# ETIQA FAMILY TAKAFUL BERHAD

**199301011506 (266243-P)**
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**
**31 December 2021**

**ETIQA FAMILY TAKAFUL BERHAD**
**199301011506 (266243-D)**
**(Incorporated in Malaysia)**

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**ETIQA FAMILY TAKAFUL BERHAD**
**199301011506 (266243-D)**
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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 2021.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the management of Family Takaful and Takaful Investment-linked business.

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

## RESULTS

| | RM'000 |
|---|---|
| Net profit for the financial year | 270,691 |

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 PAID

The Directors do not recommend the payment of any final 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")

Maybank Group ESGP is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017. It was awarded to the participating Maybank Group employees who fulfill the eligibility criteria. The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee. The ESGP consists of two (2) types of performance-based awards namely as Employees' Share Grant Plan ("ESGP Share") 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 ESGP Committee.

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

The ESGP Shares are a form of Restricted Share Units ("RSU") and the ESGP Committee 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 Plan ("CRSU") and the ESGP Committee 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 as 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 scheme.

**DIRECTORS**

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

Dato' Majid Bin Mohamad (Chairman)
Mr. Andrew King Sun Cheung (Vice Chairman)
Dato' Johan Bin Ariffin
Mr. Wong Pakshong Kat Jeong Colin Stewart
Assoc. Prof. Dr. Azman Bin Mohd Noor
En. Mohd Din Bin Merican (Appointed w.e.f. 15 February 2021)

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

In accordance with Section 208(4)(a) of the Companies Act, 2016, En. Mohd Din Bin Merican will retire at the forthcoming Annual General Meeting of the Company and being eligible, offers for re-election.

**ETIQA FAMILY TAKAFUL BERHAD**
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## 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 those 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 disclosed in Notes 28 and 36 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## 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.

**Premium paid for D&O policy**

| Coverage | Premium paid |
|---|---|
| **Limit of Liability - Group Policy** | **2021 Gross Premium (RM'000)** |
| RM 250 Million | 1,049 |

## 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 and ESGP of the ultimate holding company, Maybank, during the financial year were as follows:

| | | Number of ordinary shares | | |
|---|---|---|---|---|
| **Ultimate Holding Company** | **As at 1 January 2021** | **Issued pursuant to DRP*** | **Acquired during the year** | **As at 31 December 2021** |
| **Direct Interest:** | | | | |
| Dato' Johan Bin Ariffin | 315,187 | 21,471 | 131,000 | 467,658 |

*DRP = Dividend Reinvestment Plan

**DIRECTORS' INTERESTS (CONTD.)**

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | As at 1 January 2021 | Issued pursuant to DRP* | Acquired during the year | As at 31 December 2021 |
| **Indirect Interest:** | | | | |
| Wong Pakshong Kat Jeong Colin Stewart[1] | 34,253 | - | - | 34,253 |
| En. Mohd Din Bin Merican[1] | 2,116 | - | - | 2,116 |

[1] Shares in Maybank held by spouse.

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 25.

**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;

(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; and

**OTHER STATUTORY INFORMATION (CONTD.)**

(iii) to ascertain that there was adequate provision for its takaful certificate liabilities in accordance with the prescribed valuation methods specified in Part B of the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") issued by BNM.

(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 allowance 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 which 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.

(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 certificates of takaful underwritten in the ordinary course of business of the Company.

## SIGNIFICANT EVENTS

There were no significant events during the financial year other than as disclosed in Note 44 to the financial statements.

## SUBSEQUENT EVENTS

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

## AUDITORS

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

The auditors' remuneration are as disclosed in Note 27 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 February 2022.

DATO' MAJID BIN MOHAMAD

DATO' JOHAN BIN ARIFFIN

**ETIQA FAMILY TAKAFUL BERHAD**
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## CORPORATE GOVERNANCE DISCLOSURES

### (1) INTRODUCTION

The Board of Directors ("the Board") of Etiqa Family Takaful Berhad ("the Company"), a wholly-owned subsidiary of Maybank Ageas Holdings Berhad ("MAHB"), the immediate holding company [collectively referred to as ("the Group")] acknowledges the importance of robust and sound Corporate Governance ("CG") Framework in promoting integrity and transparency throughout the Group. Amidst an increasing challenging operating environment, the Board continuously strives to refine the Company's CG practices and processes in ensuring high standards of transparency, integrity and honesty.

The Company's CG Framework is premised upon the following statutory provisions, best practices and guidelines:

(i) Companies Act, 2016; and
(ii) Policy on CG issued by Bank Negara Malaysia on 3 August 2016 ("BNM CG Policy").

Disclosures in this section are pursuant to Paragraph 22 of the BNM CG Policy.

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

#### (a) Board Composition

As at 31 December 2021, the Board consisted of six (6) Directors, comprising of:-

(i) one (1) Non-Independent Non-Executive Directors ("NINED");and
(ii) five (5) Independent Non-Executive Directors ("INED").

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 CG Policy. Dato' Majid Mohamad, an INED, is the Chairman of the Board and the NINED is a nominee of Ageas Insurance International N.V. ("Ageas"), a shareholder of MAHB.

The Board is committed to ensuring diversity and inclusiveness in its composition and deliberations and the Company 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 on a bi-monthly basis, and the meeting dates are scheduled well 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. Majority of the Directors attended at least 75% of the 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 during the financial year are as follows:

| Members of the Board | Designation | Number of Board Meetings attended | % |
|---|---|---|---|
| Dato' Majid Bin Mohamad *(Chairman)* | INED | 9/9 | 100 |
| Mr. Andrew King Sun Cheung *(Vice Chairman)* | NINED | 9/9 | 100 |
| Dato' Johan Bin Ariffin | INED | 9/9 | 100 |
| Mr. Wong Pakshong Kat Jeong Colin Stewart | INED | 9/9 | 100 |
| Assoc. Prof. Dr. Azman Bin Mohd Noor | INED | 9/9 | 100 |
| Encik Mohd Din Bin Merican | INED[1] | 9/9 | 100 |

[1] Appointed as Director w.e.f. 15 February 2021.

**Profile of Directors**

| Name/Designation/Age/ Nationality | Background/ Experience | Other Directorships within the Group |
|---|---|---|
| **Dato' Majid Bin Mohamad**<br>Independent Non-Executive Director<br>Chairman<br>67 years of age<br>Malaysian | Banking & Insurance | • Director of Maybank Ageas Holdings Berhad<br>• Chairman of Etiqa General Takaful Berhad<br>• Chairman of Etiqa Offshore Insurance (L) Ltd (*Incorporated in F.T. Labuan*)<br>• Chairman of Etiqa Life International (L) Ltd *(Incorporated in F.T. Labuan)* |

**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 Directorships within the Group |
|---|---|---|
| **Mr. Andrew King Sun Cheung**<br>Non-Independent Non-Executive Vice-Chairman<br>Director<br>63 years of age<br>Canadian | Insurance | Nil |
| **Dato' Johan Bin Ariffin**<br>Independent Non-Executive Director<br>62 years of age<br>Malaysian | Property Development & Banking | • Director of Maybank Ageas Holdings Berhad<br>• Director of Etiqa Life Insurance Berhad *(Ceased as Director w.e.f. 1 January 2022)*<br>• Director of Etiqa General Takaful Berhad *(Ceased as Director w.e.f. 1 January 2022)*<br>• Chairman of Etiqa Insurance Pte Ltd *(incorporated in Singapore)* |
| **Mr. Wong Pakshong Kat Jeong Colin Stewart**<br>Independent Non-Executive Director<br>62 years of age<br>Singaporean | Insurance | • Director of Etiqa Life Insurance Berhad<br>• Director of Etiqa Insurance Pte Ltd *(Incorporated in Singapore)* |
| **Assoc. Prof. Dr. Azman Bin Mohd Noor**<br>Independent Non-Executive Director<br>48 years of age<br>Malaysian | Islamic Finance | Nil |
| **Encik Mohd Din Bin Merican**<br>Independent Non-Executive Director<br>60 years of age<br>Malaysian | Insurance | Nil |

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

#### (a) Board Composition (contd.)

**Profile of Directors (contd.)**

Detailed profile of each Director is available on the Group's corporate website (www.etiqa.com.my). 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 2021 ("FYE 2021").

#### (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, 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 its Terms of Reference which is available on the Group's corporate website (www.etiqa.com.my).

#### (c) Board Committees Composition and Roles & Responsibilities

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

## 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;
(ii) Audit Committee of the Board;
(iii) Risk Management Committee; and
(iv) Investment Committee.

To ensure that the Company's operations comply with Shariah principles pursuant to the Islamic Financial Services Act 2013, the Board is assisted by a Shariah Committee.

#### (i) Nomination and Remuneration Committee

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

The primary objectives of the NRC are to establish a documented, formal and transparent procedure for the nomination and appointment of new directors, Chief Executive Officer ("CEO"), Shariah Committee members, senior management and Company Secretary.

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 recommendation of the NRC based on the assessment undertaken for the financial year, the Board is satisfied that all the INEDs of the Board have met the independence criteria set out under the BNM CG Policy as well as Maybank's Directors' Independence Policy adopted by the Group. NRC engaged a consultant firm to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board and individual Directors.

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 will always have a steady pool of talent whenever there is a need to appoint new directors, not only to ensure continuity in meeting its long term goals but also to ensure that the knowledge, experience and skillset of the Board members would be well suited to meet the demands of the ever-changing landscape of the insurance industry.

In addition, the NRC is also responsible to provide a formal and transparent procedure in developing remuneration policies for Directors, CEO and senior management and ensuring compensation is competitive and consistent with the Group's culture, objectives and strategy but most importantly, the industry standards.

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

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

| Members of the NRC | Designation | Number of NRC Meetings attended | % |
|---|---|---|---|
| Dato' Johan Bin Ariffin *(Chairman)* | INED | 10/10 | 100 |
| Datuk Mohd Najib Bin Abdullah | INED[1] | 10/10 | 100 |
| Dato' Majid Bin Mohamad | INED | 10/10 | 100 |
| Ms. Daniela Adaggi | NINED[2] | 10/10 | 100 |
| Mr. Gary Lee Crist | NINED[3] | N/A | N/A |

[1] INED of MAHB, Chairman of Etiqa General Insurance Berhad and Etiqa Life Insurance Berhad, wholly owned subsidiaries of MAHB.

[2] Appointed as a member of the NRC w.e.f. 1 January 2021. NINED of Etiqa General Insurance Berhad, a wholly-owned subsidiary of MAHB.

[3] Ceased as a member of the NRC w.e.f. 1 January 2021. NINED of MAHB.

#### (ii) Audit Committee of the Board

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

ACB supports the Board in ensuring reliable and transparent financial reporting, oversees the effectiveness of the internal audit functions, review 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 taken in a timely manner to ensure the Group's operations run in an effective and efficient manner as well as to safeguard the 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.my).

## 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 during the financial year are as follows:

| Members of the ACB | Designation | Number of ACB Meetings attended | % |
|---|---|---|---|
| Mr. Loh Lee Soon *(Chairman)* | INED[1] | 7/7 | 100 |
| Mr. Gary Lee Crist | NINED[2] | 7/7 | 100 |
| Mr. Koh Heng Kong | INED[3] | 7/7 | 100 |
| Mr. Wong Pakshong Kat Jeong Colin Stewart | INED[4] | 4/4 | 100 |
| Cik. Serina Binti Abdul Samad | INED[5] | 7/7 | 100 |
| Assoc. Prof. Dr. Azman Bin Mohd Noor | INED[6] | 3/3 | 100 |
| Puan Norazilla Binti Mohd Tahir | INED[7] | 3/3 | 100 |

[1] Ceased as Chairman of the ACB and INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of MAHB w.e.f. 1 January 2022.

[2] NINED of MAHB.

[3] INED of Etiqa General Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of of MAHB.

[4] Ceased as a member of the ACB w.e.f. 17 June 2021. INED of Etiqa Life Insurance Berhad, Etiqa Family Berhad and Etiqa Insurance Pte Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.

[5] Appointed as a member of the ACB w.e.f. 1 January 2021. INED of Etiqa General Insurance Berhad, a wholly-owned subsidiary of MAHB.

[6] Appointed as a member of the ACB w.e.f. 17 June 2021.

[7] Appointed as a member of the ACB w.e.f. 17 June 2021 and redesignated as Chairman of ACB w.e.f. 1 January 2022. INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of MAHB.

##### (iii) Risk Management Committee

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

RMC assists the Board in 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 formulating 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.my).

## 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 during the financial year are as follows:

| Members of the RMC | Designation | Number of RMC Meetings attended | % |
|---|---|---|---|
| Mr. Koh Heng Kong *(Chairman)* | INED[1] | 7/7 | 100 |
| Mr. Wong Pakshong Kat Jeong Colin Stewart | INED | 7/7 | 100 |
| Mr. Antonio Cano | NINED[2] | 6/7 | 86 |
| Encik Mohd Din Bin Merican | INED[3] | 6/6 | 100 |
| Encik Mohamad Shukor Bin Ibrahim | INED[4] | 4/4 | 100 |
| Prof. Dr. Rusni Binti Hassan | INED[5] | 4/4 | 100 |
| Mr. Gary Lee Crist | NINED[6] | N/A | N/A |

[1] INED of Etiqa General Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB.

[2] Appointed as a member of the RMC w.e.f. 1 January 2021. NINED of MAHB.

[3] Appointed as a member of the RMC w.e.f. 15 February 2021.

[4] Appointed as a member of the RMC w.e.f. 17 June 2021. INED of Etiqa General Insurance Berhad, a wholly-owned subsidiary of MAHB.

[5] Appointed as a member of the RMC w.e.f. 17 June 2021. INED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.

[6] Ceased as a member of the RMC w.e.f. 1 January 2021. NINED of MAHB.

##### (iv) Investment Committee

The Investment Committee ("IC") consists of a majority of INEDs and chaired by an ED.

The Board established IC as a governance body to oversee investment related activities.

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

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

##### (iv) Investment Committee (contd.)

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

| Members of the IC | Designation | Number of IC Meetings attended | % |
|---|---|---|---|
| Dato' Mohamed Rafique Bin Mohd Wahiduddin Merican | ED[1] | 5/5 | 100 |
| Mr. Philippe Pol Arthur Latour | NINED[2] | 4/5 | 80 |
| Datuk Mohd Najib Bin Abdullah | INED[3] | 5/5 | 100 |
| Mr. Wong Pakshong Kat Jeong Colin Stewart | INED[4] | 3/3 | 100 |
| Dato' Amirul Feisal Bin Wan Zahir *(Chairman)* | ED[5] | 3/3 | 100 |

[1] Redesignated as Chairman of the IC w.e.f. 16 July 2021. ED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.

[2] NINED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.

[3] Appointed as a member of the IC w.e.f. 1 January 2021. INED of MAHB, Etiqa General Insurance Berhad and Etiqa Life Insurance Berhad, wholly-owned subsidiaries of MAHB.

[4] Appointed as a member of IC w.e.f. 17 June 2021. INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.

[5] Ceased as a Chairman of the IC and ED of MAHB w.e.f. 29 June 2021.

##### (v) Shariah Committee

Shariah Committee ("SC") consists of six (6) members.

The Board of the Company set up SC in compliance with the Islamic Financial Services Act 2013, which will oversee the operations of the Company to ensure that they are in line with the principles of Shariah.

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**(v) Shariah Committee (contd.)**

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

| Members of the SC | Designation | Number of SC Meetings attended | % |
|---|---|---|---|
| Assoc. Prof. Dr. Aznan Bin Hasan | Chairman | 13/13 | 100 |
| Dr. Sarip Bin Adul | Member[1] | 5/5 | 100 |
| Prof Dr. Rusni Binti Hassan | INED[2] | 13/13 | 100 |
| Prof Dr. Abdul Rahim Bin Abdul Rahman | Member | 13/13 | 100 |
| Prof Dato' Dr. Mohd Azmi Bin Omar | Member | 13/13 | 100 |
| Assoc. Prof. Dr Azman Bin Mohd Noor | INED | 13/13 | 100 |

[1] Ceased as a member of the SC w.e.f. 31 May 2021.
[2] INED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.

**(d) Directors' Training**

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

During the financial year, all 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 ("in-house training") and Financial Institutions Directors' Education ("FIDE").

(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/Heads of Departments, wherein new Directors would be briefed and brought up to speed on the challenges and issues faced by the Group.

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

### (d) Directors' Training (contd.)

(ii) Training Attended

The Board continues to assess the training needs of its Directors and identify key areas of focus for training programmes vide the Annual Board Assessment conducted at the beginning of each financial year.

Trainings attended by the Directors during the financial year were as follow:

| Training attended by Directors | DM[1] | ACKS[2] | DJ[3] | WPC[4] | AMN[5] | MDM[6] |
|---|---|---|---|---|---|---|
| **A. Inhouse Training** | | | | | | |
| 1. Etiqa: Directors' Induction Program | | | √ | | | |
| 2. Etiqa: Directors' Training Programme Module 1 – Series # 1 (Day 1) :<br>• Corporate Overview of Etiqa; Its Dynamic Organization, People, Process and Product.<br>• Industry Updates / Market Landscape.<br>• Brief Overview of Key Pillars | | √ | √ | | √ | √ |
| 3. Etiqa: Directors' Training Programme Module 1 – Series # 2 (Day 2):<br>• Introduction To Insurance and Takaful | | √ | √ | | √ | √ |
| 4. Etiqa's Director Training Programme Module 1 – Series #3 (Day 3):<br>• Discovering the basic of Takaful Updates on Anti Money Laundering/Counter Financing of Terrorism | | √ | | √ | √ | √ |
| 5. Etiqa Directors' Training Programme Module 1 - Orientation/On-boarding Session Series #2 | | | √ | | | |
| 6. Etiqa Risk Management Division: Etiqa Risk Landscape FY 2021 | √ | √ | √ | √ | √ | √ |
| 7. Etiqa: Onboarding of new ACB members | | | | | √ | |
| 8. Etiqa: IFRS17 briefing session | | | | | √ | |
| 9. Etiqa, Operations: Captive Retakaful Arrangements | | | | | √ | |
| 10. Etiqa, Shariah Management: Industrial Roundtable Discussion on Hajah Discussion Paper Issued by Bank Negara Malaysia | | | | | √ | |
| 11. Etiqa, Shariah Management & Malaysian Takaful Association ("MTA') & Association of Shariah Advisors in Islamic Finance ("ASAS"): The 2nd Muzakarah for Shariah Advisors of Takaful Operators (M-SAT 2021) | | | | | √ | |
| 12. Etiqa, General Agency & Shariah Management: Introduction to Agent on the Go Campaign | | | | | √ | |
| 13. Etiqa, Academy & Shariah Management: Sembang Santai Syariah – Mendalami Syariah Menjiwai Takaful | | | | | √ | |
| 14. Etiqa, Accounting and Actuarial: MFRS17- Reporting Qard in the Takaful Fund Column within Takaful Entity Financial Statements | | | | | √ | |
| 15. Etiqa Academy: Sharing Session with Etiqa Life Insurance/Family Takaful | | | | | √ | |
| 16. Etiqa Academy: Sharing Session with Etiqa General Insurance/General Takaful | | | | | √ | |
| 17. Etiqa: Board Oversight Committee Innovation & Technology Onboarding Session | | √ | | | | |
| 18. Etiqa: IFRS 17 Walkthrough Session with ACB and RMC members on Financial Impact Assessment ("FIA") | | √ | | √ | √ | |
| 19. Etiqa: Merdeka Talk – Reflection of my journey in Islamic Finance, featuring the President of Court of Appeal, YAA Tan Sri Rohana Yusuf | | | | √ | √ | |
| 20. Etiqa: Scrum Training | | √ | √ | √ | √ | |
| 21. Etiqa and Ernst & Young: Environmental, Social & Governance ("ESG") related training | √ | | √ | √ | | |
| 22. Maybank: Inaugural Diversity Day | | √ | | | | √ |
| 23. Maybank Group Technology/Nicholas Palmer, Group IB: Cyber Threat Landscape Awareness | √ | | √ | | | √ |
| 24. Maybank Group Human Capital: International Women's Day Celebration 2021 – IWD Flagship Programme | √ | | √ | | | |
| 25. Maybank Group Risk/Group Compliance: Annual Board Risk Workshop: Risk Session – Building Sustainability in a Digital World, Compliance Session – Managing Financial Crime in Emerging Markets | √ | | √ | √ | √ | √ |
| 26. Maybank Investment Bank and Bursa Malaysia: ESG in investment - The time is now | √ | | √ | | | |
| 27. Maybank Kim Eng: US China rivalry and the new geopolitics in Asean - By Dr Tan Kwang Yam, Prof Of Economy Nanyang Technological University | √ | | | | | |
| 28. Maybank and Asia Business School: LESA – Leadership for Enterprise Sustainability Asia 2021 – Ready for the climate change in the economy? | √ | | | | | |
| 29. Maybank and Asia Business School: LESA – LESA 2021 Conference -Is there hope? A roadmap for meaningful change | | | | | | √ |
| 30. Maybank Kim Eng: MKE Captains Speak (Special Edition) - Singapore Recovering & Transforming | | | √ | | | |
| 31. Maybank Kim Eng/ REIT Association of Singapore: Singapore REIT's panel session | | | | √ | | |
| 32. Maybank Kim Eng & Bursa: Invest Malaysia 2021 Series 1 - "Economic Reform" | | | √ | | | |
| 33. Ageas Partnership Day – Global Economic Outlook For 2021 And On The Challenges Facing The Financial World by Mr. Nouriel Roubini | | | √ | √ | | |

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

### (d) Directors' Training (contd.)

(ii) Training Attended (contd.)

| Training attended by Directors (contd.) | DM[1] | ACKS[2] | DJ[3] | WPC[4] | AMN[5] | MDM[6] |
|---|---|---|---|---|---|---|
| **A. Inhouse Training (contd.)** | | | | | | |
| 34. Ageas Partnership Day - Impact 24 | √ | √ | | | | |
| 35. Ageas Partnership Day - A World Authority on Corporate Responsibility and Sustainable Future of Capitalism Called "Green Swans" by Mr. John Elkington | √ | | √ | √ | | |
| 36. Ageas: Executive Development Coaching – setting goals | | √ | | | | |
| 37. Ageas Management Forum – Impact 24 | | √ | | | | |
| 38. Ageas Management Forum 2021 | | √ | | | | |
| 39. Ageas: Case studies and accounting red flags and roles of auditor | | √ | | | | |
| 40. Ageas: Subprime, Financial Institutions' risk taking | | √ | | | | |
| 41. Ageas Academy: Risk Governance & oversight | | √ | | | | |
| 42. Ageas Academy/Anne Connelly: How blockchain can disrupt the industry in the future | | √ | | | | |
| 43. Ageas Academy: A future for next generation - sustainability matter | | √ | | | | |
| **B. External Training** | | | | | | |
| 1. FIDE Core Module B | | | | | √ | |
| 2. BNM Annual Report 2020: Economic and Monetary Report 2020 and Financial Stability Review 2nd Half 2020 engagement session | √ | | | | | |
| 3. FIDE Forum: Dialogue with Tan Sri Nor Shamsiah binti Mohd Yunus, Governor of BNM | √ | | √ | | | |
| 4. FIDE Forum: Board Effectiveness Evaluation – Industry Briefing | √ | | | | | |
| 5. FIDE Forum: MASB Dialogue on MFRS 17 – Insurance Contracts – What every director must know | √ | | √ | | | |
| 6. FIDE Forum : The role of Independent Directors in embracing present and future challenges with Deputy Governor Jessica Chew | √ | | √ | √ | | |
| 7. FIDE Forum: Dialogue on the future of Malaysia's financial sector by Suhaimi Ali – Director Financial Development and Innovation, Bank Negara Malaysia | √ | | | √ | | |
| 8. FIDE Forum: Dialogue with senior leadership of Bank Negara on Risk-Based Capital Framework for Insurance and Takaful operators by Ms Cindy Siah Hooi Hoon | √ | | √ | √ | √ | |
| 9. FIDE Forum: Dialogue with 4 leaders on the 2050 Net Zero Carbon Emission Target - Finance Role | √ | | | | | |
| 10. FIDE Forum: Webinar: Implementing Amendments in the Malaysian Code on Corporate Governance ("MCCG") | | | | √ | | |
| 11. FIDE Forum: The Board's Role and Responsibilities in Crisis Communication | | | √ | | | |
| 12. BNM and Securities Commission Malaysia: JC-3 Flagship Conference 2021 (Day 1), Sustainability as a Business Strategy for Financial Institutions | √ | | √ | √ | | √ |
| 13. BNM and Securities Commission Malaysia: JC-3 Flagship Conference 2021 (Day 2), Sustainability Outcomes and implications for Malaysian Financial Institutions | √ | | √ | √ | | |
| 14. Islamic Banking & Finance Institute Malaysia ("IBFIM"): Aligining sadaqah and social impact financing – The experience of global sadaqah | √ | | | | | |
| 15. IBFIM: Halatuju pentadiran zakat dan wakaf dalam membangun sosial ekonomi ummah – Ke arah kewangan sosial berdaya maju | √ | | | | | |
| 16. IBFIM: Takaful fundamental (overview) | | √ | | | | |
| 17. International Islamic University Malaysia ("IIUM") & Institute of Islamic Banking and Finance ("IIBF"): International conference on Islamic Literacy 2021 – Enhancing the well-being of society, sustaining the economy | √ | | | | | |
| 18. IIUM and Kolej Universiti Islam Antarabangsa Selangor ("KUIS") : 4TH Islamic Financial Intellectual Discourse ("IFIF") – Social economic justice through Islamic social finance | √ | | | | | |
| 19. IIBF – IIUM & IBFIM: Launching of i-Contract services and IIUM Islamic Finance Presidential Talk – Sustainability and value-based Islamic Finance | √ | | | | | |
| 20. Ernst & Young ("EY"): How Asia Pacific response series: Demystifying to reach net zero | √ | | | | | |
| 21. EY: How insurers can take to advance the sustainability agenda | | | | | | √ |
| 22. EY: APAC Blockchain Summit – Blockchain for trust, transparency and efficiency | √ | | | | | |
| 23. EY: IFRS 17 Webinar - The Journey Ahead for Life Insurers | √ | | | | | |
| 24. KPMG: Labuan Re MFRS 17 Training for Board | | | | | | √ |
| 25. Tricor Trustco: How Malaysian Plcs can benefit from Labuan International Business and Financial Centre ("IBFC") | √ | | | | | |
| 26. Labuan IBFC: Qatar Financial Centre and Labuan IBFC Partnership Webinar | √ | | | | | |
| 27. Malaysian Re: Launching of Malaysian Insurance Highlight 2020 – Impact of Covid-19 pandemic on Malaysia's economy and insurance market | √ | | | | | |
| 28. Akademi Kepimpinan Pendidikan Tinggi ("AKEPT"): Higher education institutions leadership towards education for sustainable development | √ | | | | | |

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

### (d) Directors' Training (contd.)

(ii) Training Attended (contd.)

| Training attended by Directors (contd.) | DM[1] | ACKS[2] | DJ[3] | WPC[4] | AMN[5] | MDM[6] |
|---|---|---|---|---|---|---|
| **B. External Training (contd.)** | | | | | | |
| 29. S&P Global Rating: Islamic Finance 2021-2022: Towards more sustainable growth | √ | | | | | |
| 30. Asia Insurance Review: Virtual Takaful Rendezvous | √ | | | | | |
| 31. Asia School of Business ("ASB") ICLIF Executive Education Centre: Implementing amendments in the Malaysian Code of Corporate Governance by Dr Elsa Satkunasingam, Asia School of Business – ICLIF Executive Education Centre | √ | | | | | |
| 32. ASB: Director's Duties and Liabilities & Company Act | | √ | | | | |
| 33. ASB: Current & Emerging Issues in Corporate Governance | | √ | | | | |
| 34. ASB: Governance Framework | | √ | | | | |
| 35. ASB: Board effectiveness | | √ | | | | |
| 36. ASB: Recovery & Resolution Planning | | √ | | | | |
| 37. ASB: Return on Compliance; Emerging Risks & Future Board | | √ | | | | |
| 38. ASB: Board Dynamics and M&A Cases | | √ | | | | |
| 39. ASB: Governance Culture & Compliance | | √ | | | | |
| 40. ASB: Overview of Fintech and Insurtech | | √ | | | | |
| 41. ASB: Innovation Strategies for Insurance Companies | | √ | | | | |
| 42. ASB: Corruption Risk Management | | | √ | | | |
| 43. ASB: Nomination and Remuneration Committee – Beyond Box-Ticking & Enhancing Effectiveness | | | √ | | | |
| 44. Permodalan Nasional Berhad ("PNB") Research Institute Sdn Bhd: PNB Knowledge Forum 2021 – Climate Change: A New Green Deal for Malaysia | | | √ | | √ | √ |
| 45. PNB: iRAC Week 2021 – Upholding Good Governance In A Challenge Environment | | | √ | | | |
| 46. PNB: Cyber Security Awareness Program for BOD and Leadership Team | | | √ | | | |
| 47. PNB Shariah Management Department & Corporate Governance Department): PNB Knowledge Forum 2021 – Shariah Awareness: Strengthening Shariah Culture | | | √ | | | |
| 48. Asia Global Institute, Hong Kong: Asia Global Dialogue 2021 – Asia forward: Leading the way towards a new multilateralism | √ | | | | | |
| 49. National Insurance Academy, Pune: Risk Based Capital Framework | | √ | | | | |
| 50. SOS International: Covid-19 Vaccination Awareness' Talk (HK focus) | | √ | | | | |
| 51. INSEAD: Towards a Hybrid Corporate Governance Paradigm | | √ | | | | |
| 52. Thai Institute of Directors Association: Director Accreditation Program DAP 183/2021 | | √ | | | | |
| 53. Institute of Corporate Directors Malaysia ("ICDM"): Powertalk Series 2021 – A Boardroom Simulation : Corporate Strategy Beyond the Crisis | | | √ | | | |
| 54. Malaysian Economic Association: 2022 Post-Budget Debate | | | √ | | | |
| 55. Coursera – Yale, Robert Shiller: Financial Markets course | | | | √ | | |
| 56. Singapore Actuarial Society: Singapore Actuarial Conference | | | | √ | | |
| 57. Emnes Events – Datuk Syed Zaid Albar, Dr Sami Al- Suwailem: Islamic Fintech Leaders Forum 2021 | | | | | √ | |
| 58. Association of Shariah Advisors in Islamic Finance ("ASAS"): LIQA' Merdeka 2021: The Role of Malaysia Judiciary in Islamic Finance - My Personal Reflection | | | | | √ | |
| 59. ASAS: Value-based Intermediation for Takaful ("VBIT") | | | | | √ | |

*1 DM - Dato' Majid Bin Mohamad*
*2 ACKS – Mr. Andrew Cheung King Sun*
*3 DJ - Dato' Johan Bin Ariffin*
*4 WPC - Mr. Wong Pakshong Kat Jeong Colin Stewart*
*5 AMN – Assoc. Prof. Dr. Azman Bin Mohd Noor*
*6 MDM – Encik Mohd Din Bin Merican*

## (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 the public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

### (4) REMUNERATION - QUALITATIVE DISCLOSURES

#### a) Board Performance

In line with good corporate governance, the Board via the NRC has set out its intention to periodically review the Non-Executive Directors' ("NED") remuneration per Maybank remuneration policy for Directors.

The Board believes the one area that the Board needs to focus on in order to remain effective in the discharge of its duties and responsibilities is the setting of a fair and comprehensive remuneration package commensurate with the expertise, skills, and responsibilities with being a Director of a financial institution.

The remuneration package of NED consists of the following:

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

#### b) Senior Management Appointment and Performance

NRC also recommends and assesses the nominee for the position of CEO and re-appointment of CEO as well as oversee the appointment and succession planning of the identified Senior Officers (Chief Financial Officer, Chief Risk Officer and Appointed Actuary) of the Company.

NRC is responsible to oversee performance evaluation of CEO and Senior Officers.

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) Non-Executive Directors' Remuneration

The Non-Executive Directors' Remuneration for the financial year are as follows:

| Remuneration | Per Annum (RM) |
|---|---|
| **(i) Fees** | |
| Board: | |
| - Chairman | 180,000 |
| - Member | 120,000 |
| Committee: | |
| - Chairman | 32,500 |
| - Member | 28,000 |
| Shariah Committee: | |
| - Chairman | 60,000 |
| - Member | 50,000 |
| **(ii) Meeting Allowance** | |
| per meeting attended | 2,000 |

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

The details of Directors' and CEO's remuneration for FYE 2021 are disclosed in Notes 28 and 27(b) to the Company's Financial Statements.

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

Maybank Group's total rewards philosophy goes beyond tangible rewards. It is integrated rewards strategy that focuses on the right remuneration, benefits and career development as well as progression opportunities at the right timing for employees' personal and professional aspirations. It involves a holistic integration of the total rewards' key elements that are aligned to the Group strategy, Group Human Capital strategy, culture and Core Values T.I.G.E.R.*, all critical to sustain employee engagement levels, productivity and business growth.

Remuneration policy is approved by the Board and is monitored and reviewed periodically. It reinforces a high performance culture to attract, motivate and retain talent through market competitiveness and differentiated pay.

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

### (5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Maybank Group's rewards' principles are delivered holistically via the Group's Total Rewards Framework which includes base pay, other fixed cash, performance-based variable cash, long-term incentive awards, benefits and development.

| Key elements | Purpose |
|---|---|
| **Fixed Pay** | Attract and retain talent by providing competitive pay that is externally benchmarked against relevant peers and location, and internally aligned with consideration of differences in individual performance and achievements, skills-set, job scope as well as competency level. |
| **Variable Pay** | **Variable Bonus**<br>▪ Reinforce pay-for-performance culture and adherence to the Group's Core Values T.I.G.E.R.*<br>▪ Variable cash award design that is aligned with the long-term performance goals of the Group through deferral and claw-back policies.<br>▪ Based on overall Group Performance, Business/Corporate Function and individual performance.<br>▪ Performance is measured via the Balanced Scorecard approach.<br>▪ Deferral Policy: Any Variable Bonus Awards in excess of certain thresholds will be deferred over a period of time.<br><br>**Long-term Incentive Award**<br>▪ The Long-term Incentive Award is offered within the suite of Total Rewards for eligible Talents. An approved customized Share Grant Plan is offered to eligible Senior Management who has direct line of sight in driving, leading and executing the Group's business strategies and objectives.<br><br>**Clawback Provision**<br>▪ The Board, based on risk management issues, financial misstatement, fraud and gross negligence or wilful misconduct, has the discretion to make potential adjustment or clawback on Variable Bonus and Long-term Incentive Awards. |
| **Benefits** | ▪ Provides employees with financial protection, access to health care, paid time-off, staff loans at preferential rates, programmes to support work/life balance, etc. for a diverse workforce. The benefits programmes which blend all elements including cost optimisation and employee/job needs, are reviewed regularly with proactive actions taken to remain competitive in the increasingly dynamic business landscape and continuously enrich employees, as part of total rewards strategy. |
| **Development and Career Opportunities** | ▪ Continue to invest in the personal and professional growth of employees. Opportunities provided to employees to chart their careers across different businesses and geographies. |

* Core Values: Teamwork; Integrity; Growth; Excellence & Efficiency and Relationship Building

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

## (5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Total compensation ensures that employees are paid equitably to the market, delivered via cash and share/share-linked instruments, where applicable. The mix of cash and shares/shares-linked instruments is aligned to the Group's long-term value creation and time horizon of risks with targeted mix ratio.

The target positioning of Base Pay is mid-market while target positioning for total compensation for a performer is to be within the upper range of market. Target positioning for benefits is mid-market. In certain markets/geographies, there may be exceptions for selected benefits with above mid-market positioning for strategic purposes. As the Group operates globally, it is essential that local legislation and practices are observed. Should any clause of any policy conflict with local legislation, local legislations shall take precedence.

**Key Features of Remuneration Framework that Promotes Alignment between Risk and Rewards**

The Group Total Compensation, a mixture of Fixed and Variable (i.e. Variable Bonus and Long-term Incentive Plan) is designed to align with the long-term performance goals and objectives of the organisation. The compensation framework provides a balanced approach between fixed and variable components that change according to individual performance, business/corporate function performance, group performance outcome as well as individual's level and accountability.

The Company has strong internal governance on performance and remuneration of control functions which are measured and assessed independently from the business units they support to avoid any conflict of interests. The remuneration of staff in control functions are predominantly fixed to reflect the nature of their responsibilities. Annual reviews of their compensation are benchmarked against market rate and internally to ensure that it is set at an appropriate level.

Performance Management principles ensure Key Performance Indicators ("KPI") continue to focus on outcomes delivered that are aligned to the business plans. Each of the Senior Officers and Other Material Risk Takers ("OMRT") carry Risk, Governance & Compliance goals in their individual scorecard and are cascaded accordingly. Being a responsible organisation, the right KPI setting continues to shape the organisational culture, actively drive risk and compliance agendas effectively where inputs from control functions and Board Committees are incorporated into the sector and individual performance results.

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

### (5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

**Long-term Incentive Award – Employees' Share Grant Plan**

Maybank in December 2018, rolled out a new scheme under Long-Term Incentive Award i.e. Employees Shares Grant Scheme ("ESGP") replacing the previous scheme that expired in June 2018. ESGP serves as a long-term incentive award for eligible Senior Management with the following objectives:

- To align to the Group's long-term strategic objectives to maximise shareholders' value through a high performance culture;
- To continue to attract, motivate and retain key talents in Senior Management level;
- To align the Group total rewards to the long-term value creation and time horizon of risk;
- To drive performance that is tied to long-term outcomes and business growth; and
- To participate in the Group's business strategies for future growth of the Group.

**Corporate Governance – Remuneration practices**

As part of the overall corporate governance framework, the Company ensures its remuneration policies and structure are in line with the requirements of governance regulations. From a risk management perspective, the remuneration policy is supported by strong governance and sensitive to risk outcomes.

Staff rewards are reviewed on an annual basis and consistent with business performance and prudent risk management. Appropriately, involvement by the relevant control functions are sufficiently embedded to provide an independent and objective assessment of the remuneration principles and practices which are pre-requisites for executing a sound remuneration policy.

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

The remuneration package for Senior Officers and OMRTs are reviewed on an annual basis and submitted to the NRC for recommendation to the Board for approval.

Senior officer is defined as performing a senior management function whose primary or significant responsibility is for the management and performance of significant business activities and includes those who assume primary or significant responsibility for key control functions.

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

### (5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

#### d) Senior Officers and Other Material Risk Takers ("OMRT") (contd.)

Other Material Risk Taker ("OMRT") is defined as:

(a) an officer who is a member of senior management of the Company and who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on its risk profile; or

(b) among the most highly remunerated officers in the Company.

Summary of financial year ended 2021 compensation outcome for those identified as Senior Officers and OMRTs:

| Remuneration | Unrestricted | | Deferred | |
|---|---|---|---|---|
| **Fixed Remuneration** | **No. of pax** | **RM'000** | **No. of pax** | **RM** |
| **Material Risk Taker ("Senior Management")** | | | | |
| Cash-based | 13 | 4,885 | Nil | |
| Shares and share-linked instruments (ESOS etc.) | | | | |
| Other | Nil | | | |
| **Other Material Risk Taker ("OMRT")** | | | | |
| Cash-based | Nil | | | |
| Shares and share-linked instruments (ESOS etc.) | | | | |
| Other | Nil | | | |
| **Variable Remuneration** | **No. of pax** | **RM'000** | **No. of pax** | **RM** |
| **Material Risk Taker ("Senior Management")** | | | | |
| Cash-based | 13 | 1,682 | Nil | |
| Shares and share-linked instruments (ESOS etc.) | | | | |
| Other | Nil | | | |
| **Other Material Risk Taker ("OMRT")** | | | | |
| Cash-based | Nil | | | |
| Shares and share-linked instruments (ESOS etc.) | | | | |
| Other | Nil | | | |

The figures above exclude the Long-Term Incentive Award (combination of cash and shares) awarded in 2021 as the amount, conditional upon fulfillment of payment/vesting criteria have not taken effect.

**ETIQA FAMILY TAKAFUL BERHAD**
**199301011506 (266243-D)**
**(Incorporated in Malaysia)**

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

We, Dato' Majid Bin Mohamad and Dato' Johan Bin Ariffin, being two of the Directors of Etiqa Family Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 33 to 203 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting 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 2021 and of the results and the cash flows of the Company for the financial year 31 December 2021.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 February 2022.

DATO' MAJID BIN MOHAMAD

DATO' JOHAN BIN ARIFFIN

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

I, Chow Wai Sum, being the Officer primarily responsible for the financial management of Etiqa Family Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 203 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 CHOW WAI SUM
at Kuala Lumpur in Wilayah Persekutuan
on 23 February 2022

CHOW WAI SUM
HEAD, FINANCE

Before me,

Commissioner for Oaths

PESURUHJAYA SUMPAH
NO: W 681
RAMLABAYA SAIGAL
BC/R/548
1 JAN 2022 - 31 DIS 2024
MALAYSIA

NO. A-31-11, LEVEL 31,
TOWER A, MENARA UOA BANGSAR,
NO. 5, JALAN BANGSAR UTAMA 1,
BANGSAR, 59000 KUALA LUMPUR

**ETIQA FAMILY TAKAFUL BERHAD**
**199301011506 (266243-D)**
**(Incorporated in Malaysia)**

## REPORT OF THE SHARIAH COMMITTEE

*In the name of Allah, the Most Beneficent, the Most Merciful*

We, Associate Professor Dr Azman Bin Mohd Noor and Professor Dato' Dr Mohd Azmi Bin Omar, being two of the members of the Shariah Committee of Etiqa Family Takaful Berhad, do hereby report on behalf of the Committee that to the best of our knowledge and belief:

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial year ended 31 December 2021. We have also conducted our review to form an opinion pursuant to Section 30(1) of Islamic Financial Services Act 2013 ("IFSA"), as to whether the Company has complied with the principles of Shariah, Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia ("BNM"), Shariah standards issued by BNM pursuant to Section 29 of IFSA, relevant guidelines and circulars issued by BNM, Shariah rulings issued by the Shariah Advisory Council of Securities Commission (for capital market related matters), as well as Shariah decisions resolved by us.

During the financial year of 2021, the Committee had convened 13 times and all members have satisfied the minimum attendance requirement as per Paragraph 11.4 of Shariah Governance Policy Document of BNM which stipulates that a Committee member must attend at least 75% of the Committee meetings held in each financial year.

The management of the Company has held responsible for ensuring that the Company conducts its business in accordance with Shariah rules and principles. It is our responsibility to express an independent opinion, based on our review of the operations of the Company.

We have assessed the work carried out by Shariah review function and Shariah audit function which included examining, on a test basis, the relevant type of transactions, documentations and procedures adopted by the Company.

The Company also has organised the necessary Shariah training programs to the Board of Directors, senior management, staff and agents to enhance the Shariah awareness and instill the Shariah compliant culture throughout the organisation.

We obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated the rules and principles of Shariah.

In our opinion:

1. the relevant contracts, transactions and dealings entered into by the Company during the financial year ended 31 December 2021 that we have reviewed are in compliance with the Shariah principles;

2. the allocation of profits and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

3. the sharing of surplus arising from the tabarru' fund (Participants' Risk Fund) conforms with the respective internal policies and approved by us;

## REPORT OF THE SHARIAH COMMITTEE (CONTD.)

In our opinion (contd.):

4. nothing has come to our attention that causes us to believe that the operations, business, affairs and activities of the Company involve in any material Shariah non-Compliant incidents;

5. accordingly, there is no Shariah non-compliant earnings encountered by us during the financial year ended 31 December 2021; and

6. the calculation, payment and distribution of business zakat and distribution of Amal Jariah fund is in compliance with the principles of Shariah.

This opinion is rendered based on what has been presented to us by the management of the Company and its Shariah Management. To the best of our knowledge and belief, the information provided to us is true and accurate.

All in all, we, the members of the Shariah Committee of Etiqa Family Takaful Berhad, do hereby confirm that, in our level best, the operations of the Company for the financial year ended 31 December 2021 have been conducted in conformity with the rules and principles of Shariah.

*They said, "Exalted are You (Allah); we have no knowledge except what You have taught us. Indeed, it is You who is the Knowing, the Wise." (Surah al-Baqarah, chapter 2, verse 32)*

Allah knows best.

Signed on behalf of the Committee.

ASSOCIATE PROFESSOR DR AZMAN BIN MOHD NOOR

PROFESSOR DATO' DR MOHD AZMI OMAR

Kuala Lumpur, Malaysia
23 February 2022

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

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# Independent auditors' report to the member of Etiqa Family Takaful Berhad 199301011506 (266243-D) (Incorporated in Malaysia)

## Report on the Audit of Financial Statements

*Opinion*

We have audited the financial statements of Etiqa Family Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2021, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 203.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

*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"), 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, Corporate Governance disclosures and the Report of the Shariah Committee but does not include the financial statements of the Company and our auditors' report thereon.

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.



Ernst & Young PLT 202006000003 (LLP0022760-LCA) & AF 0039 was registered on 02.01.2020 and with effect from that date, Ernst & Young (AF 0039), a conventional partnership was converted to a limited liability partnership.

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*Information Other than the Financial Statements and Auditors' Report Thereon (contd.)*

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

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

*Auditors' Responsibilities for the Audit of the Financial Statements*

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



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*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 skepticism 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 represent the underlying transactions and events in a manner that achieves fair presentation.

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



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**Independent auditors' report to the member of Etiqa Family Takaful Berhad**
**199301011506 (266243-D)**
**(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

Kuala Lumpur, Malaysia
23 February 2022

Brandon Bruce Sta Maria
No : 02937/09/2023 J
Chartered Accountant



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**ETIQA FAMILY TAKAFUL BERHAD**
**199301011506 (266243-D)**
**(Incorporated in Malaysia)**

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2021**

| | | 31.12.2021 | | | 31.12.2020 | | |
|---|---|---|---|---|---|---|---|
| | Note | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
| **ASSETS** | | | | | | | |
| Property, plant and equipment | 3 | 101 | - | 101 | 203 | - | 203 |
| Right-of-use assets ("ROU") | 4 | 280 | - | 280 | 518 | - | 518 |
| Intangible assets | 5 | 7,974 | - | 7,974 | 5,589 | - | 5,589 |
| Investments | 6 | 2,532,034 | 11,961,087 | 14,466,355 | 2,447,377 | 12,024,957 | 14,444,717 |
| Financing receivables | 7 | 12,901 | - | 12,901 | 15,011 | - | 15,011 |
| Retakaful assets | 8 | - | 207,400 | 207,400 | - | 162,030 | 162,030 |
| Takaful receivables | 9 | - | 147,950 | 147,950 | - | 140,095 | 140,095 |
| Other assets | 10 | 142,910 | 152,842 | 192,066 | 185,842 | 118,429 | 158,955 |
| Deferred tax assets | 18 | 132,699 | - | 117,021 | - | - | - |
| Current tax assets | 11 | 82,053 | - | 82,053 | 63,042 | 20,416 | 83,458 |
| Cash and bank balances | | 2,583 | 56,225 | 58,808 | 38,893 | 193,264 | 232,157 |
| **Total Assets** | | 2,913,535 | 12,525,504 | 15,292,909 | 2,756,475 | 12,659,191 | 15,242,733 |
| **EQUITY, LIABILITIES AND PARTICIPANTS' FUND** | | | | | | | |
| **Equity** | | | | | | | |
| Share capital | 12 | 100,000 | - | 100,000 | 100,000 | - | 100,000 |
| Reserves | 13 | 2,125,862 | - | 2,119,096 | 1,892,830 | - | 1,885,213 |
| **Total Equity** | | 2,225,862 | - | 2,219,096 | 1,992,830 | - | 1,985,213 |
| **Liabilities and Participants' Fund** | | | | | | | |
| Participants' fund | 14 | - | 2,233,800 | 2,233,800 | - | 2,433,412 | 2,433,412 |
| Takaful certificate liabilities | 15 | - | 9,745,994 | 9,725,994 | - | 9,516,784 | 9,496,784 |
| Derivative liabilities | 16 | - | 487 | 487 | - | - | - |
| Expense liabilities | 17 | 533,451 | - | 533,451 | 572,186 | - | 572,186 |
| Deferred tax liabilities | 18 | - | 15,678 | - | 34,162 | 51,654 | 85,816 |
| Takaful payables | 19 | 5,390 | 24,651 | 30,041 | 3,400 | 20,365 | 23,765 |
| Other liabilities | 20 | 124,762 | 504,794 | 525,870 | 142,800 | 636,876 | 634,360 |
| Current tax liabilities | | 24,070 | 100 | 24,170 | 11,097 | 100 | 11,197 |
| **Total Liabilities and Participants' Fund** | | 687,673 | 12,525,504 | 13,073,813 | 763,645 | 12,659,191 | 13,257,520 |
| **Total Equity, Liabilities and Participants' Fund** | | 2,913,535 | 12,525,504 | 15,292,909 | 2,756,475 | 12,659,191 | 15,242,733 |

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

**ETIQA FAMILY TAKAFUL BERHAD**
**199301011506 (266243-D)**
**(Incorporated in Malaysia)**

## INCOME STATEMENT
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| | Note | 2021 Shareholder's fund RM'000 | 2021 Family Takaful fund RM'000 | 2021 Company RM'000 | 2020 Shareholder's fund RM'000 | 2020 Family Takaful fund RM'000 | 2020 Company RM'000 |
|---|---|---|---|---|---|---|---|
| **Operating revenue** | 21 | **446,454** | **2,256,090** | **2,354,043** | **405,649** | **2,046,386** | **2,137,827** |
| Gross earned contributions | | - | 1,773,121 | 1,773,121 | - | 1,586,714 | 1,586,714 |
| Earned contributions ceded to retakaful | | - | (104,979) | (104,979) | - | (87,904) | (87,904) |
| **Net earned contributions** | | - | 1,668,142 | 1,668,142 | - | 1,498,810 | 1,498,810 |
| Fee and commission income | 22 | 348,651 | 1,065 | 1,215 | 314,321 | 1,510 | 1,623 |
| Investment income, net | 23 | 97,953 | 482,969 | 580,922 | 91,441 | 459,672 | 551,113 |
| Realised (losses)/gains, net | 24 | (320) | (33,028) | (33,348) | 23,691 | 215,293 | 238,984 |
| Fair value (losses)/gains, net | 25 | (74,406) | (329,937) | (403,492) | 27,876 | 113,158 | 139,477 |
| Other operating (expenses)/ income, net | 26 | (5,801) | 13,097 | 7,296 | (18,270) | 15,170 | (3,100) |
| **Other revenue** | | 366,077 | 134,166 | 152,593 | 439,059 | 804,803 | 928,097 |
| Gross benefits and claims paid | | - | (1,280,852) | (1,280,852) | - | (1,310,398) | (1,310,398) |
| Claims ceded to retakaful operators | | - | 80,824 | 80,824 | - | 58,085 | 58,085 |
| Gross change in certificate liabilities | | - | (28,201) | (182,090) | - | (395,340) | (597,730) |
| Change in certificate liabilities ceded to retakaful operators | | - | 45,370 | 45,370 | - | 50,832 | 50,832 |
| **Net benefits and claims** | | - | (1,182,859) | (1,336,748) | - | (1,596,821) | (1,799,211) |
| Management expenses | 27 | (178,080) | (23,021) | (201,101) | (144,648) | (29,862) | (174,510) |
| Change in expense liabilities | 17 | 38,735 | - | 38,735 | (36,904) | - | (36,904) |
| Fee and commission expenses | 30 | (138,288) | (349,080) | (138,867) | (125,318) | (314,915) | (126,025) |
| Tax borne by the participants | 31 | - | 5,564 | 5,564 | - | (8,370) | (8,370) |
| **Other expenses** | | (277,633) | (366,537) | (295,669) | (306,870) | (353,147) | (345,809) |
| **Operating profit before surplus transfers** | | 88,444 | 252,912 | 188,318 | 132,189 | 353,645 | 281,887 |
| Surplus transferred to participants' fund | 14 | - | (153,889) | - | - | (202,390) | - |
| Surplus attributable to shareholder's fund | | 99,023 | (99,023) | - | 151,255 | (151,255) | - |
| **Profit before taxation and zakat** | | 187,467 | - | 188,318 | 283,444 | - | 281,887 |
| Taxation | 31 | 92,982 | - | 92,982 | (78,107) | - | (78,107) |
| Zakat | | (10,609) | - | (10,609) | (11,906) | - | (11,906) |
| **Net profit for the financial year** | | 269,840 | - | 270,691 | 193,431 | - | 191,874 |
| **Basic and diluted earnings per share (sen)** | 32 | | | 270.69 | | | 191.87 |

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

**ETIQA FAMILY TAKAFUL BERHAD**
**199301011506 (266243-D)**
**(Incorporated in Malaysia)**

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

| | | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|---|
| | Note | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
| **Net profit for the financial year** | | 269,840 | - | 270,691 | 193,431 | - | 191,874 |
| **Other comprehensive income:** | | | | | | | |
| **Items that may be subsequently reclassified to income statement** | | | | | | | |
| Change in fair value of financial assets at Fair Value Through Other Comprehensive Income ("FVOCI"): | | | | | | | |
| - fair value changes | | (49,209) | (145,464) | (194,673) | 26,055 | 97,525 | 123,580 |
| - transfer to profit or loss upon disposal | 24 | (609) | (3,714) | (4,323) | (24,935) | (169,144) | (194,079) |
| Tax effect relating to financial assets at FVOCI | 18 | 13,010 | 9,995 | 23,005 | (269) | 5,145 | 4,876 |
| Other comprehensive income attributable to the participants | | - | 139,183 | 139,183 | - | 66,474 | 66,474 |
| **Other comprehensive (loss)/ income for the financial year, net of tax** | | (36,808) | - | (36,808) | 851 | - | 851 |
| **Total comprehensive income for the financial year** | | 233,032 | - | 233,883 | 194,282 | - | 192,725 |

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

**ETIQA FAMILY TAKAFUL BERHAD**
**199301011506 (266243-D)**
**(Incorporated in Malaysia)**

## STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| | | Attributable to Equity Holder of the Company | | | |
|---|---|---|---|---|---|
| | | | Non-Distributable | Distributable | |
| | Note | Share Capital RM'000 | FVOCI Reserve RM'000 | Retained Profits RM'000 | Total Equity RM'000 |
| **At 1 January 2021** | | 100,000 | 24,519 | 1,860,694 | 1,985,213 |
| Net profit for the financial year | | - | - | 270,691 | 270,691 |
| Other comprehensive loss for the financial year | | - | (36,808) | - | (36,808) |
| Total comprehensive (loss)/income for the financial year | | - | (36,808) | 270,691 | 233,883 |
| **At 31 December 2021** | | 100,000 | (12,289) | 2,131,385 | 2,219,096 |
| **At 1 January 2020** | | 100,000 | 23,668 | 1,668,820 | 1,792,488 |
| Net profit for the financial year | | - | - | 191,874 | 191,874 |
| Other comprehensive income for the financial year | | - | 851 | - | 851 |
| Total comprehensive income for the financial year | | - | 851 | 191,874 | 192,725 |
| **At 31 December 2020** | | 100,000 | 24,519 | 1,860,694 | 1,985,213 |

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

**ETIQA FAMILY TAKAFUL BERHAD**
**199301011506 (266243-D)**
**(Incorporated in Malaysia)**

**STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

| | Note | 31.12.2021 RM'000 | 31.12.2020 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation and zakat: | | 188,318 | 281,887 |
| Adjustments for: | | | |
| Tax borne by participants | 31 | (5,564) | 8,370 |
| Depreciation of property, plant and equipment | 27 | 107 | 122 |
| Amortisation of intangible assets | 27 | 1,178 | 879 |
| Profit on lease liabilities | 27 | 20 | 24 |
| Depreciation of right-of-use assets | 27 | 194 | 229 |
| Fair value losses/(gains) on financial assets at Fair Value through Profit or Loss (FVTPL) | 25 | 403,492 | (139,477) |
| Losses/(gains) on disposal of investments | 24 | 33,337 | (238,984) |
| Net (gains)/losses on foreign exchange | 26 | (628) | 164 |
| Fair value losses on foreign exchange | 26 | 204 | 17 |
| Realised gain on property, plant and equipment | 24 | - | (1) |
| Realised loss on intangible assets | 24 | 11 | - |
| (Reversal of)/allowance for impairment losses on investments | 26 | (676) | 482 |
| (Reversal of)/allowance for impairment losses on takaful receivables | 26 | (7,802) | 3,746 |
| Allowance for impairment losses on other receivables | 26 | 17 | 47 |
| Reversal of allowance for impairment losses on financing receivables | 26 | (1) | (175) |
| Takaful receivables written off | 26 | 22 | - |
| Profit income | 23 | (581,153) | (554,955) |
| Gross dividend/distribution income | 23 | (22,300) | (16,148) |
| Net amortisation of premiums | 23 | 18,246 | 16,660 |
| Surplus transferred to participants' fund | 14 | 153,889 | 202,390 |
| Operating cash flows before working capital changes | | 180,911 | (434,723) |
| Changes in working capital: | | | |
| Increase in takaful receivables | | (75) | (23,442) |
| Increase in other assets | | (17,554) | (14,134) |
| Increase/(decrease) in takaful payables | | 6,276 | (7,969) |
| (Decrease)/increase in other liabilities | | (76,336) | 260,360 |
| (Decrease)/increase in expense liabilities | | (38,735) | 36,904 |
| Decrease in financing receivables | | 2,111 | 731 |
| Decrease/(increase) in placements of deposits with financial institutions | | 1,307,325 | (1,940,036) |
| Increase in retakaful assets | | (45,370) | (50,832) |
| Increase in takaful certificate liabilities | | 27,709 | 395,340 |
| Operating cash flows after working capital changes, carried forward | | 1,346,262 | (1,777,801) |

**ETIQA FAMILY TAKAFUL BERHAD**
**199301011506 (266243-D)**
**(Incorporated in Malaysia)**

**STATEMENT OF CASH FLOWS (CONTD.)**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

| | Note | 31.12.2021 RM'000 | 31.12.2020 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)** | | | |
| Operating cash flows after working capital changes, brought forward | | 1,346,262 | (1,777,801) |
| Profit income received | | 565,086 | 572,123 |
| Gross dividend/distribution income received | | 22,796 | 15,320 |
| Donation | 14 | - | (10,000) |
| Zakat paid | | (9,844) | (9,009) |
| Taxation paid | | (66,909) | (86,349) |
| Surplus paid to participants | | (16,734) | (37,948) |
| Witholding tax borne by participants | | (28,274) | (14,555) |
| Net cash flows generated from / (used in) from operating activities | | 1,812,383 | (1,348,219) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of investments | | 2,839,701 | 4,881,511 |
| Purchase of investments | | (4,821,638) | (3,425,156) |
| Proceeds from disposal of intangible assets | | 4 | 22 |
| Purchase of intangible assets | 5 | (3,578) | (1,886) |
| Purchase of property, plant and equipment | 3 | (5) | (10) |
| Net cash flows (used in) / generated from investing activities | | (1,985,516) | 1,454,481 |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | | |
| Payment of lease liabilities | 4 | (216) | (216) |
| Net cash flows used in financing activity | | (216) | (216) |
| **(Decrease)/increase in cash and cash equivalents** | | (173,349) | 106,046 |
| **Cash and cash equivalents at beginning of year** | | 232,157 | 126,111 |
| **Cash and cash equivalents at end of year** | | 58,808 | 232,157 |
| **Cash and cash equivalents comprise:** | | | |
| Cash and bank balances of: | | | |
| Shareholder's fund | | 2,583 | 38,893 |
| Family Takaful fund | | 56,225 | 193,264 |
| | | 58,808 | 232,157 |

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

## 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.

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 management of Family Takaful and Takaful Investment-linked business.

There were no significant changes in the nature of the principal activities 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 23 February 2022.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 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 Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The Company has adopted those amendments to MFRSs effective for the annual periods beginning on or after 1 January 2021 as disclosed in Note 2.3.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

#### (a) Statement of compliance (contd.)

In preparing the Company-level financial statements, the balances and transactions of the Shareholder's fund are amalgamated and combined with those of the Takaful fund. Interfund balances, transactions and unrealised gains or losses are eliminated in full during amalgamation. The accounting policies adopted for Shareholder's and Takaful fund are uniform for transactions and events in similar circumstances.

The Takaful fund is consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which will occur when the Company's licence to manage takaful business is withdrawn or surrendered.

**Takaful operation and its funds**

Under the concept of Takaful, individuals make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a Takaful Operator, the Company manages the Family Takaful fund in line with the principles of Wakalah (agency), which is the main business model adopted by the Company. Under the Wakalah model, the Takaful Operator is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purpose outlined above.

In accordance with the Islamic Financial Services Act 2013 ("IFSA"), the assets and liabilities of the Takaful fund are segregated from those of the Takaful Operator : a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statements* , the assets, liabilities, income and expenses of the Takaful fund are consolidated with those of the Takaful Operator to represent the control possessed by the operator over the respective funds.

The inclusion of separate information of the Takaful fund and the Takaful Operator together with the consolidated financial information of the Company in the statement of financial position, the income statement, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information required for Bank Negara Malaysia reporting.

#### (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 significant accounting policies.

## 2. SIGNIFICANT ACCOUNTING POLICIES (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 and IFRS 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:

(a) Family Takaful certificate liabilities

These are provided in Note 2.2(xii). The note presents a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amounts of the family takaful liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 38 of the financial statements.

(b) Impairment losses on financial assets, as referred in Note 2.2(vi).

### 2.2 Summary of significant accounting policies

#### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

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

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.

Work-in-progress are not depreciated as these assets are 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.

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:

| | |
|---|---|
| Furniture, fittings, office equipment and renovations | 20% - 25% |
| Computers and peripherals | 14% - 25% |
| Motor vehicles | 25% |

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) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (ii) Leases (contd.)

##### (a) Classification (contd.)

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.

###### (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 follow:

| | |
|---|---|
| Premises | 2 to 5 years |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (ii) Leases (contd.)

##### (b) Recognition and initial measurement (contd.)

###### (i) Right-of-use assets ("ROU") (contd.)

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(vi).

###### (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.

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. 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (ii) Leases (contd.)

##### (b) Recognition and initial measurement (contd.)

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

(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 and 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.

**(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. In doing so, 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).

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (ii) Leases (contd.)

##### (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.

#### (iii) Intangible assets

Intangible assets include software development costs, broker relationships, bancassurance access fee and computer software and licences and goodwill. Intangible assets acquired separately are measured on initial recognition at fair value. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. 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 finite useful life are reviewed at least at each reporting date.

Amortisation is charged to profit or loss. Work-in-progress are also not depreciated 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (iii) Intangible assets (contd.)

**(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 of which the asset is not yet in use, it is tested for impairment annually.

**(b) Computer software and licences**

Computer software and licences 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.

Subsequence expenditure in relation to computer software and licences 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.

**(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 licences | 10 years |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (iv) Financial assets

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

**(a) Initial and subsequent measurement**

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

The Company and the Takaful fund determine the classification of financial assets at initial recognition depending on the business model for managing the financial assets and the contractual cash flows characteristics as below:

**(i) Business model assessment**

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

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

The Company and the Takaful fund do 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;

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (iv) Financial assets (contd.)

##### (a) Initial and subsequent measurement (contd.)

###### (i) Business model assessment (contd.)

The Company and the Takaful fund do 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 (contd.):

- 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 and the Takaful fund original expectations, the Company and the Takaful fund do 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.

A change in the Company and the Takaful fund's business model will occur only when the Company and the Takaful fund 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 and the Takaful fund assess the contractual terms to identify whether they meet the SPPI test.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (iv) Financial assets (contd.)

##### (a) Initial and subsequent measurement (contd.)

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

'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 and the Takaful fund apply 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.

**(i) 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.

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, profit and dividend income. Exchange differences, profit 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (iv) Financial assets (contd.)

##### (a) Initial and subsequent measurement (contd.)

###### (iii) Classification of financial assets (contd.)

**(ii) 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 profit.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, to measure changes through FVOCI i.e. without recycling profit or loss upon derecognition.

Subsequent to initial recognition, financial assets at FVOCI are measured at fair value. Exchange differences, profit 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.

**(iii) 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 profit.

Subsequent to initial recognition, financial assets at AC are measured at amortised cost using effective profit method. Exchange differences, profit 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 gain or loss is recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (iv) Financial assets (contd.)

**(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 and the Takaful fund have 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 and the Takaful fund commit to purchase or sell the asset.

**(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 26.

#### (v) 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 adjusted net asset method by referencing to the annual financial statement of the entity that the Company invested in.

For non-exchange traded financial assets such as unquoted fixed income securities, i.e., unquoted bonds, Malaysian Government Securities ("MGS"), Government Investment Issues ("GII"), government guaranteed bonds and Khazanah bonds, fair values are determined by reference to indicative bid prices obtained from Bondweb provided by the Bond Pricing Agency Malaysia ("BPAM"). In case of any downgraded or defaulted bond, internal valuations will be performed to determine the fair value of the bond. The fair values of structured deposits are based on market prices obtained from the respective issuers.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (v) Fair value of financial assets (contd.)

The market value of Negotiable Islamic Certificates of Deposit ("NICD") are determined by reference to BNM's Interest Rate Swap. Over-the-counter derivatives comprise foreign exchange forward contracts, currency swap contracts and options. Over-the-counter derivatives are revalued at each reporting date, based on valuations provided by the respective counter parties 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 instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment, except in the case of financial assets at FVTPL where the transaction costs are recognised in profit or loss.

#### (vi) Impairment

##### (a) Financial assets

The Company and the Takaful fund assess 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, financial guarantee contracts, which will include loans, advances, financing, takaful receivables, debts instruments and deposits held by the Company and the Takaful fund. 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 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:

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (vi) Impairment (contd.)

##### (a) Financial assets (contd.)

###### (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 and the Takaful fund 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 |

###### (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.

A forward-looking ECL calculation should be based on an accurate estimation of current and future probability of default ("PD"), exposure of default ("EAD"), loss given default ("LGD") and discount factors.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (vi) Impairment (contd.)

##### (a) Financial assets (contd.)

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

Financing receivables

The ECL on the financing portfolio of the Company is computed using a risk sensitive model, leveraging the ECL coverage ratio calculated for comparable portfolios from Maybank for Stage 1 and Stage 2 and individual assessment is applied for Stage 3.

Takaful receivables

The impairment on Takaful receivables is 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 Takaful and retakaful receivables are grouped based on different sales channel and different retakaful contribution 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.

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.

Financial assets which have not experienced a SICR since initial recognition are classified as Stage 1, and are 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 the 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (vi) Impairment (contd.)

##### (b) Non-financial assets

The Company and the Takaful fund assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and the Takaful fund estimate 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 or amortisation, 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.

#### (vii) Retakaful assets

The Company, as the operator of the participants' fund, cedes takaful risk in the normal course of its takaful business. Ceded retakaful arrangements do not relieve the Company and the Takaful fund from their obligations to the participants. For both ceded and assumed retakaful, contributions, claims and benefits paid or payable are presented on a gross basis.

Retakaful arrangements, entered into by the Company, that meet the classification requirements of takaful certificates as described in Note 2.2(xii) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (vii) Retakaful assets (contd.)

Retakaful assets represent amounts recoverable from retakaful operators for takaful certificate liabilities which have yet to be settled at the reporting date. Amounts recoverable from retakaful operators are measured consistently with the amounts associated with the underlying takaful certificate and the terms of the relevant retakaful arrangement.

At each reporting date, or more frequently, the Company and the Takaful fund assess whether objective evidence exists that retakaful assets are impaired. The impairment loss is recognised in profit or loss.

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

#### (viii) Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective yield method.

The impairment of takaful receivables is described in Note 2.2(vi)(a)(ii).

Takaful receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(iv)(b), have been met.

#### (ix) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances.

The Company presents the cash flow statement from operating, investing and financing activities in a manner which is most appropriate to its business using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

The Company reports separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities.

#### (x) Equity instruments

Ordinary shares are classified as equity. Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xi) Product classification

The Company, as the operator of the participants' fund, issue certificates that contain takaful risk or both financial and takaful risk.

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

A takaful certificate is a certificate under which the participants' fund has accepted significant takaful risk from the participants by agreeing to compensate the participants if a specified uncertain future event (the insured event) adversely affects the participants. As a general guideline, the Company and the Takaful fund define whether significant takaful 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 does not occur. If the ratio of the former exceeds the latter by 5% or more, the takaful underwriting risk accepted is deemed to be significant.

Investment certificates are those certificates that transfer financial risk with no significant takaful risk.

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

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

(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:
    (i) performance of a specified pool of certificates or a specified type of certificates;
    (ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
    (iii) profit or loss of the Company, fund or other entity that issues the certificates.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xi) Product classification (contd.)

Local statutory regulations and the terms and conditions of these certificates set out the bases for the determination of the amounts on which the additional discretionary benefits are based and the Company and the Takaful fund may exercise their discretion as to the quantum and timing of payments to certificate holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within takaful certificate liabilities as at the end of the reporting period.

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

When takaful certificates contain both a financial risk (or deposit) component and a significant takaful risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying components are required to be unbundled unless all obligations and rights arising from the deposit component have already been accounted for. Any contributions relating to the takaful risk component are accounted for on the same basis as takaful certificates and the remaining element is accounted for as a deposit through the statement of financial position similar to investment certificates.

#### (xii) Family Takaful certificate liabilities

Family Takaful certificate liabilities are recognised when certificates are in-force and contributions are due.

The Family Takaful certificate liabilities are derecognised when the certificate expires, is discharged or is cancelled.

The liabilities of the Family Takaful business are determined in accordance with Guidelines on Valuation Basis for Liabilities of Family Takaful Business. All Family Takaful liabilities except investment-linked certificates and yearly renewable family takaful certificates have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses payable from Takaful funds less future gross considerations arising from the certificates, discounted at the risk-free discount rate. This method is known as the gross contribution valuation method.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xii) Family Takaful certificate liabilities (contd.)

For the Family Takaful risk fund, the expected future cash flows of benefits are determined using best estimate assumptions with an appropriate allowance for Provision of Risk Margin for Adverse Deviation ("PRAD") from expected experience such that an overall level of sufficiency of certificate reserves at a 75% confidence level is secured.

The liabilities in respect of the non-unit component of an investment-linked certificate have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows can be met at the certificate level without recourse to additional finance or capital support at any future time during the duration of the investment-linked certificate. The liabilities for contribution paying riders attached to an investment-linked certificate have been valued based on the gross contribution valuation method. The liabilities of the unit component are the Net Asset Value ("NAV") of the fund.

For a yearly renewable family takaful certificate covering death or survival contingencies, the liabilities have been valued based on the higher of unearned net contribution reserve and unexpired risk reserve. For yearly renewable policies covering other contingencies such as medical, hospital or surgical benefits, the recognised liabilities comprise the best estimate contribution and claim liabilities with an appropriate allowance for PRAD.

#### (xiii) Financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Company and the Takaful fund become parties 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 and the Takaful fund did not classify any of its financial liabilities at FVTPL.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xiii) Financial liabilities (contd.)

The Company's other financial liabilities include Takaful payables and other payables.

(1) Takaful payables

Takaful 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.

(2) Other payables

Other payables 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, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (xiv) Expense liabilities

The expense liabilities of the Shareholder's fund consist of expense liabilities of the Family Takaful business which are based on estimations performed by the Appointed Actuary of the Company. The expense liabilities are released over the term of the takaful certificates and recognised in profit or loss.

The valuation of expense liabilities in relation to certificates of the Family Takaful business is conducted separately by the Appointed Actuary. The method used to value expense liabilities is consistent with the method used to value takaful liabilities of the corresponding family takaful certificates.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xiv) Expense liabilities (contd.)

In valuing the expense liabilities of all family takaful certificates except investment-linked certificates and yearly renewable family certificates, the present value of expected future expenses payable by the Shareholder's fund in managing the Takaful funds for the full contractual obligation of the takaful certificates less any expected cash flows from future wakalah fee income, and any other income due to the Shareholder's fund that can be determined with reasonable certainty, are taken into consideration. Expense liabilities are recognised when projected future expenses exceed the projected future income of takaful certificates.

The expense liabilities in respect of an investment-linked certificate have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows in Shareholder's fund can be met at the certificate level without recourse to additional finance or capital support at any future time during the duration of the investment-linked certificate. In valuing the expense liabilities for contribution paying riders attached to an investment-linked certificate, the present value of expected future expenses payable by the Shareholder's fund in managing the riders less any expected cash flows from future wakalah fee income of the riders.

The expected future cash flows are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of certificate reserves at a 75% confidence level is secured.

For a yearly renewable family certificate, expense liabilities in relation to certificates of the Family Takaful business are reported as the higher of the aggregate of the provision for unearned wakalah fees ("UWF") and the unexpired expense reserves ("UER") with an appropriate allowance for PRAD.

**(a) Provision for unearned wakalah fees**

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing Family Takaful business's certificates that relate to the unexpired periods of certificates at the end of the reporting period. The method used in computing UWF is consistent with the method used to reflect the actual unearned contribution reserves ("UCR").

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

**(b) Unexpired expense reserves**

UER consists of the best estimate value of the unexpired expense reserves at the valuation date with an appropriate allowance for PRAD. The best estimate UER is determined based on the expected expenses in maintaining certificates with unexpired risks. The method used in computing UER is consistent with the calculation of unexpired risk reserves ("URR").

**(xv) Measurement and impairment of Qard**

In the event where the assets of the Takaful fund are insufficient to meet the liabilities, the Shareholder's fund is required to rectify the deficit of the Takaful fund via a Qard, which is a profit free financing. The Qard shall be repaid from future surpluses of the Takaful fund. In the Shareholder's fund, the Qard is stated at cost less impairment losses, if any, whereas in the Takaful fund, the Qard is stated at cost.

At each reporting date, the balance of the Qard and the ability of the affected fund to generate sufficient surpluses to repay the Shareholder's fund is assessed. The likelihood that the Qard will be repaid and the duration of time that will be required to repay the Qard is determined and ascertained via projected cash flows which take into account past experience of the Takaful fund. The projected cash flows are then discounted to determine the recoverable value of the Qard.

If the carrying amount of the Qard exceeds its recoverable amount, the difference is recognised as an impairment loss and the Qard is written down to its recoverable amount. Impairment losses are subsequently reversed in profit or loss if objective evidence exists that the Qard is no longer impaired.

**(xvi) Offsetting of financial assets and financial liabilities**

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

**(xvii) Contribution income**

Contribution income is recognised as soon as the amount of the contribution can be reliably measured in accordance with the principles of the Shariah as advised by the Shariah Committee. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xvii) Contribution income (contd.)

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

Outward retakaful contributions are recognised in the same financial period as the original certificates to which the retakaful relates.

Net creation of units which represents contributions paid by participants as payment for a new certificate, or subsequent payments to increase the amount of that certificate, are reflected in profit or loss. Net creation of units is recognised on a receipt basis.

Creation/cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase/sell units have been received from participants.

#### (xviii) Benefits expenses

Benefits expenses incurred during the financial year are recognised when a claimable event occurs and/or the takaful operator is notified.

Benefits expenses, including settlement costs less retakaful recoveries, are accounted for using the case basis method and for this purpose, the amounts payable under a certificate are recognised as follows:

- maturity and other certificate benefit payments due on specified dates are treated as claims payable on the due dates; and

- death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the assured or occurrence of the contingency covered.

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

#### (xix) Commission expenses and acquisition costs

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates, net of income derived from ceding retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable that they give rise to income.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xix) Commission expenses and acquisition costs (contd.)

Mudharabah principle
Commission expenses are borne by the Family Takaful fund with the resulting underwriting surplus/deficit after expenses shared between the participants and the Takaful Operator as advised by the Shariah Committee.

Wakalah principle
Under the wakalah principle, commission expenses are borne by the Shareholder's fund. This is in accordance with the principles of wakalah as approved by the Shariah Committee and agreed between the participants and the Takaful Operator.

#### (xx) 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.

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) Profit income**

Profit income is recognised using the effective profit 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 and/or Takaful fund's right to receive payment is established.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xx) Revenue recognition (contd.)

Other revenue (contd.)

**(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.

**(d) Fund management fees**

Fund management fees are recognised at a point in time when services are rendered.

**(e) Management fees**

Management fee is recognised at a point in time on an accrual basis for provision of bureau services and takaful related services to offshore reinsurers in accordance with the terms and conditions of the relevant agreements, when services are rendered.

**(f) Wakalah fees**

Wakalah fees represent fees charged by the Shareholder's fund to manage takaful certificates issued by the Family Takaful fund under the principle of Wakalah and are recognised at a point in time as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Shariah.

#### (xxi) Employee benefits

**(a) Short-term benefits**

Wages, salaries, bonuses and social security contributions ("SOCSO") are recognised as an expense in profit and 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xxi) Employee benefits (contd.)

**(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(xxi)(c), except that the remeasurements of the net defined contribution liability or asset are recognised immediately in profit or loss.

**(c) Defined contribution plan**

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 ESGP Committee.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xxi) Employee benefits (contd.)

##### (d) Share-based compensation (contd.)

(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 Shares granted to eligible employees is recognised as 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 Shares is measured at grant date, taking into account, the market and non-market vesting conditions upon which the CESGP Shares were granted. Upon vesting of CESGP Shares, Maybank will recognise the impact of the actual numbers of CESGP Shares vested as compared to original estimates.

#### (xxii) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xxii) Foreign currencies(contd.)

##### (b) Foreign currency transactions and balances (contd.)

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.

#### (xxiii) Income tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xxiii) Income tax (contd.)

Deferred tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### (xxiv) Zakat

This represent business zakat payable by the Company in compliance with Shariah principles and as approved by the Company's Shariah Committee. Zakat provision is calculated based on the working capital method at 2.5%.

#### (xxv) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

When the Company expects some or all of a provision to be reimbursed, for example, under a Takaful certificate, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. Any increases in the provision due to the passage of time is recognised in profit or loss.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and recognised in profit or loss.

#### (xxvi) Contingent assets and contingent liabilities

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Company. The Company does not recognise contingent assets but discloses its existence when inflows of economic benefits are probable but not virtually certain.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of significant accounting policies (contd.)

#### (xxvi) Contingent assets and contingent liabilities (contd.)

Contingent liabilities are possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or are present obligations that have arisen from past events but are not recognised because it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably. The Company does not recognise contingent liabilities. Contingent liabilities are disclosed, unless the probability of outflow of economic benefits is remote.

#### (xxvii) Segment Reporting

Operating segments are reported in a 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 has determined the Chief Executive Officer as its chief operating decision-maker.

All transactions between business segments (intra-segment revenue and costs) are eliminated at the 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 on the face of the financial statements.

### 2.3 New and amended standards and interpretations

On 1 January 2021, the Company adopted the following Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2021:

| | **Effective beginning** |
|---|---|
| *Interest Rate Benchmark Reform- Phase 2* (Amendment to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16) | 1 January 2021 |
| *Covid-19- Related Rent Concessions 30 June 2021* (Amendment to MFRS 16 *Leases*) | 1 April 2021 |

MFRS 16 has been amended to:

(i) Provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification; and

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 New and amended standards and interpretations (contd.)

MFRS 16 has been amended to (contd.):

(ii) Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

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

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

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

The Company accounts for such COVID-19 related rent concession as a variable lease payment in the year in which the event or condition that triggers the reduced payment occurs and accordingly recognised in profit or loss.

Other than as stated above, the adoption of the above amendments to standards did not have any financial impact to the Company's financial statements.

### 2.4 Standards and amendments to standards issued but not yet effective

The following are Standards, Amendments to Standards and annual improvements to standards issued by the Malaysian Accounting Standards 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 amendment to standards, if applicable, when they become effective:

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| MFRS 116 *Property, Plant and Equipment* (Amendments to MFRS 116): *Property, Plant and Equipment - Proceeds before Intended Use* | 1 January 2022 |
| MFRS 137 *Provision, Contingent Liabilities and Contingent Assets* (Amendments to MFRS 137): *Onerous Contracts - Cost of Fulfilling a Contract* | 1 January 2022 |
| MFRS 3 *Business Combination* (Amendments to MFRS 3): *Reference to the Conceptual Framework* | 1 January 2022 |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.4 Standards and amendments to standards issued but not yet effective (contd.)

| Description | Effective for annual periods beginning on or after |
|---|---|
| Annual Improvements to MFRS Standards 2018 - 2020: | |
| MFRS 1 *First-time Adoption of MFRSs* | 1 January 2022 |
| MFRS 9 *Financial Instruments* | 1 January 2022 |
| MFRS 141 *Agriculture* | 1 January 2022 |
| MFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to MFRS 17 *Insurance Contracts* | 1 January 2023 |
| *Initial Application of* MFRS 17 and MFRS 9 - *Comparative Information* | 1 January 2023 |
| MFRS 101 *Presentation of Financial Statements* (Amendment to MFRS 101) *Classification of Liabilities as Current or Non-current* | 1 January 2023 |
| (Amendments to MFRS 101) *Disclosure of Accounting Policies* | 1 January 2023 |
| MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendments to MFRS 108) *Definition of Accounting Estimates* | 1 January 2023 |
| MFRS 112 *Income Taxes* (Amendments to MFRS 112) *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | 1 January 2023 |

The adoption of the above pronouncements are not expected to have a significant impact on the Company except for the following:

**MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts***

MFRS 17 will replace MFRS 4 *Insurance Contracts* that was issued in 2005. MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.4 Standards and amendments to standards issued but not yet effective (contd.)

**MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts (contd.)***

- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income will be based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss, but are recognised directly on the statement of financial position.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Based on the Amendments to MFRS17, MFRS17 and the amendments introduced in the Amendments to MFRS17 are effective for annual periods beginning on or after 1 January 2023. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. An entity shall apply the retrospective approach for estimating the CSM on the transition date. However, if full retrospective application for estimating the CSM, as defined by MFRS 108 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

(i) Modified retrospective approach
Based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.

(ii) Fair value approach
The CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date).

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

The Company as part of the MAHB Group has established a project team, with assistance from the Actuarial, Finance, Risk, IT and various Business units to study the implications and to evaluate the potential impact of adopting this standard on the required effective date. The Company believes that it is achieving the relevant milestones in adopting this new standard.

## 3. PROPERTY, PLANT AND EQUIPMENT

### Shareholder's fund

| 2021 | Furniture, fittings, office equipment and renovations RM'000 | Computers and peripherals RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2021 | 4,162 | 487 | 323 | 4,972 |
| Additions | - | 5 | - | 5 |
| Write-off | (130) | (45) | - | (175) |
| At 31 December 2021 | 4,032 | 447 | 323 | 4,802 |
| **Accumulated Depreciation** | | | | |
| At 1 January 2021 | 3,970 | 476 | 323 | 4,769 |
| Depreciation charge for the financial year (Note 27) | 101 | 6 | - | 107 |
| Write-off | (130) | (45) | - | (175) |
| At 31 December 2021 | 3,941 | 437 | 323 | 4,701 |
| **Net Book Value at 31 December 2021** | 91 | 10 | - | 101 |
| **2020** | | | | |
| **Cost** | | | | |
| At 1 January 2020 | 4,162 | 549 | 323 | 5,034 |
| Additions | - | 10 | - | 10 |
| Write off | - | (72) | - | (72) |
| At 31 December 2020 | 4,162 | 487 | 323 | 4,972 |
| **Accumulated Depreciation** | | | | |
| At 1 January 2020 | 3,852 | 544 | 323 | 4,719 |
| Depreciation charge for the financial year (Note 27) | 118 | 4 | - | 122 |
| Write-off | - | (72) | - | (72) |
| At 31 December 2020 | 3,970 | 476 | 323 | 4,769 |
| **Net Book Value at 31 December 2020** | 192 | 11 | - | 203 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

**Family Takaful fund**

| | Furniture, fittings, office equipment and renovations RM'000 | Computers and peripherals RM'000 | Total RM'000 |
|---|---|---|---|
| **2021/2020** | | | |
| **Cost** | | | |
| At 1 January/31 December | 33 | 5 | 38 |
| **Accumulated Depreciation** | | | |
| At 1 January/31 December | 33 | 5 | 38 |
| **Net Book Value at 1 January/31 December** | - | - | - |

**Company**

| | Furniture, fittings, office equipment and renovations RM'000 | Computers and peripherals RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2021** | | | | |
| **Cost** | | | | |
| At 1 January 2021 | 4,195 | 492 | 323 | 5,010 |
| Additions | - | 5 | - | 5 |
| Write-off | (130) | (45) | - | (175) |
| At 31 December 2021 | 4,065 | 452 | 323 | 4,840 |
| **Accumulated depreciation** | | | | |
| At 1 January 2021 | 4,003 | 481 | 323 | 4,807 |
| Depreciation charge for the financial year (Note 27) | 101 | 6 | - | 107 |
| Write-off | (130) | (45) | - | (175) |
| At 31 December 2021 | 3,974 | 442 | 323 | 4,739 |
| **Net Book Value at 31 December 2021** | 91 | 10 | - | 101 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

**Company (contd.)**

| | Furniture, fittings, office equipment and renovations RM'000 | Computers and peripherals RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2020** | | | | |
| **Cost** | | | | |
| At 1 January 2020 | 4,195 | 554 | 323 | 5,072 |
| Additions | - | 10 | - | 10 |
| Write-off | - | (72) | - | (72) |
| At 31 December 2020 | 4,195 | 492 | 323 | 5,010 |
| **Accumulated depreciation** | | | | |
| At 1 January 2020 | 3,885 | 549 | 323 | 4,757 |
| Depreciation charge for the financial year (Note 27) | 118 | 4 | - | 122 |
| Write-off | - | (72) | - | (72) |
| At 31 December 2020 | 4,003 | 481 | 323 | 4,807 |
| **Net Book Value at 31 December 2020** | 192 | 11 | - | 203 |

## 4. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

### Shareholder's fund/Company

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

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| **Right-of-use-assets - Premises** | | |
| **Cost** | | |
| At 1 January | 932 | 863 |
| Additions | - | 120 |
| Contract renewal | - | 1 |
| Contract modifications | (28) | (52) |
| Contract termination | (92) | - |
| At 31 December | 812 | 932 |
| **Accumulated Depreciation** | | |
| At 1 January | 414 | 185 |
| Depreciation charge for the financial year (Note 27) | 194 | 229 |
| Contract termination | (76) | - |
| At 31 December | 532 | 414 |
| **Net Book Value at 31 December** | 280 | 518 |

The movement of lease liabilities is disclosed as follows:

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| **Lease liabilities** | | |
| At 1 January | 513 | 660 |
| Additions | - | 97 |
| Accretion of profit (Note 27) | 20 | 24 |
| Contract modifications | (28) | (52) |
| Contract termination | (23) | - |
| Settlement | (216) | (216) |
| At 31 December (Note 20) | 266 | 513 |
| **Lease liabilities by remaining maturity:** | | |
| Less than 12 months | 151 | 214 |
| More than 12 months | 115 | 299 |
| Total | 266 | 513 |

## 5. INTANGIBLE ASSETS

**Shareholder's fund**

| **2021** | **Computer software and licences RM'000** | **Software development costs RM'000** | **Total RM'000** |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2021 | 15,077 | 280 | 15,357 |
| Additions | 3,413 | 165 | 3,578 |
| Disposals | (71) | - | (71) |
| Reclassification | 140 | (140) | - |
| At 31 December 2021 | 18,559 | 305 | 18,864 |
| **Accumulated amortisation and impairment losses** | | | |
| At 1 January 2021 | 9,768 | - | 9,768 |
| Amortisation charge for the financial year (Note 27) | 1,178 | - | 1,178 |
| Disposals | (56) | - | (56) |
| At 31 December 2021 | 10,890 | - | 10,890 |
| **Net Book Value at 31 December 2021** | 7,669 | 305 | 7,974 |
| **2020** | | | |
| **Cost** | | | |
| At 1 January 2020 | 14,109 | 8 | 14,117 |
| Additions | 1,606 | 280 | 1,886 |
| Disposals | (646) | - | (646) |
| Reclassification | 8 | (8) | - |
| At 31 December 2020 | 15,077 | 280 | 15,357 |
| **Accumulated amortisation and impairment losses** | | | |
| At 1 January 2020 | 9,513 | - | 9,513 |
| Amortisation charge for the financial year (Note 27) | 879 | - | 879 |
| Disposals | (624) | - | (624) |
| At 31 December 2020 | 9,768 | - | 9,768 |
| **Net Book Value at 31 December 2020** | 5,309 | 280 | 5,589 |

## 5. INTANGIBLE ASSETS (CONTD.)

**Family Takaful fund**

| | Computer software and licences RM'000 |
|---|---|
| **2021/2020** | |
| **Cost** | |
| At 1 January/31 December | 9,020 |
| **Accumulated amortisation** | |
| At 1 January/31 December | 9,020 |
| **Net Book Value at 1 January/31 December** | - |

**Company**

| **2021** | Computer software and licences RM'000 | Software development costs RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2021 | 24,097 | 280 | 24,377 |
| Additions | 3,413 | 165 | 3,578 |
| Disposals | (71) | - | (71) |
| Reclassification | 140 | (140) | - |
| At 31 December 2021 | 27,579 | 305 | 27,884 |
| **Accumulated amortisation** | | | |
| At 1 January 2021 | 18,788 | - | 18,788 |
| Amortisation charge for the financial year (Note 27) | 1,178 | - | 1,178 |
| Disposals | (56) | - | (56) |
| At 31 December 2021 | 19,910 | - | 19,910 |
| **Net Book Value at 31 December 2021** | 7,669 | 305 | 7,974 |

## 5. INTANGIBLE ASSETS (CONTD.)

**Company (contd.)**

| 2020 | Computer software and licences RM'000 | Software development costs RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2020 | 23,129 | 8 | 23,137 |
| Additions | 1,606 | 280 | 1,886 |
| Retirement | (646) | - | (646) |
| Reclassification | 8 | (8) | - |
| At 31 December 2020 | 24,097 | 280 | 24,377 |
| **Accumulated amortisation** | | | |
| At 1 January 2020 | 18,533 | - | 18,533 |
| Amortisation charge for the financial year (Note 27) | 879 | - | 879 |
| Disposals | (624) | - | (624) |
| At 31 December 2020 | 18,788 | - | 18,788 |
| **Net Book Value at 31 December 2020** | 5,309 | 280 | 5,589 |

## 6. INVESTMENTS

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Malaysian government papers | 119,907 | 428,321 | 548,228 |
| Equity securities | 57,380 | 500,924 | 558,304 |
| Debt securities | 2,039,127 | 9,582,718 | 11,621,845 |
| Unit and property trust funds | 365 | 7,252 | 7,617 |
| Investment-linked units - seed money | 26,766 | - | - |
| Deposits with financial institutions | 288,489 | 1,441,872 | 1,730,361 |
| | 2,532,034 | 11,961,087 | 14,466,355 |
| **2020** | | | |
| Malaysian government papers | 101,471 | 366,571 | 468,042 |
| Equity securities | 59,844 | 429,570 | 489,414 |
| Debt securities | 1,838,008 | 8,586,491 | 10,424,499 |
| Unit and property trust funds | 3,395 | 21,681 | 25,076 |
| Investment-linked units - seed money | 27,617 | - | - |
| Deposits with financial institutions | 417,042 | 2,620,644 | 3,037,686 |
| | 2,447,377 | 12,024,957 | 14,444,717 |

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

| | | | |
|---|---|---|---|
| **2021** | | | |
| Fair value through profit or loss ("FVTPL"): | | | |
| - Designated upon initial recognition | 939,959 | 5,414,688 | 6,354,647 |
| - Held for trading ("HFT") | 73,415 | 600,860 | 647,509 |
| Fair value through other comprehensive income ("FVOCI") | 1,230,171 | 4,503,667 | 5,733,838 |
| Amortised cost ("AC") | 288,489 | 1,441,872 | 1,730,361 |
| | 2,532,034 | 11,961,087 | 14,466,355 |
| **2020** | | | |
| Fair value through profit or loss ("FVTPL"): | | | |
| - Designated upon initial recognition | 1,131,454 | 5,839,508 | 6,970,962 |
| - Held for trading ("HFT") | 90,856 | 539,658 | 602,897 |
| Fair value through other comprehensive income ("FVOCI") | 808,025 | 3,025,147 | 3,833,172 |
| Amortised cost ("AC") | 417,042 | 2,620,644 | 3,037,686 |
| | 2,447,377 | 12,024,957 | 14,444,717 |

## 6. INVESTMENTS (CONTD.)

The following investments will mature after 12 months:

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| FVTPL | | | |
| - Designated upon initial recognition | 924,799 | 5,243,739 | 6,168,538 |
| - HFT | - | 112,667 | 112,667 |
| FVOCI | 1,219,075 | 4,410,727 | 5,629,802 |
| | 2,143,874 | 9,767,133 | 11,911,007 |
| **2020** | | | |
| FVTPL | | | |
| - Designated upon initial recognition | 1,126,341 | 5,528,536 | 6,654,877 |
| - HFT | - | 88,407 | 88,407 |
| FVOCI | 780,511 | 2,959,157 | 3,739,668 |
| | 1,906,852 | 8,576,100 | 10,482,952 |

**(i) FVTPL**

**- Designated upon initial recognition**

| | | | |
|---|---|---|---|
| **2021** | | | |
| **At fair value:** | | | |
| Malaysian government papers | - | 123,453 | 123,453 |
| Debt securities: | | | |
| Unquoted in Malaysia | 939,959 | 5,291,235 | 6,231,194 |
| **Total financial assets designated as FVTPL upon initial recognition** | 939,959 | 5,414,688 | 6,354,647 |
| **2020** | | | |
| **At fair value:** | | | |
| Malaysian government papers | - | 183,323 | 183,323 |
| Debt securities: | | | |
| Unquoted in Malaysia | 1,131,454 | 5,656,185 | 6,787,639 |
| **Total financial assets designated as FVTPL upon initial recognition** | 1,131,454 | 5,839,508 | 6,970,962 |

## 6. INVESTMENTS (CONTD.)

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **(i) FVTPL (contd.)** | | | |
| **- Held For Trading** | | | |
| **2021** | | | |
| **At fair value:** | | | |
| Malaysian government papers | - | 1,507 | 1,507 |
| Equity securities: | | | |
| Quoted in Malaysia | 38,909 | 454,339 | 493,248 |
| Quoted outside Malaysia | 7,375 | 18,062 | 25,437 |
| Debt securities: | | | |
| Unquoted in Malaysia | - | 113,482 | 113,482 |
| Unit and property trust funds: | | | |
| Quoted in Malaysia | 365 | 7,252 | 7,617 |
| Quoted outside Malaysia | - | 6,218 | 6,218 |
| Investment-linked units - seed money | 26,766 | - | - |
| **Total HFT financial assets** | 73,415 | 600,860 | 647,509 |
| **2020** | | | |
| **At fair value:** | | | |
| Malaysian government papers | - | 26,198 | 26,198 |
| Equity securities: | | | |
| Quoted in Malaysia | 57,550 | 424,090 | 481,640 |
| Quoted outside Malaysia | 2,294 | 5,480 | 7,774 |
| Debt securities: | | | |
| Unquoted in Malaysia | - | 62,209 | 62,209 |
| Unit and property trust funds: | | | |
| Quoted in Malaysia | 3,395 | 21,681 | 25,076 |
| Investment-linked units - seed money | 27,617 | - | - |
| **Total HFT financial assets** | 90,856 | 539,658 | 602,897 |
| **(ii) FVOCI** | | | |
| **2021** | | | |
| **At fair value:** | | | |
| Malaysian government papers | 119,907 | 303,361 | 423,268 |
| Debt securities: | | | |
| Unquoted in Malaysia | 1,099,169 | 4,178,002 | 5,277,171 |
| Equity securities: | | | |
| Quoted in Malaysia | 11,095 | 22,304 | 33,399 |
| **Total FVOCI financial assets** | 1,230,171 | 4,503,667 | 5,733,838 |

## 6. INVESTMENTS (CONTD.)

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **(ii) FVOCI (contd.)** | | | |
| **2020** | | | |
| **At fair value:** | | | |
| Malaysian government papers | 101,471 | 157,050 | 258,521 |
| Equity securities: | | | |
| Unquoted in Malaysia | 706,554 | 2,868,097 | 3,574,651 |
| **Total FVOCI financial assets** | 808,025 | 3,025,147 | 3,833,172 |
| **(iii) AC** | | | |
| **2021** | | | |
| **Deposits and placements with financial institutions** | | | |
| Islamic investment accounts with: | | | |
| Licensed financial institutions | 286,067 | 1,207,454 | 1,493,521 |
| Other licensed financial institutions | 2,422 | 234,418 | 236,840 |
| **Total AC financial assets** | 288,489 | 1,441,872 | 1,730,361 |
| **2020** | | | |
| **Deposits and placements with financial institutions** | | | |
| Islamic investment accounts with: | | | |
| Licensed financial institutions | 414,687 | 2,288,119 | 2,702,806 |
| Other licensed financial institutions | 2,355 | 332,525 | 334,880 |
| **Total AC financial assets** | 417,042 | 2,620,644 | 3,037,686 |

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

An analysis of the different fair value measurement base used in the determination of the fair values of investments are further disclosed in Note 42.

## 7. FINANCING RECEIVABLES

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Staff financing : | | | |
| Secured | 12,906 | - | 12,906 |
| Others | 1,845 | 16 | 1,861 |
| | 14,751 | 16 | 14,767 |
| Allowance for impairment losses (Note 39) | (1,850) | (16) | (1,866) |
| | 12,901 | - | 12,901 |
| Receivable after 12 months | 10,143 | - | 10,143 |
| **2020** | | | |
| Staff financing : | | | |
| Secured | 14,810 | - | 14,810 |
| Others | 2,052 | 16 | 2,068 |
| | 16,862 | 16 | 16,878 |
| Allowance for impairment losses (Note 39) | (1,851) | (16) | (1,867) |
| | 15,011 | - | 15,011 |
| Receivable after 12 months | 11,876 | - | 11,876 |

The carrying amount of financing receivables approximates fair value as these financing receivables are issued at profit 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 weighted average effective profit rate during the financial year was 3.40% (2020: 3.36%) per annum.

## 8. RETAKAFUL ASSETS

| **Family Takaful fund/Company** | **2021 RM'000** | **2020 RM'000** |
|---|---|---|
| Retakaful operators' share of takaful certificate liabilities (Note 15): | | |
| Claims liabilities | 34,183 | 23,968 |
| Actuarial liabilities | 173,217 | 138,062 |
| **Total retakaful assets** | 207,400 | 162,030 |

## 9. TAKAFUL RECEIVABLES

| **Family Takaful fund/Company** | **2021 RM'000** | **2020 RM'000** |
|---|---|---|
| Due contributions including agents/brokers, cedants and co-takaful balances | 137,470 | 131,909 |
| Due from retakaful operators | 12,300 | 17,808 |
| | 149,770 | 149,717 |
| Allowance for impairment losses (Note 39) | (1,820) | (9,622) |
| | 147,950 | 140,095 |

Amounts due from retakaful operators that have been offset against amounts due to the same counterparties are as follows:

| | **Gross carrying amount RM'000** | **Gross amount offset in the Statement of Financial Position RM'000 (Note 20)** | **Net amount in the Statement of Financial Position RM'000** |
|---|---|---|---|
| **2021** | | | |
| Due from retakaful operators | 70,173 | (57,873) | 12,300 |
| **2020** | | | |
| Due from retakaful operators | 32,532 | (14,724) | 17,808 |

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

## 10. OTHER ASSETS

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Sundry receivables, deposits and prepayments | 6,585 | 614 | 7,199 |
| Allowance for impairment losses (Note 39) | (2,490) | (507) | (2,997) |
| | 4,095 | 107 | 4,202 |
| Income and profit due and accrued | 27,835 | 129,267 | 157,102 |
| Amount due from related companies* (Note 36(ii)): | | | |
| - other related companies | 4,942 | - | 4,942 |
| Amount due from Family Takaful fund* (Note 20) | 103,686 | - | - |
| Amount due from stockbrokers | 2,352 | 23,468 | 25,820 |
| | 138,815 | 152,735 | 187,864 |
| **Total other assets** | 142,910 | 152,842 | 192,066 |
| **2020** | | | |
| Sundry receivables, deposits and prepayments | 6,596 | 603 | 7,199 |
| Allowance for impairment losses (Note 39) | (2,473) | (507) | (2,980) |
| | 4,123 | 96 | 4,219 |
| Income and profit due and accrued | 25,193 | 116,337 | 141,530 |
| Amount due from related companies* (Note 36(ii)): | | | |
| - immediate holding company | 462 | - | 462 |
| - other related companies | 10,388 | - | 10,388 |
| Amount due from Family Takaful fund* (Note 20) | 145,316 | - | - |
| Amount due from stockbrokers | 360 | 1,996 | 2,356 |
| | 181,719 | 118,333 | 154,736 |
| **Total other assets** | 185,842 | 118,429 | 158,955 |

* Amounts due from immediate holding company, other related companies and Family Takaful fund are non-trade in nature, unsecured, not subject to any profit elements and are repayable in the short-term.

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

## 11. CURRENT TAX ASSETS

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Current tax assets | 82,053 | - | 82,053 |
| **2020** | | | |
| Current tax assets | 63,042 | 20,416 | 83,458 |

The Inland Revenue Board of Malaysia ("IRBM") has raised additional assessments to the Company for Years of Assessment ("YA") 2008 to 2015, totalling RM79,294,000, of which additional assessment for YA2015 of RM1,479,000 was raised on 31 December 2020 and for YA2014 of RM2,120,000 was raised on 30 December 2019. These additional assessments were in respect of the businesses of the Company prior to the conversion of the composite takaful licence to a family takaful licence, which was effected on 28 December 2017.

The Company has made full settlement of the additional assessments raised by the IRBM as and when they arose, and subsequently, submitted Notices of Appeal by filing the required Forms Q with the Special Commissioner of Income Tax ("SCIT"). The Company had decided to pursue these appeals after obtaining the relevant opinions from its legal counsel, which was premised on the fact that the bases used to raise the additional assessments are not equitable. The specific issues raised and corresponding additional tax assessments issued are as summarised below:

(a) Deductibility of commission expenses incurred by the Shareholder's fund ("SHF") in connection with General Takaful fund ("GTF") for YA2008 to YA2013 amounting to RM72,858,000.

The SCIT had heard witnesses' evidence from both parties on 27 July 2020, 11 August 2020 and 14 September 2020. The parties have filed in their respective written submissions and the oral submission was heard on 5 February 2021. The SCIT had on 19 February 2021 rejected the Company's appeal. Based on legal advice, the Company has a good case to appeal and the hearing is scheduled at High Court on 23 May 2022 against the decision of the SCIT on the grounds that the SCIT had erred in its ruling.

(b) Deeming of surplus earned on retakaful ceded for Family Takaful fund's business as incidental income of the Company under Section 60AA(13) of the Income Tax Act, 1967 (YA2014 to YA2015), amounting to RM3,186,000.

The SCIT has fixed the case mention date on 10 March 2021 for the submission of cause papers and fixing of the hearing dates for this case.

(c) The SCIT has on 19 February 2021, conceded on the appeals for exemption of wakalah fees and on the deductibility of the interest paid on judgment. These, together with other minor issues, amounted to RM3,250,000.

## 11. CURRENT TAX ASSETS (CONTD.)

(d) The Director General of Inland Revenue ("DGIR") has issued a Notice of Additional Assessment ("JA") dated 28 October 2021 amounting RM380,704 being additional tax payable for the YA2016 deeming surplus earned on retakaful ceded and processing fee income for the Family Takaful fund's business as incidental income of the Company under Section 60AA(13) of the Income Tax Act, 1967.

Based on legal advice, the Company is of the view that it has strong justifications for the appeals and continues to treat the additional assessments paid as current tax assets in the financial statements.

The Company has provided the amount of RM4,164,000 for the revision of its YA2013 treatment of surplus to the Shareholder's Fund. For YA2013, the tax computation was submitted based on the Company's surplus distributable method. On 3 September 2020, IRBM has provided their acceptance on the application of the Company's surplus attributable method. Given that the YA2013 treatment is complied with and it has been more than seven years since YA2013, the Company has decided to maintain the distributable method for YA2013. Hence the Company has reversed the net tax recoveries of RM4,164,000 (being the net impact of recoveries of RM20,417,000 for Family Takaful fund and provision of RM16,253,000 of Shareholder's fund) during the current financial year.

Upon finalisation of the tax computation for YA2020, the Company has an over payment of RM2,378,239 which has been recognised as current tax asset in the current financial year.

## 12. SHARE CAPITAL

| **Shareholder's fund/Company** | **No. of shares '000** | **Amount RM'000** |
|---|---|---|
| **Issued and fully paid:** | | |
| Ordinary shares | | |
| **2021** | | |
| At 1 January/31 December | 100,000 | 100,000 |
| **2020** | | |
| At 1 January/31 December | 100,000 | 100,000 |

## 13. RESERVES

| **Shareholder's fund/Company** | **Note** | **2021 RM'000** | **2020 RM'000** |
|---|---|---|---|
| **Non-distributable:** | | | |
| FVOCI reserve | (i) | (12,289) | 24,519 |
| **Distributable:** | | | |
| Retained profits | (ii) | 2,131,385 | 1,860,694 |
| **Total reserves** | | 2,119,096 | 1,885,213 |

(i) The FVOCI reserve arose from changes in the fair value of investments classified as financial assets at FVOCI.

(ii) The entire distributable retained profits may be distributed to the shareholder under the single-tier system.

## 14. PARTICIPANTS' FUND

| Family Takaful fund/Company | Note | 2021 RM'000 | 2020 RM'000 |
|---|---|---|---|
| Accumulated surplus | (i) | 1,966,443 | 1,912,737 |
| Surplus attributable to the participants | (ii) | 222,391 | 336,526 |
| FVOCI reserve | (iii) | 44,966 | 184,149 |
| | | 2,233,800 | 2,433,412 |

### (i) Accumulated surplus

| | | |
|---|---|---|
| At 1 January | 1,912,737 | 1,858,306 |
| Surplus arising during the financial year | 153,889 | 202,390 |
| Surplus attributable to the participants during the financial year (Note(ii)) | (87,366) | (71,798) |
| Donation | - | (10,000) |
| Surplus paid to the participants during the financial year | (16,734) | (37,948) |
| Witholding tax borne by the participants | 3,917 | (28,213) |
| At 31 December | 1,966,443 | 1,912,737 |

### (ii) Surplus attributable to the participants

| | | |
|---|---|---|
| At 1 January | 336,526 | 1,582,032 |
| Surplus attributable to the participants during the financial year (Note(i)) | 87,366 | 71,798 |
| Clawback of prior year's surplus | - | (348) |
| Transfer to takaful certificate liabilities (Note 15(ii)) | (201,501) | (1,316,956) |
| At 31 December | 222,391 | 336,526 |

### (iii) FVOCI reserve

| | | |
|---|---|---|
| At 1 January | 184,149 | 250,623 |
| Fair value changes | (145,464) | 97,525 |
| Realised gain transferred to income statement (Note 24) | (3,714) | (169,144) |
| Deferred tax on fair value changes (Note 18) | 9,995 | 5,145 |
| At 31 December | 44,966 | 184,149 |

## 15. TAKAFUL CERTIFICATE LIABILITIES

| Family Takaful fund/Company | Gross RM'000 | Retakaful assets RM'000 (Note 8) | Net RM'000 |
|---|---|---|---|
| **2021** | | | |
| Family Takaful fund | 9,745,994 | (207,400) | 9,538,594 |
| Less: Seed money elimination | (20,000) | - | (20,000) |
| Company | 9,725,994 | (207,400) | 9,518,594 |
| **2020** | | | |
| Family Takaful fund | 9,516,784 | (162,030) | 9,354,754 |
| Less: Seed money elimination | (20,000) | - | (20,000) |
| Company | 9,496,784 | (162,030) | 9,334,754 |

(i) The Family Takaful certificate liabilities and its movements are further analysed as follows:

| | Gross RM'000 | Retakaful assets RM'000 (Note 8) | Net RM'000 |
|---|---|---|---|
| **2021** | | | |
| Claims liabilities (Note (ii)) | 218,182 | (34,183) | 183,999 |
| Actuarial liabilities (Note (ii)) | 9,266,771 | (173,217) | 9,093,554 |
| NAV attributable to the unit holders (Note (ii)) | 261,041 | - | 261,041 |
| | 9,745,994 | (207,400) | 9,538,594 |
| **2020** | | | |
| Claims liabilities (Note (ii)) | 162,671 | (23,968) | 138,703 |
| Actuarial liabilities (Note (ii)) | 9,132,068 | (138,062) | 8,994,006 |
| NAV attributable to the unit holders (Note (ii)) | 222,045 | - | 222,045 |
| | 9,516,784 | (162,030) | 9,354,754 |

## 15. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

### Family Takaful fund/Company (contd.)

(ii) The movements of the Family Takaful certificate liabilities are as follows:

| 2021 | Claims Liabilities RM'000 | Actuarial Liabilities RM'000 | NAV Attributable to the Unit holders RM'000 | Gross Liabilities RM'000 | Retakaful Assets RM'000 (Note 8) | Net Liabilities RM'000 |
|---|---|---|---|---|---|---|
| At 1 January 2021 | 162,671 | 9,132,068 | 222,045 | 9,516,784 | (162,030) | 9,354,754 |
| Net earned contributions | - | - | 113,014 | 113,014 | - | 113,014 |
| Other revenue | - | - | 7,722 | 7,722 | - | 7,722 |
| Claims intimated during the financial year | 1,272,127 | - | - | 1,272,127 | (91,039) | 1,181,088 |
| Claims paid during the financial year | (1,216,616) | - | (64,236) | (1,280,852) | 80,824 | (1,200,028) |
| Other expenses | - | - | (18,451) | (18,451) | - | (18,451) |
| Taxation | - | - | 947 | 947 | - | 947 |
| Increase in certificate reserves | - | (66,306) | - | (66,306) | (35,155) | (101,461) |
| Clawback of prior year's surplus | - | (492) | - | (492) | - | (492) |
| Transfer from participants' fund (Note 14(ii)) | - | 201,501 | - | 201,501 | - | 201,501 |
| At 31 December 2021 | 218,182 | 9,266,771 | 261,041 | 9,745,994 | (207,400) | 9,538,594 |

## 15. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

### Family Takaful fund/Company (contd.)

(ii) The movements of the Family Takaful certificate liabilities are as follows (contd.):

| 2020 | Claims Liabilities RM'000 | Actuarial Liabilities RM'000 | NAV Attributable to the Unit holders RM'000 | Gross Liabilities RM'000 | Retakaful Assets RM'000 (Note 8) | Net Liabilities RM'000 |
|---|---|---|---|---|---|---|
| At 1 January 2020 | 117,961 | 7,491,538 | 194,989 | 7,804,488 | (111,198) | 7,693,290 |
| Net earned contributions | - | - | 73,437 | 73,437 | - | 73,437 |
| Other revenue | - | - | 12,520 | 12,520 | - | 12,520 |
| Claims intimated during the financial year | 1,302,416 | - | - | 1,302,416 | (72,125) | 1,230,291 |
| Claims paid during the financial year | (1,257,706) | - | (52,692) | (1,310,398) | 58,085 | (1,252,313) |
| Other expenses | - | - | (5,723) | (5,723) | - | (5,723) |
| Taxation | - | - | (486) | (486) | - | (486) |
| Increase in certificate reserves | - | 323,574 | - | 323,574 | (36,792) | 286,782 |
| Transfer from participants' fund (Note 14(ii)) | - | 1,316,956 | - | 1,316,956 | - | 1,316,956 |
| At 31 December 2020 | 162,671 | 9,132,068 | 222,045 | 9,516,784 | (162,030) | 9,354,754 |

## 16. DERIVATIVE LIABILITIES

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, 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.

| | <----------2021----------> | | | <----------2020 ----------> | | |
|---|---|---|---|---|---|---|
| | **Principal/ Notional Amount RM'000** | **Asset RM'000 (A)** | **Liability RM'000 (B)** | **Principal/ Notional Amount RM'000** | **Asset RM'000 (A)** | **Liability RM'000 (B)** |
| **Hedging derivative:** | | | | | | |
| Forward foreign exchange contract | 20,533 | - | 487 | | - | - |
| Total derivative | | - | 487 | | - | - |

The fair value of the derivative is derived based on valuation techniques from market observable inputs and are revalued at the reporting date based on valuations provided by the respective counterparties. An analysis of the fair value measurement bases used in the determination of the fair values of the derivative are further disclosed in Note 42.

Hedging derivative:

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 investment. The Company enters into forward foreign exchange contracts for the purpose of hedging part of its investment portfolio in USD denominated debt security.

## 17. EXPENSE LIABILITIES

| Shareholder's fund/Company | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| At 1 January | 572,186 | 535,282 |
| Movement in UER | (38,735) | 36,904 |
| At 31 December | 533,451 | 572,186 |

## 18. DEFERRED TAXATION

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| At 1 January 2021 | (34,162) | (51,654) | (85,816) |
| Recognised in: | | | |
| Income statement (Note 31) | 153,851 | - | 153,851 |
| Tax borne by the participants (Note 31) | - | 25,981 | 25,981 |
| Other comprehensive income/ participants' fund | 13,010 | 9,995 | 23,005 |
| At 31 December 2021 | 132,699 | (15,678) | 117,021 |
| **2020** | | | |
| At 1 January 2020 | (28,764) | (48,526) | (77,290) |
| Recognised in: | | | |
| Income statement (Note 31) | (5,129) | - | (5,129) |
| Tax borne by the participants (Note 31) | - | (8,273) | (8,273) |
| Other comprehensive income/ participants' fund | (269) | 5,145 | 4,876 |
| At 31 December 2020 | (34,162) | (51,654) | (85,816) |

In Budget 2022, the government has introduced a once-off corporate tax of 33% on chargeable income of companies above RM100 million for the Year of Assessment 2022. The tax is known as "Cukai Makmur" or Prosperity Tax. The corporate tax rate for chargeable income below RM100 million remains unchanged at 24%.

Accordingly, the Company has applied a weighted average rate of 30% on the timing differences which are expected to realised within the next 12 months so as to derive the net deferred tax liabilities as at 31 December 2021.

## 18. DEFERRED TAXATION (CONTD.)

Additionally, Budget 2022 also introduced amendments to section 60AA of the Income Tax Act, 1967. These amendments now allow management expenses incurred by the Shareholder's fund of the family takaful operators to be deducted for purposes of computing taxable income, beginning YA2022 onwards. Accordingly, because management expenses are now deductible under the new legislation, a timing difference arises, which requires the recognition of deferred tax assets of RM131,269,000 of the Shareholder's fund on the entire balance of expense liabilities as disclosed in Note 18(i).

In view of the changes in basis of taxation of the Shareholder's fund and capital allowance claim eligibility for Takaful Operators, the Company has taken into account items that may be used for tax relief purposes in the future.

## 18. DEFERRED TAXATION (CONTD.)

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 net deferred tax liabilities shown in the statement of financial position has been determined after appropriate offsetting as follows:

| **Shareholder's fund** | **2021 RM'000** | **2020 RM'000** |
|---|---|---|
| Deferred tax assets | 146,816 | 2,721 |
| Deferred tax liabilities | (14,117) | (36,883) |
| | 132,699 | (34,162) |

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

**(i) Deferred tax assets**

| | **Impairment of financing receivables RM'000** | **Lease liabilities RM'000** | **Expense liabilities RM'000** | **Accelerated capital allowance RM'000** | **Provision for bonus RM'000** | **FVOCI reserve RM'000** | **Impairment of FVOCI financial assets RM'000** | **Net amortisation of premiums on investments RM'000** | **Total RM'000** |
|---|---|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | | | |
| At 1 January 2021 | - | - | - | - | - | - | 88 | 2,633 | 2,721 |
| Recognised in: | | | | | | | | | |
| Income statement | - | 18 | 131,269 | 2,422 | 3,887 | - | (5) | 1,236 | 138,827 |
| Other comprehensive income | - | - | - | | - | 5,268 | - | | 5,268 |
| At 31 December 2021 | - | 18 | 131,269 | 2,422 | 3,887 | 5,268 | 83 | 3,869 | 146,816 |
| **2020** | | | | | | | | | |
| At 1 January 2020 | 428 | - | - | - | - | - | 45 | 2,100 | 2,573 |
| Recognised in: | | | | | | | | | |
| Income statement | (428) | - | - | - | - | - | 43 | 533 | 148 |
| At 31 December 2020 | - | - | - | - | - | - | 88 | 2,633 | 2,721 |

## 18. DEFERRED TAXATION (CONTD.)

### Shareholder's fund (contd.)

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

**(ii) Deferred tax liabilities**

| | Accelerated capital allowance RM'000 | FVOCI reserve RM'000 | Fair value adjustment RM'000 | Unrealised currency exchange RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **2021** | | | | | |
| At 1 January 2021 | - | (7,742) | (29,141) | - | (36,883) |
| Recognised in: | | | | | |
| Income statement | - | - | 15,037 | (13) | 15,024 |
| Other comprehensive income | - | 7,742 | - | - | 7,742 |
| At 31 December 2021 | - | - | (14,104) | (13) | (14,117) |
| **2020** | | | | | |
| At 1 January 2020 | (1,414) | (7,473) | (22,450) | - | (31,337) |
| Recognised in: | | | | | |
| Income statement | 1,414 | - | (6,691) | - | (5,277) |
| Other comprehensive income | - | (269) | - | - | (269) |
| At 31 December 2020 | - | (7,742) | (29,141) | - | (36,883) |

## 18. DEFERRED TAXATION (CONTD.)

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 net deferred tax liabilities shown in the statement of financial position has been determined after appropriate offsetting as follows:

| **Family Takaful fund** | **2021 RM'000** | **2020 RM'000** |
|---|---|---|
| Deferred tax assets | 4,150 | 3,747 |
| Deferred tax liabilities | (19,828) | (55,401) |
| | (15,678) | (51,654) |

The components and movements of deferred tax assets/(liabilities) of the Family Takaful fund during the financial year prior to offsetting are as follows:

**(i) Deferred tax assets**

| | **Impairment of FVOCI financial assets RM'000** | **Net Amortisation of premiums on investments RM'000** | **Total RM'000** |
|---|---|---|---|
| **2021** | | | |
| At 1 January 2021 | 109 | 3,638 | 3,747 |
| Recognised in: | | | |
| Tax borne by the participants | (40) | 443 | 403 |
| At 31 December 2021 | 69 | 4,081 | 4,150 |
| **2020** | | | |
| At 1 January 2020 | 87 | 3,222 | 3,309 |
| Recognised in: | | | |
| Tax borne by the participants | 22 | 416 | 438 |
| At 31 December 2020 | 109 | 3,638 | 3,747 |

## 18. DEFERRED TAXATION (CONTD.)

### Family Takaful fund (contd.)

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

**(ii) Deferred tax liabilities**

| | FVOCI reserve RM'000 | Fair value adjustment RM'000 | Unrealised currency exchange RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2021** | | | | |
| At 1 January 2021 | (12,981) | (42,420) | - | (55,401) |
| Recognised in: | | | | |
| Tax borne by the participants | - | 25,586 | (8) | 25,578 |
| Participants' fund | 9,995 | - | - | 9,995 |
| At 31 December 2021 | (2,986) | (16,834) | (8) | (19,828) |
| **2020** | | | | |
| At 1 January 2020 | (18,126) | (33,709) | - | (51,835) |
| Recognised in: | | | | |
| Tax borne by the participants | - | (8,711) | - | (8,711) |
| Participants' fund | 5,145 | - | - | 5,145 |
| At 31 December 2020 | (12,981) | (42,420) | - | (55,401) |

## 18. DEFERRED TAXATION (CONTD.)

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 net deferred tax liabilities shown in the statement of financial position has been determined after appropriate offsetting as follows:

| **Company** | **2021 RM'000** | **2020 RM'000** |
|---|---|---|
| Deferred tax assets | 150,966 | 6,468 |
| Deferred tax liabilities | (33,945) | (92,284) |
| | 117,021 | (85,816) |

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

**(i) Deferred tax assets**

| | **Impairment of financing receivables RM'000** | **Lease liabilities RM'000** | **Expense liabilities RM'000** | **Accelerated capital allowance RM'000** | **Provision for bonus RM'000** | **FVOCI reserve RM'000** | **Impairment of FVOCI financial assets RM'000** | **Net amortisation of premiums on investments RM'000** | **Total RM'000** |
|---|---|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | | | |
| At 1 January 2021 | - | - | - | - | - | - | 197 | 6,271 | 6,468 |
| Recognised in: | | | | | | | | | |
| Income statement | - | 18 | 131,269 | 2,422 | 3,887 | - | (5) | 1,236 | 138,827 |
| Tax borne by the participants | - | - | - | - | - | - | (40) | 443 | 403 |
| Other comprehensive income | - | - | - | - | - | 5,268 | - | - | 5,268 |
| At 31 December 2021 | - | 18 | 131,269 | 2,422 | 3,887 | 5,268 | 152 | 7,950 | 150,966 |
| **2020** | | | | | | | | | |
| At 1 January 2020 | 428 | - | - | - | - | - | 132 | 5,322 | 5,882 |
| Recognised in: | | | | | | | | | |
| Income statement | (428) | - | - | - | - | - | 43 | 533 | 148 |
| Tax borne by the participants | | | | | | | 22 | 416 | 438 |
| At 31 December 2020 | - | - | - | - | - | - | 197 | 6,271 | 6,468 |

## 18. DEFERRED TAXATION (CONTD.)

### Company (contd.)

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

**(ii) Deferred tax liabilities**

| | Accelerated capital allowance RM'000 | FVOCI reserve RM'000 | Fair value adjustment RM'000 | Unrealised currency exchange RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **2021** | | | | | |
| At 1 January 2021 | - | (20,723) | (71,561) | - | (92,284) |
| Recognised in: | | | | | |
| Income statement | - | - | 15,037 | (13) | 15,024 |
| Tax borne by the participants | - | - | 25,586 | (8) | 25,578 |
| Other comprehensive income | - | 7,742 | - | - | 7,742 |
| Participants' fund | - | 9,995 | - | - | 9,995 |
| At 31 December 2021 | - | (2,986) | (30,938) | (21) | (33,945) |
| **2020** | | | | | |
| At 1 January 2020 | (1,414) | (25,599) | (56,159) | - | (83,172) |
| Recognised in: | | | | | |
| Income statement | 1,414 | - | (6,691) | - | (5,277) |
| Tax borne by the participants | - | - | (8,711) | - | (8,711) |
| Other comprehensive income | - | (269) | - | - | (269) |
| Participants' fund | - | 5,145 | - | - | 5,145 |
| At 31 December 2020 | - | (20,723) | (71,561) | - | (92,284) |

## 19. TAKAFUL PAYABLES

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Amounts due to agents and intermediaries | 5,390 | 20,567 | 25,957 |
| Amounts due to retakaful operators | - | 4,084 | 4,084 |
| | 5,390 | 24,651 | 30,041 |
| **2020** | | | |
| Amounts due to agents and intermediaries | 3,400 | 18,394 | 21,794 |
| Amounts due to retakaful operators | - | 1,971 | 1,971 |
| | 3,400 | 20,365 | 23,765 |

Amounts due to retakaful operators that have been offset against amounts due from the same counterparties are as follows:

| Family Takaful fund | Gross carrying amount RM'000 | Gross amount offset in the Statement of Financial Position RM'000 (Note 9) | Net amount in the Statement of Financial Position RM'000 |
|---|---|---|---|
| **2021** | | | |
| Amounts due to retakaful operators | 61,957 | (57,873) | 4,084 |
| **2020** | | | |
| Amounts due to retakaful operators | 16,695 | (14,724) | 1,971 |

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

## 20. OTHER LIABILITIES

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Contribution deposits | - | 53,689 | 53,689 |
| Lease liabilities (Note 4) | 266 | - | 266 |
| Provision for restoration/dismantling costs | 75 | - | 75 |
| Amount due to Shareholder's fund* (Note 10) | - | 103,686 | - |
| Amount due to stockbrokers | 80 | 187 | 267 |
| Unclaimed monies | - | 174,555 | 174,555 |
| Service tax payable | - | 11,407 | 11,407 |
| Surplus payable to Investment Linked Participants' Investment fund ("IL PIF") | - | 4,387 | 4,387 |
| Surplus payable to the participants | - | 5,191 | 5,191 |
| Withholding tax payable | - | 11,307 | 11,307 |
| Amount due to related companies* (Note 36(ii)): | | | |
| - ultimate holding company | 6,760 | - | 6,760 |
| - immediate and penultimate holding company | 3,148 | - | 3,148 |
| - other related companies | 6,044 | 221 | 6,265 |
| Zakat payable | 13,326 | - | 13,326 |
| Provisions for expenses | 30,216 | - | 30,216 |
| Sundry payables and accrued liabilities | 64,847 | 140,164 | 205,011 |
| **Total other liabilities** | 124,762 | 504,794 | 525,870 |

## 20. OTHER LIABILITIES (CONTD.)

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2020** | | | |
| Contribution deposits | 37,386 | 81,874 | 119,260 |
| Lease liabilities (Note 4) | 513 | - | 513 |
| Provision for restoration/dismantling costs | 75 | - | 75 |
| Amount due to Shareholder's fund* (Note 10) | - | 145,316 | - |
| Amount due to stockbrokers | 396 | 2,082 | 2,478 |
| Unclaimed monies | 115 | 74,232 | 74,347 |
| Service tax payable | - | 7,813 | 7,813 |
| Surplus payable to the participants | - | 9,667 | 9,667 |
| Witholding tax payable | - | 43,497 | 43,497 |
| Amount due to related companies* (Note 36(ii)): | | | |
| - ultimate holding company | 5,032 | - | 5,032 |
| - immediate holding company | 211 | - | 211 |
| - other related companies | 4,817 | 163 | 4,980 |
| Zakat payable | 12,561 | - | 12,561 |
| Provisions for expenses | 30,306 | - | 30,306 |
| Sundry payables and accrued liabilities | 51,388 | 272,232 | 323,620 |
| **Total other liabilities** | 142,800 | 636,876 | 634,360 |

* Amounts due to holding company, penultimate holding company, immediate holding company, other related companies and Shareholder's fund are non-trade in nature, unsecured, not subject to any profit elements and are repayable in the short term. The amounts payable are subject to settlement terms stipulated in the takaful certificates.

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.

## 21. OPERATING REVENUE

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Gross contributions | - | 1,773,121 | 1,773,121 |
| Wakalah fees (Note 22) | 348,501 | - | - |
| Investment income (Note 23) | 97,953 | 482,969 | 580,922 |
| | 446,454 | 2,256,090 | 2,354,043 |
| **2020** | | | |
| Gross contributions | - | 1,586,714 | 1,586,714 |
| Wakalah fees (Note 22) | 314,208 | - | - |
| Investment income (Note 23) | 91,441 | 459,672 | 551,113 |
| | 405,649 | 2,046,386 | 2,137,827 |

## 22. FEE AND COMMISSION INCOME

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Wakalah fee income (Note 21) | 348,501 | - | - |
| Profit commission | - | 1,065 | 1,065 |
| Others | 150 | - | 150 |
| **Total fee and commission income** | 348,651 | 1,065 | 1,215 |
| **2020** | | | |
| Wakalah fee income (Note 21) | 314,208 | - | - |
| Profit commission | - | 1,462 | 1,462 |
| Others | 113 | 48 | 161 |
| **Total fee and commission income** | 314,321 | 1,510 | 1,623 |

## 23. INVESTMENT INCOME, NET

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| **Financial assets at FVTPL:** | | | |
| **- Designated upon initial recognition** | | | |
| Profit income | 49,443 | 263,446 | 312,889 |
| **- HFT** | | | |
| Profit income | - | 4,633 | 4,633 |
| Dividend income: | | | |
| Equity securities | | | |
| Quoted in Malaysia | 1,946 | 16,913 | 18,859 |
| Quoted outside Malaysia | 47 | 134 | 181 |
| Unit and property trust funds | 52 | 470 | 522 |
| **Financial assets at FVOCI:** | | | |
| Profit income | 46,057 | 182,230 | 228,287 |
| Dividend income: | | | |
| Equity securities | | | |
| Quoted in Malaysia | 916 | 1,822 | 2,738 |
| **Financial assets at AC:** | | | |
| Profit income | 4,570 | 30,509 | 35,079 |
| Profit income from financing receivables | 265 | - | 265 |
| Rental income, net | 54 | - | 54 |
| Net amortisation of premiums | (4,497) | (13,749) | (18,246) |
| Investment related expenses | (900) | (3,439) | (4,339) |
| **Total investment income, net** | 97,953 | 482,969 | 580,922 |

## 23. INVESTMENT INCOME, NET (CONTD.)

**2020**

| | | | |
|---|---|---|---|
| **Financial assets at FVTPL:** | | | |
| **- Designated upon initial recognition** | | | |
| Profit income | 52,916 | 269,258 | 322,174 |
| **- HFT** | | | |
| Profit income | - | 3,944 | 3,944 |
| Dividend income: | | | |
| Equity securities | | | |
| Quoted in Malaysia | 1,667 | 13,259 | 14,926 |
| Quoted outside Malaysia | 22 | 50 | 72 |
| Unit and property trust funds | 147 | 1,003 | 1,150 |
| **Financial assets at FVOCI:** | | | |
| Profit income | 27,834 | 119,856 | 147,690 |
| **Financial assets at AC:** | | | |
| Profit income | 11,824 | 68,905 | 80,729 |
| Profit income from financing receivables | 418 | - | 418 |
| Rental income, net | 54 | - | 54 |
| Net amortisation of premiums | (2,883) | (13,777) | (16,660) |
| Investment related expenses | (558) | (2,826) | (3,384) |
| **Total investment income, net** | 91,441 | 459,672 | 551,113 |

## 24. REALISED (LOSSES)/GAINS, NET

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Intangible assets | (11) | - | (11) |
| **Financial assets at FVTPL:** | | | |
| **(i) Designated upon initial recognition** | | | |
| Malaysian government papers | - | (2,716) | (2,716) |
| Debt securities | 5,902 | 1,946 | 7,848 |
| | 5,902 | (770) | 5,132 |
| **(ii) HFT** | | | |
| Malaysian government papers | - | (577) | (577) |
| Equity securities | (6,643) | (35,585) | (42,228) |
| Debt securities | - | 477 | 477 |
| Unit and property trust funds | (177) | (287) | (464) |
| | (6,820) | (35,972) | (42,792) |
| **Financial assets at FVOCI:** | | | |
| Malaysian government papers | 101 | 2,904 | 3,005 |
| Debt securities | 508 | 810 | 1,318 |
| | 609 | 3,714 | 4,323 |
| **Total realised losses, net** | (320) | (33,028) | (33,348) |

## 24. REALISED (LOSSES)/GAINS, NET (CONTD.)

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2020** | | | |
| Property, plant and equipment | 1 | - | 1 |
| **Financial assets at FVTPL:** | | | |
| **(i) Designated upon initial recognition** | | | |
| Malaysian government papers | - | 9,999 | 9,999 |
| Debt securities | 15,168 | 77,499 | 92,667 |
| | 15,168 | 87,498 | 102,666 |
| **(ii) HFT** | | | |
| Malaysian government papers | - | 428 | 428 |
| Equity securities | (16,401) | (42,767) | (59,168) |
| Debt securities | - | 766 | 766 |
| Unit and property trust funds | (12) | 224 | 212 |
| | (16,413) | (41,349) | (57,762) |
| **Financial assets at FVOCI:** | | | |
| Malaysian government papers | 7,445 | 18,987 | 26,432 |
| Debt securities | 17,490 | 150,157 | 167,647 |
| | 24,935 | 169,144 | 194,079 |
| **Total realised gains, net** | 23,691 | 215,293 | 238,984 |

## 25. FAIR VALUE (LOSSES)/GAINS, NET

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| **Financial assets at FVTPL:** | | | |
| - Designated upon initial recognition | (72,645) | (300,072) | (372,717) |
| - HFT | (1,761) | (29,865) | (30,775) |
| **Total fair value losses, net** | (74,406) | (329,937) | (403,492) |
| **2020** | | | |
| **Financial assets at FVTPL:** | | | |
| - Designated upon initial recognition | 21,897 | 88,989 | 110,886 |
| - HFT | 5,979 | 24,169 | 28,591 |
| **Total fair value gains, net** | 27,876 | 113,158 | 139,477 |

## 26. OTHER OPERATING (EXPENSES)/INCOME, NET

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| **Other income** | | | |
| Surrender charges | 75 | - | 75 |
| Reversal of impairment losses on (Note 39(i)): | | | |
| - Financing receivables | 1 | - | 1 |
| - Investments | 89 | 587 | 676 |
| - Takaful receivables | - | 7,802 | 7,802 |
| Gain on foreign exchange | | | |
| - Unrealised | 21 | - | 21 |
| - Realised | 161 | 467 | 628 |
| Sundry income | 1,172 | 23,756 | 24,928 |
| | 1,519 | 32,612 | 34,131 |
| **Other expenses** | | | |
| Allowance for impairment losses on other assets (Note 39(i)) | (17) | - | (17) |
| Unrealised loss on foreign exchange | - | (225) | (225) |
| Takaful receivables written off | - | (22) | (22) |
| Sundry expenditure | (4,050) | (19,268) | (23,318) |
| Pandemic medical costs | (3,253) | - | (3,253) |
| | (7,320) | (19,515) | (26,835) |
| **Total other operating (expenses) /income, net** | (5,801) | 13,097 | 7,296 |

## 26. OTHER OPERATING (EXPENSES)/INCOME, NET (CONTD.)

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2020** | | | |
| **Other income** | | | |
| Surrender charges | 53 | - | 53 |
| Reversal of impairment losses on (Note 39(i)): | | | |
| - Financing receivables | 175 | - | 175 |
| - Other assets | - | 1 | 1 |
| Unrealised gain on foreign exchange | 3 | - | 3 |
| Sundry income | 880 | 19,253 | 20,133 |
| Hibah * | - | 16,952 | - |
| | 1,111 | 36,206 | 20,365 |
| **Other expenses** | | | |
| Allowance for impairment losses on (Note 39(i)): | | | |
| - Investments | (171) | (311) | (482) |
| - Takaful receivables | - | (3,746) | (3,746) |
| - Other assets | (47) | - | (47) |
| Loss on foreign exchange | | | |
| - Unrealised | - | (20) | (20) |
| - Realised | (69) | (95) | (164) |
| Sundry expenditure | (2,142) | (16,864) | (19,006) |
| Hibah * | (16,952) | - | - |
| | (19,381) | (21,036) | (23,465) |
| **Total other operating (expenses) /income, net** | (18,270) | 15,170 | (3,100) |

* Hibah is the out-right transfer of cash from the Shareholder's fund to the Family Takaful fund. In 2020, Hibah amounting to RM16,952,000 was declared by the Shareholder's fund to cover deficits in the Maa'syi Waqaf Account ("MWA") of the annuity fund, a part of the Family Takaful fund.

## 27. MANAGEMENT EXPENSES

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Employee benefits expenses (Note (a)) | 82,332 | 16,374 | 98,706 |
| Directors' fees and remuneration (Note 28) | 899 | - | 899 |
| Shariah Committee's fees and remuneration (Note 29) | 264 | - | 264 |
| Auditors' remuneration: | | | |
| - statutory audits | 415 | - | 415 |
| - regulatory services | 14 | 14 | 28 |
| - other assurance services | 66 | - | 66 |
| Depreciation of property, plant and equipment (Note 3) | 107 | - | 107 |
| Depreciation of ROU assets (Note 4) | 194 | - | 194 |
| Profit on lease liabilities (Note 4) | 20 | - | 20 |
| Amortisation of intangible assets (Note 5) | 1,178 | - | 1,178 |
| Bank and financing charges | 3,910 | 3 | 3,913 |
| Electronic data processing expenses | 5,726 | 1,112 | 6,838 |
| Entertainment expenses | 76 | 3 | 79 |
| Legal fees | 260 | - | 260 |
| Information technology outsourcing | 7,056 | 1,370 | 8,426 |
| Office facilities expenses | 229 | 97 | 326 |
| Other management fees | 184 | 5 | 189 |
| Postage and stamp duties | 1,074 | 36 | 1,110 |
| Printing and stationery | 507 | 101 | 608 |
| Professional fees | 563 | 177 | 740 |
| Promotional and marketing costs | 46,343 | - | 46,343 |
| Rental of offices/premises | 5,436 | 1,139 | 6,575 |
| Training expenses | 851 | 70 | 921 |
| Travelling expenses | 120 | 17 | 137 |
| Utilities, assessment and maintenance | 6,046 | 637 | 6,683 |
| Other expenses | 14,210 | 1,866 | 16,076 |
| **Total management expenses** | 178,080 | 23,021 | 201,101 |

## 27. MANAGEMENT EXPENSES (CONTD.)

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2020** | | | |
| Employee benefits expenses (Note (a)) | 79,470 | 19,705 | 99,175 |
| Directors' fees and remuneration (Note 28) | 693 | - | 693 |
| Shariah Committee remuneration (Note 29) | 241 | - | 241 |
| Auditors' remuneration: | | | |
| - statutory audits | 722 | - | 722 |
| - regulatory services | 14 | 10 | 24 |
| - other services | 146 | - | 146 |
| Depreciation of property, plant and equipment (Note 3) | 122 | - | 122 |
| Depreciation of ROU assets (Note 4) | 229 | - | 229 |
| Profit on lease liabilities (Note 4) | 24 | - | 24 |
| Amortisation of intangible assets (Note 5) | 879 | - | 879 |
| Bank and financing charges | 1,076 | 2,727 | 3,803 |
| Electronic data processing expenses | 5,137 | 1,427 | 6,564 |
| Entertainment expenses | 105 | 5 | 110 |
| Legal fees | 44 | - | 44 |
| Information technology outsourcing | 4,446 | 1,451 | 5,897 |
| Office facilities expenses | 319 | 80 | 399 |
| Other management fees | 65 | 10 | 75 |
| Postage and stamp duties | 1,302 | 33 | 1,335 |
| Printing and stationery | 611 | 76 | 687 |
| Professional fees | 1,415 | 322 | 1,737 |
| Promotional and marketing costs | 24,293 | - | 24,293 |
| Rental of offices/premises | 4,336 | 1,015 | 5,351 |
| Training expenses | 470 | 48 | 518 |
| Travelling expenses | 564 | 33 | 597 |
| Utilities, assessment and maintenance | 6,359 | 1,472 | 7,831 |
| Other expenses | 11,566 | 1,448 | 13,014 |
| **Total management expenses** | 144,648 | 29,862 | 174,510 |

## 27. MANAGEMENT EXPENSES (CONTD.)

| (a) Employee benefits expenses | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Wages, salaries and bonus | 63,319 | 12,641 | 75,960 |
| EPF | 9,882 | 1,841 | 11,723 |
| SOCSO | 460 | 73 | 533 |
| Share based compensation | 2,209 | 584 | 2,793 |
| Other benefits | 6,462 | 1,235 | 7,697 |
| | 82,332 | 16,374 | 98,706 |
| **2020** | | | |
| Wages, salaries and bonus | 60,855 | 14,877 | 75,732 |
| EPF | 9,916 | 2,295 | 12,211 |
| SOCSO | 447 | 88 | 535 |
| Share based compensation | 1,507 | 495 | 2,002 |
| Other benefits | 6,745 | 1,950 | 8,695 |
| | 79,470 | 19,705 | 99,175 |

Included in employee benefits expense is CEO's remuneration of RM1,301,000 (2020: RM1,510,000) as further disclosed in Note 27(b).

(b) The details of the CEO's remuneration during the year are as follows:

| Shareholder's fund/Company | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Salaries | 721 | 721 |
| Bonus | 240 | 300 |
| Contribution to EPF | 161 | 182 |
| Share based compensation | 114 | 139 |
| Other emoluments | 65 | 168 |
| | 1,301 | 1,510 |

## 28. DIRECTORS' FEES AND REMUNERATION

| **Shareholder's fund/Company** | **2021 RM'000** | **2020 RM'000** |
|---|---|---|
| Non executive directors: | | |
| Fees | 765 | 615 |
| Other emoluments | 134 | 78 |
| **Total directors' fees and remuneration** | 899 | 693 |

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

| | **Fees RM'000** | **Other Emoluments RM'000** | **Total RM'000** |
|---|---|---|---|
| **2021** | | | |
| Non-executive directors: | | | |
| Dato' Majid Bin Mohamad (Chairman) | 180 | 29 | 209 |
| Dato' Johan Bin Ariffin | 120 | 18 | 138 |
| Mr. Wong Pakshong Kat Jeong Colin Stewart | 120 | 20 | 140 |
| Mr. Andrew King Sun Cheung | 120 | 20 | 140 |
| Prof Dr. Azman Bin Mohd Noor | 120 | 21 | 141 |
| En. Mohd Din Bin Merican (Appointed w.e.f 15 February 2021) | 105 | 26 | 131 |
| | 765 | 134 | 899 |

| | **Fees RM'000** | **Other Emoluments RM'000** | **Total RM'000** |
|---|---|---|---|
| **2020** | | | |
| Non-executive directors: | | | |
| Dato' Majid Bin Mohamad (Chairman) | 180 | 25 | 205 |
| Mr. Philippe Pol Arthur Latour (Vice Chairman) (Resigned w.e.f 7 February 2020) | 12 | - | 12 |
| Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican (Resigned w.e.f 31 January 2020) | 10 | - | 10 |
| Dato' Johan Bin Ariffin | 120 | 14 | 134 |
| Mr. Wong Pakshong Kat Jeong Colin Stewart | 120 | 14 | 134 |
| Mr. Andrew King Sun Cheung (Appointed w.e.f 7 February 2020) | 108 | 16 | 124 |
| Prof Dr. Azman Bin Mohd Noor (Appointed w.e.f 15 June 2020) | 65 | 9 | 74 |
| | 615 | 78 | 693 |

## 29. SHARIAH COMMITTEE'S FEES AND REMUNERATION

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| **Shareholder's fund/Company** | | |
| Fees | 158 | 163 |
| Other emoluments | 106 | 78 |
| | 264 | 241 |

The details of remuneration of the Shariah Committee of the Company are as follows:

| | Fees<br>RM'000 | Other Emoluments<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|
| **2021** | | | |
| Shariah committee: | | | |
| Assoc Prof Dr. Aznan Bin Hasan (Chairman) | 35 | 20 | 55 |
| Dr. Sarip Bin Adul (Resigned w.e.f 31 May 2021) | 11 | 6 | 17 |
| Prof Dr. Rusni Binti Hassan | 28 | 20 | 48 |
| Prof Dr. Abdul Rahim Bin Abdul Rahman | 28 | 20 | 48 |
| Prof Dato' Dr. Mohd Azmi Bin Omar | 28 | 20 | 48 |
| Assoc Prof Dr. Azman Bin Mohd Noor | 28 | 20 | 48 |
| | 158 | 106 | 264 |
| **2020** | | | |
| Shariah committee: | | | |
| Assoc Prof Dr. Aznan Bin Hasan (Chairman) (Appointed w.e.f 1 June 2019) | 36 | 16 | 52 |
| Dr. Sarip Bin Adul | 28 | 14 | 42 |
| Prof Dr. Rusni Binti Hassan | 28 | 14 | 42 |
| Prof Dr. Abdul Rahim Bin Abdul Rahman | 28 | 12 | 40 |
| Prof Dato' Dr. Mohd Azmi Bin Omar | 28 | 14 | 42 |
| Assoc Prof Dr. Azman Bin Mohd Noor (Appointed w.e.f 15 June 2020) | 15 | 8 | 23 |
| | 163 | 78 | 241 |

## 30. FEE AND COMMISSION EXPENSES

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Commission expenses | 138,288 | 579 | 138,867 |
| Wakalah fee expenses | - | 348,501 | - |
| | 138,288 | 349,080 | 138,867 |
| **2020** | | | |
| Commission expenses | 125,318 | 707 | 126,025 |
| Wakalah fee expenses | - | 314,208 | - |
| | 125,318 | 314,915 | 126,025 |

## 31. TAXATION

**Major components of income tax expense**

The major components of income tax expense for the financial years ended 31 December 2021 and 31 December 2020 are as follows:

| Shareholder's fund/Company | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| **Income Statement** | | |
| Income tax: | | |
| Tax expense for the financial year | 77,453 | 72,954 |
| (Over)/under provision of taxation in prior years | (16,584) | 24 |
| Deferred taxation: | | |
| Relating to origination and reversal of temporary differences (Note 18) | (153,851) | 5,129 |
| Income tax (credit)/expense recognised in Income Statement | (92,982) | 78,107 |

## 31. TAXATION (CONTD.)

**Reconciliation between tax expense and accounting profit**

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

| **Shareholder's fund/Company** | **2021 RM'000** | **2020 RM'000** |
|---|---|---|
| Profit before taxation and zakat | 188,318 | 281,887 |
| Taxation at Malaysian statutory tax rate of 24% | 45,196 | 67,653 |
| Income not subject to tax | (94,740) | (76,510) |
| Expenses not deductible for tax purposes | 109,155 | 90,586 |
| Effect of zakat deduction and approved donation | (864) | (3,646) |
| Effect of weighted average tax rate on deferred tax | (1,435) | - |
| Effect of changes in tax legislation | (133,710) | - |
| (Over)/under provision of taxation in prior years | (16,584) | 24 |
| Tax expense for the financial year | (92,982) | 78,107 |

The domestic income tax for the Shareholder's Fund is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

**Tax borne by the participants**

| **Family Takaful fund/Company** | **2021 RM'000** | **2020 RM'000** |
|---|---|---|
| **Income Statement** | | |
| Income tax: | | |
| Tax expense for the financial year | 85 | 101 |
| Under/(over) provision of taxation in prior year | 20,332 | (4) |
| Deferred taxation: | | |
| Relating to origination and reversal of temporary differences (Note 18) | (25,981) | 8,273 |
| Tax borne by participants recognised in Income Statement | (5,564) | 8,370 |

The income tax for the Family Takaful fund is calculated at the statutory rate of 8% (2020: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

## 31. TAXATION (CONTD.)

**Statement of Comprehensive Income**

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 |
|---|---|---|
| **2021** | | |
| Deferred taxation: | | |
| - Fair value changes on financial assets at FVOCI | (13,010) | (9,995) |
| **2020** | | |
| Deferred taxation: | | |
| - Fair value changes on financial assets at FVOCI | 269 | (5,145) |

## 32. EARNINGS PER SHARE

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

| | 2021 | 2020 |
|---|---|---|
| Profit attributable to ordinary shareholder (RM'000) | 270,691 | 191,874 |
| Weighted average number of ordinary shares in issue (units '000) | 100,000 | 100,000 |
| Basic and diluted earnings per share (sen) | 270.69 | 191.87 |

## 33. OTHER COMMITMENTS AND CONTINGENCIES

| **Shareholder's fund** | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Approved and contracted for: | | |
| Intangible assets | - | 60 |

## 34. SEGMENTAL INFORMATION ON CASH FLOW

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Net cash flow generated from/(used in): | | | |
| Operating activities | 309,457 | 1,502,926 | 1,812,383 |
| Investing activities | (345,551) | (1,639,965) | (1,985,516) |
| Financing activities | (216) | - | (216) |
| | (36,310) | (137,039) | (173,349) |
| Net decrease in cash and cash equivalents: | | | |
| At 1 January 2021 | 38,893 | 193,264 | 232,157 |
| At 31 December 2021 | 2,583 | 56,225 | 58,808 |
| | (36,310) | (137,039) | (173,349) |
| **2020** | | | |
| Net cash flow (used in)/generated from : | | | |
| Operating activities | (26,292) | (1,321,927) | (1,348,219) |
| Investing activities | 59,479 | 1,395,002 | 1,454,481 |
| Financing activities | (216) | - | (216) |
| | 32,971 | 73,075 | 106,046 |
| Net increase in cash and cash equivalents: | | | |
| At 1 January 2020 | 5,922 | 120,189 | 126,111 |
| At 31 December 2020 | 38,893 | 193,264 | 232,157 |
| | 32,971 | 73,075 | 106,046 |

## 35. SHARE-BASED COMPENSATION

**ESGP and CESGP**

Maybank Group has implemented a new employee's share scheme named as the Maybank Group ESGP and the scheme was awarded to the participating companies within the Maybank Group who fulfil the eligibility criteria. The ESGP is governed by the ESGP By-Laws approved by the shareholders of Maybank at an Extraordinary General Meeting held on 6 April 2017. The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee.

## 35. SHARE-BASED COMPENSATION (CONTD.)

### ESGP and CESGP (Contd.)

The ESGP consists of two (2) types of performance-based awards, i.e. ESGP Shares and 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 ESGP Committee.

The ESGP Shares are a form of Restricted Share Units ("RSU") and the ESGP Committee 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 ESGP Committee 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.

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 has 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 ESGP shall be valid for a period of seven (7) 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.

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES 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, fellow subsidiary companies, 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. The significant related party transactions and balances of the Company are as follows:

(i) Significant transactions of the Company with related parties during the financial year were as follows:

| **Income/(expenses):** | **Shareholder's fund RM'000** | **Family Takaful fund RM'000** | **Company RM'000** |
|---|---|---|---|
| **2021** | | | |
| Ultimate holding company: | | | |
| Gross contribution income | - | 8,597 | 8,597 |
| Other income | 488 | - | 488 |
| Commission and fee expenses | (6,788) | - | (6,788) |
| Bank charges | (548) | (2) | (550) |
| ESGP | (1,521) | - | (1,521) |
| Claims paid | - | (3,298) | (3,298) |
| Immediate and penultimate holding companies: | | | |
| Gross contribution income | - | 325 | 325 |
| Shared services costs | (25,968) | (5) | (25,973) |
| Claims paid | - | (1,238) | (1,238) |
| Remuneration of a seconded employee | (158) | - | (158) |
| Other expenses | (229) | - | (229) |

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

(i) Significant transactions of the Company with related parties during the financial year were as follows (contd.):

| Income/(expenses)(contd.): | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021 (contd.)** | | | |
| Fellow subsidiaries within the MAHB Group: | | | |
| Gross contribution income | - | 695 | 695 |
| Rental income | 54 | - | 54 |
| Rental expenses | (5,610) | - | (5,610) |
| Claims paid | - | (513) | (513) |
| Shared services costs | (29,294) | - | (29,294) |
| Fellow subsidiaries within the EIHSB Group: | | | |
| Gross contribution income | - | 7 | 7 |
| Shared services costs | (36) | - | (36) |
| Consultation fee | (18) | - | (18) |
| Other related companies within the Maybank Group: | | | |
| Gross contribution income | - | 5,638 | 5,638 |
| Profit income | 4,118 | 17,425 | 21,543 |
| Other income | 23 | - | 23 |
| Information technology outsourcing | (7,056) | (1,370) | (8,426) |
| Commission and fee expenses | (42,835) | - | (42,835) |
| Investment expenses | (632) | (2,771) | (3,403) |
| Claims paid | - | (1,082) | (1,082) |
| Companies with significant influence over the Maybank Group: | | | |
| Gross contribution income | - | 10,795 | 10,795 |
| Claims paid | - | (1,830) | (1,830) |
| **2020** | | | |
| Ultimate holding company: | | | |
| Gross contribution income | - | 10,144 | 10,144 |
| Other income | 822 | - | 822 |
| Commission and fee expenses | (5,463) | - | (5,463) |
| Bank charges | (91) | (381) | (472) |
| ESGP | (766) | - | (766) |
| Claims paid | - | (5,474) | (5,474) |

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

(i) Significant transactions of the Company with related parties during the financial year were as follows (contd.):

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **Income/(expenses)(contd.):** | | | |
| **2020 (contd.)** | | | |
| Immediate and penultimate holding companies: | | | |
| Gross contribution income | - | 117 | 117 |
| Shared services costs | (11,093) | (10) | (11,103) |
| Claims paid | - | - | - |
| Remuneration of a seconded employee | (134) | - | (134) |
| Other expenses | (280) | - | (280) |
| Fellow subsidiaries within the MAHB Group: | | | |
| Gross contribution income | - | 865 | 865 |
| Rental income | 54 | - | 54 |
| Rental expenses | (5,300) | - | (5,300) |
| Claims paid | - | (125) | (125) |
| Shared services costs | (42,999) | - | (42,999) |
| Fellow subsidiaries within the EIHSB Group: | | | |
| Gross contribution income | - | 1 | 1 |
| Consultation fee | (131) | - | (131) |
| Other related companies within the Maybank Group: | | | |
| Gross contribution income | - | 1,798 | 1,798 |
| Profit income | 8,698 | 40,242 | 48,940 |
| Other income | 39 | - | 39 |
| Information technology outsourcing | (4,446) | (1,451) | (5,897) |
| Commission and fee expenses | (40,025) | - | (40,025) |
| Investment expenses | (444) | (2,267) | (2,711) |
| Claims paid | - | (391) | (391) |
| Companies with significant influence over the Maybank Group: | | | |
| Gross contribution income | - | 10,175 | 10,175 |
| Claims paid | - | (6,071) | (6,071) |

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

(ii) 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:

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| Ultimate holding company: | | | |
| Bank balances | 2,583 | 46,424 | 49,007 |
| Outstanding contributions | - | 68 | 68 |
| Claim liabilities | - | (990) | (990) |
| Sundry payables and accrued liabilities | (40,303) | - | (40,303) |
| Amount due to ultimate holding company (Note 20) | (6,760) | - | (6,760) |
| Immediate and penultimate holding companies: | | | |
| Amount due to penultimate holding company (Note 20) | (3,148) | - | (3,148) |
| Fellow subsidiaries within the MAHB Group: | | | |
| Outstanding contributions | - | 1 | 1 |
| Amount due from other related companies (Note 10) | 4,942 | - | 4,942 |
| Amount due to other related companies (Note 20) | (5,954) | - | (5,954) |
| Fellow subsidiaries within the EIHSB Group: | | | |
| Amount due to other related companies (Note 20) | (36) | - | (36) |

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

(ii) 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 (contd.):

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021 (contd.)** | | | |
| Other related companies within the Maybank Group: | | | |
| Income due and accrued | 379 | 1,559 | 1,938 |
| Fixed and call deposits | 275,334 | 787,474 | 1,062,808 |
| Outstanding contributions | - | 23 | 23 |
| Derivatives | - | (487) | (487) |
| Sundry receivables, deposits and prepayments | 6,337 | - | 6,337 |
| Sundry payables and accrued liabilities | (1,312) | - | (1,312) |
| Amount due to other related companies (Note 20) | (54) | (221) | (275) |
| Companies with significant influence over the Maybank Group: | | | |
| Outstanding contributions | - | 8,649 | 8,649 |
| **2020** | | | |
| Ultimate holding company: | | | |
| Bank balances | 38,893 | 191,025 | 229,918 |
| Outstanding contributions | - | 38 | 38 |
| Claim liabilities | - | (65) | (65) |
| Sundry payables and accrued liabilities | (28,302) | - | (28,302) |
| Amount due to ultimate holding company (Note 20) | (5,032) | - | (5,032) |
| Immediate holding company: | | | |
| Amount due from immediate holding company (Note 10) | 462 | - | 462 |
| Claim liabilities | - | (2) | (2) |
| Amount due to immediate holding company (Note 20) | (211) | - | (211) |

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

(ii) 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 (contd.):

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2020 (contd.)** | | | |
| Fellow subsidiaries within the MAHB Group: | | | |
| Outstanding contributions | - | 70 | 70 |
| Amount due from other related companies (Note 10) | 10,388 | - | 10,388 |
| Claim liabilities | - | (22) | (22) |
| Amount due to other related companies (Note 20) | (4,775) | - | (4,775) |
| Fellow subsidiaries within the EIHSB Group: | | | |
| Amount due to other related companies (Note 20) | (8) | - | (8) |
| Other related companies within the Maybank Group: | | | |
| Income due and accrued | 848 | 5,038 | 5,886 |
| Fixed and call deposits | 374,042 | 1,600,927 | 1,974,969 |
| Outstanding contributions | - | 134 | 134 |
| Claim liabilities | - | (17) | (17) |
| Sundry receivables, deposits and prepayments | 5,850 | - | 5,850 |
| Sundry payables and accrued liabilities | (1,163) | - | (1,163) |
| Amount due to other related companies (Note 20) | (34) | (163) | (197) |
| Companies with significant influence over the Maybank Group: | | | |
| Outstanding contributions | - | 1,475 | 1,475 |
| Claim liabilities | - | (234) | (234) |

The terms of the balances with related companies are disclosed in Notes 10 and 20 of the financial statements.

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

(iii) Key management personnel compensation

(a) The remuneration of key management personnel during the financial year were as follows:

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| **Short-term employee benefits** | | |
| Fees | 765 | 615 |
| Salaries, allowances and bonuses | 1,006 | 1,021 |
| Contribution to EPF and pension scheme | 161 | 182 |
| Share based compensation | 114 | 139 |
| Other emoluments | 153 | 246 |
| | 2,199 | 2,203 |

(b) The number of shares awarded for ESGP to key management personnel were as follows:

| **Award date** | 2021<br>Units '000 | 2020<br>Units '000 |
|---|---|---|
| At 1 January | 292 | 264 |
| Awarded | 161 | 28 |
| At 31 December | 453 | 292 |

The remuneration of other key management personnel, being the non-executive directors of the Company are as disclosed in Notes 27 and 28 of the financial statements.

## 37. ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Enterprise Risk Management Framework ("ERMF") is intended to institutionalise vigilance and awareness of the management of risk. 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 ("the Company"), 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.




The overall risk management process is viewed in a structured and disciplined approach to align strategies, policies, processes, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholder value.

## 37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### 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 & Quantify Unfavorable Effects Through Stress Testing
- Ensure Sufficient Resources and System Infrastructures

There are Risk Frameworks, Policies, Guidelines and Procedures documenting the key expectations for the proper coping with each risk type the organisation faces.

### Risk Culture

Risk Culture is a vital component in strengthening the MAHB Group's risk governance structure and forms a fundamental tenet of strong risk culture management. It serves as the foundation upon which a strong enterprise wide risk management structure is built.

It 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 the business objectives and attitude towards risk taking and risk management through risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

The Risk Culture can be strengthened by 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.

## 37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### 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 the annual Enterprise Risk Assessment (with methodology of Risk Landscape Survey), the New Business/Product Approval process as governed by the New Product Approval Policy, through forward looking stress testing as well as inputs from the Senior Management and Board of Directors.

### Risk Appetite and Strategy

The establishment of the MAHB Group's risk appetite is a critical 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 ("the Board") and Senior Management to communicate, understand and assess the types and levels of risks that they are willing to accept in pursuit of their business objectives.

Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the risk appetite to ensure that the projected revenues arising from business transactions are consistent with the risk profile and risk appetite established.

### Adequate Capital

Capital Management is the key element for ensuring that MAHB and its subsidiaries has adequate capital to meet its capital requirements on an on-going basis, fulfilling the regulatory requirements on Internal Capital Adequacy Assessment Processes ("ICAAP") that all 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 and its subsidiaries must have an actionable plan to restore the capital level within a reasonable timeframe.

### Risk Response

Risk response is the process of monitoring inherent risk and potential risk events from MAHB Group’s product offerings, investment decisions, operating processes as well as business strategies. There are generally four (4) possible responses to risk that have been identified and evaluated:-

a) Avoidance – exiting the activities that are giving rise to risk;
b) Reduction – taking action to reduce the likelihood or impact related to the risk;
c) Share – transferring or sharing a portion of the risk; and
d) Acceptance – accepting inherent risk and willingness to absorb plausible implications due to a cost and benefit decision

## 37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Risk Response (contd.)

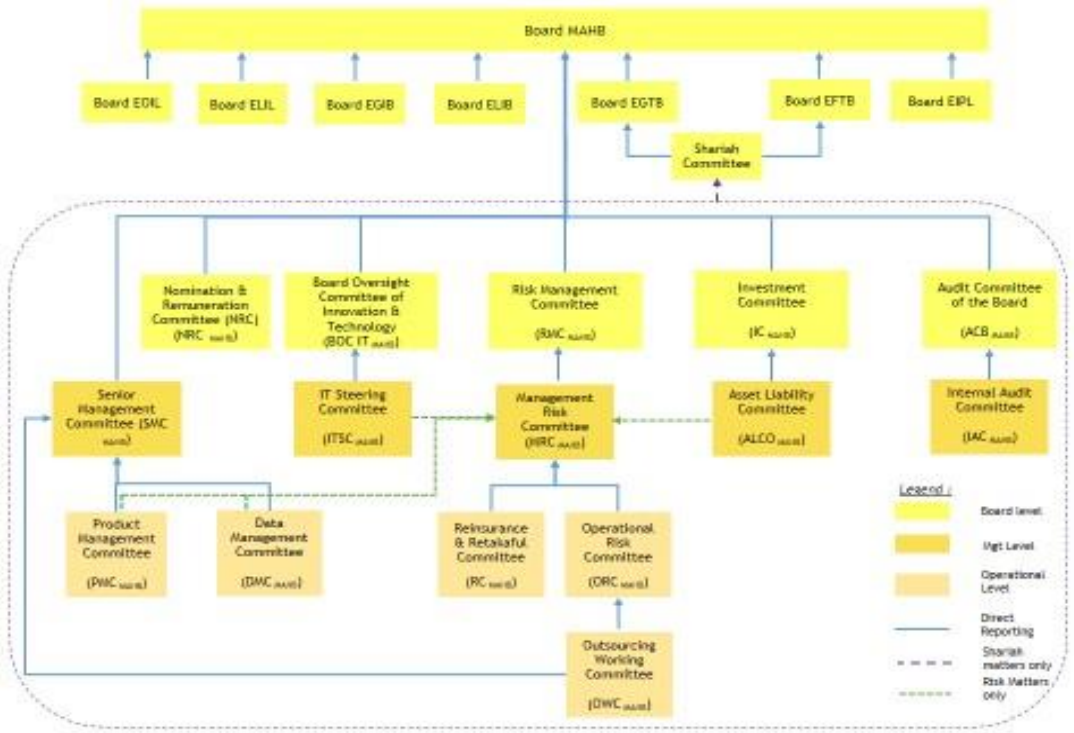
When strategising the response action, the overarching principle that needs to be thoroughly considered is whether or not the risk that we are willing to assume is feasible to MAHB Group. In general, if we are unable to manage and mitigate the risk then we should avoid the risk, unless the trade-off cost and benefit 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 Senior Management with well defined, transparent and consistent lines of responsibility.

The risk governance model provides a formalised, transparent and effective governance structure which promotes active involvement of the Board and Senior Management in the risk management process to ensure a uniform view of risk across the MAHB Group. It also places accountability and ownership while facilitating an appropriate level of independence and segregation of duties between the lines of defence.

The risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the governance bodies involved in the risk management function. The Risk Management function is built around a number of Boards and Committees that have been set-up, including the Boards, the Risk Management Committee ("RMC") and the Management Risk Committee ("MRC").



## 37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Governance and Risk Oversight (contd.)

Note:
1) This is a representation of overall risk governance bodies within the MAHB Group, there exist other committees not captured in this diagram as any risk matters that require risk focused 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 respective entities' Boards.

The risk governance structure in place aims to ensure appropriate accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the three (3) lines of defence which include the risk taking units, risk control units and internal audit.

### Board

The MAHB Board, together with the ELIB, EFTB, EGIB, EGTB, ELIL, EOIL and EIPL Boards, have the final responsibility for all business activities, including risk management. The Boards have delegated specific matters to sub-Boards Committees, such as Shariah matters to Shariah Committee ("SC"), risk matters to the Risk Management Committee ("RMC"), audit matters to the Audit Committee of the Board ("ACB"), remuneration matters to Nomination and Remuneration Committee ("NRC") and investment matters to the Investment Committee ("IC").

Board Oversight Committee of Innovation and Technology ("BOC IT") to oversee the innovations enabled by technology; Financial and Operational Excellence ("FOX") opportunities enabled by technology; critical innovation and technology projects including regulatory changes; and, ensure the relevant initiatives are adquately 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")

The SMC is responsible to assure the Board 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.

## 37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Governance and Risk Oversight (contd.)

#### Asset Liability Committee ("ALCO")

The ALCO is responsible for the investment strategy and operations. It will carry out its responsibilities within the limits set by the MRC taking into consideration the Risk Appetite and Asset Liability Management ("ALM") constraints.

#### Information Technology Steering Committee ("ITSC")

ITSC is to establish, review and aprrove IT initiatives as well as long term IT strategies and plans; identify potential IT strategies for the improvement of 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

#### 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; to deliberate and ensure adequacy and timeliness of the remedial actions; and, to support ACB in all audit- related matters.

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 lines. PMC monitor the implementation, and post implementation performance of the Insurance & Takaful Products.

#### Data Management Committee ("DMC")

DMC is to ensure effective group wide implementation of related Data Management policies and procedures, with proper execution of the actions and activities stipulated for every operating entity / subsidiary.

## 37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Governance and Risk Oversight (contd.)

#### Reinsurance & 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 management of the Insurance & Takaful policies. The scope of the RC covers General Reinsurance & Retakaful, Inward / Outward Reinsurance and Life / Family Catastrophe protection areas/issues under Maybank Ageas Holdings Berhad for the Insurance and Takaful Group.

#### Outsourcing Working Committee ("OWC")

OWC is responsible to deliberate and make recommendations on outsourcing related topics and also to ensure sound governance through effective implementation of outsourcing governing policies and procedures for all the operating entities in Malaysia (ELIB, EGIB, EFTB, and EGTB and Labuan entities EOIL and ELIL)) including oversight function on EIPL outsourcing related matters (e.g. outsourcing consolidated group reporting).

#### Fire Committee ("FC")

FC is responsible to verify the contribution rate level is adequate and complies with BNM guidelines (aligned with Pricing Policy document); approve Fire Underwriting Guidelines in line with MAHB Group's business strategy and risk appetite; approve pricing within FC's authority; to monitor the monthly performance indicators and propose corrective actions; on the advice of Pricing Department, report deviation from Fire Pricing Policy to MRC.

#### Motor Committee ("MC")

MC is responsible to verify the contribution rate level is adequate and complies with BNM guidelines (aligned with Pricing Policy document); approve Motor Underwriting Guidelines in line with MAHB Group's business strategy and risk appetite; approve pricing and re-pricing within MC's authority.

#### Business Continuity Management Committee ("BCMC")

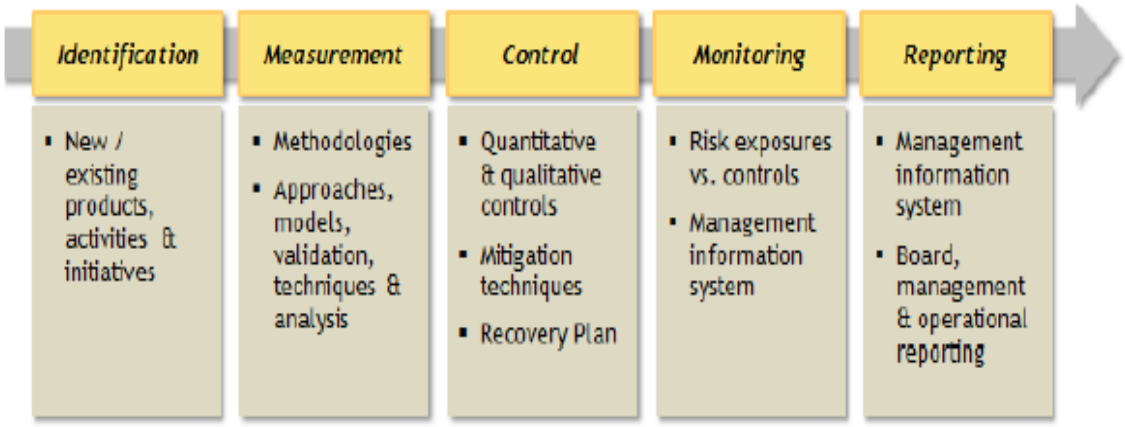
The BCMC is responsible to ensure that the Business Continuity Management ("BCM') framework is embedded, promoted and implemented in each service area within the MAHB group. It also provides centralised co-ordination of the response to, and recovery from, any incident, or situation that causes potential or significant disruption to the Company in delivering its services to customers/certificate holders.

## 37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### 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.

There are five (5) main stages of the risk management process which form a continuous cycle as follows:




### Stress Testing

Stress Testing should be 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 capital and earnings to absorb potentially significant losses.

Stress Testing is to be 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 Insfrastructure

Appropriate system infrastructure and resources are the foundation and enabler to effective risk management practices and processes. As a result, the MAHB Group should equip itself with necessary resources, infrastructure and support so as to ensure that risk management functions can be performed efficiently.

## 37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Resources

To execute the risk principles, objectives, strategies and processes at the various hierarchical levels within the governance model, all risk functions that are in place must be adequately staffed with the relevant personnel to carry out their responsibilities independently and effectively.

The personnel within Risk Management Department should possess the requisite skills, qualifications, experience and competencies compatible with the nature, scale and complexity of the MAHB Group's business activities.

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these in all facets of risk taking activities.The risk management function should be given full access to internal systems and information for the purpose of performing its roles.

### 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 risks. 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 the effective management of risk can be performed appropriately.

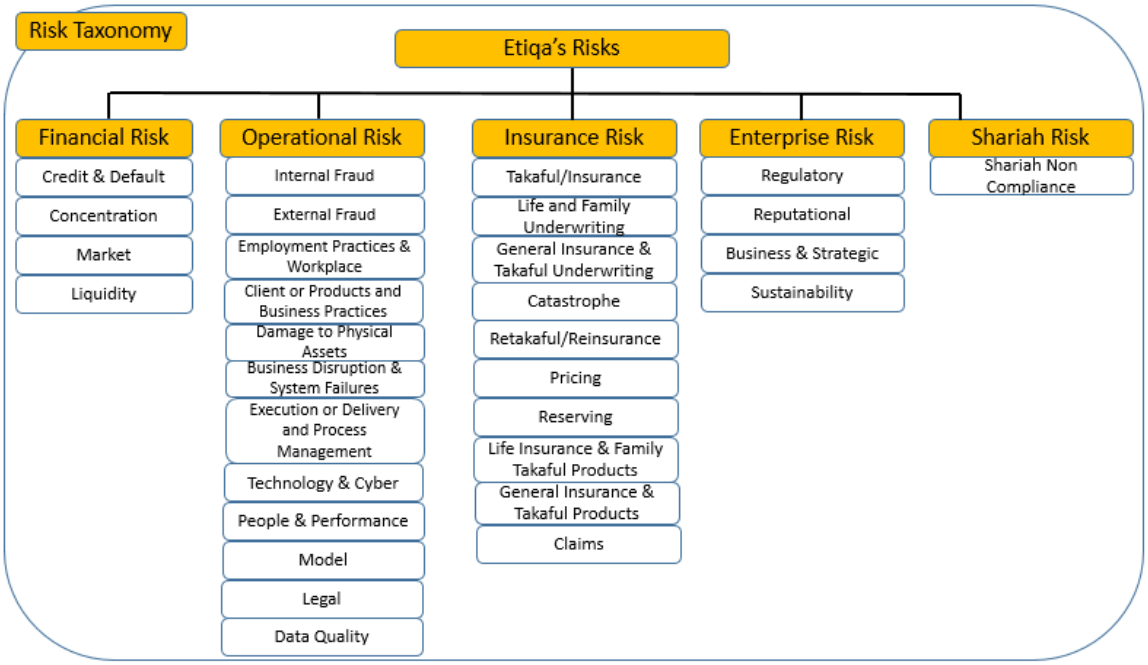
In addition, effective measures and systems must be in place to facilitate the generation and exchange of information within the MAHB Group. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

## 37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Risk Taxonomy

The following are the risk types that are applicable to the businesses and operations, which consists of Financial, Insurance, Operational, Enterprise and Shariah Risk.

Risk Management Department works hand-in-hand with Compliance Department, Legal Department and Shariah Division on risk-related matters.



## 38. TAKAFUL RISK

Takaful risk is risk of loss or of adverse change arising from the underwritten takaful business. This can be due to adverse deviation in portfolio experience as well as underlying assumptions / expectation on which product, pricing, underwriting, claims, reserving and retakaful have been made. Analyses are performed to ensure that Takaful risks remain within the Company's risk appetite. Recommendations are provided to relevant stakeholders after identifying and evaluating significant trends.

Retakaful offers financial protection to takaful operators 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 retakaful companies are the counterparty risk of retakaful operators failing to honor their obligations. The Company monitors the retakaful operators creditworthiness on a monthly basis.

The Company 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 Company's guidelines and standards.

### (i) Family Takaful Underwriting Risk

Family Takaful 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, expectations and terms set. Underwriting Risk also considers other factors such as Environmental, Social and Governance ("ESG") and Value-Based Intermediation ("VBI") based on any available or established internal standard.

### (ii) Pricing Risk

Pricing Risk is the risk of loss or adverse impact arising from the inadequate contribution charged resulting in higher than expected losses and expenses.

### (iii) Retakaful Risk

The Retakaful Risk reflects possible loss or adverse impact arising from the retakaful. The scope of this risk category includes retakaful operator and risk mitigating contracts, such as retakaful arrangements. It does not include the defaults for financial instruments, which are covered under Credit & Default Risk.

### (iv) Products Risk

This relates to the risk of loss or adverse impact arising from the development of new products and management of products. Product-related risks include investment risk, pricing risk, business risk, reinsurance/retakaful risk, financial risk, underwriting risk, operational risk, fraud risk, misselling risk and Shariah non-compliance risk. To properly manage products risk, an assessment of system readiness to cater for specific product requirements is also necessary.

## 38. TAKAFUL RISK (CONTD.)

### (v) Reserving Risk

Being 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 underwritten Takaful businesses due to over-exposures to extreme or exceptional events, which can cause an accumulated loss or single large loss.

Catastrophe Risks could arise from Family Takaful businesses. It is also includes catastrophe risks arising from climate change and any other ESG/VBI factors.

### (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 Company's reputation. Claims management process can also impact claims cost resulting in higher claims experience, which will affect profitability.

### (a) Family Takaful fund

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

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Gross RM'000** | **Retakaful RM'000** | **Net RM'000** | **Gross RM'000** | **Retakaful RM'000** | **Net RM'000** |
| Endowment | 2,494,563 | - | 2,494,563 | 2,391,699 | - | 2,391,699 |
| Mortgage | 5,108,465 | (173,217) | 4,935,248 | 5,070,496 | (138,062) | 4,932,434 |
| Term assurance | 30,937 | - | 30,937 | 31,249 | - | 31,249 |
| Annuity | 731,091 | - | 731,091 | 762,973 | - | 762,973 |
| Others | 901,715 | - | 901,715 | 875,651 | - | 875,651 |
| | 9,266,771 | (173,217) | 9,093,554 | 9,132,068 | (138,062) | 8,994,006 |

All of the Company's Family Takaful business was derived from Malaysia and, accordingly, a geographical analysis by country is not relevant to the Company.

## 38. TAKAFUL RISK (CONTD.)

### (a) Family Takaful fund (contd.)

#### (i) Key assumptions and methodology (contd.)

Significant judgement is required in determining the Participants' Risk Fund ("PRF") liabilities. The PRF refers to the fund in which the portion of contributions paid by the participants is allocated and pooled for the purpose of meeting claims. Assumptions used in determining the PRF liabilities are set based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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

Discount rate

The discount rates used in the determination of PRF cashflows are based on the yield observed on Government Investment Issues ("GII") of the appropriate duration.

Mortality and morbidity rates

Mortality and morbidity rates represent the expected claims experience of the Company. The Company determines mortality and morbidity rates using local established industry tables which reflect historical experiences, adjusted where appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business i.e. the expectation that participants will renew their certificates etc. These rates are based on the Company's historical experience of lapses and surrenders.

Expenses

Expense assumptions represent the expected amount that will be incurred in servicing the certificates over their expected lives. Assumptions on future expenses take into consideration current expense levels and the expected expense inflation.

## 38. TAKAFUL RISK (CONTD.)

### (a) Family Takaful fund (contd.)

#### (ii) Sensitivity analysis

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of takaful certificate liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and zakat and participants' funds.

The correlation of assumptions will have a significant effect on the sensitivity analysis but to demonstrate the impact due to changes in specific assumptions, the sensitivity analysis are performed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity analysis will also vary depending to the current economic assumptions.

| | % change in assumptions | Impact on gross liabilities RM'000 | Impact on net liabilities** RM'000 | Impact on profit before tax and zakat RM'000 | Impact on participants' funds # RM'000 |
|---|---|---|---|---|---|
| | | <---------- Increase ----------> | | <---------- Decrease ----------> | |
| **2021** | | | | | |
| Discount rate* | -1% | 446,413 | 427,677 | (66,552) | (66,552) |
| Mortality and morbidity rates | +/- 10% (adverse) | 375,089 | 276,465 | (67,822) | (67,822) |
| Lapse and surrender rates | +/- 10% (adverse) | 15,182 | 18,648 | (6,489) | (6,489) |
| Expenses | +10% | 9,948 | 9,948 | (2,413) | (2,413) |

* The scenario fully assesses the sensitivity of liabilities to a discount rate change without adjusting corresponding assets' profit rate values.
# There is no tax impact on the participants' funds as the Family Takaful fund is taxed only on investment income.
** The impact on gross and net liabilities results in an opposite impact to profit before tax and equity.

## 38. TAKAFUL RISK (CONTD.)

### (a) Family Takaful fund (contd.)

#### (ii) Sensitivity analysis (contd.)

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of takaful certificate liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and participants' fund (contd.).

The correlation of assumptions will have a significant effect on the sensitivity analysis but to demonstrate the impact due to changes in specific assumptions, the sensitivity analysis are performed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity analysis will also vary depending to the current economic assumptions (contd.).

| | % change in assumptions | Impact on gross liabilities | Impact on net liabilities** | Impact on profit before tax and zakat | Impact on participants' funds # |
|---|---|---|---|---|---|
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| | | <------- Increase --------> | | <------- Decrease --------> | |
| **2020** | | | | | |
| Discount rate* | -1% | 465,623 | 449,960 | (87,732) | (87,732) |
| Mortality and morbidity rates | +/- 10% (adverse) | 376,440 | 288,619 | (75,957) | (75,957) |
| Lapse and surrender rates | +/- 10% (adverse) | 16,829 | 19,537 | (6,092) | (6,092) |
| Expenses | +10% | 11,430 | 11,430 | (3,189) | (3,189) |

* The scenario fully assesses the sensitivity of liabilities to a discount rate change without adjusting corresponding assets' profit rate values.
# There is no tax impact on the participants' funds as the Family Takaful fund is taxed only on investment income.
** The impact on gross and net liabilities results in an opposite impact to profit before tax and equity.

Changes in morbidity, mortality and lapse rates shown above include both upwards and downwards experience, depending on the specific key assumption being analysed. For the purposes of the sensitivity analysis, management has only examined the impact arising from adverse changes to these key assumptions as the impact of such adverse changes would be more significant to management in their decision-making process and strategic positioning.

## 39. FINANCIAL RISKS

### (i) Credit Risk

Credit 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, underwriting, trading and investment activities from both on-balance sheet transactions and off-balance sheet transactions, if any.

Credit or 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 these instruments. Changes in the level or in the volatility of both 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. The Company's exposure to credit risk arises mainly from fixed income investment activities.

The Company measures and manages Credit Risk following the philosophy 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.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit Exposure**

The table below shows the maximum exposure to credit risk for the components of the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2021** | | | |
| **Financial assets at FVTPL:** | | | |
| **- Designated upon initial recognition** | | | |
| Malaysian government papers | - | 123,453 | 123,453 |
| Unquoted debt securities in Malaysia | 939,959 | 5,291,235 | 6,231,194 |
| **- HFT** | | | |
| Malaysian government papers | - | 1,507 | 1,507 |
| Unquoted debt securities in Malaysia | - | 113,482 | 113,482 |
| Investment-linked units | 26,766 | - | - |
| **Financial assets at FVOCI:** | | | |
| Malaysian government papers | 119,907 | 303,361 | 423,268 |
| Unquoted debt securities in Malaysia | 1,099,169 | 4,178,002 | 5,277,171 |
| **Financial assets at AC:** | | | |
| Islamic investment accounts with : | | | |
| Licensed financial institutions | 286,067 | 1,207,454 | 1,493,521 |
| Others | 2,422 | 234,418 | 236,840 |
| Financing receivables | 12,901 | - | 12,901 |
| Takaful receivables | - | 147,950 | 147,950 |
| Other assets* | 142,439 | 152,842 | 191,595 |
| Cash and bank balances** | 2,583 | 56,225 | 58,808 |
| | 2,632,213 | 11,809,929 | 14,311,690 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.

** Excluding petty cash.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit Exposure (contd.)**

| | Shareholder's fund RM'000 | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|---|
| **2020** | | | |
| **Financial assets at FVTPL:** | | | |
| **- Designated upon initial recognition** | | | |
| Malaysian government papers | - | 183,323 | 183,323 |
| Unquoted debt securities in Malaysia | 1,131,454 | 5,656,185 | 6,787,639 |
| **- HFT** | | | |
| Malaysian government papers | - | 26,198 | 26,198 |
| Unquoted debt securities in Malaysia | - | 62,209 | 62,209 |
| Investment-linked units | 27,617 | - | - |
| **Financial assets at FVOCI:** | | | |
| Malaysian government papers | 101,471 | 157,050 | 258,521 |
| Unquoted debt securities in Malaysia | 706,554 | 2,868,097 | 3,574,651 |
| **Financial assets at AC:** | | | |
| Islamic investment accounts with : | | | |
| Licensed financial institutions | 414,687 | 2,288,119 | 2,702,806 |
| Others | 2,355 | 332,525 | 334,880 |
| Financing receivables | 15,011 | - | 15,011 |
| Takaful receivables | - | 140,095 | 140,095 |
| Other assets* | 185,072 | 118,411 | 158,167 |
| Cash and bank balances** | 38,887 | 193,263 | 232,150 |
| | 2,623,108 | 12,025,475 | 14,475,650 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.

** Excluding petty cash.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit 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 investments. 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

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(vi)(a).

Unrated : Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of ratings models.

Sovereign : Refer to obligors which are governments and/or government-related agencies.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit exposure of rating**

The table below provides information regarding the credit quality of the financial and takaful assets of the Shareholder's fund according to the credit ratings of the counterparties.

**Shareholder's fund**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | |
| **Financial assets at FVTPL:** | | | | | | | |
| **- Designated upon initial recognition** | | | | | | | |
| Unquoted debt securities in Malaysia | 293,389 | 241,827 | 404,743 | - | - | - | 939,959 |
| **- Held for trading** | | | | | | | |
| Investment-linked units | - | - | - | - | - | 26,766 | 26,766 |
| **Financial assets at FVOCI:** | | | | | | | |
| Malaysian government papers | 119,907 | - | - | - | - | - | 119,907 |
| Unquoted debt securities in Malaysia | 302,548 | 399,610 | 397,011 | - | - | - | 1,099,169 |

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit exposure of rating (contd.)**

The table below provides information regarding the credit quality of the financial and takaful assets of the Shareholder's fund according to the credit ratings of the counterparties (contd.).

**Shareholder's fund (contd.)**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2021 (contd.)** | | | | | | | |
| **Financial assets at AC:** | | | | | | | |
| Islamic investment accounts with: | | | | | | | |
| Licensed financial institutions | - | 275,554 | 10,513 | - | - | - | 286,067 |
| Others | - | - | 2,422 | - | - | - | 2,422 |
| Financing receivables | - | - | - | - | - | 12,901 | 12,901 |
| Other assets* | 9,392 | 8,994 | 9,310 | - | - | 114,743 | 142,439 |
| Cash and bank balances** | - | 2,583 | - | - | - | - | 2,583 |
| | 725,236 | 928,568 | 823,999 | - | - | 154,410 | 2,632,213 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit exposure of rating (contd.)**

The table below provides information regarding the credit quality of the financial and takaful assets of the Family Takaful fund according to the credit ratings of the counterparties.

**Family Takaful fund**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | |
| **Financial assets at FVTPL:** | | | | | | | |
| **- Designated upon initial recognition** | | | | | | | |
| Malaysian government papers | 123,453 | - | - | - | - | - | 123,453 |
| Unquoted debt securities in Malaysia | 1,773,884 | 1,336,282 | 2,120,398 | 60,671 | - | - | 5,291,235 |
| **- Held for trading** | | | | | | | |
| Malaysian government papers | 1,507 | - | - | - | - | - | 1,507 |
| Unquoted debt securities in Malaysia | 9,811 | 49,104 | 50,112 | 4,455 | - | - | 113,482 |
| **Financial assets at FVOCI:** | | | | | | | |
| Malaysian government papers | 303,361 | - | - | - | - | - | 303,361 |
| Unquoted debt securities in Malaysia | 1,739,730 | 1,412,006 | 966,056 | 60,210 | - | - | 4,178,002 |

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit exposure of rating (contd.)**

The table below provides information regarding the credit quality of the financial and takaful assets of the Family Takaful fund according to the credit ratings of the counterparties (contd.).

**Family Takaful fund (contd.)**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2021 (contd.)** | | | | | | | |
| **Financial assets at AC:** | | | | | | | |
| Islamic investment accounts with: | | | | | | | |
| Licensed financial institutions | - | 879,821 | 327,633 | - | - | - | 1,207,454 |
| Others | - | 71,440 | 162,978 | - | - | - | 234,418 |
| Takaful receivables | - | - | - | - | - | 147,950 | 147,950 |
| Other assets* | 46,090 | 38,842 | 42,536 | 886 | - | 24,488 | 152,842 |
| Cash and bank balances** | - | 50,945 | 4,546 | 734 | - | - | 56,225 |
| | 3,997,836 | 3,838,440 | 3,674,259 | 126,956 | - | 172,438 | 11,809,929 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit exposure of rating (contd.)**

The table below provides information regarding the credit quality of the financial and takaful assets of the Company according to the credit ratings of the counterparties.

**Company**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | |
| **Financial assets at FVTPL:** | | | | | | | |
| **- Designated upon initial recognition** | | | | | | | |
| Malaysian government papers | 123,453 | - | - | - | - | - | 123,453 |
| Unquoted debt securities in Malaysia | 2,067,273 | 1,578,109 | 2,525,141 | 60,671 | - | - | 6,231,194 |
| **- Held for trading** | | | | | | | |
| Malaysian government papers | 1,507 | - | - | - | - | - | 1,507 |
| Unquoted debt securities in Malaysia | 9,811 | 49,104 | 50,112 | 4,455 | - | - | 113,482 |
| **Financial assets at FVOCI:** | | | | | | | |
| Malaysian government papers | 423,268 | - | - | - | - | - | 423,268 |
| Unquoted debt securities in Malaysia | 2,042,278 | 1,811,616 | 1,363,067 | 60,210 | - | - | 5,277,171 |

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit exposure of rating (contd.)**

The table below provides information regarding the credit quality of the financial and takaful assets of the Company according to the credit ratings of the counterparties (contd.).

**Company (contd.)**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2021 (contd.)** | | | | | | | |
| **Financial assets at AC:** | | | | | | | |
| Islamic investment accounts with: | | | | | | | |
| Licensed financial institutions | - | 1,155,375 | 338,146 | - | - | - | 1,493,521 |
| Others | - | 71,440 | 165,400 | - | - | - | 236,840 |
| Financing receivables | - | - | - | - | - | 12,901 | 12,901 |
| Takaful receivables | - | - | - | - | - | 147,950 | 147,950 |
| Other assets* | 55,482 | 47,836 | 51,846 | 886 | - | 139,231 | 191,595 |
| Cash and bank balances** | - | 53,528 | 4,546 | 734 | - | - | 58,808 |
| | 4,723,072 | 4,767,008 | 4,498,258 | 126,956 | - | 300,082 | 14,311,690 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit exposure of rating (contd.)**

The table below provides information regarding the credit quality of the financial and takaful assets of the Shareholder's fund according to the credit ratings of the counterparties (contd.).

**Shareholder's fund**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | |
| **Financial assets at FVTPL:** | | | | | | | |
| **- Designated upon initial recognition** | | | | | | | |
| Unquoted debt securities in Malaysia | 439,044 | 229,589 | 462,821 | - | - | - | 1,131,454 |
| **- Held for trading** | | | | | | | |
| Investment-linked units | - | - | - | - | - | 27,617 | 27,617 |
| **Financial assets at FVOCI:** | | | | | | | |
| Malaysian government papers | 101,471 | - | - | - | - | - | 101,471 |
| Unquoted debt securities in Malaysia | 227,225 | 223,099 | 256,230 | - | - | - | 706,554 |

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit exposure of rating (contd.)**

The table below provides information regarding the credit quality of the financial and takaful assets of the Shareholder's fund according to the credit ratings of the counterparties (contd.).

**Shareholder's fund (contd.)**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2020 (contd.)** | | | | | | | |
| **Financial assets at AC:** | | | | | | | |
| Islamic investment accounts with : | | | | | | | |
| Licensed financial institutions | - | 414,687 | - | - | - | - | 414,687 |
| Others | - | - | 2,355 | - | - | - | 2,355 |
| Financing receivables | - | - | - | - | - | 15,011 | 15,011 |
| Other assets* | 9,429 | 7,583 | 7,969 | - | - | 160,091 | 185,072 |
| Cash and bank balances** | - | 38,887 | - | - | - | - | 38,887 |
| | 777,169 | 913,845 | 729,375 | - | - | 202,719 | 2,623,108 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit exposure of rating (contd.)**

The table below provides information regarding the credit quality of the financial and takaful assets of the Family Takaful fund according to the credit ratings of the counterparties (contd.).

**Family Takaful fund**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | |
| **Financial assets at FVTPL:** | | | | | | | |
| **- Designated upon initial recognition** | | | | | | | |
| Malaysian government papers | 183,323 | - | - | - | - | - | 183,323 |
| Unquoted debt securities in Malaysia | 1,808,919 | 1,410,289 | 2,355,353 | 81,624 | - | - | 5,656,185 |
| **- Held for trading** | | | | | | | |
| Malaysian government papers | 26,198 | - | - | - | - | - | 26,198 |
| Unquoted debt securities in Malaysia | 7,049 | 9,521 | 38,845 | 6,794 | - | - | 62,209 |

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit exposure of rating (contd.)**

The table below provides information regarding the credit quality of the financial and takaful assets of the Family Takaful fund according to the credit ratings of the counterparties (contd.).

**Family Takaful fund (contd.)**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2020 (contd.)** | | | | | | | |
| **Financial assets at FVOCI:** | | | | | | | |
| Malaysian government papers | 157,050 | - | - | - | - | - | 157,050 |
| Unquoted debt securities in Malaysia | 1,058,079 | 815,741 | 943,454 | 50,823 | - | - | 2,868,097 |
| **Financial assets at AC:** | | | | | | | |
| Islamic investment accounts with : | | | | | | | |
| Licensed financial institutions | - | 2,258,119 | 30,000 | - | - | - | 2,288,119 |
| Others | - | 73,943 | 258,582 | - | - | - | 332,525 |
| Takaful receivables | - | - | 4,361 | - | - | 135,734 | 140,095 |
| Other assets* | 34,858 | 37,807 | 41,097 | 1,240 | - | 3,409 | 118,411 |
| Cash and bank balances** | - | 192,578 | 41 | 616 | - | 28 | 193,263 |
| | 3,275,476 | 4,797,998 | 3,671,733 | 141,097 | - | 139,171 | 12,025,475 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit exposure of rating (contd.)**

The table below provides information regarding the credit quality of the financial and takaful assets of the Company according to the credit ratings of the counterparties (contd.).

**Company**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | |
| **Financial assets at FVTPL:** | | | | | | | |
| **- Designated upon initial recognition** | | | | | | | |
| Malaysian government papers | 183,323 | - | - | - | - | - | 183,323 |
| Unquoted debt securities in Malaysia | 2,247,963 | 1,639,878 | 2,818,174 | 81,624 | - | - | 6,787,639 |
| **- Held for trading** | | | | | | | |
| Malaysian government papers | 26,198 | - | - | - | - | - | 26,198 |
| Unquoted debt securities in Malaysia | 7,049 | 9,521 | 38,845 | 6,794 | - | - | 62,209 |
| **Financial assets at FVOCI:** | | | | | | | |
| Malaysian government papers | 258,521 | - | - | - | - | - | 258,521 |
| Unquoted debt securities in Malaysia | 1,285,304 | 1,038,839 | 1,199,685 | 50,823 | - | - | 3,574,651 |

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Credit exposure of rating (contd.)**

The table below provides information regarding the credit quality of the financial and takaful assets of the Company according to the credit ratings of the counterparties (contd.).

**Company (contd.)**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2020 (contd.)** | | | | | | | |
| **Financial assets at AC:** | | | | | | | |
| Islamic investment accounts with : | | | | | | | |
| Licensed financial institutions | - | 2,672,806 | 30,000 | - | - | - | 2,702,806 |
| Others | - | 73,943 | 260,937 | - | - | - | 334,880 |
| Takaful receivables | - | - | 4,361 | - | - | 135,734 | 140,095 |
| Financing receivables | - | - | - | - | - | 15,011 | 15,011 |
| Other assets* | 44,287 | 45,390 | 49,066 | 1,240 | - | 163,500 | 158,167 |
| Cash and bank balances** | - | 231,465 | 41 | 616 | - | 28 | 232,150 |
| | 4,052,645 | 5,711,842 | 4,401,109 | 141,097 | - | 314,273 | 14,475,650 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit 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 have 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**

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 assets which is applicable to the Company. A newly purchased or originated financial assets will be subject to ECL upon recognition in Stage 1.

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company are required to estimate the probability of default occurring in the 12 month after the reporting date and in each subsequent year throughout the expected life of the financial instruments. The lifetime ECL allowance measured for the Company during the year are mostly due to the debt security is classified as Watchlist ("WL") or downgraded bond whichever it is assesses 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.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Financial assets - reconciliation of allowance account (contd.)**

The table below shows the fair value of the Shareholder fund's financial assets measured by credit quality, based on the risk categories :

| **Shareholder's fund** | **Stage 1** | **Stage 2** | **Stage 3** | |
|---|---|---|---|---|
| | **12-month ECL RM'000** | **Lifetime ECL not credit impaired RM'000** | **Lifetime ECL credit impaired RM'000** | **Total RM'000** |
| **2021** | | | | |
| **Financial assets at FVOCI** | | | | |
| Sovereign | 421,297 | 1,158 | - | 422,455 |
| Very low | 399,610 | - | - | 399,610 |
| Low | 370,858 | 26,153 | - | 397,011 |
| **Total carrying amount** | 1,191,765 | 27,311 | - | 1,219,076 |
| **Total ECL** | (63) | (213) | - | (276) |
| **2020** | | | | |
| **Financial assets at FVOCI** | | | | |
| Sovereign | 327,451 | 1,245 | - | 328,696 |
| Very low | 223,099 | - | - | 223,099 |
| Low | 228,731 | 27,499 | - | 256,230 |
| **Total carrying amount** | 779,281 | 28,744 | - | 808,025 |
| **Total ECL** | (247) | (118) | - | (365) |

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Financial assets - reconciliation of allowance account (contd.)**

The table below shows the fair value of the Family Takaful fund's financial assets measured by credit quality, based on the risk categories (contd.):

| Family Takaful fund | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| | 12-month ECL RM'000 | Lifetime ECL not credit impaired RM'000 | Lifetime ECL credit impaired RM'000 | Total RM'000 |
| **2021** | | | | |
| **Financial assets at FVOCI** | | | | |
| Sovereign | 1,909,942 | 133,150 | - | 2,043,092 |
| Very low | 1,412,006 | - | - | 1,412,006 |
| Low | 868,555 | 97,501 | - | 966,056 |
| Medium | 60,209 | - | - | 60,209 |
| **Total carrying amount** | 4,250,712 | 230,651 | - | 4,481,363 |
| **Total ECL** | (288) | (727) | - | (1,015) |
| **2020** | | | | |
| **Financial assets at FVOCI** | | | | |
| Sovereign | 1,071,974 | 143,155 | - | 1,215,129 |
| Very low | 815,741 | - | - | 815,741 |
| Low | 840,951 | 102,503 | - | 943,454 |
| Medium | 50,823 | - | - | 50,823 |
| **Total carrying amount** | 2,779,489 | 245,658 | - | 3,025,147 |
| **Total ECL** | (1,170) | (432) | - | (1,602) |

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit 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 risk categories (contd.):

| Company | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| | 12-month ECL RM'000 | Lifetime ECL not credit impaired RM'000 | Lifetime ECL credit impaired RM'000 | Total RM'000 |
| **2021** | | | | |
| **Financial assets at FVOCI** | | | | |
| Sovereign | 2,331,239 | 134,308 | - | 2,465,547 |
| Very low | 1,811,616 | - | - | 1,811,616 |
| Low | 1,239,413 | 123,654 | - | 1,363,067 |
| Medium | 60,209 | - | - | 60,209 |
| **Total carrying amount** | 5,442,477 | 257,962 | - | 5,700,439 |
| **Total ECL** | (351) | (940) | - | (1,291) |
| **2020** | | | | |
| **Financial assets at FVOCI** | | | | |
| Sovereign | 1,399,425 | 144,400 | - | 1,543,825 |
| Very low | 1,038,840 | - | - | 1,038,840 |
| Low | 1,069,682 | 130,002 | - | 1,199,684 |
| Medium | 50,823 | - | - | 50,823 |
| **Total carrying amount** | 3,558,770 | 274,402 | - | 3,833,172 |
| **Total ECL** | (1,417) | (550) | - | (1,967) |

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Financial assets - reconciliation of allowance account (contd.)**

The movements in allowance for impairment losses for Shareholder fund's financial assets at FVOCI are as follows:

| **Shareholder's fund** | **Stage 1** | **Stage 2** | **Stage 3** | |
|---|---|---|---|---|
| | **12-month ECL RM'000** | **Lifetime ECL not credit impaired RM'000** | **Lifetime ECL credit impaired RM'000** | **Total RM'000** |
| **2021** | | | | |
| **Financial assets at FVOCI** | | | | |
| At 1 January 2021 | 247 | 118 | - | 365 |
| Net adjustment of loss allowance | 226 | 17 | - | 243 |
| New financial assets originated or purchased | 33 | - | - | 33 |
| Financial assets that have been derecognised | (8) | - | - | (8) |
| Changes due to change in risk parameters | (434) | 77 | - | (357) |
| Allowance for impairment loss (Note 26) | (183) | 94 | - | (89) |
| At 31 December 2021 | 64 | 212 | - | 276 |
| **2020** | | | | |
| **Financial assets at FVOCI** | | | | |
| At 1 January 2020 | 194 | - | - | 194 |
| Net adjustment of loss allowance | 12 | 88 | - | 100 |
| New financial assets originated or purchased | 92 | - | - | 92 |
| Financial assets that have been derecognised | (21) | - | - | (21) |
| Changes due to change in credit risk | (30) | 30 | - | - |
| Allowance for impairment loss (Note 26) | 53 | 118 | - | 171 |
| At 31 December 2020 | 247 | 118 | - | 365 |

The following explains how significant changes in the gross carrying amount of financial assets at FVOCI during the financial year have contributed to the changes in the allowance for impairment losses on financial assets at FVOCI for the Shareholder's fund.

Overall, the total allowance for impairment losses on financial assets at FVOCI for the Shareholder's fund decreased by RM89,000 for the financial year ended 31 December 2021 due to the following:

(i) 12-month ECL (Stage 1) - decreased by RM183,000 for the fund, mainly due to:
- changes due to change in risk parameter of RM434,000
- net adjustment of loss allowance of RM226,000
- financial assets at FVOCI that were newly originated of RM33,000

(ii) Lifetime ECL not credit-impaired (Stage 2) - increased by RM94,000 for the fund, mainly due to additional ECL recognised due to change in risk parameters.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Financial assets - reconciliation of allowance account (contd.)**

The movements in allowance for impairment losses for Family Takaful fund's financial assets at FVOCI are as follows (contd.):

| **Family Takaful fund** | **Stage 1** | **Stage 2** | **Stage 3** | |
|---|---|---|---|---|
| | **12-month ECL RM'000** | **Lifetime ECL not credit impaired RM'000** | **Lifetime ECL credit impaired RM'000** | **Total RM'000** |
| **2021** | | | | |
| **Financial assets at FVOCI** | | | | |
| At 1 January 2021 | 1,170 | 432 | - | 1,602 |
| Net adjustment of loss allowance | 268 | 52 | - | 320 |
| New financial assets originated or purchased | 107 | - | - | 107 |
| Financial assets that have been derecognised | (67) | - | - | (67) |
| Changes due to change in risk parameters | (1,190) | 243 | - | (947) |
| Allowance for impairment loss (Note 26) | (882) | 295 | - | (587) |
| At 31 December 2021 | 288 | 727 | - | 1,015 |
| **2020** | | | | |
| **Financial assets at FVOCI** | | | | |
| At 1 January 2020 | 1,268 | 23 | - | 1,291 |
| Net adjustment of loss allowance | 45 | 324 | - | 369 |
| New financial assets originated or purchased | 287 | - | - | 287 |
| Financial assets that have been derecognised | (345) | - | - | (345) |
| Changes due to change in credit risk | (85) | 85 | - | - |
| Allowance for impairment loss (Note 26) | (98) | 409 | - | 311 |
| At 31 December 2020 | 1,170 | 432 | - | 1,602 |

The following explains how significant changes in the gross carrying amount of financial assets at FVOCI during the financial year have contributed to the changes in the allowance for impairment losses on financial assets at FVOCI for the Family Takaful fund.

Overall, the total allowance for impairment losses on financial assets at FVOCI for the Family Takaful fund decreased by RM587,000 for the financial year ended 31 December 2021 due to the following:

(i) 12-month ECL (Stage 1) – decreased by RM882,000 for the fund, mainly due to:
- financial assets at FVOCI that were newly originated of RM107,000
- changes due to change in risk parameter of RM1,190,000
- net adjustment of loss allowance of RM268,000

(ii) Lifetime ECL Not Credit-Impaired (Stage 2) – increased by RM295,000 for the fund, mainly due to additional ECL recognised due to change in risk parameter.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Financial assets - reconciliation of allowance account (contd.)**

The movements in allowance for impairment losses for Company's financial assets at FVOCI are as follows (contd.):

| **Company** | **Stage 1** | **Stage 2** | **Stage 3** | |
|---|---|---|---|---|
| | **12-month ECL RM'000** | **Lifetime ECL not credit impaired RM'000** | **Lifetime ECL credit impaired RM'000** | **Total RM'000** |
| **2021** | | | | |
| **Financial assets at FVOCI** | | | | |
| At 1 January 2021 | 1,416 | 551 | - | 1,967 |
| Net adjustment of loss allowance | 494 | 69 | - | 563 |
| New financial assets originated or purchased | 140 | - | - | 140 |
| Financial assets that have been derecognised | (75) | - | - | (75) |
| Changes due to change in risk parameters | (1,624) | 320 | - | (1,304) |
| Allowance for impairment loss (Note 26) | (1,065) | 389 | - | (676) |
| At 31 December 2021 | 351 | 940 | - | 1,291 |
| **2020** | | | | |
| **Financial assets at FVOCI** | | | | |
| At 1 January 2020 | 1,462 | 23 | - | 1,485 |
| Net adjustment of loss allowance | 57 | 412 | - | 469 |
| New financial assets originated or purchased | 379 | - | - | 379 |
| Financial assets that have been derecognised | (366) | - | - | (366) |
| Changes due to change in credit risk | (116) | 116 | - | - |
| Allowance for impairment loss (Note 26) | (46) | 528 | - | 482 |
| At 31 December 2020 | 1,416 | 551 | - | 1,967 |

The following explains how significant changes in the gross carrying amount of financial assets at FVOCI during the financial year have contributed to the changes in the allowance for impairment losses on financial assets at FVOCI for the Company.

Overall, the total allowance for impairment losses on financial assets at FVOCI for the Company decreased by RM676,000 for the financial year ended 31 December 2021 due to the following:

(i) 12-month ECL (Stage 1) – decreased by RM1,065,000 for the Company, mainly due to:
- financial assets at FVOCI that were newly originated of RM140,000
- changes due to change in risk parameter of RM1,624,000
- net adjustment of loss allowance of RM494,000

(ii) Lifetime ECL Not Credit-Impaired (Stage 2) – increased by RM389,000 for the Company, mainly due to additional ECL recognised due to change in risk parameter.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Other financial assets - reconciliation of allowance account**

The Company applied the Simplified Approach where the ECL is measured at initial recognition of the financial assets using a provision matrix based on the Simplified Approach where the ECL is measured at initial recognition of 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 takaful and retakaful receivables are grouped based on different sales channels and different retakaful 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 other financial assets are as follows:

**Shareholder's fund**

| | Not Credit Impaired | | Credit Impaired | | Total | |
|---|---|---|---|---|---|---|
| | Financing receivables RM'000 | Other assets* RM'000 | Financing receivables RM'000 | Other assets* RM'000 | Financing receivables RM'000 (Note 7) | Other assets* RM'000 |
| Gross carrying amount | | | | | | |
| At 1 January 2020 | 15,568 | 155,431 | 2,026 | 4,394 | 17,594 | 159,825 |
| (Decrease)/increase | (551) | 26,152 | (181) | 1,568 | (732) | 27,720 |
| At 31 December 2020 | 15,017 | 181,583 | 1,845 | 5,962 | 16,862 | 187,545 |
| Decrease | (2,111) | (40,986) | - | (1,630) | (2,111) | (42,616) |
| At 31 December 2021 | 12,906 | 140,597 | 1,845 | 4,332 | 14,751 | 144,929 |
| Lifetime ECL | | | | | | |
| At 1 January 2020 | 3 | - | 2,023 | 2,426 | 2,026 | 2,426 |
| Increase/(decrease) | 2 | - | (177) | 47 | (175) | 47 |
| At 31 December 2020 | 5 | - | 1,846 | 2,473 | 1,851 | 2,473 |
| (Decrease)/increase | - | - | (1) | 17 | (1) | 17 |
| At 31 December 2021 | 5 | - | 1,845 | 2,490 | 1,850 | 2,490 |

* Other assets is net of prepayments, deposits and service tax recoverable.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Other financial assets - reconciliation of allowance account (contd.)**

Movements in gross carrying value and allowances for impairment losses recognised for not credit impaired and credit impaired other financial assets are as follows:

**Family Takaful fund**

| | Not Credit Impaired | | | Credit Impaired | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Financing receivables RM'000 | Takaful receivables RM'000 | Other assets* RM'000 | Financing receivables RM'000 | Takaful receivables RM'000 | Other assets* RM'000 | Financing receivables RM'000 (Note 7) | Takaful receivables RM'000 (Note 9) | Other assets* RM'000 |
| Gross carrying amount | | | | | | | | | |
| At 1 January 2020 | - | 113,433 | 132,600 | 16 | 12,842 | 508 | 16 | 126,275 | 133,108 |
| Increase/(decrease) | - | 8,889 | (14,170) | - | 14,553 | (1) | - | 23,442 | (14,171) |
| At 31 December 2020 | - | 122,322 | 118,430 | 16 | 27,395 | 507 | 16 | 149,717 | 118,937 |
| (Decrease)/increase | - | (21,038) | 34,412 | - | 21,091 | - | - | 53 | 34,412 |
| At 31 December 2021 | - | 101,284 | 152,842 | 16 | 48,486 | 507 | 16 | 149,770 | 153,349 |
| Lifetime ECL | | | | | | | | | |
| At 1 January 2020 | - | 214 | - | 16 | 5,662 | 508 | 16 | 5,876 | 508 |
| Increase/(decrease) | - | 656 | - | - | 3,090 | (1) | - | 3,746 | (1) |
| At 31 December 2020 | - | 870 | - | 16 | 8,752 | 507 | 16 | 9,622 | 507 |
| Decrease | - | (207) | - | - | (7,595) | - | - | (7,802) | - |
| At 31 December 2021 | - | 663 | - | 16 | 1,157 | 507 | 16 | 1,820 | 507 |

* Other assets is net of prepayments, deposits and service tax recoverable.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Other financial assets - reconciliation of allowance account (contd.)**

Movements in gross carrying value and allowances for impairment losses recognised for not credit impaired and credit impaired other financial assets are as follows:

**Company**

| | Not Credit Impaired | | | Credit Impaired | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Financing receivables RM'000 | Takaful receivables RM'000 | Other assets* RM'000 | Financing receivables RM'000 | Takaful receivables RM'000 | Other assets* RM'000 | Financing receivables RM'000 (Note 7) | Takaful receivables RM'000 (Note 9) | Other assets* RM'000 |
| Gross carrying amount | | | | | | | | | |
| At 1 January 2020 | 15,568 | 113,433 | 158,709 | 2,042 | 12,842 | 4,902 | 17,610 | 126,275 | 163,611 |
| (Decrease)/increase | (551) | 8,889 | (4,013) | (181) | 14,553 | 1,567 | (732) | 23,442 | (2,446) |
| At 31 December 2020 | 15,017 | 122,322 | 154,696 | 1,861 | 27,395 | 6,469 | 16,878 | 149,717 | 161,165 |
| (Decrease)/increase | (2,111) | (21,038) | 35,057 | - | 21,091 | (1,630) | (2,111) | 53 | 33,427 |
| At 31 December 2021 | 12,906 | 101,284 | 189,753 | 1,861 | 48,486 | 4,839 | 14,767 | 149,770 | 194,592 |
| Lifetime ECL | | | | | | | | | |
| At 1 January 2020 | 3 | 214 | - | 2,039 | 5,662 | 2,934 | 2,042 | 5,876 | 2,934 |
| Increase/(decrease) | 2 | 656 | - | (177) | 3,090 | 46 | (175) | 3,746 | 46 |
| At 31 December 2020 | 5 | 870 | - | 1,862 | 8,752 | 2,980 | 1,867 | 9,622 | 2,980 |
| (Decrease)/increase | - | (207) | - | (1) | (7,595) | 17 | (1) | (7,802) | 17 |
| At 31 December 2021 | 5 | 663 | - | 1,861 | 1,157 | 2,997 | 1,866 | 1,820 | 2,997 |

* Other assets is net of prepayments, deposits and service tax recoverable.

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Other financial assets - reconciliation of allowance account**

Movements in the allowance for impairment losses for Shareholder fund's other financial assets are as follows:

**Shareholder's fund**

| | Financing receivables RM'000 (Note 7) | Other assets RM'000 (Note 10) | Total RM'000 |
|---|---|---|---|
| **2021** | | | |
| At 1 January 2021 | 1,851 | 2,473 | 4,324 |
| Net adjustment of loss allowance (Note 26) | (1) | 17 | 16 |
| At 31 December 2021 | 1,850 | 2,490 | 4,340 |
| **2020** | | | |
| At 1 January 2020 | 2,026 | 2,426 | 4,452 |
| Net adjustment of loss allowance (Note 26) | (175) | 47 | (128) |
| At 31 December 2020 | 1,851 | 2,473 | 4,324 |

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Other financial assets - reconciliation of allowance account (contd.)**

Movements in the allowance for impairment losses for Family Takaful fund's other financial assets are as follows:

**Family Takaful fund**

| | Financing receivables RM'000 (Note 7) | Takaful receivables RM'000 (Note 9) | Other assets RM'000 (Note 10) | Total RM'000 |
|---|---|---|---|---|
| **2021** | | | | |
| At 1 January 2021 | 16 | 9,622 | 507 | 10,145 |
| Net adjustment of loss allowance (Note 26) | - | (7,802) | - | (7,802) |
| At 31 December 2021 | 16 | 1,820 | 507 | 2,343 |
| **2020** | | | | |
| At 1 January 2020 | 16 | 5,876 | 508 | 6,400 |
| Net adjustment of loss allowance (Note 26) | - | 3,746 | (1) | 3,745 |
| At 31 December 2020 | 16 | 9,622 | 507 | 10,145 |

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Other financial assets - reconciliation of allowance account (contd.)**

Movements in allowance for impairment losses for Company's other financial assets are as follows:

**Company**

| | Financing receivables RM'000 (Note 7) | Takaful receivables RM'000 (Note 9) | Other assets RM'000 (Note 10) | Total RM'000 |
|---|---|---|---|---|
| **2021** | | | | |
| At 1 January 2021 | 1,867 | 9,622 | 2,980 | 14,469 |
| Net adjustment of loss allowance (Note 26) | (1) | (7,802) | 17 | (7,786) |
| At 31 December 2021 | 1,866 | 1,820 | 2,997 | 6,683 |
| **2020** | | | | |
| At 1 January 2020 | 2,042 | 5,876 | 2,934 | 10,852 |
| Net adjustment of loss allowance (Note 26) | (175) | 3,746 | 46 | 3,617 |
| At 31 December 2020 | 1,867 | 9,622 | 2,980 | 14,469 |

## 39. FINANCIAL RISKS (CONTD.)

### (i) Credit Risk (contd.)

**Financial effect 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 | Types of collateral |
|---|---|
| Secured staff financing | Charges over residential properties and motor vehicles |

Shareholder's fund

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigates credit risk, held for financing receivables is 100% as at 31 December 2021 (2020: 98.6%).

### (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 its inability (or perceived inability) or unexpected higher cost to meet its financial obligations in a timely manner.

The objective of Liquidity Risk management is to have sufficient availability of cash to meet participants' liabilities, such as surrenders, withdrawal, claims and maturity benefits, and financial obligations to other certificate holders without endangering the business financials due to constraints on liquidating assets.

## 39. 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 Departments 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 for 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 and takaful assets and liabilities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable. For takaful certificates liabilities and retakaful assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised takaful liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

## 39. FINANCIAL RISKS (CONTD.)

### (ii) Liquidity Risk (contd.)

**Maturity Profiles (contd.)**

**Shareholder's fund**

| | 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 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| Financial assets at: | | | | | | |
| FVTPL | 1,013,374 | 61,362 | 413,949 | 936,224 | 73,416 | 1,484,951 |
| FVOCI | 1,230,171 | 54,771 | 457,898 | 1,397,643 | 11,095 | 1,921,407 |
| AC | 288,489 | 288,745 | - | - | - | 288,745 |
| Financing receivables | 12,901 | 1,490 | 5,401 | 7,960 | - | 14,851 |
| Other assets* | 142,910 | 142,910 | - | - | - | 142,910 |
| Cash and bank balances** | 2,583 | - | - | - | 2,583 | 2,583 |
| **Total assets** | 2,690,428 | 549,278 | 877,248 | 2,341,827 | 87,094 | 3,855,447 |
| Expense liabilities | 533,451 | 54,229 | 124,754 | 579,763 | - | 758,746 |
| Takaful payables | 5,390 | 5,390 | - | - | - | 5,390 |
| Other liabilities | 124,762 | 124,676 | 120 | - | - | 124,796 |
| **Total liabilities** | 663,603 | 184,295 | 124,874 | 579,763 | - | 888,932 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.

*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).*

## 39. FINANCIAL RISKS (CONTD.)

### (ii) Liquidity Risk (contd.)

**Maturity Profiles (contd.)**

**Shareholder's fund (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 |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Financial assets at: | | | | | | |
| FVTPL | 1,222,310 | 56,726 | 336,556 | 1,280,796 | 90,856 | 1,764,934 |
| FVOCI | 808,025 | 61,181 | 219,093 | 995,691 | - | 1,275,965 |
| AC | 417,042 | 417,845 | - | - | - | 417,845 |
| Financing receivables | 15,011 | 1,589 | 6,343 | 10,040 | - | 17,972 |
| Other assets* | 185,842 | 185,842 | - | - | - | 185,842 |
| Cash and bank balances** | 38,893 | - | - | - | 38,893 | 38,893 |
| **Total assets** | 2,687,123 | 723,183 | 561,992 | 2,286,527 | 129,749 | 3,701,451 |
| Expense liabilities | 572,186 | 48,180 | 119,039 | 609,807 | - | 777,026 |
| Takaful payables | 3,400 | 3,400 | - | - | - | 3,400 |
| Other liabilities | 142,800 | 142,519 | 309 | - | - | 142,828 |
| **Total liabilities** | 718,386 | 194,099 | 119,348 | 609,807 | - | 923,254 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.

*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).*

## 39. FINANCIAL RISKS (CONTD.)

### (ii) Liquidity Risk (contd.)

**Maturity Profiles (contd.)**

**Family Takaful fund**

| | 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 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| Financial assets at: | | | | | | |
| FVTPL | 6,015,548 | 446,310 | 2,512,964 | 5,508,773 | 485,872 | 8,953,919 |
| FVOCI | 4,503,667 | 274,539 | 1,527,190 | 5,685,409 | 22,304 | 7,509,442 |
| AC | 1,441,872 | 1,444,555 | - | - | - | 1,444,555 |
| Retakaful assets | 207,400 | 47,104 | 47,006 | 204,588 | - | 298,698 |
| Takaful receivables | 147,950 | 141,426 | 6,524 | - | - | 147,950 |
| Other assets* | 152,842 | 152,842 | - | - | - | 152,842 |
| Cash and bank balances** | 56,225 | - | - | - | 56,225 | 56,225 |
| **Total assets** | 12,525,504 | 2,506,776 | 4,093,684 | 11,398,770 | 564,401 | 18,563,631 |
| Participants' fund | 2,233,800 | 267,357 | - | 1,966,443 | - | 2,233,800 |
| Takaful certificate liabilities | 9,745,994 | 5,152,835 | 1,682,907 | 4,808,151 | 261,041 | 11,904,934 |
| Derivative liabilities | 487 | 487 | - | - | - | 487 |
| Takaful payables | 24,651 | 24,651 | - | - | - | 24,651 |
| Other liabilities | 504,794 | 504,794 | - | - | - | 504,794 |
| **Total liabilities** | 12,509,726 | 5,950,124 | 1,682,907 | 6,774,594 | 261,041 | 14,668,666 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.

*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).*

## 39. FINANCIAL RISKS (CONTD.)

### (ii) Liquidity Risk (contd.)

**Maturity Profiles (contd.)**

**Family Takaful fund (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 |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Financial assets at: | | | | | | |
| FVTPL | 6,379,166 | 573,529 | 2,339,730 | 5,775,266 | 451,251 | 9,139,776 |
| FVOCI | 3,025,147 | 196,652 | 1,018,743 | 3,468,301 | - | 4,683,696 |
| AC | 2,620,644 | 2,627,034 | - | - | - | 2,627,034 |
| Retakaful assets | 162,030 | 33,612 | 35,078 | 153,669 | - | 222,359 |
| Takaful receivables | 140,095 | 140,095 | - | - | - | 140,095 |
| Other assets* | 118,429 | 118,429 | - | - | - | 118,429 |
| Cash and bank balances** | 193,264 | - | - | - | 193,264 | 193,264 |
| **Total assets** | 12,638,775 | 3,689,351 | 3,393,551 | 9,397,236 | 644,515 | 17,124,653 |
| Participants' fund | 2,433,412 | 336,527 | - | 1,912,736 | 184,149 | 2,433,412 |
| Takaful certificate liabilities | 9,516,784 | 4,948,649 | 1,596,464 | 4,523,982 | 222,045 | 11,291,140 |
| Takaful payables | 20,365 | 20,365 | - | - | - | 20,365 |
| Other liabilities | 636,876 | 636,876 | - | - | - | 636,876 |
| **Total liabilities** | 12,607,437 | 5,942,417 | 1,596,464 | 6,436,718 | 406,194 | 14,381,793 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.

*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).*

## 39. FINANCIAL RISKS (CONTD.)

### (ii) Liquidity Risk (contd.)

**Maturity Profiles (contd.)**

**Company**

| | 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 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| Financial assets at: | | | | | | |
| FVTPL | 7,028,922 | 507,672 | 2,926,913 | 6,444,997 | 559,288 | 10,438,870 |
| FVOCI | 5,733,838 | 329,310 | 1,985,088 | 7,083,052 | 33,399 | 9,430,849 |
| AC | 1,730,361 | 1,733,300 | - | - | - | 1,733,300 |
| Retakaful assets | 207,400 | 47,104 | 47,006 | 204,588 | - | 298,698 |
| Takaful receivables | 147,950 | 141,426 | 6,524 | - | - | 147,950 |
| Financing receivables | 12,901 | 1,490 | 5,401 | 7,960 | - | 14,851 |
| Other assets* | 192,066 | 192,066 | - | - | - | 192,066 |
| Cash and bank balances** | 58,808 | - | - | - | 58,808 | 58,808 |
| **Total assets** | 15,112,246 | 2,952,368 | 4,970,932 | 13,740,597 | 651,495 | 22,315,392 |
| Participants' fund | 2,233,800 | 267,357 | - | 1,966,443 | - | 2,233,800 |
| Takaful certificate liabilities | 9,745,994 | 5,152,835 | 1,682,907 | 4,808,151 | 261,041 | 11,904,934 |
| Derivative liabilities | 487 | 487 | - | - | - | 487 |
| Expense liabilities | 533,451 | 54,229 | 124,754 | 579,763 | - | 758,746 |
| Takaful payables | 30,041 | 30,041 | - | - | - | 30,041 |
| Other liabilities | 525,870 | 525,784 | 120 | - | - | 525,904 |
| **Total liabilities** | 13,069,643 | 6,030,732 | 1,807,781 | 7,354,357 | 261,041 | 15,453,911 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.

*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).*

## 39. FINANCIAL RISKS (CONTD.)

### (ii) Liquidity Risk (contd.)

**Maturity Profiles (contd.)**

**Company**

| | 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 |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Financial assets at : | | | | | | |
| FVTPL | 7,601,476 | 630,255 | 2,676,286 | 7,056,062 | 542,107 | 10,904,710 |
| FVOCI | 3,833,172 | 257,833 | 1,237,836 | 4,463,992 | - | 5,959,661 |
| AC | 3,037,686 | 3,044,879 | - | - | - | 3,044,879 |
| Retakaful assets | 162,030 | 33,612 | 35,078 | 153,669 | - | 222,359 |
| Takaful receivables | 140,095 | 140,095 | - | - | - | 140,095 |
| Financing receivables | 15,011 | 1,589 | 6,343 | 10,040 | - | 17,972 |
| Other assets* | 158,955 | 158,955 | - | - | - | 158,955 |
| Cash and bank balances** | 232,157 | - | - | - | 232,157 | 232,157 |
| **Total assets** | 15,180,582 | 4,267,218 | 3,955,543 | 11,683,763 | 774,264 | 20,680,788 |
| Participants' fund | 2,433,412 | 336,527 | - | 1,912,736 | 184,149 | 2,433,412 |
| Takaful certificate liabilities | 9,516,784 | 4,948,649 | 1,596,464 | 4,523,982 | 222,045 | 11,291,140 |
| Expense liabilities | 572,186 | 48,180 | 119,039 | 609,807 | - | 777,026 |
| Takaful payables | 23,765 | 23,765 | - | - | - | 23,765 |
| Other liabilities | 634,360 | 634,079 | 309 | - | - | 634,388 |
| **Total liabilities** | 13,180,507 | 5,991,200 | 1,715,812 | 7,046,525 | 406,194 | 15,159,731 |

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.

*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).*

## 39. FINANCIAL RISKS (CONTD.)

### (iii) Market Risk

Market Risk is the risk of loss or of adverse changes in the Company's financial situation resulting, directly or indirectly, from fluctuations or volatility of market prices of financial instruments.

Market Risk comprises mainly of these three (3) types of risk:

(a) currency risk;
(b) profit rates risk; and
(c) equity price risk.

The Company has three main key features in its 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 cognisance of regulatory requirements in respect of the maintenance of assets and solvency.

(b) Compliance with the policies is monitored and exposures and breaches are reported as soon as practical.

(c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company also issues investment-linked investment certificates with a number of products. In the investment-linked business, the participants 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 on 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 such risks on the investment-linked funds.

## 39. FINANCIAL RISKS (CONTD.)

### (iii) Market Risk (contd.)

#### (a) Currency Risk

Currency 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 and Australian Dollar.

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 IFSA 2013, and hence, primarily denominated in the same currency (the local RM) as its takaful and investment certificate liabilities.

The Company's main foreign exchange risk from recognised assets and liabilities arises from retakaful 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) Profit Rate Risk

Profit Rate Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

Profit Rate Risks arise from exposures to profit rate related assets and liabilities. It is also known as asset-liability mismatch ("ALM") 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 Profit 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 to match the asset duration with the liability duration, without compromising 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.

## 39. FINANCIAL RISKS (CONTD.)

### (iii) Market Risk (contd.)

#### (b) Profit Rate Risk (contd.)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

| | | 2021 | | 2020 | |
|---|---|---|---|---|---|
| **Shareholder's Fund** | **Changes in profit rate** | **Impact on carrying value RM'000** | **Impact on profit/ equity* RM'000** | **Impact on carrying value RM'000** | **Impact on profit/ equity* RM'000** |
| | | **(Decrease)/increase** | | **(Decrease)/increase** | |
| Financial Assets at FVTPL | +100bps | (76,058) | (57,804) | (104,062) | (79,087) |
| | -100bps | 76,058 | 57,804 | 104,062 | 79,087 |
| Financial Assets at FVOCI | +100bps | (108,155) | (82,198) | (81,728) | (62,113) |
| | -100bps | 108,155 | 82,198 | 81,728 | 62,113 |
| Financial Assets at AC | +100bps | (126) | (96) | (422) | (320) |
| | -100bps | 126 | 96 | 422 | 320 |

* Impact on Shareholder's Fund Profit/Equity is net of tax of 24%

| | | 2021 | | 2020 | |
|---|---|---|---|---|---|
| **Family Takaful Fund** | **Changes in profit rate** | **Impact on carrying value RM'000** | **Impact on Participants' Fund* RM'000** | **Impact on carrying value RM'000** | **Impact on Participants' Fund* RM'000** |
| | | **(Decrease)/increase** | | **(Decrease)/increase** | |
| Financial Assets at FVTPL | +100bps | (445,153) | (409,541) | (499,906) | (459,913) |
| | -100bps | 445,153 | 409,541 | 499,906 | 459,913 |
| Financial Assets at FVOCI | +100bps | (446,505) | (410,784) | (292,194) | (268,818) |
| | -100bps | 446,505 | 410,784 | 292,194 | 268,818 |
| Financial Assets at AC | +100bps | (1,217) | (1,119) | (3,357) | (3,088) |
| | -100bps | 1,217 | 1,119 | 3,357 | 3,088 |

* Impact on Participants' Fund is net of tax of 8%

## 39. FINANCIAL RISKS (CONTD.)

### (iii) Market Risk (contd.)

#### (b) Profit Rate Risk (contd.)

| Company | Changes in profit rate | 2021 Impact on carrying value RM'000 (Decrease)/increase | 2021 Impact on profit/ equity* RM'000 (Decrease)/increase | 2020 Impact on carrying value RM'000 (Decrease)/increase | 2020 Impact on profit/ equity* RM'000 (Decrease)/increase |
|---|---|---|---|---|---|
| Financial Assets at FVTPL | +100bps | (521,210) | (165,296) | (603,968) | (133,066) |
| | -100bps | 521,210 | 165,296 | 603,968 | 133,066 |
| Financial Assets at FVOCI | +100bps | (554,660) | (405,220) | (373,921) | (276,451) |
| | -100bps | 554,660 | 405,220 | 373,921 | 276,451 |
| Financial Assets at AC | +100bps | (1,343) | (393) | (3,779) | (712) |
| | -100bps | 1,343 | 393 | 3,779 | 712 |

* Impact on Company's Profit/Equity is net of corporate tax of 24%

#### (c) Equity Price Risk

Equity Price Risk is the risk that the fair value of an equity instrument 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.

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 regards to also such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may occur over time.

## 39. FINANCIAL RISKS (CONTD.)

### (iii) Market Risk (contd.)

#### (c) Equity Price Risk (contd.)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

| Shareholder's Fund | Change in market indices | Impact on carrying value RM'000 | Impact on OCI RM'000 | Impact on profit before tax RM'000 | Impact on equity* RM'000 |
|---|---|---|---|---|---|
| | | Increase/(Decrease) | | Increase/(Decrease) | |
| 2021 | +10% | 5,775 | 1,110 | 4,665 | 4,389 |
| | -10% | (5,775) | (1,110) | (4,665) | (4,389) |
| 2020 | +10% | 6,324 | - | 6,324 | 4,806 |
| | -10% | (6,324) | - | (6,324) | (4,806) |

* Impact on Shareholder's Fund Equity is net of tax of 24%

| Family Takaful Fund | Change in market indices | Impact on carrying value RM'000 | Impact on OCI RM'000 | Impact on profit before tax RM'000 | Impact on Participants' Fund* RM'000 |
|---|---|---|---|---|---|
| | | Increase/(Decrease) | | Increase/(Decrease) | |
| 2021 | +10% | 39,167 | 2,230 | 36,937 | 36,034 |
| | -10% | (39,167) | (2,230) | (36,937) | (36,034) |
| 2020 | +10% | 33,059 | - | 33,059 | 30,415 |
| | -10% | (33,059) | - | (33,059) | (30,415) |

* Impact on Participants' Fund is net of tax of 8%

| Company | Change in market indices | Impact on carrying value RM'000 | Impact on OCI RM'000 | Impact on profit before tax RM'000 | Impact on equity* RM'000 |
|---|---|---|---|---|---|
| | | Increase/(Decrease) | | Increase/(Decrease) | |
| 2021 | +10% | 44,942 | 3,340 | 13,595 | 12,334 |
| | -10% | (44,942) | (3,340) | (13,595) | (12,334) |
| 2020 | +10% | 39,383 | - | 12,008 | 8,916 |
| | -10% | (39,383) | - | (12,008) | (8,916) |

* Impact on Company's Equity is net of corporate tax of 24%

## 39. FINANCIAL RISKS (CONTD.)

### (iv) Concentration Risk

Concentration Risk refers to the risk associated with the potential losses associated with a particular single or group of counterparties that are substantial enough to threaten the financial condition of the Company and its core operation causing material adverse impact to the earnings, capital or total assets.

Concentration Risk relates to non-diversified portfolios and arises due to high exposure to single company or an aggregate of exposures to a number of positively correlated companies for example within one sector or region.

The Company's risk policy requires it to manage such risks by setting and monitoring diversification plans and limits on investments in each country, sector, ratings, market and issuer, having regard to also such limits stipulated by BNM.

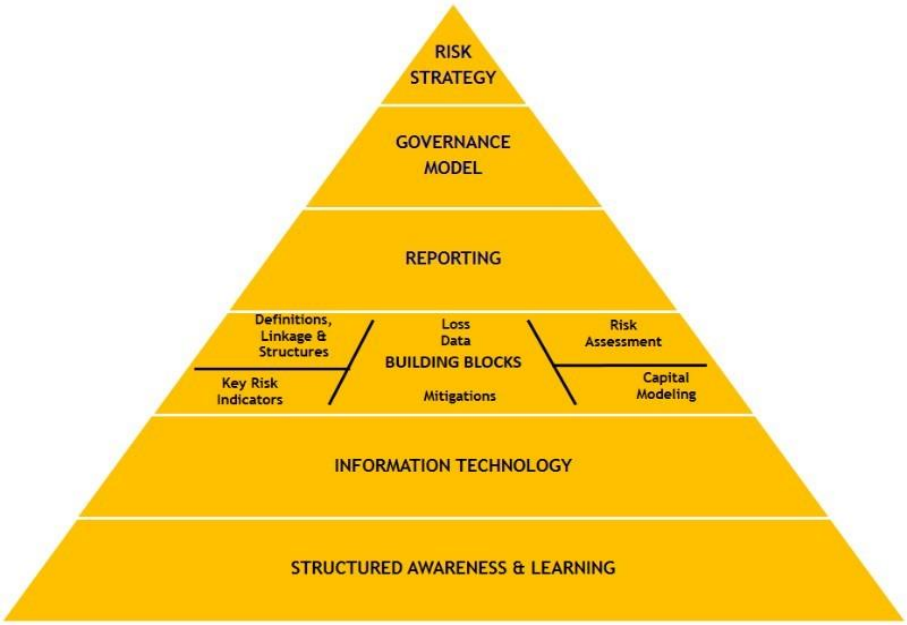
The Company complied with BNM stipulated limits during the financial year and had no significant concentration risk.

## 40. OPERATIONAL RISKS

Operational Risk Management ("ORM") is the 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.

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

The methodology and components adopted in operational risk are summarised in the diagram below.




The continuous review and monitoring of the risks and the control effectiveness are vital for an effective operational risk management. Hence, specific tools and methodologies to identify, assess, measure, control, monitor and report the operational risks that affect the Company are established. Those include among other things: Risk and Control Self-assessment, Key Risk Indicators, Incident Management & Data Collection, Information Technology and Cyber Risk related assessment through awareness and learning programme.

**Operational Risk Taxonomy**

**(i) Internal Fraud**

Losses due to illegal acts (explicitly prohibited by the 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.

## 40. OPERATIONAL RISKS (CONTD.)

### Operational Risk Taxonomy (contd.)

**(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 contributes 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;

(c) Diversity & discrimination - failure to provide equality during employment.

**(iv) Client or Products and Business Practices**

This risk 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.

**(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.

## 40. OPERATIONAL RISKS (CONTD.)

### Operational Risk Taxonomy (contd.)

**(viii) Information Technology and Cyber Risk**

Risk which impacts confidentiality, availability and integrity of information and services related to information technology as well as cyber risk that can lead to losses due to cyber-crime and cyber terrorism.

**(ix) People and Performance Risk**

Inability to identify the suitable talent/personnel to deliver/manage and deliver/control business process/function/entity/business units, do not possess the necessary knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risk are reduced to an acceptable level.

**(x) Model Risk**

Risk of a model not performing the tasks or capturing the risks it was designed to capture.

**(xi) Information Risk**

Risk of loss of information from day-to-day operations could lead to financial risk, operational risk, reputational risk, legal risk and regulatory sanctions.

**(xii) Legal Risk**

Risk of incurring actual or potential loss that arises due to interalia, flawed documentation, change in regulations/laws, new judicial decisions, legal jurisdiction of our counterparties and choice of governing law that threatens the capacity to consummate important transactions, enforce contractual agreements or implement specific strategies and activities.

**(xiii) Data Quality Risk**

Risk of poor quality data in terms of data integrity, compliance and timeliness, thus rendering the data unreliable and unfit for its intended usage in operations, analytics and reporting needs.

## 40. OPERATIONAL RISKS (CONTD.)

### Shariah Non-compliance Risk

Shariah Non-compliance Risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which an Islamic financial institution may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia, standards on Shariah matters issued by Bank Negara Malaysia pursuant to section 29(1) of Islamic Financial Services Act 2013 or decisions or advice of the Shariah committee.

The end-to-end Shariah Compliant governance is executed through four (4) Lines of Defence that cater both pre-execution and post-execution matters. These are being managed by Business Unit (1st Line), Shariah Research & Advisory (2nd Line), Shariah Review & Shariah Risk Management function (3rd Line), and Shariah Audit (4th Line).

## 41. 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, legislation.

### (ii) Reputational Risk

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.

### (iii) Business & Strategic Risk

Risk of current or prospective impact on earnings, capital, reputation or standing arising from changes in the environment the EIHSB Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.

## 41. ENTERPRISE RISK (CONTD.)

### (iii) Business & Strategic Risk (contd.)

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.

### (iv) Sustainability Risk

The risk of failure in conducting analysis and decision making on environment (the threat of climate change and depletion of resources), social (concerns on diversity, human rights, consumer protection and animal welfare) and corporate governance (concerns on the rights and responsibilities of the management of the company, management structure, documentation) when measuring the sustainability and ethical impact of business exposures.

## 42. FAIR VALUES MEASUREMENTS

This disclosure provides information on fair value measurements for both financial instruments as well as non-financial assets and liabilities which is structured as follows:

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy; and
(d) Transfers between Level 1 and Level 2 in the fair value hierarchy.

### (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 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.

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 are an indication of the observability of prices or valuation input. It can be classified by 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 represent actual and regularly occurring market transactions on an arm’s length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on an exchange.

## 42. FAIR VALUES MEASUREMENTS (CONTD.)

### (a) Valuation principles (contd.)

- Level 2 : No Active Market – Valuation techniques using observable input

  Refers to inputs other than quoted prices 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 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 and private equity investments.

### (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 profit rates which are comparable with the rates offered on similar instruments in the market and to counterparties with similar credit profiles. Accordingly, the carrying amount of the financing receivables approximate their fair values as the impact of discounting is not material.

#### (iii) Takaful receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Notes 2.2(viii) and Note 2.2(xiii). 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 Notes 2.2(iv) and Note 2.2(v). The carrying amounts and fair values of investments are disclosed in Note 6 to the financial statements.

## 42. FAIR VALUES MEASUREMENTS (CONTD.)

### (c) Fair value measurements and classification within the fair value hierarchy

**Shareholder's fund**

| | Fair value measurement using: | | |
|---|---|---|---|
| | **Level 1 Quoted price in active markets RM'000** | **Level 2 Significant observable inputs RM'000** | **Total RM'000** |
| **2021** | | | |
| **Financial assets at FVTPL** | | | |
| **(i) Designated upon initial recognition** | | | |
| Debt securities | - | 939,959 | 939,959 |
| **(ii) HFT** | | | |
| Equity securities | 46,284 | - | 46,284 |
| Unit and property trust funds | 365 | - | 365 |
| Investment-linked units | 26,766 | - | 26,766 |
| **Financial assets at FVOCI** | | | |
| Malaysian government papers | - | 119,907 | 119,907 |
| Debt securities | - | 1,099,169 | 1,099,169 |
| Unit and property trust funds | 11,095 | - | 11,095 |
| **Total assets** | 84,510 | 2,159,035 | 2,243,545 |
| **Liabilities** | | | |
| **Derivative liabilities** | - | 487 | 487 |
| **Total liabilities** | - | 487 | 487 |
| **2020** | | | |
| **Financial assets at FVTPL** | | | |
| **(i) Designated upon initial recognition** | | | |
| Debt securities | - | 1,131,454 | 1,131,454 |
| **(ii) HFT** | | | |
| Equity securities | 59,844 | - | 59,844 |
| Unit and property trust funds | 3,395 | - | 3,395 |
| Investment-linked units | 27,617 | - | 27,617 |
| **Financial assets at FVOCI** | | | |
| Malaysian government papers | - | 101,471 | 101,471 |
| Debt securities | - | 706,554 | 706,554 |
| **Total assets** | 90,856 | 1,939,479 | 2,030,335 |

## 42. FAIR VALUES MEASUREMENTS (CONTD.)

### (c) Fair value measurements and classification within the fair value hierarchy (contd.)

**Family Takaful fund**

| | Fair value measurement using: | | |
|---|---|---|---|
| | **Level 1 Quoted price in active markets RM'000** | **Level 2 Significant observable inputs RM'000** | **Total RM'000** |
| **2021** | | | |
| **Financial assets at FVTPL** | | | |
| **(i) Designated upon initial recognition** | | | |
| Malaysian government papers | - | 123,453 | 123,453 |
| Debt securities | - | 5,291,235 | 5,291,235 |
| **(ii) HFT** | | | |
| Equity securities | 472,401 | - | 472,401 |
| Malaysian government papers | - | 1,507 | 1,507 |
| Debt securities | - | 113,482 | 113,482 |
| Unit and property trust funds | 13,470 | - | 13,470 |
| **Financial assets at FVOCI** | | | |
| Equity securities | 22,304 | - | 22,304 |
| Malaysian government papers | - | 303,361 | 303,361 |
| Debt securities | - | 4,178,002 | 4,178,002 |
| | 508,175 | 10,011,040 | 10,519,215 |

## 42. FAIR VALUES MEASUREMENTS (CONTD.)

### (c) Fair value measurements and classification within the fair value hierarchy (contd.)

**Family Takaful fund (contd.)**

| | Fair value measurement using: | | |
|---|---|---|---|
| | **Level 1 Quoted price in active markets RM'000** | **Level 2 Significant observable inputs RM'000** | **Total RM'000** |
| **2020** | | | |
| **Financial assets at FVTPL** | | | |
| **(i) Designated upon initial recognition** | | | |
| Malaysian government papers | - | 183,323 | 183,323 |
| Debt securities | - | 5,656,185 | 5,656,185 |
| **(ii) HFT** | | | |
| Malaysian government papers | - | 26,198 | 26,198 |
| Debt securities | - | 62,209 | 62,209 |
| Equity securities | 429,570 | - | 429,570 |
| Unit and property trust funds | 21,681 | - | 21,681 |
| **Financial assets at FVOCI** | | | |
| Malaysian government papers | - | 157,050 | 157,050 |
| Debt securities | - | 2,868,097 | 2,868,097 |
| | 451,251 | 8,953,062 | 9,404,313 |

## 42. FAIR VALUES MEASUREMENTS (CONTD.)

### (c) Fair value measurements and classification within the fair value hierarchy (contd.)

**Company**

| | Fair value measurement using: | | |
|---|---|---|---|
| | **Level 1 Quoted price in active markets RM'000** | **Level 2 Significant observable inputs RM'000** | **Total RM'000** |
| **2021** | | | |
| **Financial assets at FVTPL** | | | |
| **(i) Designated upon initial recognition** | | | |
| Malaysian government papers | - | 123,453 | 123,453 |
| Debt securities | - | 6,231,194 | 6,231,194 |
| **(ii) HFT** | | | |
| Equity securities | 518,685 | - | 518,685 |
| Malaysian government papers | - | 1,507 | 1,507 |
| Debt securities | - | 113,482 | 113,482 |
| Unit and property trust funds | 13,835 | - | 13,835 |
| **Financial assets at FVOCI** | | | |
| Equity securities | 33,399 | - | 33,399 |
| Malaysian government papers | - | 423,268 | 423,268 |
| Debt securities | - | 5,277,171 | 5,277,171 |
| | 565,919 | 12,170,075 | 12,735,994 |

## 42. FAIR VALUES MEASUREMENTS (CONTD.)

### (c) Fair value measurements and classification within the fair value hierarchy (contd.)

**Company (contd.)**

| | Fair value measurement using: | | |
|---|---|---|---|
| | **Level 1 Quoted price in active markets RM'000** | **Level 2 Significant observable inputs RM'000** | **Total RM'000** |
| **2020** | | | |
| **Financial assets at FVTPL** | | | |
| **(i) Designated upon initial recognition** | | | |
| Malaysian government papers | - | 183,323 | 183,323 |
| Debt securities | - | 6,787,639 | 6,787,639 |
| **(ii) HFT** | | | |
| Malaysian government papers | - | 26,198 | 26,198 |
| Debt securities | - | 62,209 | 62,209 |
| Equity securities | 489,414 | - | 489,414 |
| Unit and property trust funds | 25,076 | - | 25,076 |
| **Financial assets at FVOCI** | | | |
| Malaysian government papers | - | 258,521 | 258,521 |
| Debt securities | - | 3,574,651 | 3,574,651 |
| | 514,490 | 10,892,541 | 11,407,031 |

### (d) Transfer 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 2021 and 31 December 2020.

## 43. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2021 and 31 December 2020, as prescribed under the RBCT Framework, is provided below:

**Company**

| | 2021<br>RM'000 | 2020<br>RM'000 |
|---|---|---|
| **Eligible Tier 1 Capital** | | |
| Paid up share capital | 100,000 | 100,000 |
| Valuation surplus in takaful funds | 1,966,443 | 1,912,737 |
| Retained earnings | 2,138,151 | 1,868,311 |
| | 4,204,594 | 3,881,048 |
| **Tier 2 Capital** | | |
| FVOCI reserve | 32,677 | 208,668 |
| | 32,677 | 208,668 |
| Amount deducted from capital | (140,899) | (5,589) |
| Total Capital Available | 4,096,372 | 4,084,127 |

## 44. SIGNIFICANT EVENT

### Covid-19 Impact

The prolonged Covid-19 pandemic has continued to impact the Company both in terms of business operations and investments. With the progress of the vaccination rollout, and the gradual opening up of the economy, the Company has seen an increase in sales of takaful policies and achieved a commendable growth in 2021. The Management and the Board have continued to closely monitor the situation, positioning the Company to preserve and strengthen our business operations, capital management and provide the necessary support to staff and local communities where needed. These are further explained below:

### A) Business Operations

The challenges to deploy resources due to limitations arising from movement restrictions have been eased since the rollout of the National Covid-19 Immunisation Plan. The Company has undertaken several initiatives to enhance its digital presence to seize business opportunities and to further reach and service its customers. Among the initiatives undertaken are the introduction of Virtual Appointment, and expanding the functionalities and usage of the SMILE App.

Since the start of the pandemic, the Company has moved to a blend of Work from Home (WFH) and Work on Site (WOS) arrangement for its employees, and has deployed health, safety and security measures.

### B) Investment Operations

Overall the investment climate continued to be dampened by the increased Covid-19 cases globally which dimmed the prospects of fast economic recovery. The downward trend of KLCI has dampened returns from equity investments. The Management has preserved the Company’s capital by ensuring that Assets Liability Management remains intact, improving regular income streams and reducing volatility by maintaining a lower proportion of equities in the Company's investment portfolio.

### C) Capital Management

The higher interest rates have increased the solvency level of the Company and was adequate to absorb the Covid-19 impact and economic slowdown, particularly on asset quality, impairment, business growth and profit.

## 44. SIGNIFICANT EVENT (CONTD.)

### C) Capital Management (contd.)

The Management has continuously assessed the Company's long-term solvency position under stressed scenarios to ensure sustainability of its capital. The Company is able to support the capital needs in achieving its planned growth, buffering for increased volatility of tactical strategies, as well as weathering the Covid-19 pandemic implications in Malaysian economies for the next 5 years.

### D) Customers and Society

The Company has continued to assist the government, communities and customers impacted by the Covid-19 pandemic. The Company has maintained the RM5,000 cash payout as temporary relief to its participants that were diagnosed with Covid-19. The Company also contributed 2.7 million 'Low Dead Volume' syringes to the government to kickstart the first phase of the National Covid-19 Immunisation Plan.

The Company has also distributed Safety Kits to all our walk-in customers nationwide as a gesture of appreciation for their support towards the 2021 e-Payment campaign. The e-Payment campaign was a Bank Negara initiative under the e-Payment fund framework to encourage customers to use cashless platforms in the Insurance and Takaful industry.

The management has made assessments of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the basis of a going concern.