribution to EPF	172	-
- Other emoluments	255	143
	<u>2,328</u>	<u>806</u>

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(c) Key management personnel compensation (contd.)

(ii) The number of shares awarded for ESGP to key management personnel were as follows:

	2025	2024
	Units '000	Units '000
At 1 January	-	129
Appointment	57	-
Awarded	45	-
Vested	(20)	
Additional	1	-
Resignation of key management personnel	-	(129)
At 31 December	<u>83</u>	<u>-</u>

42. ENTERPRISE RISK MANAGEMENT FRAMEWORK

The MAHB Group Enterprise Risk Management Framework ("ERM Framework") is intended to institutionalise vigilance and awareness of the management of risk across MAHB Group. It encapsulates the governance structure to support the Risk Management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, Committees and Departments for the legal entities within Maybank Ageas Holdings Berhad ("MAHB"), being Etiqa General Insurance Berhad ("EGIB"), Etiqa Family Takaful Berhad ("EFTB"), Etiqa Life Insurance Berhad ("ELIB"), Etiqa General Takaful Berhad ("EGTB"), Etiqa Life International (L) Ltd. ("ELIL"), Etiqa Offshore Insurance (L) Ltd. ("EOIL") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the MAHB Group".

The key building blocks have been set which serve as the foundation for effective risk management and executed in accordance with the standards and risk appetite set by the Board.

42. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)



The overall risk management process is viewed in a structured and disciplined approach to align strategies, policies, processes, technology and knowledge with the purpose of evaluating and managing the uncertainties the organisation faces as it creates value.

Principles

Strong risk culture serves as the foundation upon which a robust enterprise wide risk management structure is built. The approach to risk management is premised on the following broad principles:

- Maintain a Risk Taxonomy for Assessing Risk
- Establish Risk Appetite and Strategy
- Assign Adequate Capital
- Select an Appropriate Risk Response Action
- Ensure Governance and Oversight Function
- Establish Risk Management Practices and Processes
- Identify and Quantify Unfavorable Effects Through Stress Testing
- Ensure Sufficient Resources and System Infrastructures

There are Risk Frameworks, Policies, Guidelines and Procedures that document the key expectations for the proper coping with each risk type the organisation faces.

Risk Culture

At the heart or foundation of the ERM structure is the risk culture. It is a vital component in strengthening risk governance and forms a fundamental tenet of strong risk management. If an institution lacks the right culture and strong leadership at the top, the other elements in the structure will be somewhat irrelevant.

42. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Culture (contd.)

Risk culture stems from the conduct of staff, businesses and the organisation as a whole in ensuring that customers, either internal or external, are treated fairly and their interest upheld at all times.

Risk culture aligns business objectives and attitude towards risk taking and risk management through the risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

Risk culture can be strengthened by having a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired risk culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

Embedding a strong risk culture goes beyond compliance to policies, core values, code of ethics and conduct. It is essentially about the belief, emotion and behaviour that 'risk is everyone's responsibility' and should permeate in the attitude of each individual.

Risk Coverage

MAHB Group maintains a Risk Taxonomy for assessing risk, which is derived from several risk analysis exercises conducted each year. New risks if any, are added as they are identified through:

- Annual Enterprise Risk Assessment (with methodology of Risk Landscape Survey)
- New Business/Product Approval process as governed by the New Product Approval Policy
- Forward-looking stress testing
- Inputs from the Senior Management and the Board of Directors

Risk Appetite

The establishment of the risk appetite is an integral component of a robust risk management framework and should be driven by both top-down Board leadership and bottom-up involvement of management at all levels. The risk appetite should enable the Board of Directors and Senior Management to communicate, understand and assess the types and levels of risks that MAHB Group is willing to accept in pursuit of its business and strategic goals while taking into consideration the constraints under a stressed environment.

Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic as well as responsive to changing internal and external drivers such as business and market conditions, stakeholders' expectations and internal capabilities. The articulation of the risk appetite is done through a set of risk appetite statements, which include a comprehensive view of material risks selected on the basis of having more strategic focus on the risks that will significantly impact our capital, liquidity, asset quality, profitability and ultimately MAHB Group's strategic objectives and reputation. This forms the link in which risk limits and controls are set to manage risk exposures arising from business activities. An effective risk appetite can also act as a powerful reinforcement to a strong risk culture.

42. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Adequate Capital

Capital management is the key element for ensuring that MAHB Group has adequate capital to meet its capital requirements on an on-going basis, fulfilling the regulatory requirements on Internal Capital Adequacy Assessment Process ("ICAAP") that all Insurers/Takaful Operators must operate at capital levels above the Individual Target Capital Level ("ITCL") at all times, which means that in the event that the ITCL is breached, MAHB Group must have an actionable plan to restore the capital level within a reasonable timeframe. The Capital Management Framework documents all principles MAHB Group follows to ensure a sound Capital Management approach.

Risk Response

Risk response refers to the actions taken to address inherent risk and potential risk which have been identified in the MAHB Group's product offerings, investment decisions, operating processes and business strategies. It involves evaluating the likelihood and potential impact of risks and deciding on the best course of action to take. Generally, there are four (4) possible responses to risk:-



When strategising the response action, it is important to thoroughly consider whether or not the risk that MAHB Group is willing to assume is reasonable. In general, if MAHB Group is unable to manage and mitigate the risk then the risk should be avoided, unless the cost and benefit trade-off of assuming such risks brings greater value to MAHB Group. In a nutshell, the risk responses chosen must be realistic, taking into account the costs of the responses as well as the impact to MAHB Group.

Governance and Risk Oversight

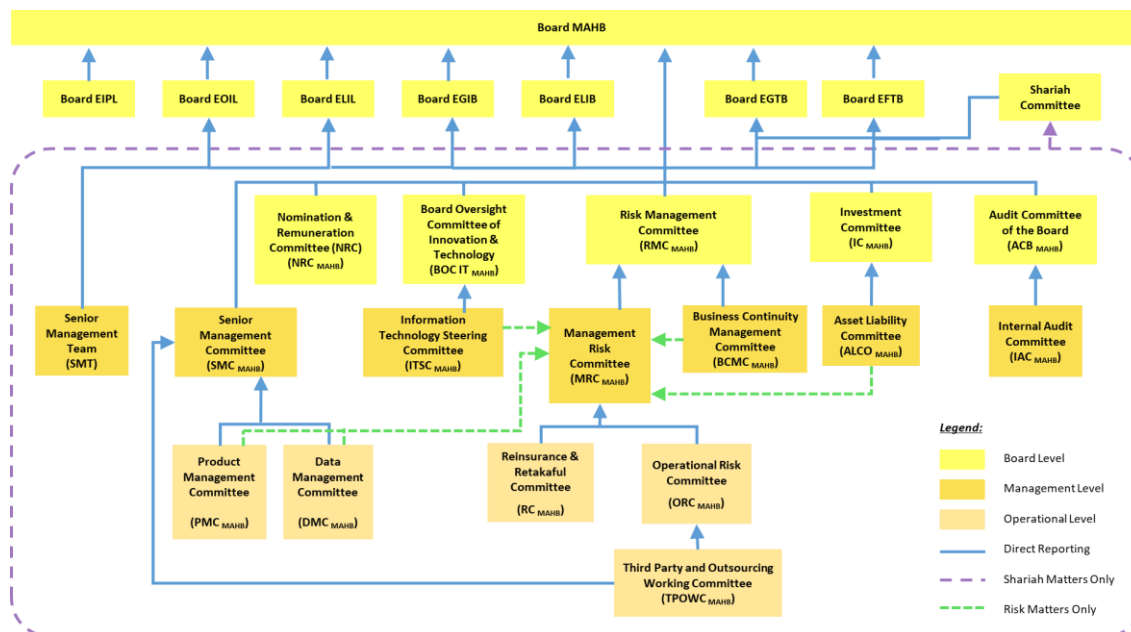
A governance structure should be clear, effective as well as robust and includes the role of the Board, Risk Committees and the Senior Management with well defined, transparent and consistent lines of responsibilities.

The risk governance model provides a formalised, transparent and effective governance structure which promotes active involvement of the Board of Directors and Senior Management in the risk management process to ensure a uniform view of risk across MAHB Group. It also places accountability and ownership while facilitating an appropriate level of independence and segregation of duties between the lines of defence.

MAHB Group's risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the risk governance bodies in the risk management function. The roles and responsibilities of each committee in risk governance are clarified in their respective Terms of Reference ("TOR").

42. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)



Note:

1. This is a representation of overall risk governance bodies within MAHB Group, there exist other committees not captured in this diagram as any risk matters that require the risk focus supervision shall be escalated to the risk governance bodies for deliberations as captured above.
2. As for Shariah risk matters, the oversight responsibility resides with the Shariah Committee which reports to the Entities' Board respectively.
3. ELIL is undergoing its exit strategy and full closure is tentatively to be completed by end 2026.

Lines of Defence

In general, the role of the 1st line involves the execution of activities and ownership of risk, while the 2nd line is responsible for establishing policies and risk structure. The 3rd line is responsible for providing independent risk assurance.

Board

The MAHB Board, together with the respective Etiqa Entities' Boards, have the final responsibility for all business activities, including risk management. The Boards are the ultimate decision-making body for MAHB Group. The Boards have delegated specific matters to sub-board committees, such as risk matters to the Risk Management Committee ("RMC"), audit matters to the Audit Committee Board ("ACB") and investment matters to the Investment Committee ("IC").

42. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Board (contd.)

Board Oversight Committee of Innovation and Technology ("BOC IT")

BOC IT is responsible to review the innovations enabled by technology; Financial and Operational Excellence ("FOX") opportunities enabled by technology; critical/significant innovation and technology projects, initiatives and opportunities; operational and regulatory related activities, and ensure all IT initiatives are adequately funded and resourced.

The following management level committees are established to support the Board in terms of risk governance on the business activities.

Senior Management Committee ("SMC") and Senior Management Team ("SMT")

The SMC and SMT are responsible to assure the Boards that the Etiqa entities take adequate decisions regarding risks and return and to make sure adequate controls exist and are fully operational; and, ensure that the management of risk is in line with the approved risk appetite, strategy, risk frameworks, policies, procedures and risk management practices and processes established.

Management Risk Committee ("MRC")

The MRC is the advisor to the RMC concerning all risk-related topics, including limits, exposures and methodologies.

MRC to review and recommend new and revised MAHB Group Risk frameworks/policies where control of documents is determined as material for RMC and Board endorsement/approval, whichever relevant. Also, to review and recommend the MAHB Group's annual Risk Appetite Statements ("RAS") and Key Risk Indicators ("KRIs"), for RMC and Board endorsement/approval, whichever relevant.

Asset Liability Committee ("ALCO")

The ALCO is responsible for formulating and overseeing the investment strategy and managing asset-liability mismatches, liquidity and market risks. It will carry out its responsibilities within the limits set by the MRC such as following the Risk Appetite and Asset Liability Management constraints. Also, it is responsible for reviewing and recommending the reallocation of the investment portfolio and the classifications of the financial assets based on considerations of capacity and intent.

Information Technology Steering Committee ("ITSC")

ITSC is to establish and review long term strategic IT plans of the organisation; identify potential IT strategies and improve business operating model; ensure the alignment of IT initiatives and business strategies; ensure adequacy of IT infrastructure to support business-as-usual and new projects, and addressing risks of technology obsolescence.

42. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Board (contd.)

Internal Audit Committee ("IAC")

The IAC is responsible to deliberate the audit findings highlighted in the internal and external auditors' reports as well as internal investigation reports; and to deliberate and ensure adequacy and timeliness of the remedial actions.

Business Continuity Management Committee ("BCMC")

The BCMC is responsible to ensure that the Business Continuity Management ("BCM") framework (Maybank GNFR Framework), policy and procedure are embedded, promoted and implemented in each service areas within MAHB Group. It also provides centralised co-ordination of the response to, and recovery from, any incident, or situation that causes potential or significant disruption to MAHB Group in delivering its products and services.

The following Operational Level Committees are established to support the Management Level Committees at MAHB level in the discharge of their duties.

Operational Risk Committee ("ORC")

ORC serves as the advisor to MRC concerning group wide operational risk-related topics in day-to-day activities and practices, ensuring sound risk governance standards through effective implementation of Operational Risk Policy and other risk governing documents.

Product Management Committee ("PMC")

The PMC's prime objective is to oversee, coordinate and manage the whole process of product development and product management for specific product line including the monitoring of the implementation, and post implementation performance of the Insurance and Takaful Products.

Data Management Committee ("DMC")

DMC serves as the advisor to SMC and MRC concerning MAHB Group-wide data management need and information risk-related topics in day-to-day activities and practices, ensuring sound governance standards through effective implementation of risk-related governing frameworks, policies and mandates set.

Reinsurance and Retakaful Committee ("RC")

The primary objective of the RC is to function as the governance body to provide decision and guidance in relation to the reinsurance/retakaful management of the Insurance policies and Takaful certificates. The scope of the RC covers General Reinsurance/Retakaful, Inward/Outward Reinsurance/Retakaful and deliberation in relation to the arrangement for Catastrophe protection for Life/Family Takaful.

42. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Board (contd.)

Third Party and Outsourcing Working Committee ("TPOWC")

TPOWC is responsible to deliberate and make recommendations on overall third party and outsourcing related topics and also to ensure sound governance through effective implementation of third party and outsourcing governing policies and procedures for all the operating Entities in Malaysia (ELIB, EGIB, EFTB, EGTB and Labuan entities (EOIL and ELIL)) including oversight function on EIPL third party and outsourcing-related matters.

Fire Committee ("FC")

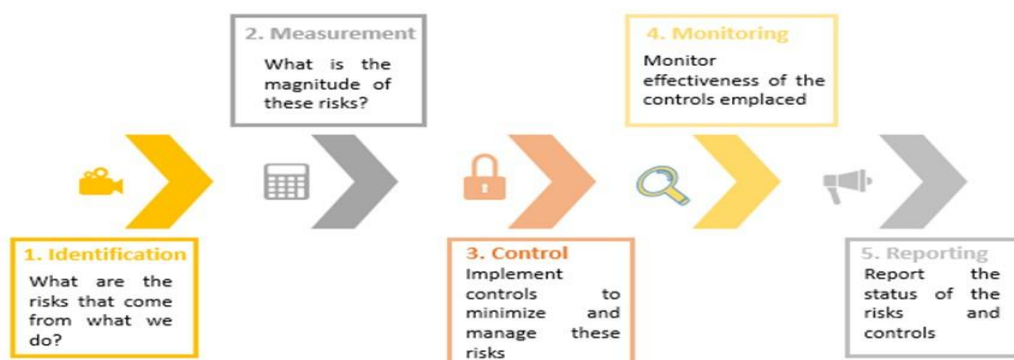
FC is responsible to verify the premium/contribution rate level is adequate and complies with BNM guidelines (aligned with Fire Pricing Policy document); Approve Fire Underwriting Guidelines in line with Company's business strategy and risk appetite; Approve pricing and re-pricing within FC's authority; To monitor the monthly performance indicators and propose corrective actions; To ensure customers are treated fairly as per item No. 12 'Fair Business Practices and Adequate Disclosure' under the BNM Phase Liberalisation of Motor and Fire Tariffs policy document; On the advice of Pricing Department, report deviation from Fire Pricing Policy to MRC.

Motor Committee ("MC")

MC is responsible to verify the adequacy of premium/contribution level in complying with BNM guidelines (aligned with Motor Pricing Policy document); Discuss, deliberate and approve Motor Underwriting Guidelines in line with Company's business strategy and risk appetite; Discuss, deliberate and approve pricing and re-pricing within MC's authority; To ensure customer are treated fairly as per item No. 12 'Fair Business Practices and Adequate Disclosure' under the BNM Phase Liberalisation of Motor and Fire Tariffs policy document.

Risk Management Practices and Processes

A robust process should be in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the business. The practices and processes are to be reflective of the nature, size and complexity of the various business activities. The five (5) main stages of the risk management process which form a continuous cycle are depicted below: -



42. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Stress Test

Stress Test is used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavourable effects on MAHB Group's exposure. This involves an assessment of MAHB Group's capability to withstand such changes in relation to the capital and earnings to absorb potentially significant losses.

Stress Test is conducted on a periodic basis or when required to better understand the risk profile, evaluate business risk and thus, taking appropriate measures to address these risks accordingly.

Resource and System Infrastructure

Any good risk management infrastructure requires a highly robust management information system as well as adequate resources as these are the foundation and enabler to an effective risk management practice and process. Hence, MAHB Group should equip itself with the necessary resources, infrastructure and support to perform its roles efficiently.

Resources

To execute the risk principles, objectives, strategies and processes at various hierarchical levels within the governance model, all risk functions should be adequately staffed with the relevant personnel to carry out their responsibilities independently and effectively.

The personnel within Risk Management should possess the requisite skills, qualifications, experience and competencies compatible with the nature, scale and complexity of business activities.

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these lines in all facets of risk taking activities.

System Infrastructure

With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system infrastructure to support an enterprise-wide or consolidated view of risk. The system infrastructure should be able to provide adequate and effective data aggregation capabilities at all times, with accurate, complete, timely and adaptable data to facilitate effective risk management practices and processes.

Through the established infrastructure, the roles and responsibilities required for effective management of risk can be performed appropriately.

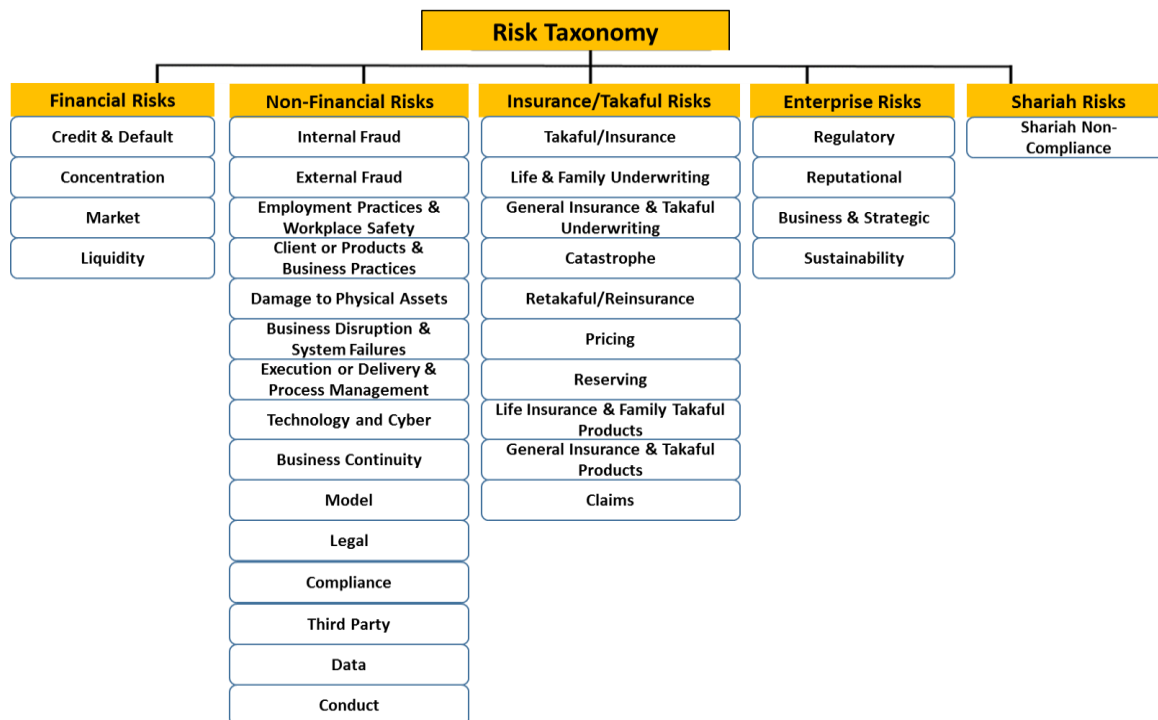
In addition, effective measures and systems should be in place to facilitate the generation and exchange of information within MAHB Group. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

42. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy

MAHB Group Risk Management Department works hand-in-hand with Compliance Department, Legal Department and Shariah Division on risk related matters.

The following are the risk types that are applicable to the businesses and operations, which consists of Financial Risk, Insurance/Takaful Risk, Non-Financial Risk, Enterprise Risk and Shariah Risk.



43. INSURANCE RISK

Insurance risk is the risk of loss or adverse change arising from the underwritten insurance businesses. This can be due to adverse deviation in portfolio experience as well as underlying assumptions/expectation on which product, pricing, underwriting, claims, reserving and reinsurance have been made.

Reinsurance offers financial protection to insurers against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with reinsurance companies are the counterparty risk of reinsurers failing to honor their obligations. MAHB Group monitors the reinsurers' creditworthiness on a monthly basis.

MAHB Group has established appropriate policies and monitoring metrics combined with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the MAHB Group's guidelines and standards.

(i) Underwriting Risk

Underwriting risk reflects the risk of loss or adverse impact arising from adverse changes in the actual outcome from the initial underwriting assessment/evaluation, selection, and terms set against underlying assumption/expectation derived in pricing and reserving process.

(ii) Pricing Risk

Pricing risk relates to risk of loss or adverse impact arising from inadequate premium charged resulting in higher than expected losses and expenses.

(iii) Reinsurance Risk

Reinsurance risk reflects possible loss or adverse impact arising from the reinsurance. The scope of this risk category includes reinsurer and risk mitigating contracts, such as reinsurance arrangements. It does not include the defaults for financial instruments, which are covered under credit and default risk (in Financial Risk Taxonomy).

43. INSURANCE RISK (CONTD.)

(iv) Product Risk

Product risk is a risk of loss or adverse impact arising from the development of new products and management of new and existing products. Product related risks including enterprise risks, takaful/insurance risks, financial risks, operational and IT risk, technology risk, legal risk, compliance risk, AML/CFT risk and Shariah risk.

(v) Reserving Risk

Reserving risk is the risk of loss or adverse impact arising from the inadequate reserves due to unanticipated loss developments.

(vi) Catastrophe Risk

Catastrophe risk is the risk of loss or adverse changes in the value of underwritten insurance liabilities businesses due to over-exposures to extreme or exceptional events (e.g. pandemic outbreaks, flood, etc.), which can cause an accumulated loss or a single large loss.

(vii) Claims Risk

Claims risk is risk of loss or adverse impact arising from the claims management process which is expected to affect client satisfaction and the MAHB Group's reputation.

43. INSURANCE RISK (CONTD.)

(i) The table below discloses the concentration of Life insurance contract liabilities by type of contracts:

	2025 RM'000	2024 RM'000
<u>Direct insurance</u>		
Group	2,704	2,169
Retail		
- Non-participating	2,838,666	2,665,493
- Participating	5,409,689	5,550,201
- Investment linked	2,956,702	3,092,266
	<u>11,205,057</u>	<u>11,307,960</u>
Total direct insurance	<u>11,207,761</u>	<u>11,310,129</u>
<u>Reinsurance</u>		
Non-participating:		
- Proportional	43,269	52,981
- Non-proportional Excess of Loss	892	1,359
	<u>44,161</u>	<u>54,340</u>
Investment linked:		
- Proportional	26,643	16,906
	<u>26,643</u>	<u>16,906</u>
Total reinsurance	<u>70,804</u>	<u>71,246</u>

All of the Company's life insurance business is derived from Malaysia and, accordingly, a geographical analysis by country is not relevant to the Company.

43. INSURANCE RISK (CONTD.)

(ii) Key assumptions

Significant judgement is required in determining the insurance contract liabilities. Assumptions used in determining the insurance contract liabilities are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and 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 periodic basis in order to ensure realistic and reasonable valuations.

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

(a) Discount rate

Generally, the time value of money is considered by discounting the insurance contract liabilities using risk free rate plus illiquidity premium where applicable.

(b) Mortality and morbidity rates

Mortality and morbidity rates represent the expected claims experience of the Company.

The Company bases mortality and morbidity on local established, national and/or company specific industry tables which reflect historical experiences and reinsurance premium rates, adjusted to reflect the licensed insurer's unique risk exposure, product characteristics, target markets and its own claims severity and frequency experiences.

(c) Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business i.e. the expectation that policyholders will renew their policies. These rates are based on the Company's historical experience of lapses and surrenders.

(d) Expenses

Expense assumptions represent the expected amount that will be incurred in servicing the policies over its expected life. Assumptions on future expenses take into consideration current expense levels and the expected expense inflation.

43. INSURANCE RISK (CONTD.)

(iii) Sensitivity analysis

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of insurance contract liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

The correlation of assumptions will have a significant effect on the sensitivities but to demonstrate the impact due to changes in specific assumptions, these sensitivities are analysed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity analysis will also vary depending on the current economic assumptions.

	Change in assumptions	Impact on insurance service result before reinsurance contracts held RM'000	Impact on insurance service result RM'000	Impact on equity before reinsurance contracts held** RM'000	Impact on equity** RM'000
		←----- Decrease -----→			
2025					
Discount rate*	-1%	(216,157)	(215,242)	(164,652)	(163,956)
Mortality and morbidity rates	10% (adverse)	(16,269)	(13,310)	(12,416)	(10,168)
Lapse and surrender rates	10% (adverse)	(6,124)	(5,787)	(4,671)	(4,415)
Expenses	+10%	(5,065)	(5,065)	(3,899)	(3,899)
2024					
Discount rate*	-1%	(202,761)	(196,087)	(154,459)	(149,387)
Mortality and morbidity rates	10% (adverse)	(18,303)	(14,038)	(13,962)	(10,720)
Lapse and surrender rates	10% (adverse)	(5,903)	(5,688)	(4,501)	(4,338)
Expenses	+10%	(5,291)	(5,291)	(4,068)	(4,068)

* Excludes impact of fixed income financial assets.

** The impact on equity is stated after tax of 24%.

43. INSURANCE RISK (CONTD.)

(iii) Sensitivity analysis (contd.)

	Change in assumptions	Impact on CSM before reinsurance contracts held RM'000	Impact on CSM after reinsurance contracts held RM'000
		<----- Decrease ----->	
2025			
Discount rate*	-1%	(13,348)	(13,348)
Mortality and morbidity rates	10% (adverse)	(186,799)	(133,711)
Lapse and surrender rates	10% (adverse)	(47,398)	(42,029)
Expenses	+10%	(57,344)	(57,344)
2024			
Discount rate*	-1%	(21,203)	(21,203)
Mortality and morbidity rates	10% (adverse)	(184,777)	(131,620)
Lapse and surrender rates	10% (adverse)	(48,600)	(45,768)
Expenses	+10%	(54,382)	(54,382)

* Excludes impact of fixed income financial assets.

44. FINANCIAL RISKS

(i) Credit and Default Risk

Credit and default risk refers to the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms. It stems primarily from lending, trading and investment activities from both on- and off-balance sheet transactions.

Credit spread risk and ultimately default risk result from the intrinsic quality of the issuer of debt securities and the impact it has on the value of assets of these instruments. Changes in the level or in the volatility of spreads as a result of changes in the underlying credit quality define the risk of investment default.

Credit risk arises when a counterparty is no longer able to pay its contractual obligations. Key areas of credit risk include counterparty risk, country risk, concentration risk, settlement risk and issuer risk. The Company's exposure to credit risk arises mainly from assets (fixed income and equities) and reinsurance.

The Company measures and manages credit risk following the philosophies and principles below:

- (a) The Risk Management and Investment Management Department actively monitor the counterparty exposure to prevent undue concentration by ensuring its credit portfolio is diversified and marketable;
- (b) The asset management research team adopts a prudent position in the selection of fixed income investments;
- (c) The Risk Management Department establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty's credit quality and aligned to the risk appetite; and
- (d) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management of any impending problems in a timely manner.

44. FINANCIAL RISKS (CONTD.)

(i) Credit and Default Risk (contd.)

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments and contract assets. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	2025	2024
	RM'000	RM'000
Financial assets at FVTPL		
(i) Designated upon initial recognition		
Malaysian government papers	768,951	663,055
Debt securities and structured products	5,367,558	5,477,541
(ii) HFT****		
Malaysian government papers	82,482	138,522
Debt securities and structured products	669,917	649,000
Financial assets at FVOCI		
Malaysian government papers	301,506	378,079
Debt securities and structured products	1,103,838	958,596
Financial assets at AC		
Deposits and placements with:		
Licensed financial institutions	549,220	591,371
Others licensed financial institutions	82,428	21,113
Financing receivables	22,181	23,874
Reinsurance contract assets*	4,035	5,890
Other assets**	149,070	158,700
Derivative assets	4,661	5,679
Cash and bank balances***	23,513	87,109
	<u>9,129,360</u>	<u>9,158,529</u>

* Including receivables from reinsurers net of impairment.

** Excluding non-financial assets such as prepayments, deposits and service tax recoverable.

*** Excluding petty cash.

**** Included in the above balances are investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borne by the policyholders.

44. FINANCIAL RISKS (CONTD.)

(i) Credit and Default Risk (contd.)

Credit quality of financial assets

The four (4) risk categories as set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Company's financial assets. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

Risk Category	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	A- to BB+	AA1 to A3
Medium	11 – 15	BB+ to B+	A3 to BB1
High	16 – 21	B+ to CCC	BB1 to C

Risk categories are as described below:

- Very low : Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.
- Low : Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.
- Medium : Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.
- High : Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

- Impaired/ default : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.2(vii)(a).
- Unrated : Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of rating models.
- Sovereign : Refer to obligors which are governments and/or government-related agencies.

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

44. FINANCIAL RISKS (CONTD.)

(i) Credit and Default Risk (contd.)

Credit exposure by rating

The table below provides information regarding the credit exposure of the Company by classifying assets according to the risk categories:

	Sovereign	Very low	Low	Medium	High	Unrated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2025							
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Malaysian government papers	768,951	-	-	-	-	-	768,951
Debt securities and structured products	2,083,359	1,262,802	1,824,069	197,328	-	-	5,367,558
(ii) HFT****							
Malaysian government papers	82,482	-	-	-	-	-	82,482
Debt securities and structured products	32,707	205,685	391,008	40,517	-	-	669,917
Financial assets at FVOCI							
Malaysian government papers	301,506	-	-	-	-	-	301,506
Debt securities and structured products	297,753	455,606	350,479	-	-	-	1,103,838
Financial assets at AC							
Deposits and placements with:							
Licensed financial institutions	-	547,220	2,000	-	-	-	549,220
Others licensed financial institutions	-	57,060	25,368	-	-	-	82,428
Financing receivables	-	-	-	-	-	22,181	22,181
Reinsurance contract assets*	-	-	-	-	-	4,035	4,035
Other assets**	37,077	28,826	39,019	3,064	-	41,084	149,070
Derivative assets	-	4,661	-	-	-	-	4,661
Cash and bank balances***	-	18,223	5,290	-	-	-	23,513
	3,603,835	2,580,083	2,637,233	240,909	-	67,300	9,129,360

* Including receivables from reinsurers net of impairment.

** Excluding non-financial assets such as prepayments, deposits and service tax recoverable.

*** Excluding petty cash.

**** Including investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borne by the policyholders.

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

44. FINANCIAL RISKS (CONTD.)

(i) Credit and Default Risk (contd.)

Credit exposure by rating (contd.)

The table below provides information regarding the credit exposure of the Company by classifying assets according to the risk categories (contd.):

	Sovereign	Very low	Low	Medium	High	Unrated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2024							
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Malaysian government papers	663,055	-	-	-	-	-	663,055
Debt securities and structured products	1,947,684	1,395,430	1,982,200	152,227	-	-	5,477,541
(ii) HFT****							
Malaysian government papers	138,522	-	-	-	-	-	138,522
Debt securities and structured products	26,598	232,751	353,047	36,604	-	-	649,000
Financial assets at FVOCI							
Malaysian government papers	378,079	-	-	-	-	-	378,079
Debt securities and structured products	203,887	446,502	299,805	8,402	-	-	958,596
Financial assets at AC							
Deposits and placements with:							
Licensed financial institutions	-	591,371	-	-	-	-	591,371
Others licensed financial institutions	-	21,113	-	-	-	-	21,113
Financing receivables	-	-	-	-	-	23,874	23,874
Reinsurance contract assets*	-	-	-	-	-	5,890	5,890
Other assets**	35,757	32,982	39,462	2,280	-	48,219	158,700
Derivative assets	-	5,679	-	-	-	-	5,679
Cash and bank balances***	-	83,866	3,243	-	-	-	87,109
	3,393,582	2,809,694	2,677,757	199,513	-	77,983	9,158,529

* Including receivables from reinsurers net of impairment.

** Excluding non-financial assets such as prepayments, deposits and service tax recoverable.

*** Excluding petty cash.

**** Including investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borne by the policyholders.

44. FINANCIAL RISKS (CONTD.)

(i) Credit and Default Risk (contd.)

Financial assets - reconciliation of allowance account

Significant increase in credit risk

The Company applies the General Approach or 'three-stage' approach which is based on the change in credit quality of financial instruments since initial recognition to assess the impairment for investment assets. In particular, recognition of ECL is dependent on which of the three stages a particular financial instrument is assigned to. Assets move through the three stages as credit quality changes and the stages dictate how the Company measures impairment losses and applies the effective interest rate ("EIR") method with the forward-looking element to compute the ECL.

The Company has considered both quantitative and qualitative parameters in the assessment of credit risk status from the initial recognition of the securities and at the reporting date. These include the establishment of staging criteria to each stage, debt rating deterioration threshold and a waterfall approach are to determine the credit rating as at origination date and as at reporting date in accordance to the Maybank Group's ECL model for debt securities portfolio.

Expected credit loss ("ECL")

The Company assesses the possible default events within 12 months for the calculation of the 12-month ECL in Stage 1. Given the impairment policy, the probability of default for new instruments acquired is generally determined to be minimal, in addition to the exception rule to apply zero loss given default ratio to specified financial asset. A newly purchased or originated financial asset will be subject to ECL upon recognition in Stage 1.

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company is required to estimate the probability of default occurring in the 12 months after the reporting date and in each subsequent year throughout the expected lives of the financial instruments. The lifetime ECL allowance measured for the Company during the year were mainly in respect of debt securities classified as Watchlist ("WL") or which have been downgraded as at the reporting date.

For a financial asset which is determined to be a credit-impaired debt security under Stage 3, the ECL calculation will be based on objective evidence of impairment.

44. FINANCIAL RISKS (CONTD.)

(i) Credit and Default Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

The table below shows the fair value of the Company's financial assets measured by credit quality, based on the Company's risk categories.

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	RM'000
2025				
Financial assets at FVOCI				
Sovereign	599,259	-	-	599,259
Very low	455,606	-	-	455,606
Low	311,175	39,304	-	350,479
Total carrying amount	1,366,040	39,304	-	1,405,344
Total ECL	(218)	(292)	-	(510)
2024				
Financial assets at FVOCI				
Sovereign	581,966	-	-	581,966
Very low	446,502	-	-	446,502
Low	262,153	37,652	-	299,805
Medium	8,402	-	-	8,402
Total carrying amount	1,299,023	37,652	-	1,336,675
Total ECL	(72)	(443)	-	(515)

44. FINANCIAL RISKS (CONTD.)

(i) Credit and Default Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

Movements in the allowance for impairment losses for financial assets at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	RM'000
2025				
Financial assets at FVOCI				
At 1 January	72	443	-	515
Net adjustment of loss allowance	117	(150)	-	(33)
New financial assets originated or purchased	39	-	-	39
Financial assets that have been derecognised	(11)	-	-	(11)
Allowance for impairment losses (Note 27)	145	(150)	-	(5)
At 31 December	<u>217</u>	<u>293</u>	<u>-</u>	<u>510</u>
2024				
Financial assets at FVOCI				
At 1 January	191	388	-	579
Net adjustment of loss allowance	(102)	(6)	-	(108)
New financial assets originated or purchased	4	183	-	187
Financial assets that have been derecognised	(21)	(122)	-	(143)
Allowance for impairment losses (Note 27)	(119)	55	-	(64)
At 31 December	<u>72</u>	<u>443</u>	<u>-</u>	<u>515</u>

44. FINANCIAL RISKS (CONTD.)

(i) Credit and Default Risk (contd.)

Other financial assets - Reconciliation of allowance account

The Company applies the Simplified Approach where the ECL is measured at initial recognition of the financial assets using a provision matrix based on historical data or also known as the roll rate approach. Estimation of credit losses will use a provision matrix where insurance and reinsurance receivables are grouped based on different sales channels and different reinsurance arrangements respectively with forward looking elements being applied to it.

Movements in gross carrying value and allowances for impairment losses recognised for not credit-impaired and credit impaired financial assets are as follows:

	<----- Not credit-impaired ----->			<----- Credit-impaired ----->			<----- Total ----->		
	Financing receivables RM'000	Reinsurance contract assets* RM'000	Other assets RM'000	Financing receivables RM'000	Reinsurance contract assets* RM'000	Other assets RM'000	Financing receivables RM'000 (Note 10)	Reinsurance contract assets* RM'000	Other assets** RM'000
<u>Gross carrying amount</u>									
At 1 January 2024	22,862	3,325	152,548	775	923	2,745	23,637	4,248	155,293
Increase/(decrease)	1,060	2,279	3,915	(339)	(579)	(168)	721	1,700	3,747
At 31 December 2024	23,922	5,604	156,463	436	344	2,577	24,358	5,948	159,040
(Decrease)/increase	(1,724)	(1,568)	(9,782)	456	(334)	204	(1,268)	(1,902)	(9,578)
At 31 December 2025	22,198	4,036	146,681	892	10	2,781	23,090	4,046	149,462
<u>Lifetime ECL</u>									
At 1 January 2024	37	20	44	555	123	366	592	143	410
Decrease	(12)	(5)	(31)	(96)	(80)	(39)	(108)	(85)	(70)
At 31 December 2024	25	15	13	459	43	327	484	58	340
(Decrease)/increase	(8)	(5)	20	433	(42)	32	425	(47)	52
At 31 December 2025	17	10	33	892	1	359	909	11	392

* Including receivables from reinsurers net of impairment.

** Other assets is stated net of prepayments, deposits and service tax recoverable.

44. FINANCIAL RISKS (CONTD.)

(i) Credit and Default Risk (contd.)

Other financial assets - Reconciliation of allowance account (contd.)

Movements in allowances for impairment losses for other financial assets are as follows:

	Financing receivables RM'000 (Note 10)	Reinsurance contract assets RM'000	Other assets RM'000	Total RM'000
2025				
Lifetime ECL				
At 1 January	484	58	340	882
Net adjustment of loss allowance	425	(47)	52	430
At 31 December	909	11	392	1,312
2024				
Lifetime ECL				
At 1 January	592	143	410	1,145
Net adjustment of loss allowance	(108)	(85)	(70)	(263)
At 31 December	484	58	340	882

44. FINANCIAL RISKS (CONTD.)

(i) Credit and Default Risk (contd.)

Financial effects of collateral held

The main types of collateral held as security by the Company to mitigate credit risk are as follows:

Type of financing receivables

Secured staff/non-staff loans

Type of collaterals

Charges over residential properties and motor vehicles

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables is 100% as at 31 December 2025 (2024: 100%).

The remaining balance of financing receivables of the Company are not collateralised.

(ii) Liquidity Risk

Liquidity risk is the risk of an adverse impact to the Company's financial condition or overall safety and soundness that could arise from their inability (or perceived inability) or unexpected higher cost to meet obligations. Generally, there are two types of liquidity risks, 1) funding liquidity risk and 2) market liquidity risk.

Funding liquidity risk is the risk that the Company will not be able to meet both expected and unexpected current and future cash flow and collateral needs effectively without affecting either daily operations or the financial condition of the Company.

Market liquidity risk is the risk that the Company cannot easily offset or eliminate the position at market price because of inadequate market depth or market disruption.

The objective of liquidity risk management is to have sufficient availability of cash to meet policyholders' liabilities, such as surrenders, withdrawal, claims and maturity benefits, and financial obligations to other contract holders without endangering the business financials due to constraints on liquidating assets.

44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

The Company measures and manages liquidity risk following the philosophies and principles below:

- (a) The Risk Management and Investment Management Department actively monitor the cash flows associated and derived from assets and liabilities of the Company through the ALCO platform;
- (b) The Investment Management Department ensures that reasonable liquidity is maintained in the assets held at all times; and
- (c) The Risk Management Department uses Key Risk Indicators (“KRI”) to alert the management of any impending problems in a timely manner.

Maturity Profiles

The following table summarises the Maturity Profile of the financial assets and financial liabilities and insurance assets/liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contract liabilities and reinsurance assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised insurance liabilities.

44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2025						
Financial assets at:						
FVTPL	10,260,423	852,266	2,143,617	7,176,996	3,371,515	13,544,394
FVOCI	1,555,340	76,459	391,483	1,790,484	149,997	2,408,423
AC	631,648	631,929	-	-	-	631,929
Financing receivables	22,181	1,310	8,834	15,588	-	25,732
Reinsurance contract assets, net*	70,804	9,777	32,909	30,729	-	73,415
Other assets**	149,070	149,070	-	-	-	149,070
Derivative assets	4,661	4,661	-	-	-	4,661
Cash and bank balances***	23,513	-	-	-	23,513	23,513
Total assets	12,717,640	1,725,472	2,576,843	9,013,797	3,545,025	16,861,137
Insurance contract liabilities, net****	11,207,761	955,763	2,674,862	13,898,154	-	17,528,779
Derivative liabilities	102	102	-	-	-	102
Other liabilities	363,621	363,621	-	-	-	363,621
Total liabilities	11,571,484	1,319,486	2,674,862	13,898,154	-	17,892,502

* Including AIC and receivables from reinsurers, net of impairment.

** Excluding non-financial assets such as prepayments, deposits and service tax recoverable.

*** Excluding petty cash.

**** Including LIC and receivables from co-insurers, net of impairment.

44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2024						
Financial assets at:						
FVTPL	10,146,072	465,629	2,693,885	7,293,315	3,217,955	13,670,784
FVOCI	1,506,652	65,522	433,174	1,728,542	169,977	2,397,215
AC	612,484	612,796	-	-	-	612,796
Financing receivables	23,874	1,943	9,661	16,959	-	28,563
Reinsurance contract assets, net*	71,246	6,496	31,334	75,391	-	113,221
Other assets**	158,700	158,700	-	-	-	158,700
Derivative assets	5,679	5,679	-	-	-	5,679
Cash and bank balances***	87,109	-	-	-	87,109	87,109
Total assets	12,611,816	1,316,765	3,168,054	9,114,207	3,475,041	17,074,067
Insurance contract liabilities, net****	11,310,129	778,622	2,430,907	14,825,269	-	18,034,798
Derivative liabilities	665	665	-	-	-	665
Other liabilities	355,385	355,385	-	-	-	355,385
Total liabilities	11,666,179	1,134,672	2,430,907	14,825,269	-	18,390,848

* Including AIC and receivables from reinsurers, net of impairment.

** Excluding non-financial assets such as prepayments, deposits and service tax recoverable.

*** Excluding petty cash.

**** Including LIC and receivables from co-insurers, net of impairment.

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market risk is the risk of losses on financial investments caused by adverse price movements.

There are four primary sources of risk that affect the overall market:

- (a) Foreign Exchange Risk;
- (b) Interest Rates Risk (including the credit spread risk);
- (c) Equity Price Risk; and
- (d) Property Risk

The Company has three main key features with respect to their market risk management practices and policies:

- (a) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policies and risk appetite after taking into consideration of regulatory requirements with respect to the maintenance of assets and solvency.
- (b) Compliance to the policies are monitored, and exposures and breaches are reported as soon as practicable.
- (c) Strict controls exist for derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company also issues investment-linked policies for a number of products. For investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company's exposure to market risk for this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analysis disclosed for each component of market risk in the following pages do not include analysis on the impact of such risks on the investment-linked funds.

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(a) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to US Dollar, Australian Dollar and Chinese Yuan Renminbi.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act 2013, and hence, primarily denominated in the same currency (the local "RM") as its insurance contract and investment contract liabilities.

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

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

Interest rate risk arises from exposures to interest rate related assets and liabilities. It is also known as asset-liability mismatch risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Company.

The Company measures and manages interest rate risk mainly based on the following four philosophies and principles:

- (a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;
- (b) Investment Management Department actively aim to match the asset duration with the liability duration, without compromising credit quality;
- (c) The Risk Management uses Key Risk Indicators ("KRI") to alert the management of any impending problems in a timely manner; and
- (d) Risk Management Department monitors the asset duration in accordance with the limits set, as well as the duration gap to the liability duration.

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Interest Rate Risk (contd.)

There is no direct contractual relationship between financial assets and insurance contracts. However, the Company's interest rate risk policy requires it to manage the extent of net interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the insurance contract liabilities. The policy also requires it to manage the maturities of interest bearing financial assets.

The Company's exposure to interest rate risk sensitive insurance and reinsurance contracts and financial instruments are, as follows:

	Changes in variables	Impact on carrying value RM'000	Impact on CSM RM'000	Impact on profit/ equity* RM'000
		<----- (Decrease)/Increase ----->		
2025				
Insurance contracts and reinsurance contracts, net	+100bps	(589,956)	(49,409)	428,822
	-100bps	665,591	45,744	(493,460)
Financial Instruments at FVTPL	+100bps	(507,688)	-	(366,972)
	-100bps	580,399	-	419,872
Financial Instruments at FVOCI	+100bps	(136,581)	-	(105,217)
	-100bps	160,434	-	123,458
Financial Instruments at AC	+100bps	(98)	-	(77)
	-100bps	89	-	69
2024				
Insurance contracts and reinsurance contracts, net	+100bps	(575,403)	(36,973)	412,756
	-100bps	629,730	33,302	(449,175)
Financial Instruments at FVTPL	+100bps	(505,837)	-	(365,580)
	-100bps	548,972	-	397,694
Financial Instruments at FVOCI	+100bps	(131,189)	-	(100,889)
	-100bps	154,633	-	118,739
Financial Instruments at AC	+100bps	(91)	-	(64)
	-100bps	79	-	56

*Impact on equity is after tax of 24%.

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk

Equity price risk is the risk that the fair value of an equity instrument or insurance contract or reinsurance contract assets and/or liabilities would fluctuate because of changes in its market prices whether those changes are caused by factors specific to the individual equity instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in equities' market prices and unit trust Net Asset Value ("NAV") to equity.

The Company's risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector and market, having regard also to such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may occur over time.

The Company's exposure to equity price risk sensitive insurance and reinsurance contracts and equity instruments are, as follows:

	Change in market indices	Impact on carrying value RM'000	Impact on CSM RM'000	Impact on equity* RM'000
		<----- Increase/(Decrease) ----->		
2025				
Insurance contracts and reinsurance contracts, net	+10%	188,081	20,823	(45,124)
	-10%	(196,514)	(29,559)	51,864
Financial Instruments at FVTPL	+10%	88,257	-	63,602
	-10%	(88,257)	-	(63,602)
Financial Instruments at FVOCI	+10%	15,000	-	11,029
	-10%	(15,000)	-	(11,029)

*Impact on equity is after tax of 24%.

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk (contd.)

The Company's exposure to equity price risk sensitive insurance and reinsurance contracts and equity instruments are, as follows (contd.):

	Change in market indices	Impact on carrying value RM'000	Impact on CSM RM'000	Impact on equity* RM'000
	<----- Increase/(Decrease) ----->			
2024				
Insurance contracts and reinsurance contracts, net	+10%	184,411	22,213	(41,294)
	-10%	(186,232)	(26,587)	44,956
Financial Instruments at FVTPL	+10%	63,503	-	45,994
	-10%	(63,503)	-	(45,994)
Financial Instruments at FVOCI	+10%	16,998	-	12,654
	-10%	(16,998)	-	(12,654)

*Impact on equity is after tax of 24%.

(d) Property Risk

Property risk is the possibility of financial loss occurring as the result of owning a real estate investment. Property risk might arise from such things as liability, legal issues, partner problems that can force a sale, fire or theft, loss of rental income and purchasing property with an imperfect title.

(iv) Concentration Risk

Concentration risk as its name suggests, is the risk of over concentration in any type of market risk, liquidity risk and credit risk. Risk concentration can materialise from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment/sector.

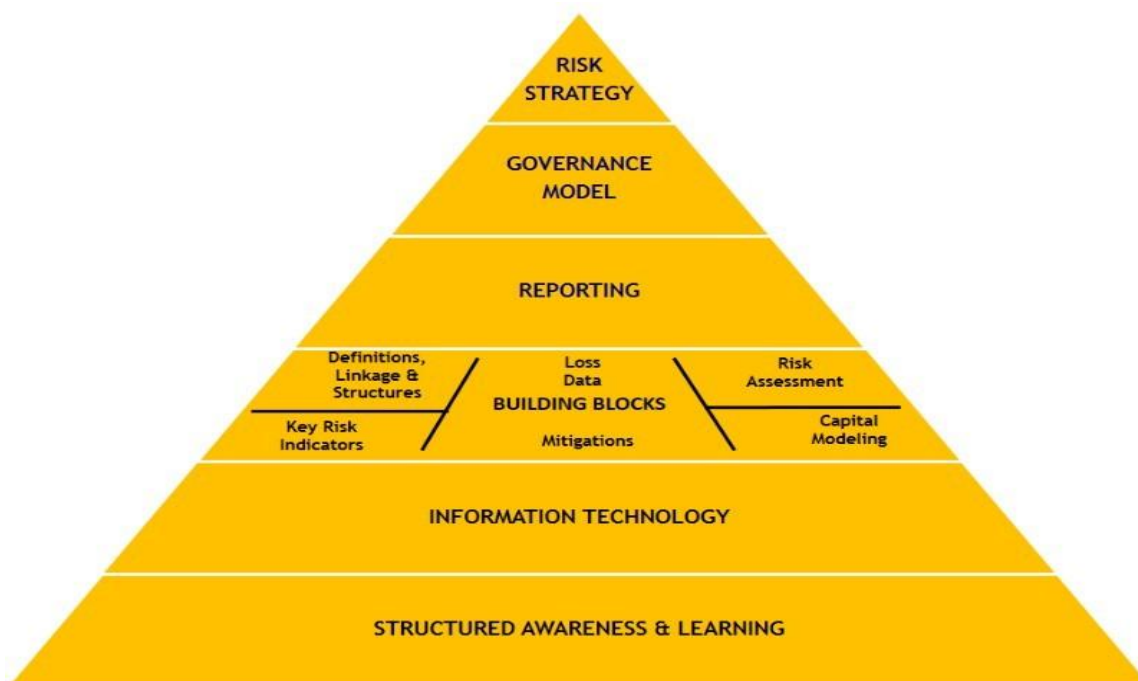
The Company's quantitative controls to manage concentration risk is through diversification. A minimum level of diversification is realised by observing the single counterparty limits. The single counterparty exposure limit represents maximum concentration of a particular counterparty. The limit exists for each asset class as well as across all investment assets, reinsurance and derivative counterparty.

45. NON-FINANCIAL RISKS (OPERATIONAL RISKS)

Non-financial risk management is a discipline of systematically identifying the causes of failures in the organisation's day-to-day operations, assessing the risk of loss and taking the appropriate action to minimise the impact of such loss.

Non-financial risk is the risk of loss arising from operational events and/or external factors that could result in monetary losses or negative impact in brand value and stakeholder's perception.

Non-financial risk management methodology comprise of the components summarised in diagram below.



The nature and extent of operational risk can shift quickly in response to changes in people, organisational structure, processes, systems, products, customers or business environments. Hence, continuous review and monitoring of the risks and the control effectiveness is vital for an effective non-financial risk management.

To facilitate this process, specific tools and methodologies are employed to identify, assess and measure, control, monitor and report the operational risks that affect the MAHB Group.

45. NON-FINANCIAL RISKS (OPERATIONAL RISKS) (CONTD.)

Non-Financial Risk Taxonomy

(i) Internal Fraud

Losses due to illegal acts (explicitly prohibited by internal policies/guidelines or external regulations/law provisions) committed by employees. It also includes fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation.

(ii) External Fraud

Losses due to fraudulent activities/theft perpetrated by third party against the company/organisation. External fraud could arise from system security risk, i.e. failure to provide a secure system platform or an activity/incident that can and will threaten the integrity of a system, which will in turn affect the reliability and privacy of data.

(iii) Employment Practices and Workplace Safety

- (a) Employee relations - failure to maintain positive employer-employee relationships that contribute to unsatisfactory productivity, demotivation and low morale;
- (b) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees; and
- (c) Diversity and discrimination - failure to provide equalities in the employment practice.

(iv) Client or Products and Business Practices

In general, this risk category covers information risk as well as conduct risk, and it is sub-divided into five risk types, namely suitability disclosure and fiduciary, improper business or market practices, product flaws, selection sponsorship and exposure, and advisory activities.

(v) Damage to Physical Assets

Damage to physical assets due to force of nature, or events which are not within due control of human. It also includes accidents and public safety that relates to failure in the provision of a safe environment from events that could endanger the safety of the general public from significant danger, injury/harm, or damage.

(vi) Business Disruption and System Failures

Failure in the provision of an effective information technology infrastructure (e.g. hardware, networks, software) to support the current and future needs of the business in an efficient, cost-effective and well controlled manner.

45. NON-FINANCIAL RISKS (OPERATIONAL RISKS) (CONTD.)

Non-Financial Risk Taxonomy (contd.)

(vii) Execution or Delivery and Process Management

The risk relates to transaction capture or execution and maintenance, monitoring and reporting, customer intake and documentation, customer or client account management, vendors and suppliers.

Note: all risk types have an element of compliance risk (i.e. inability to comply with existing regulation, such as conduct risk). Regulatory risk under enterprise risk is linked with Changing Regulations and the risk they represent to sustainability of the current Business Model.

(viii) Technology and Cyber Risk

Risk which impacts confidentiality, availability and integrity of information and services related to information technology, be it hosted on-premises or in cloud. This includes risks that customers or the business units may suffer on service disruptions or may incur losses arising from system defects such as failures, faults, incompleteness in computer operations, information security breach, cyber-attacks, illegal or unauthorised use of computer systems or data breach via computer systems that was perpetrated either by internal staff or external parties, intentionally or unintentionally. Besides, cyber risk that can lead to losses due to cyber-crime and cyber terrorism is included. The consequences are potential breach of customers' data/information, jeopardise data integrity, regulation and reputational impact.

(ix) Business Continuity Risk

Risk of loss due to force of nature (e.g. avalanche, earthquake, flood, forest fire, hurricane, lightning, tornado, tsunami, and volcanic eruption), or events which are not within due control of human (e.g. terrorism, vandalism) or epidemic of infectious disease (e.g. H1N1, SARS, cholera) which could impact the continuity of MAHB and its entities' operations.

(x) Model Risk

Model risk is the risk arising from a model that does not operate as intended resulting in adverse consequences (e.g. financial loss, poor business or strategic decisions, reputational damage) arising from inappropriate decisions based on incorrect or misused model outputs.

45. NON-FINANCIAL RISKS (OPERATIONAL RISKS) (CONTD.)

Non-Financial Risk Taxonomy (contd.)

(xi) Legal risk

Risk of loss which is primarily caused by a defective transaction, a claim (including a defence to a claim or a counterclaim) being made or some other event occurring which results in a liability or other loss, failing to take appropriate measures to protect assets owned, change in legislation or case law or failure to comply with regulatory requirements.

(xii) Compliance Risk

Risk of legal or regulatory sanctions, financial loss or reputational damage which a financial institution may suffer as a result of its failure to comply with legal and regulatory requirements applicable to its activities.

(xiii) Data Risk

Risk of loss of data/information that could lead to financial risk, operational risk, reputational risk, legal risk and regulatory sanctions.

(xiv) Third Party Risk

Risk of loss due to internal control failure of third parties or failure of third parties performing in a manner consistent with their contracted scope of engagement with MAHB Group for the provision of the intended services/deliverables.

(xv) Conduct Risk

The risk of an organisation or an individual's activities having a detrimental impact on customers or negatively impacting the market and/or shareholder value.

46. ENTERPRISE RISK

Risk of loss or adverse impact arising from business/strategic, industry, corporate governance and systemic risk. Enterprise risk covers external and internal factors that can impact the Company's ability to meet its current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave. It can also be due to poor internal decision making and management or due to loss of reputation. Enterprise risk will be exacerbated when there is a disruption to financial services that is caused by an impairment of all or parts of the financial system, with the potential to have serious negative consequences to the real/entire economy.

(i) Regulatory Risk

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment and legislation.

Changing regulations (local and foreign countries in which MAHB Group has operations) threaten the competitive position and the capacity to efficiently conduct business. This can result in increased competitive pressures and significantly affect the ability to efficiently conduct business.

(ii) Business and Strategic Risk

Risk of current or prospective impact on earnings, capital, reputation or standing arising from changes in the environment the MAHB Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.

Risk of failure in directing and managing the business and affairs towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

(iii) Reputational Risk

Reputational risk is risk damaged by one or more than one reputation event, as reflected from negative publicity about the business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence, resulting in costly litigation, or lead to a decline in its customer base, business or revenue.

Reputational risk can have severe impact on overall value either directly, by causing an increase in lapses, or indirectly through the inability of future value generation as a result of not being able to attract and keep new customers, distribution partners and staff.

46. ENTERPRISE RISK (CONTD.)

(iv) Sustainability Risk

Sustainability risk is the uncertainty in being able to sustain the growth of our organisation. It can either represent a risk on its own or have an impact on other risks and may contribute significantly to such risks, including financial, non-financial and insurance risks.

This is the risk of loss arising from the failure to address environmental, social and corporate governance concerns, thus adversely impacting the sustainability of business operations or the value of assets and liabilities.

47. FAIR VALUE MEASUREMENTS

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

- (a) Valuation principles;
- (b) Valuation techniques;
- (c) Fair value measurements and classification within the fair value hierarchy;
- (d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
- (e) Movements of Level 3 instruments; and
- (f) Sensitivity of fair value measurements to changes in unobservable input assumptions.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Company determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Company has also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Company follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

47. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

The Company continuously enhances its design, validation methodologies and processes to ensure the valuations are reflective and periodic reviews are performed to ensure the model remains suitable for its intended use.

The levels of the Fair Value hierarchy as defined by MFRS Accounting Standards are an indication of the observability of prices or valuation input. It can be classified into the following hierarchies/levels:

- Level 1 : Active Market – Quoted price

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices which represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include listed derivatives, quoted equities and unit and property trust funds traded on an exchange.

- Level 2 : No Active Market – Valuation techniques using observable input

Refers to inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Examples of level 2 financial instruments include corporate and government bonds, structured products, NCDs/NICDs and over-the-counter ("OTC") derivatives.

- Level 3 : No Active Market – Valuation techniques using unobservable input

Refers to financial instruments where fair values are measured using unobservable market inputs. The valuation technique is consistent with level 2. The chosen valuation technique incorporates management's assumptions and data.

Examples of level 3 instruments include corporate bonds in illiquid markets, private equity investments and investment properties.

47. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Valuation techniques

(i) Cash and cash equivalents and other assets/liabilities

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Financing receivables

Financing receivables are granted at interest rates which are comparable with the rates offered on similar instruments in the market and to counterparties with similar credit profiles. Accordingly, the carrying amounts of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Insurance receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(xi)(h). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(vi) and 2.2(vii)(a). The carrying amounts and fair values of investments are disclosed in Note 8 to the financial statements.

(v) Investment properties

The fair values of investment properties are determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. Income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process may consider the relationships including yield and discount rates.

47. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy

	Valuation technique using :			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Using Observable inputs RM'000	Level 3 Using Significant unobservable inputs RM'000	
2025				
<u>Assets</u>				
Investment properties	-	-	1,032,165	1,032,165
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	768,951	-	768,951
Debt securities, structured products and NICD	-	5,367,558	-	5,367,558
(ii) HFT				
Equity securities	2,119,050	-	135,685	2,254,735
Malaysian government papers	-	82,482	-	82,482
Debt securities and structured products	-	669,917	-	669,917
Unit and property trust funds	77,481	1,038,301	-	1,115,782
Redeemable loan stocks	998	-	-	998
Financial assets at FVOCI				
Equity securities	149,996	-	-	149,996
Malaysian government papers	-	301,506	-	301,506
Debt securities	-	1,103,838	-	1,103,838
Derivative assets	-	4,661	-	4,661
Total assets	2,347,525	9,337,214	1,167,850	12,852,589
<u>Liabilities</u>				
Derivative liabilities	-	102	-	102
Total liabilities	-	102	-	102

47. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy (contd.)

	Valuation technique using :			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Using Observable inputs RM'000	Level 3 Using Significant unobservable inputs RM'000	
2024				
<u>Assets</u>				
Investment properties	-	-	1,027,510	1,027,510
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	663,055	-	663,055
Debt securities and structured products	-	5,477,541	-	5,477,541
(ii) HFT				
Equity securities	1,969,980	-	136,781	2,106,761
Malaysian government papers	-	138,522	-	138,522
Debt securities and structured products	-	649,000	-	649,000
Unit and property trust funds	15,951	1,095,242	-	1,111,193
Financial assets at FVOCI				
Equity securities	169,977	-	-	169,977
Malaysian government papers	-	378,079	-	378,079
Debt securities	-	958,596	-	958,596
Derivative assets	-	5,679	-	5,679
Total assets	2,155,908	9,365,714	1,164,291	12,685,913
<u>Liabilities</u>				
Derivative liabilities	-	665	-	665
Total liabilities	-	665	-	665

47. FAIR VALUE MEASUREMENTS (CONTD.)

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. There were no transfers between Level 1 and Level 2 for the Company during the financial years ended 31 December 2025 and 31 December 2024.

(e) Movements of Level 3 assets and financial investments

	Assets and financial investments measured at fair value		
		Unquoted equity securities designated at FVTPL	
	Investment properties RM'000 (Note 4)	at FVTPL RM'000	Total RM'000
2025			
At 1 January	1,027,510	136,781	1,164,291
Recognised in profit or loss:			
Fair value gains/(losses)	4,571	(1,096)	3,475
Addition, at cost	84	-	84
At 31 December	<u>1,032,165</u>	<u>135,685</u>	<u>1,167,850</u>
Total gains/(losses) recognised in profit or loss for assets and financial instruments measured at fair value at the end of the reporting year	<u>4,571</u>	<u>(1,096)</u>	<u>3,475</u>
2024			
At 1 January	1,006,410	85,329	1,091,739
Recognised in profit or loss:			
Fair value gains	20,626	51,452	72,078
Addition, at cost	474	-	474
At 31 December	<u>1,027,510</u>	<u>136,781</u>	<u>1,164,291</u>
Total gains recognised in profit or loss for assets and financial instruments measured at fair value at the end of the reporting year	<u>20,626</u>	<u>51,452</u>	<u>72,078</u>

47. FAIR VALUE MEASUREMENTS (CONTD.)

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

The Company's exposure to financial investments measured with valuation techniques using significant unobservable inputs comprised a small number of financial investments which constitute an insignificant component of the Company's portfolio of financial investments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

(i) Investment properties

Recent sale transactions transacted in the real estate market would result in a significant change of estimated fair value for investment properties.

All investment properties of the Company carried at fair values were classified under Level 3. The valuation of investment properties were performed by an accredited independent valuer using a variety of approaches such as the comparison method and the income capitalisation approach.

	Valuation Method	Significant unobservable inputs	Range
2025			
Building	Income capitalisation	Rental per square foot	RM3.70 to RM11.00
Shop lots	Comparison	Sales price per square foot for similar properties	RM65.00 to RM1,163.00
2024			
Building	Income capitalisation	Rental per square foot	RM3.70 to RM10.50
Shop lots	Comparison	Sales price per square foot for similar properties	RM65.00 to RM1,163.00

47. FAIR VALUE MEASUREMENTS (CONTD.)

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions (contd.)

(i) Investment properties (contd.)

Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold, adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. The income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process also considers the relationships including yield and discount rates. Recent transactions transacted in the market resulting in an increase in these inputs, would result in a significant increase in the estimated fair values of the investment properties.

A significant increase or decrease in the unobservable input used in the valuation would result in a correspondingly higher or lower fair value of the investment properties.

(ii) Unquoted equity instruments

All unquoted equity instruments of the Company at fair values were classified under Level 3. The fair value of investments in unquoted equity instruments that do not have quoted market prices in an active market, are measured based on the adjusted net asset method by referencing to the annual financial statements of the entities that the Company invested in.

	Changes in variable	Impact on carrying value RM'000 Increase/ (Decrease)	Impact on profit before tax RM'000 Increase/ (Decrease)	Impact on equity* RM'000 Increase/ (Decrease)
2025	+5%	6,784	6,784	4,744
	-5%	(6,784)	(6,784)	(4,744)
2024	+5%	6,839	6,839	4,782
	-5%	(6,839)	(6,839)	(4,782)

*Impact on equity is after tax of 24%.

48. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2025 and 31 December 2024, as prescribed under the RBC Framework, is provided below:

	2025	2024
	RM'000	RM'000
Eligible Tier 1 Capital		
Paid up share capital	100,000	100,000
Reserves, including retained earnings	3,243,353	3,287,957
	<u>3,343,353</u>	<u>3,387,957</u>
Tier 2 Capital		
Revaluation reserve	90,362	90,362
FVOCI reserves	102,161	83,207
	<u>192,523</u>	<u>173,569</u>
Amount deducted from Capital	<u>(38,345)</u>	<u>(36,531)</u>
Total Capital Available	<u>3,497,531</u>	<u>3,524,995</u>

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

49. INSURANCE FUNDS

STATEMENT OF FINANCIAL POSITION BY FUNDS

	Shareholder's Fund		Life Fund		Total	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Assets:						
Property, plant and equipment	-	-	28,402	28,384	28,402	28,384
Investment properties	-	-	1,032,165	1,027,510	1,032,165	1,027,510
Prepaid land lease payments	-	-	836	862	836	862
Right-of-use assets	-	-	1	28	1	28
Intangible assets	-	-	38,179	36,531	38,179	36,531
Investments	37,624	41,649	12,409,787	12,223,559	12,447,411	12,265,208
Financing receivables	22,181	23,874	-	-	22,181	23,874
Reinsurance contract assets	-	-	70,804	71,246	70,804	71,246
Other assets	70	889	153,178	160,139	153,248	161,028
Derivative assets	-	-	4,661	5,679	4,661	5,679
Current tax assets	33,749	38,382	7,962	(17,284)	41,711	21,098
Cash and bank balances	-	637	23,513	86,474	23,513	87,111
Total Assets	93,624	105,431	13,769,488	13,623,128	13,863,112	13,728,559
Equity and liabilities:						
Share capital	100,000	100,000	-	-	100,000	100,000
Reserves	1,655,214	1,454,201	-	-	1,655,214	1,454,201
Total Equity	1,755,214	1,554,201	-	-	1,755,214	1,554,201

ETIQA LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

49. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

	Shareholder's Fund		Life Fund		Total	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Insurance contract liabilities	(12,823)	(8,181)	11,220,584	11,318,310	11,207,761	11,310,129
Derivative liabilities	-	-	102	665	102	665
Deferred tax liabilities, net	(2,575)	(1,995)	511,718	510,174	509,143	508,179
Other liabilities ¹	(1,667,337)	(1,438,594)	2,030,958	1,793,979	363,621	355,385
Current tax liabilities	21,145	-	6,126	-	27,271	-
Total Liabilities	(1,661,590)	(1,448,770)	13,769,488	13,623,128	12,107,898	12,174,358
Total Equity and Liabilities	93,624	105,431	13,769,488	13,623,128	13,863,112	13,728,559

¹ Included in other liabilities are the interfund balances elimination, amount due from life fund to shareholder's fund of RM1,671,000,000 (2024: RM1,441,000,000) which is unsecured, not subject to any interest elements and are repayable in short term.

49. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS

	Shareholder's Fund		Life Fund		Total	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Insurance revenue	541	892	644,027	589,238	644,568	590,130
Insurance service expenses	(14,069)	(8,318)	(409,464)	(358,537)	(423,533)	(366,855)
Net expenses from reinsurance contracts held	-	-	(20,024)	(29,236)	(20,024)	(29,236)
Insurance service result	(13,528)	(7,426)	214,539	201,465	201,011	194,039
Interest revenue from financial assets not measured at FVTPL	1,395	6,042	81,672	74,868	83,067	80,910
Net fair value (loss)/gain on financial assets measured at FVTPL	(128)	1,684	264,322	627,424	264,194	629,108
Net fair value gains/(losses) on derecognition of financial assets measured at FVOCI	1,807	(9,005)	8,748	13,301	10,555	4,296
Other investment income	(10)	40	448,099	479,869	448,089	479,909
(Allowance for)/reversal of impairment loss on financial assets	(423)	225	3	(53)	(420)	172
Net foreign exchange losses	-	-	(106,560)	(42,659)	(106,560)	(42,659)
Net investment income	2,641	(1,014)	696,284	1,152,750	698,925	1,151,736
Finance expenses from insurance contracts issued	(338)	(256)	(597,189)	(941,279)	(597,527)	(941,535)
Finance income from reinsurance contracts held	-	-	707	2,666	707	2,666
Net insurance financial result	(338)	(256)	(596,482)	(938,613)	(596,820)	(938,869)
Total net investment income and net insurance financial results	2,303	(1,270)	99,802	214,137	102,105	212,867

49. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS (CONTD.)

	Shareholder's Fund		Life Fund		Total	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Other expenses, net	(3,282)	(1,324)	(11,402)	(6,146)	(14,684)	(7,470)
Profit before taxation	(14,507)	(10,020)	302,939	409,456	288,432	399,436
Surplus	256,643	329,394	(256,643)	(329,394)	-	-
Profit before taxation attributable to policyholders	242,136	319,374	46,296	80,062	288,432	399,436
Tax expense attributable to policyholders	-	-	(46,296)	(80,062)	(46,296)	(80,062)
Profit before taxation	242,136	319,374	-	-	242,136	319,374
Tax expenses	(45,167)	(75,240)	-	-	(45,167)	(75,240)
Net profit for the financial year	196,969	244,134	-	-	196,969	244,134

49. INSURANCE FUNDS (CONTD.)

STATEMENT OF CASH FLOWS BY FUNDS

	Shareholder's Fund		Life Fund		Total	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Cash flows from:						
Operating activities	(23,054)	191,098	(58,138)	(315,210)	(81,192)	(124,112)
Investing activities	22,417	208,747	(4,795)	358,904	17,622	567,651
Financing activities	-	(400,000)	(28)	(35)	(28)	(400,035)
Net (decrease)/increase in cash and cash equivalents	(637)	(155)	(62,961)	43,659	(63,598)	43,504
Cash and cash equivalents:						
Cash and cash equivalents at beginning of financial year	637	792	86,474	42,815	87,111	43,607
Cash and cash equivalents at end of financial year	-	637	23,513	86,474	23,513	87,111

50. COMPARATIVES

Certain comparative amounts have been reclassified to conform with current year's presentation and disclosure requirements.

The effects of the listed adjustments of the Company are presented as follows:

- Reclassification adjustments between incurred claims and other directly attributable expenses, changes that relates to past services - adjustment to LIC and losses on onerous contracts and reversal of those losses within the insurance service expense accounts. Refer to Note 12 and Note 21.
- Reclassification adjustments between amounts recoverable for claims and other expenses incurred in the year and changes that relates to past services - adjustment to AIC within the net expenses from reinsurance contracts held accounts. Refer to Note 11 and Note 22.
- Reclassification adjustments between interest accreted using current financial assumptions and effect of changes in interest rates and other financial assumptions within the finance expenses from insurance contracts issued accounts. Refer to Note 12 and Note 29.