ETIQA LIFE INSURANCE BERHAD

201701025113 (1239279-P)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2021

ETIQA LIFE INSURANCE BERHAD
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ETIQA LIFE INSURANCE BERHAD
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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 underwriting of life insurance and investment-linked businesses.

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

RESULTS

	RM'000
Net profit for the financial year	213,823

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

The amount of dividend paid by the Company since 31 December 2020 was as follows:

	RM'000
In respect of financial year ended 31 December 2020, final dividends of:	
- 47 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	47,000

The final dividend was declared on 7 April 2021 and paid on 4 August 2021.

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 fullfill 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.

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:

Datuk Mohd Najib Bin Abdullah (Chairman)
Mr. Philippe Pol Arthur Latour (Vice Chairman)
Mr. Frank Johan Gerard Van Kempen
Mr. Wong Pakshong Kat Jeong Colin Stewart
Puan Norazilla Binti Md Tahir (appointed w.e.f 1 June 2021)
Dr. Ariffin Bin Yahaya (appointed w.e.f 1 August 2021)
Dato' Johan Bin Ariffin (resigned w.e.f 1 January 2022)
Mr. Loh Lee Soon (resigned w.e.f 1 January 2022)

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

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as 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			
	As at 1 January 2021	**Issued pursuant to DRP***	**Acquired 2021**	**As at 31 December 2021**
Ultimate Holding Company				
Direct interest:				
Dato' Johan Bin Ariffin	315,187	21,471	131,000	467,658
Indirect interest:				
Mr. Wong Pakshong Kat Jeong Colin Stewart[1]	34,253	-	-	34,253

*DRP = Dividend Reinvestment Plan

[1] Shares in Maybank held by spouse

DIRECTORS' INTERESTS (CONTD.)

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. 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

(iii) to ascertain that there was adequate provision for its insurance contract liabilities in accordance with the prescribed valuation methods specified in Part D of the Risk-Based Capital Framework for Insurers ("RBC 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.

OTHER STATUTORY INFORMATION (CONTD.)

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

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

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

SIGNIFICANT EVENTS

There were no significant events which have occurred 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 disclosure or adjustment 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 22 February 2022.

DATUK MOHD NAJIB BIN ABDULLAH

NORAZILLA BINTI MD TAHIR

CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

The Board of Directors ("the Board") of Etiqa Life Insurance Berhad ("the Company"), a wholly-owned subsidiary of Maybank Ageas Holdings Berhad ("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 consists of six (8) Directors, comprising of:

(i) two (2) Non-Independent Non-Executive Directors ("NINED"); and
(ii) six (6) 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. Datuk Mohd Najib Bin Abdullah, an INED, is the Chairman of the Board, and the two (2) NINEDs are nominees 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 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 ad hoc basis to consider urgent matters. All Directors attended more than 75% of Board meeting 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	%
Datuk Mohd Najib Bin Abdullah *(Chairman)*	INED	12/12	100
Mr. Philippe Pol Arthur Latour *(Vice Chairman)*	NINED	9/12	75
Mr. Frank Johan Gerard Van Kempen	NINED	12/12	100
Dato' Johan Bin Ariffin	INED[1]	12/12	100
Mr. Loh Lee Soon	INED[1]	12/12	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	12/12	100
Puan Norazilla Binti Md Tahir	INED[2]	7/7	100
Dr. Ariffin Bin Yahaya	INED[3]	6/6	100

[1] Ceased as director w.e.f. 1 January 2022

[2] Appointed as director w.e.f. 1 June 2021

[3] Appointed as director w.e.f. 1 August 2021

Profile of Directors

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorships within the Group
Datuk Mohd Najib Bin Abdullah Independent Non-Executive Director Chairman 61 years of age Malaysian	Banking & Insurance	• Director of Maybank Ageas Holdings Berhad • Chairman of Etiqa General Insurance Berhad
Mr. Philippe Pol Arthur Latour Non-Independent Non-Executive Director Vice-Chairman 62 years of age Belgian	Insurance	• Director of Etiqa General Takaful Berhad

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. Frank Johan Gerard Van Kempen Non-Independent Non-Executive Director 54 years of age Dutch	Insurance	• Director of Etiqa General Insurance Berhad • Director of Etiqa Insurance Pte Ltd *(Incorporated in Singapore)* • Director of Etiqa Offshore Insurance (L) Ltd *(Incorporated in F.T. Labuan)*
Dato' Johan Bin Ariffin Independent Non-Executive Director 62 years of age Malaysian *(Ceased as Director w.e.f. 1 January 2022)*	Property Development & Banking	• Director of Maybank Ageas Holdings Berhad • Director of Etiqa Family Takaful Berhad • Director of Etiqa General Takaful Berhad *(Ceased as Director w.e.f. 1 January 2022)* • Chairman of Etiqa Insurance Pte Ltd *(Incorporated in Singapore)*
Mr. Loh Lee Soon Independent Non-Executive Director 66 years of age Malaysian *(Ceased as Director w.e.f. 1 January 2022)*	Technology & Finance	Nil
Mr. Wong Pakshong Kat Jeong Colin Stewart Independent Non-Executive Director 62 years of age Singaporean	Insurance	• Director of Etiqa Family Takaful Berhad • Director of Etiqa Insurance Pte Ltd *(Incorporated in Singapore)*

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
Puan Norazilla Binti Md Tahir Independent Non-Executive Director 55 years of age Malaysian	Finance Management in Banking & Capital Markets	Nil
Dr Ariffin Bin Yahaya Independent Non-Executive Director 57 years of age Malaysian	Computer Science	Nil

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 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

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

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

The roles and responsibilities of the NRC are set out in in the Company's Board Charter 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.)

(i) Nomination and Remuneration Committee (contd.)

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	%
Dato' Johan Bin Ariffin *(Chairman)*	INED[1]	10/10	100
Datuk Mohd Najib Bin Abdullah	INED	10/10	100
Dato' Majid Bin Mohamad	INED[2]	10/10	100
Ms. Daniela Adaggi	NINED[3]	10/10	100
Mr. Gary Lee Crist	NINED[4]	N/A	N/A

[1] INED of MAHB and Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB.

[2] INED of MAHB, Chairman of Etiqa Family Takaful Berhad, Etiqa General Takaful Berhad, Etiqa Life International (L) Ltd (incorporated in F.T Labuan) and Etiqa Offshore Insurance (L) Ltd (incorporated in F.T Labuan), wholly-owned subsidiaries of MAHB.

[3] 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.

[4] 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 in the Company's Board Charter 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	%
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
Ms. Serina Binti Abdul Samad	INED[5]	7/7	100
Assoc. Prof. Dr. Azman Bin Mohd Noor	INED[6]	3/3	100
Puan Norazilla Binti Md Tahir	INED[7]	3/3	100

[1] Ceased as Chairman of the ACB 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 MAHB.

[4] Ceased as a member of the ACB w.e.f 17 June 2021.

[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. INED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB.

[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.

(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 in the Company's Board Charter 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. INED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB.

[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 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 the IC as a governance body to oversee investment related activities.

The roles and responsibilities of the IC are set out in in the Company's Board Charter 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	%
Dato' Mohamed Rafique Bin Mohd Wahiduddin Merican *(Chairman)*	ED[1]	5/5	100
Mr. Philippe Pol Arthur Latour	NINED	4/5	80
Datuk Mohd Najib Bin Abdullah	INED[2]	5/5	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED[3]	3/3	100
Dato' Amirul Feisal Bin Wan Zahir *(Chairman)*	ED[4]	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] Appointed as a member of the IC w.e.f.1 January 2021

[3] Appointed as a member of the IC w.e.f.17 June 2021

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

(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").

(ii) <u>Induction Programme</u>

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

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.

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

Training attended by Directors	DN[1]	PL[2]	FVK[3]	DJ[4]	LLS[5]	WPC[6]	NMT[7]	AY[8]
A. In-house Training								
1. Etiqa: Directors' Induction Program				√				
2. Etiqa: Directors' Training Programme Module 1 – Series # 1 (Day 1) : • Corporate Overview of Etiqa; Its Dynamic Organization, People, Process and Product. • Industry Updates / Market Landscape. • Brief Overview of Key Pillars		√		√	√			√
3. Etiqa: Directors' Training Programme Module 1 – Series # 2 (Day 2): • Introduction To Insurance and Takaful		√		√	√		√	√
4. Etiqa Director Training Programme Module 1 – Series #3 (Day 3) • Discovering the basic of Takaful Updates on Anti Money Laundering/Counter Financing of Terrorism ("AML/CFT")		√			√	√	√	√
5. Etiqa Directors' Training Programme Module 1 - Orientation/On-boarding Session Series #2				√				
6. Etiqa Risk Management Division: Etiqa Risk Landscape FY2021	√	√	√	√	√	√		
7. Etiqa: Onboarding of new ACB member					√			
8. Board Oversight Committee Innovation & Technology Onboarding session							√	√
9. Etiqa: Impacts of IFRS 17 on Financial Reporting		√	√					
10. Etiqa: IFRS 17 – Walkthrough session with ACB and RMC members on Financial Impact Assessment ("FIA")		√			√	√		
11. Etiqa: PMO IFRS17 Transition Approach	√							
12. Etiqa: Merdeka Talk – Reflection of my journey in Islamic Finance, featuring the President of Court of Appeal, YAA Tan Sri Rohana Yusuf						√		
13. Etiqa: SCRUM training		√		√		√		
14. Etiqa and Ernst & Young: Environmental, Social & Governance ("ESG") related training			√	√	√	√	√	
15. Maybank: Group Strategy Offsite	√							
16. Maybank: Inaugural Diversity Day	√	√						
17. 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	√			√	√	√		
18. Maybank Group Technology/Nicholas Palmer, Group IB: Cyber Threat Landscape Awareness			√	√	√			
19. Maybank Group Human Capital: International Women's Day Celebration 2021 – IWD Flagship Programme				√				

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	DN[1]	PL[2]	FVK[3]	DJ[4]	LLS[5]	WPC[6]	NMT[7]	AY[8]
20. Maybank Investment Bank and Bursa Malaysia: ESG Ratings & Green Revenues - Data Tools for Investing	√							
21. Maybank Investment Bank and Bursa Malaysia: ESG in investment - The time is now				√				
22. Maybank Kim Eng: US China rivalry and the new geopolitics in Asean - By Dr Tan Kwang Yam, Prof Of Economy Nanyang Technological University	√							
23. Maybank Kim Eng: MKE Captains Speak (Special Edition) - Singapore Recovering & Transforming				√				
24. Maybank Kim Eng & Bursa: Invest Malaysia 2021 Series 1 - "Economic Reform"				√				
25. Maybank Investment Bank: Invest ASEAN Conference – ASEAN: Beyond the Pandemicrisis					√			
26. Maybank Asset Management Sdn Bhd: AML/CFT - Compliance A Need To Protect Business					√			
27. Maybank Kim Eng/ REIT Association of Singapore: Singapore REIT's panel session						√		
28. Ageas Partnership Day – Global Economic Outlook For 2021 And On The Challenges Facing The Financial World by Mr. Nouriel Roubini		√		√		√		
29. Ageas Partnership Day – Impact 24		√						
30. Ageas Partnership Day - A World Authority on Corporate Responsibility and Sustainable Future of Capitalism Called "Green Swans" by Mr. John Elkington				√		√		
31. Ageas Management Forum 2021		√						
32. Ageas: A future for next generations – sustainability matters		√						
33. Ageas: Project-driven organisations in a world driven by change		√						
34. Ageas: Cybersecurity awareness training		√						
35. Ageas Academy with Korn Ferry: Executive Development Journey		√	√					
36. Ageas Academy: How blockchain can disrupt the industry in the future		√						
B. External Training								
1. FIDE Core Program Module A: January 2021, Insurance Group							√	
2. FIDE Core Program Module B: March 2021, Insurance Group							√	
3. FIDE Elective Program: Risk Management in Technology (RMiT) & Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards?	√		√		√			
4. FIDE Forum: Dialogue with Tan Sri Nor Shamsiah binti Mohd Yunus, BNM Governor	√			√				
5. FIDE Forum: Board Effectiveness Evaluation - Industry Briefing	√							

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	DN[1]	PL[2]	FVK[3]	DJ[4]	LLS[5]	WPC[6]	NMT[7]	AY[8]
6. FIDE Forum: MASB Dialogue on MFRS 17 – Insurance Contracts – What every director must know	√			√	√		√	
7. FIDE Forum: The role of Independent Directors in embracing present and future challenges with Deputy Governor Jessica Chew	√			√		√	√	
8. FIDE Forum: 1st Distinguished Board Leadership Webinar: Rethinking Our Approach to Cyber Defense in FIs	√		√		√			
9. FIDE Forum: Dialogue on the future of Malaysia's financial sector by Suhaimi Ali – Director Financial Development and Innovation, Bank Negara Malaysia	√					√	√	
10. 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	√			√		√		
11. FIDE Forum: The Rise of Gov coins & What's next for Crypto					√			
12. FIDE Forum: The Board's Roles and Responsibilities in Crisis Communications				√	√		√	
13. 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					√			
14. FIDE Forum: Webinar: Implementing Amendments in the Malaysian Code on Corporate Governance ("MCCG")					√	√		
15. FIDE Forum: Dialogue with 4 leaders on the 2050 Net Zero Carbon Emission Target : Finance Role							√	
16. BNM and Securities Commission Malaysia: JC-3 Flagship Conference 2021 (Day 1 & 2), Sustainability as a Business Strategy for Financial Institutions & Outcomes and implications for Malaysian Financial Institutions	√			√		√	√	
17. Permodalan Nasional Berhad ("PNB") Research Institute Sdn Bhd: PNB Knowledge Forum 2021 – Climate Change: A New Green Deal for Malaysia	√			√	√			
18. PNB Research Institute: PNB Knowledge Forum 2021 - Rising Above Covid-19: Reimagining Work in Malaysia & Beyond	√				√			
19. PNB: iRAC Week 2021 – Upholding Good Governance In A Challenge Environment				√				
20. PNB: Cyber Security Awareness Program for Board and Leadership Team				√				
21. PNB Shariah Management Department & Corporate Governance Department): PNB Knowledge Forum 2021 – Shariah Awareness: Strengthening Shariah Culture				√				
22. Ernst & Young ("EY"): IFRS 17 Webinar - The Journey Ahead for Life Insurers	√							

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	DN[1]	PL[2]	FVK[3]	DJ[4]	LLS[5]	WPC[6]	NMT[7]	AY[8]
23. EY Asia Pacific: EY Blockchain Summit Asia Pacific					√			
24. EY Asia Pacific: Asia's Digital Insurance Future after Covid-19					√			
25. KPMG and Google Cloud Webinar: Smarter Digital City – AI for Everyone, Financial Services			√					
26. IMD: Innovate to Win : Learn From the IOC and UEFA To Create A Creative Culture of Success	√							
27. IMD: Strategic Agility: The Art of Piloting Initiatives	√							
28. IMD Alumni Club of Mexico: Alien Thinking: The Unconventional Path to Breakthrough Thinking	√							
29. IMD Alumni Club of Melbourne: The Right Place on "How National Competitiveness Makes or Breaks Companies"	√							
30. Actuarial Society of Hong Kong ("AHSK"): Health virtual talk - China Standardised CI Definitions (revised edition 2020)			√					
31. ASHK Actuarial Innovation Webinar: Blockchain - an Actuarial Perspective			√					
32. ASHK 4th General Insurance Virtual Seminar: Preparing and Dealing with Change			√					
33. ASHK Joint Regional Actuarial Seminar: JRS Regional Programme and JRS Hong Kong 2021			√					
34. ASHK/IFoA Joint Webinar 2021: Health Products amid Covid-19 and Regulation Changes			√					
35. The Digital Insurer ("TDI") Academy Webinar: Claims for Life & Health			√					
36. TDI: Platforms and ecosystems			√					
37. Life Insurance Marketing and Research Association ("Limra")Agency webinar Master of Distribution (M.O.D): How to Transform from 4G to 5G in a Remote World			√					
38. Limra: Creating an Omni-Channel Presence: Digitizing the Agent Labor Force			√					
39. Financial Times Asia Insurance Summit: Robust strategies for the decade to come			√					
40. National Insurance Academy, Pune: Orientation Programme for Non-Executive Directors of Life Insurance Companies		√						
41. SOS International: Covid-19 Vaccination Awareness' Talk (HK focus)		√						
42. INSEAD: Towards a Hybrid Corporate Governance Paradigm		√						
43. Dutch Chamber HK / HKLLC – HK Language Learning Center: Mandarin Course		√						
44. Thai Institute of Directors Association: Director Accreditation Program DAP 183/2021		√						
45. Coursera – Yale, Robert Shiller: Financial Markets course						√		

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	DN[1]	PL[2]	FVK[3]	DJ[4]	LLS[5]	WPC[6]	NMT[7]	AY[8]
46. Singapore Actuarial Society: Singapore Actuarial Conference						√		
47. Asia School of Business ("ASB"): Corruption Risk Management				√				
48. ASB: Nomination and Remuneration Committee – Beyond Box-Ticking & Enhancing Effectiveness				√				
49. Institute of Corporate Directors Malaysia ("ICDM"): Powertalk Series 2021 – A Boardroom Simulation : Corporate Strategy Beyond the Crisis				√				
50. Malaysian Economic Association: 2022 Post-Budget Debate				√				
51. The Confederation of Asian and Pacific Accountants ("CAPA") and Institute of Chartered Accountants in England and Wales ("ICAEW"): Governance in public Sector							√	
52. ICAEW: Crypto Bitcoins							√	
53. World Bank: Achieving the 12th Malaysia Plan for Islamic Finance							√	
54. Bank Pembangunan Malaysia Berhad BOD Training: Operational Resilience, Integrity, AML/CFT and Cyber Security							√	
55. Securities Commission: Annual Directors Training for Amanah Raya Board							√	

1 DN - Datuk Mohd Najib Bin Abdullah 3 FVK - Mr. Frank J.G. Van Kempen 5 LLS - Mr. Loh Lee Soon 7 NMT - Puan Norazilla Binti Md Tahir
2 PL - Mr. Philippe Pol Arthur Latour 4 DJ - Dato' Johan Bin Ariffin 6 WPC - Mr. Wong Pakshong Kat Jeong Colin 8 AY – Dr. Ariffin Bin Yahaya

(3) INTERNAL CONTROL FRAMEWORK

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

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 as per Maybank's 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 NEDs 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

The 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.

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

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

(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
(ii) **Meeting Allowance** per meeting attended	2,000

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

The details of Directors' and CEO's Remuneration for FYE 2021 are disclosed in the Notes 27 and 28 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.

Maybank Group 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	<u>Variable Bonus</u> - Reinforce pay-for-performance culture and adherence to the Group's Core Values T.I.G.E.R.* - Variable cash award design that is aligned with the long-term performance goals of the Group through deferral and claw-back policies - Based on overall Group Performance, Business/Corporate Function and individual performance. - Performance is measured via the Balanced Scorecard approach. - Deferral Policy: Any Variable Bonus Awards in excess of certain thresholds will be deferred over a period of time <u>Long-term Incentive Award</u> 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. <u>Clawback Provision</u> 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, comprising a mixture of Fixed and Variable elements (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 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 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 the Long-Term Incentive Award i.e. Employees' Shares Grant Plan ("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.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(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.

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

(i) 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

(ii) 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	11	3,992	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	9	1,467	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 LIFE INSURANCE BERHAD
201701025113 (1239279-P)
(Incorporated in Malaysia)

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

We, Datuk Mohd Najib Bin Abdullah and Norazilla Binti Md Tahir, being two of the Directors of Etiqa Life Insurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 31 to 160 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 then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 February 2022.

DATUK MOHD NAJIB BIN ABDULLAH

NORAZILLA BINTI MD TAHIR

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

I, Lim Yit Lin, being the officer primarily responsible for the financial management of Etiqa Life Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 160 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 LIM YIT LIN
at Kuala Lumpur in Wilayah Persekutuan
on 22 February 2022

LIM YIT LIN
(MIA 13288)
Head, Finance

Before me,

Commissioner for Oaths

PESURUHJAYA SUMPAH
NO: W 681
RAJEEV SAIGAL A/L
RAMLABAYA SAIGAL
BC/R/548
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

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

Building a better working world

Independent auditors' report to the member of Etiqa Life Insurance Berhad 201701025113 (1239279-P) (Incorporated in Malaysia)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiqa Life Insurance Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 160.

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 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 and the Corporate Governance disclosures, but does not include the financial statements of the Company and our auditors' report 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.

A member firm of Ernst & Young Global Limited

Independent auditors' report to the member of
Etiqa Life Insurance Berhad
201701025113 (1239279-P)
(Incorporated in Malaysia)

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with 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 for 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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Building a better working world

Independent auditors' report to the member of
Etiqa Life Insurance Berhad
201701025113 (1239279-P)
(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

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

Kuala Lumpur, Malaysia
22 February 2022

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Assets			
Property, plant and equipment	3	32,875	34,952
Investment properties	4	971,170	953,610
Prepaid land lease payments	5	763	789
Right-of-use assets ("ROU")	6	53	86
Intangible assets	7	48,730	43,554
Investments	8	11,513,272	11,093,586
Financing receivables	10	265,527	250,074
Reinsurance assets	11	110,404	85,359
Insurance receivables	12	23,755	22,982
Other assets	13	149,976	154,097
Derivative assets	14	-	10,891
Current tax assets		11,555	12,084
Cash and bank balances		47,196	44,703
Total Assets		13,175,276	12,706,767
Equity			
Share capital	15	100,000	100,000
Reserves	16	1,473,215	1,338,676
Total Equity		1,573,215	1,438,676
Liabilities			
Insurance contract liabilities	17	10,768,463	10,444,964
Derivative liabilities	14	2,192	3,473
Deferred tax liabilities, net	18	333,944	340,870
Insurance payables	19	25,312	23,208
Other liabilities	20	455,668	455,576
Current tax liabilities		16,482	-
Total Liabilities		11,602,061	11,268,091
Total Equity and Liabilities		13,175,276	12,706,767

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

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

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Operating revenue	21	2,434,400	2,190,392
Gross earned premiums		1,936,388	1,737,786
Earned premiums ceded to reinsurers		(38,999)	(35,041)
Net earned premiums		1,897,389	1,702,745
Fee and commission income	22	6,486	434
Investment income, net	23	498,012	452,606
Realised losses, net	24	(55,938)	(49,647)
Fair value (losses)/gains, net	25	(335,092)	274,713
Other operating income/(expenses), net	26	14,627	(19,411)
Other revenue		128,095	658,695
Gross benefits and claims paid		(1,219,749)	(1,079,267)
Claims ceded to reinsurers		17,705	9,865
Gross change in contract liabilities		(319,820)	(879,089)
Change in contract liabilities ceded to reinsurers		25,045	16,649
Net benefits and claims		(1,496,819)	(1,931,842)
Management expenses	27	(152,638)	(155,161)
Fee and commission expenses	29	(103,200)	(102,514)
Taxation borne by policyholders	30	(3,896)	(42,669)
Other expenses		(259,734)	(300,344)
Profit before taxation		268,931	129,254
Taxation	30	(55,108)	(26,518)
Net profit for the financial year		213,823	102,736
Basic and diluted earnings per share (sen)	31	213.82	102.74

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

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

	Note	2021 RM'000	2020 RM'000
Net profit for the financial year		213,823	102,736
Other comprehensive (loss)/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		(36,629)	20,922
- Transfer to profit or loss upon disposal		(1,157)	(21,054)
Tax effect relating to financial assets at FVOCI	30	5,502	1,169
		(32,284)	1,037
Other comprehensive (loss)/income for the financial year, net of tax		(32,284)	1,037
Total comprehensive income for the financial year		181,539	103,773

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

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

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

						Retained Earnings		
		<---------- Non-distributable ---------->						
	Note	Share Capital RM'000	FVOCI Reserves RM'000	Revaluation Reserves RM'000	Non-Par Fund Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Profits RM'000	Total Equity RM'000
At 1 January 2021		100,000	30,809	54,465	835,264	418,138	1,253,402	1,438,676
Net profit for the financial year		-	-	-	184,113	29,710	213,823	213,823
Other comprehensive loss for the financial year		-	(32,284)	-	-	-	-	(32,284)
Total comprehensive (loss)/income for the financial year		-	(32,284)	-	184,113	29,710	213,823	181,539
Transfer from non-Par fund surplus upon recommendation by Appointed Actuary[1]		-	-	-	(110,276)	110,276	-	-
Dividend on ordinary shares	32	-	-	-	-	(47,000)	(47,000)	(47,000)
At 31 December 2021		100,000	(1,475)	54,465	909,101	511,124	1,420,225	1,573,215
At 1 January 2020		100,000	29,772	54,465	801,285	649,381	1,450,666	1,634,903
Net profit for the financial year		-	-	-	71,067	31,669	102,736	102,736
Other comprehensive income for the financial year		-	1,037	-	-	-	-	1,037
Total comprehensive income for the financial year		-	1,037	-	71,067	31,669	102,736	103,773
Transfer from non-Par fund surplus upon recommendation by Appointed Actuary[1]		-	-	-	(37,088)	37,088	-	-
Dividend on ordinary shares	32	-	-	-	-	(300,000)	(300,000)	(300,000)
At 31 December 2020		100,000	30,809	54,465	835,264	418,138	1,253,402	1,438,676

[1] In accordance with the Financial Services Act 2013, the unallocated surplus of the Non-Participating ("non-Par") fund is only available for distribution to the shareholder upon approval by the Appointed Actuary. The approved transfer from the non-Par fund unallocated surplus for the financial year ended 31 December 2021 and 31 December 2020 were RM145,100,000 and RM48,800,000 (RM110,276,000 and RM37,088,000, net of tax at 24%) respectively.

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

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

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

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation:		268,931	129,254
Adjustments for:			
Taxation borne by policyholders	30	3,896	42,669
Depreciation of property, plant and equipment	27	6,091	6,078
Amortisation of intangible assets	27	7,830	7,150
Depreciation of right-of-use assets	27	33	14
Lease liabilities interest	27	2	1
Fair value losses/(gains) on financial assets at Fair Value through Profit or Loss ("FVTPL")	25	352,322	(256,443)
Fair value gains on investment properties	25	(17,230)	(18,270)
Amortisation of prepaid land lease payments	27	26	26
Amortisation of premium on investments	23	6,587	4,199
Loss on disposal of intangible assets	24	82	-
Net (gain)/loss on foreign exchange	26	(15,614)	10,035
(Reversal of)/allowance for impairment losses on insurance receivables	26	(3,936)	3,348
Allowance for/(reversal of) impairment losses on other assets	26	117	(844)
(Reversal of)/allowance for impairment losses on financing receivables	26	(184)	562
(Reversal of)/allowance for impairment losses on investments	26	(1)	68
Insurance receivables written-off	26	6	-
Losses on disposal of investments	24	55,856	49,647
Interest income	23	(414,389)	(401,571)
Gross dividend income	23	(51,981)	(33,841)
Rental income	23	(62,514)	(47,132)
Operating cash flows before working capital changes		135,930	(505,050)
Changes in working capital:			
Increase in reinsurance assets		(25,045)	(16,649)
Decrease/(increase) in insurance receivables		3,157	(613)
Decrease/(increase) in other assets		12,020	(1,199)
Increase in financing receivables		(15,269)	(23,788)
(Increase)/decrease in amounts due from related parties		(15,866)	38,522
Carried forward		94,927	(508,777)

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

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)			
Brought forward		94,927	(508,777)
Increase in other liabilities		12,971	7,805
Increase in insurance contract liabilities		319,820	879,089
Increase in insurance payables		2,104	7,877
Decrease/(increase) in placement of deposits with financial institutions		599,560	(137,894)
Interest income received		415,907	418,247
Dividends received		53,501	31,883
Rental income received		59,301	43,053
Cash flows generated from operations		1,558,091	741,283
Tax paid		(43,817)	(92,975)
Net cash flows generated from operating activities		1,514,274	648,308
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		4,599,598	7,021,241
Purchase of investments		(6,046,911)	(7,306,393)
Proceeds from sale of property, plant and equipment	3	-	184
Proceeds from disposal of intangible assets	7	15	231
Additions to investment properties	4	(330)	(1,370)
Purchase of property, plant and equipment	3	(4,345)	(12,700)
Purchase of intangible assets	7	(12,772)	(7,613)
Net cash flows used in investing activities		(1,464,745)	(306,420)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	32	(47,000)	(300,000)
Payment of lease liabilities	6	(36)	(13)
Net cash used in financing activities		(47,036)	(300,013)
Net increase in cash and cash equivalents		2,493	41,875
Cash and cash equivalents at beginning of financial year		44,703	2,828
Cash and cash equivalents at end of financial year		47,196	44,703
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		158	499
Life Insurance funds		47,038	44,204
		47,196	44,703

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

1. CORPORATE INFORMATION

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

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

The principal activities of the Company are the underwriting of life insurance and investment-linked 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 22 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 MFRSs and 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 Insurers ("RBC Framework") issued by BNM as at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of preparation (contd.)

(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.

(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) Insurance contract liabilities

These are provided in Note 2.2(xiii). 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 life insurance contract liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 38 of the financial statements.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

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

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

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

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

Buildings on freehold land	2%
Furniture, fittings, equipment and renovations	20% - 25%
Computers and peripherals	14% - 25%
Electrical and security equipment	10%

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Investment properties

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Leases

(a) Classification

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

(b) Recognition and initial measurement

(1) The Company as lessee

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

(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:

Property	2 to 5 years

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

(1) The Company as lessee (contd.)

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

(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) <u>Leases with a lease term of 12 months or shorter;</u>

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.)

(iii) Leases (contd.)

(b) Recognition and 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 or loss on a straight-line basis over the lease term.

(iii) Leases with variable lease payments

Variable lease payments of the Company do 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. 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.)

(iii) 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.

(iv) Intangible assets

Intangible assets include software development costs and computer software. 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 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.)

(iv) 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 in 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.)

(v) Financial assets

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

(a) Initial and subsequent measurement

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

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

(i) Business model assessment

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

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

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

- how the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;

- the risks that affect 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.)

(v) Financial assets (contd.)

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

(i) Business model assessment (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's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

i) Determined by the Company's senior management as a result of external or internal changes;

ii) Significant to the Company's operations; and

iii) Demonstrable to external parties.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) Financial assets (contd.)

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

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

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

(iii) Classification of financial assets

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

(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, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) Financial assets (contd.)

(a) Initial recognition 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 interest.

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

(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 interest.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) 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 has transferred substantially all the risks and rewards of the financial asset.

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

(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.

(vi) Fair value of financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Fair value of financial assets (contd.)

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 and Malaysia Retail Bond Portal provided by the Bond Pricing Agency Malaysia ("BPAM"). In the 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. The market value of Negotiable Certificates of Deposit ("NCD") is determined by reference to BNM's Interest Rate Swap.

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

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

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

(vii) Impairment

(a) Financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Impairment (contd.)

(a) Financial assets (contd.)

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

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

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

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

(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 at default ("EAD"), loss given default ("LGD") and discount factors.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Impairment (contd.)

(a) Financial assets (contd.)

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

Financing receivables

The ECL on the financing portfolio (other than Policy/Automated Policy Loan("APL")) 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. The policy/APL loans are not expected to incur loss as any shortfall will be deducted from the cash surrender value. This implies that LGD is zero and no ECL is estimated.

Insurance receivables

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

Financial assets at FVOCI and AC

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Impairment (contd.)

(a) Financial assets (contd.)

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

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

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

(b) Non-financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Reinsurance assets

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

Reinsurance arrangements, entered into by the Company, that meet the classification requirements of insurance contracts as described in Note 2.2(xiii) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

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

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

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

(ix) Insurance receivables

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

The impairment of insurance receivables is described in Note 2.2(vii)(a).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ix) Insurance receivables (contd.)

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

(x) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand.

For the purpose of the cash flow statements, cash and cash equivalents comprise cash and bank balances, as defined above.

The Company presents the cash flows 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.

(xi) Equity instruments

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

(xii) Product classification

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

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

An insurance contract is a contract under which an entity has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines whether significant insurance risk has been accepted by comparing benefits paid or payable on the occurrence of an insured event against benefits paid or payable if the insured event does not occur. If the ratio of the former exceeds the latter by 5% or more, the insurance risk accepted is deemed to be significant.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xii) Product classification (contd.)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xii) Product classification (contd.)

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

When an insurance contract contains both a financial risk (or deposit) component and a significant insurance 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 premium relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

(xiii) Life insurance contract liabilities

Life insurance contract liabilities are determined in accordance with the RBC Framework. All life insurance liabilities have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the policies discounted at the appropriate discount rate. This method is known as the gross premium valuation method.

For non-participating business, the expected future cash flows of guaranteed benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of policy reserves at the 75% confidence level is secured. For participating business, the higher of the guaranteed benefit liabilities or the total benefit liabilities at fund level is taken. In computing total benefit liabilities, the expected cash flows of total guaranteed and non-guaranteed benefits are determined using best estimate assumptions together with the assumption that the current bonus rate to policyholders will be maintained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiii) Life insurance contract liabilities (contd.)

The liabilities in respect of the non-unit component of non-participating deferred annuity and investment-linked policies have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the policy. The liabilities of the unit component are the Net Asset Value ("NAV") of the fund.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, is set as liability if the accumulated amount is higher than the figure calculated using the gross premium valuation method.

For yearly renewable policies covering death or survival contingencies, the liabilities have been valued on an unexpired risk basis.

For yearly renewable policies covering other contingencies such as medical benefits, recognised liabilities comprises the best estimate premium and claim liabilities with appropriate allowance for PRAD.

(xiv) Financial liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiv) Financial liabilities (contd.)

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

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

(1) Insurance payables

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

(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.

(xv) 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 the profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xvi) Premium income

Premiums represent consideration paid for insurance contracts and are accounted for as follows:

- Premium income is recognised as soon as the amount of the premium can be reliably measured. Initial premium is recognised from inception date and subsequent premiums are recognised on due dates. At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured;

- Outward reinsurance premiums are recognised in the same financial period as the original policies to which the reinsurance relates;

- Net creation of units, which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract, are reflected in profit or loss. Net creation of units is recognised on a receipt basis; and

- 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 policyholders.

(xvii) Benefits expenses

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

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

- Maturity and other policy 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 contingency covered.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xviii) Commission expenses and acquisition costs

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

(xix) Other 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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xix) Other revenue recognition (contd.)

Other revenue

(a) Interest income

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

(b) Dividend income

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

(c) Rental income

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

(d) Fee and commission income

Policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised over time as revenue in which the related services are performed. If the fees are for services to be provided in future periods, the fees are deferred and recognised over those future periods.

Management fee income earned from investment-linked business is recognised over time on an accrual basis based on the NAV of the investment-linked funds.

Commission income is derived from reinsurers in the course of ceding premiums to reinsurers.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xx) Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions ("SOCSO") are recognised as an expense in profit or loss in the period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised as an expenses 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 the profit or loss when the absences occur.

(b) Long term employee benefits

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

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

(c) Defined contribution plans

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

(d) Share-based compensation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xx) Employee benefits (contd.)

(d) Share-based compensation (contd.)

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

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

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

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

The total fair value of CESGP shares granted to eligible employees is recognised as an employee cost with a corresponding increase in Maybank's liability over the vesting period and taking into account the probability that the CESGP will vest. The fair value of CESGP 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxi) Foreign currencies

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions and balances

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) 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.

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.

(xxiii) 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 an insurance contract, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxiii) Provisions (contd.)

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.

(xxiv) 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 disclose its existence when inflows of economic benefits are probable but not virtually certain.

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.

(xxv) Segment reporting

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

The Company disclosed its segment information by funds in Note 45.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 for annual periods beginning on or after
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 beyond 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

(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 above, the adoption of the above amendments to standards did not have any significant financial impacts to the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 Standard Board ("MASB"), but which are not yet effective, up to the date of issuance of the Company's financial statements. The Company intend 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
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:

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*

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;

- 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; and

- 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:

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.)

(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

	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Work-in-progress RM'000	Total RM'000
2021						
Cost						
At 1 January 2021	305	40,809	11,783	47,279	9,316	109,492
Additions	-	1,104	38	563	2,640	4,345
Reclassification	-	5,083	-	589	(5,672)	-
Transfer to intangible assets (Note 7)	-	-	-	-	(331)	(331)
At 31 December 2021	305	46,996	11,821	48,431	5,953	113,506
Accumulated Depreciation and Impairment Losses						
At 1 January 2021	259	34,928	5,994	33,359	-	74,540
Depreciation charge for the financial year (Note 27)	-	2,054	1,453	2,584	-	6,091
At 31 December 2021	259	36,982	7,447	35,943	-	80,631
Analysed as:						
- Accumulated depreciation	50	36,982	7,447	35,943	-	80,422
- Accumulated allowance for impairment losses	209	-	-	-	-	209
	259	36,982	7,447	35,943	-	80,631
Net Book Value						
At 31 December 2021	46	10,014	4,374	12,488	5,953	32,875

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Work-in-progress RM'000	Total RM'000
2020						
Cost						
At 1 January 2020	305	37,231	14,475	45,664	2,037	99,712
Additions	-	3,578	44	1,114	7,964	12,700
Disposal	-	-	(2,646)	-	(184)	(2,830)
Reclassification	-	-	-	501	(501)	-
Transfer to intangible assets (Note 7)	-	-	(90)	-	-	(90)
At 31 December 2020	305	40,809	11,783	47,279	9,316	109,492
Accumulated Depreciation and Impairment Losses						
At 1 January 2020	259	33,087	7,234	30,618	-	71,198
Depreciation charge for the financial year (Note 27)	-	1,841	1,496	2,741	-	6,078
Disposal	-	-	(2,646)	-	-	(2,646)
Transfer to intangible assets (Note 7)	-	-	(90)	-	-	(90)
At 31 December 2020	259	34,928	5,994	33,359	-	74,540
Analysed as:						
- Accumulated depreciation	50	34,928	5,994	33,359	-	74,331
- Accumulated allowance for impairment losses	209	-	-	-	-	209
	259	34,928	5,994	33,359	-	74,540
Net Book Value						
At 31 December 2020	46	5,881	5,789	13,920	9,316	34,952

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
2021			
Cost			
At 1 January/31 December 2021	100	205	305
Accumulated Depreciation and Impairment Losses			
At 1 January/31 December 2021	54	205	259
Analysed as:			
- Accumulated depreciation	-	50	50
- Accumulated allowance for impairment losses	54	155	209
	54	205	259
Net Book Value			
At 31 December 2021	46	-	46
2020			
Cost			
At 1 January/31 December 2020	100	205	305
Accumulated Depreciation and Impairment Losses			
At 1 January/31 December 2020	54	205	259
Analysed as:			
- Accumulated depreciation	-	50	50
- Accumulated allowance for impairment losses	54	155	209
	54	205	259
Net Book Value			
At 31 December 2020	46	-	46

4. INVESTMENT PROPERTIES

	Freehold land and buildings	Leasehold land and buildings	Total
	<----- At valuation ------>		
	RM'000	RM'000	RM'000
2021			
At 1 January 2021	355,610	598,000	953,610
Addition	-	330	330
Fair value adjustments (Note 25)	5,560	11,670	17,230
At 31 December 2021	361,170	610,000	971,170
2020			
At 1 January 2020	356,970	577,000	933,970
Addition	-	1,370	1,370
Fair value adjustments (Note 25)	(1,360)	19,630	18,270
At 31 December 2020	355,610	598,000	953,610

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

	2021	2020
	RM'000	RM'000
Rental income	62,514	47,132
Rental related expenses	(21,429)	(23,149)
	41,085	23,983

4. INVESTMENT PROPERTIES (CONTD.)

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

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

The fair value of investment properties is classified under Level 3 of the fair value hierarchy as disclosed in Note 42(c). The fair value gains are recognised in profit or loss.

5. PREPAID LAND LEASE PAYMENTS

	2021 RM'000	2020 RM'000
Cost		
At 1 January/31 December	1,298	1,298
Accumulated Amortisation		
At 1 January	509	483
Amortisation charge for the financial year (Note 27)	26	26
At 31 December	535	509
Net Book Value		
At 31 December	763	789

6. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

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

	Premises	
	2021	**2020**
	RM'000	**RM'000**
Cost		
At 1 January	100	-
Additions	-	100
At 31 December	100	100
Accumulated Depreciation and Impairment Losses		
At 1 January	14	-
Depreciation charge for the financial year (Note 27)	33	14
At 31 December	47	14
Net Book Value		
At 31 December	53	86

The movement of lease liabilities is disclosed as follows:

	Premises	
	2021	**2020**
	RM'000	**RM'000**
Lease liabilities		
At 1 January	86	-
Additions		98
Interest on lease liabilities (Note 27)	2	1
Payment of lease liabilities	(36)	(13)
At 31 December (Note 20)	52	86
Lease liabilities by remaining maturity:		
Less than 12 months	32	34
More than 12 months	20	52
Total	52	86

7. INTANGIBLE ASSETS

	Computer software and licences RM'000	Software development costs RM'000	Total RM'000
2021			
Cost			
At 1 January 2021	97,660	1,354	99,014
Additions	11,258	1,514	12,772
Disposal	(301)	-	(301)
Reclassifcation	1,685	(1,685)	-
Transfer from property, plant and equipment (Note 3)	-	331	331
At 31 December 2021	110,302	1,514	111,816
Accumulated Amortisation			
At 1 January 2021	55,460	-	55,460
Amortisation charge for the financial year (Note 27)	7,830	-	7,830
Disposal	(204)	-	(204)
At 31 December 2021	63,086	-	63,086
Net Book Value			
At 31 December 2021	47,216	1,514	48,730
2020			
Cost			
At 1 January 2020	90,100	1,450	91,550
Additions	5,928	1,685	7,613
Disposal	(239)	-	(239)
Reclassifcation	1,781	(1,781)	-
Transfer from property, plant and equipment (Note 3)	90	-	90
At 31 December 2020	97,660	1,354	99,014
Accumulated Amortisation			
At 1 January 2020	48,228	-	48,228
Amortisation charge for the financial year (Note 27)	7,150	-	7,150
Disposal	(8)	-	(8)
Transfer from property, plant and equipment (Note 3)	90	-	90
At 31 December 2020	55,460	-	55,460
Net Book Value			
At 31 December 2020	42,200	1,354	43,554

8. INVESTMENTS

	2021 RM'000	2020 RM'000
Malaysian government papers	875,983	766,563
Equity securities	1,574,717	1,481,194
Debt securities	7,398,269	7,069,679
Unit and property trust funds	574,696	185,443
Structured products (Note 9)	186,197	87,737
Deposits with financial institutions	903,410	1,502,970
	11,513,272	11,093,586

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

	2021 RM'000	2020 RM'000
Fair value through profit or loss ("FVTPL") (Note a):		
- Designated upon initial recognition	6,685,610	6,723,962
- Held for trading ("HFT")	2,672,106	2,201,821
	9,357,716	8,925,783
Fair value through other comprehensive income ("FVOCI") (Note b)	1,252,146	664,833
Amortised cost ("AC") (Note c)	903,410	1,502,970
	11,513,272	11,093,586

The following investments mature after 12 months:

	2021 RM'000	2020 RM'000
FVTPL		
- Designated upon initial recognition	6,444,703	6,395,953
- HFT	505,755	519,622
FVOCI	1,217,708	631,930
	8,168,166	7,547,505

(a) FVTPL

(i) Designated upon initial recognition

At fair value		
Malaysian government papers	585,448	450,977
Debt securities:		
Unquoted in Malaysia	5,801,220	6,034,681
Unquoted outside Malaysia	113,061	151,168
Structured products (Note 9)	185,881	87,136
Total financial assets designated as FVTPL upon initial recognition	6,685,610	6,723,962

8. INVESTMENTS (CONTD.)

	2021 RM'000	2020 RM'000
(a) FVTPL (contd.)		
(ii) HFT		
At fair value		
Malaysian government papers	-	140,294
Debt securities:		
Unquoted in Malaysia	551,832	394,289
Equity Securities:		
Quoted in Malaysia	1,462,148	1,395,611
Quoted outside Malaysia	5,268	18,482
Unquoted in Malaysia	77,846	67,101
Unit and property trust funds:		
Quoted in Malaysia	28,938	36,541
Quoted outside Malaysia	545,758	148,902
Structured products (Note 9)	316	601
Total HFT financial assets	2,672,106	2,201,821
Total FVTPL financial assets	9,357,716	8,925,783
(b) FVOCI		
At fair value		
Malaysian government papers	290,535	175,292
Debt securities:		
Unquoted in Malaysia	932,156	489,541
Equity securities:		
Quoted in Malaysia	29,455	-
Total FVOCI financial assets	1,252,146	664,833
(c) AC		
Fixed and call deposits with:		
Licensed financial institutions	848,152	1,423,755
Other licensed financial institutions	55,258	79,215
Total AC financial assets	903,410	1,502,970

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

Fair Value of Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 42(c) to the financial statements.

9. STRUCTURED PRODUCTS

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

	<---------- 2021 ---------->		<---------- 2020 ---------->	
	Principal/ Notional Amount RM'000	**Net Carrying Amount RM'000**	**Principal/ Notional Amount RM'000**	**Net Carrying Amount RM'000**
Financial assets at FVTPL				
Structured deposits	190,000	185,881	90,000	87,136
Index-linked notes	27,063	316	27,063	601
		186,197		87,737
Total structured products (Note 8)		186,197		87,737

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

10. FINANCING RECEIVABLES

	2021 RM'000	**2020 RM'000**
Policy/automatic premium loans - secured	244,525	232,151
Staff loans - secured	19,738	17,887
Non-staff loans - secured	1,880	836
	266,143	250,874
Allowance for impairment losses (Note 39(i))	(616)	(800)
	265,527	250,074
Receivable after 12 months	19,379	16,142

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

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

	2021 Per annum	**2020 Per annum**
Policy/automatic premium loans	8.00%	8.00%
Staff loans	1.96%	1.88%
Non-staff loans	3.60%	3.60%

11. REINSURANCE ASSETS

	2021 RM'000	2020 RM'000
Reinsurers' share of insurance contract liabilities (Note 17)		
Claims liabilities	23,342	9,441
Actuarial liabilities	87,062	75,918
	110,404	85,359

12. INSURANCE RECEIVABLES

	2021 RM'000	2020 RM'000
Due from agents and intermediaries	22,368	24,056
Due from reinsurers and cedants	1,569	3,044
	23,937	27,100
Allowance for impairment losses (Note 39(i))	(182)	(4,118)
	23,755	22,982

Amounts due from reinsurers and cedants 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 19)	Net amounts in the Statement of Financial Position RM'000
2021			
Due from reinsurers and cedants	16,870	(15,301)	1,569
2020			
Due from reinsurers and cedants	8,823	(5,779)	3,044

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

13. OTHER ASSETS

	2021 RM'000	2020 RM'000
Amount due from stockbrokers	856	8,967
Amount due from a fund manager	574	337
	1,430	9,304
Sundry receivables, deposits and prepayments	5,783	9,906
Allowance for impairment losses (Note 39(i))	(253)	(157)
	5,530	9,749
Income due and accrued	134,779	134,627
Allowance for impairment losses (Note 39(i))	(161)	(140)
	134,618	134,487
Amounts due from related companies* (Note 36(b)):		
- Penultimate holding company	-	35
- Other related companies	8,398	522
	8,398	557
Total other assets	149,976	154,097

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

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

14. DERIVATIVES

The table below shows the fair values of derivative financial instruments, recorded as assets (being derivatives which are in a net gain position) or liabilities (being derivatives which are in a net loss position), together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of the financial year and are neither indicative of the market risk nor the credit risk.

	<----------2021---------->		<----------2020---------->		
	Principal/ Notional Amount RM'000	Liability RM'000	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000
Hedging derivatives:					
Forward foreign exchange contracts	82,483	422	148,699	10,891	-
Cross currency swaps	61,527	1,770	49,300	-	3,473
Total derivatives		2,192		10,891	3,473

The fair value of derivatives of the Company is derived based on valuation techniques from market observable inputs. They are revalued at the reporting date using such values as provided by the respective counterparties and as validated by the Company. An analysis of the fair value measurement bases used in the determination of the fair values of derivatives are further disclosed in Note 42(c).

Hedging derivatives:

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

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

15. SHARE CAPITAL

	<--Number of shares-->		<---------Amount---------->	
	2021	2020	2021	2020
	Units '000	Units '000	RM'000	RM'000
Issued and Fully Paid:				
Ordinary Shares				
At 1 January/31 December	100,000	100,000	100,000	100,000

16. RESERVES

	Note	2021 RM'000	2020 RM'000
Non-distributable:			
FVOCI reserve	(i)	(1,475)	30,809
Other reserves:			
Revaluation reserve	(ii)	54,465	54,465
		52,990	85,274
Retained profits:			
Distributable	(iii)	511,124	418,138
Non-distributable non-Par fund surplus	(iv)	909,101	835,264
		1,420,225	1,253,402
Total reserves		1,473,215	1,338,676

(i) The FVOCI reserve arose from changes in the fair values of the financial assets carried at FVOCI of the Shareholder's and non-Par funds.

(ii) The revaluation reserve represents the difference between the carrying amount of properties previously classified as self-occupied properties but subsequently transferred to investment properties upon the end of owner occupation and its fair value at the date of change in use.

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

(iv) Non-distributable non-Par fund surplus represents the unallocated surplus of the non-Par fund. In accordance with the Financial Services Act 2013, in Malaysia, the unallocated surplus is only available for distribution to the shareholder's fund upon approval by the Appointed Actuary. Upon such approval, the distribution is presented as a transfer from non-distributable non-Par fund surplus to distributable retained profits.

17. INSURANCE CONTRACT LIABILITIES

	2021			2020		
	Gross RM'000	Reinsurance RM'000 (Note 11)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 11)	Net RM'000
Claims liabilities	107,686	(23,342)	84,344	81,836	(9,441)	72,395
Actuarial liabilities	7,535,372	(87,062)	7,448,310	7,758,496	(75,918)	7,682,578
Participating fund unallocated surplus	726,754	-	726,754	667,536	-	667,536
Participating fund FVOCI reserve	3,679	-	3,679	-	-	-
Participating fund revaluation reserve	24,431	-	24,431	24,431	-	24,431
Net Asset Value ("NAV") attributable to unitholders	2,370,541	-	2,370,541	1,912,665	-	1,912,665
	10,768,463	(110,404)	10,658,059	10,444,964	(85,359)	10,359,605

17. INSURANCE CONTRACT LIABILITIES (CONTD.)

Movements of life insurance contract liabilities

	<------Participating Fund------>								
	Claims liabilities RM'000	**Actuarial liabilities RM'000**	**Unallocated surplus RM'000**	**FVOCI reserve RM'000**	**Revaluation reserve RM'000**	**NAV attributable to unitholders RM'000**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
2021									
At 1 January 2021	81,836	7,758,496	667,536	-	24,431	1,912,665	10,444,964	(85,359)	10,359,605
Premiums received	-	-	557,695	-	-	873,133	1,430,828	-	1,430,828
Other revenue	-	-	6,756	-	-	30,155	36,911	-	36,911
Net benefits and claims	25,850	-	(536,619)	-	-	(443,437)	(954,206)	(13,901)	(968,107)
Other expenses	-	-	(65,908)	-	-	(48)	(65,956)	-	(65,956)
Change in reserves:									
- Discounting	-	(343,944)	156,517	-	-	-	(187,427)	5,629	(181,798)
- Assumptions	-	(63,663)	74,937	-	-	-	11,274	(2,300)	8,974
- Policy movements	-	184,483	(108,164)	-	-	-	76,319	(14,473)	61,846
Changes in FVOCI reserve	-	-	-	4,078	-	-	4,078	-	4,078
Taxation	-	-	(296)	(399)	-	(1,927)	(2,622)	-	(2,622)
Surplus transferred to shareholder's fund	-	-	(25,700)	-	-	-	(25,700)	-	(25,700)
At 31 December 2021	107,686	7,535,372	726,754	3,679	24,431	2,370,541	10,768,463	(110,404)	10,658,059

17. INSURANCE CONTRACT LIABILITIES (CONTD.)

Movements of life insurance contract liabilities (contd.)

	<------Participating Fund------>							
	Claims liabilities RM'000	Actuarial liabilities RM'000	Unallocated surplus RM'000	Revaluation reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
2020								
At 1 January 2020	67,697	7,116,930	703,636	24,431	1,653,181	9,565,875	(68,710)	9,497,165
Premiums received	-	-	580,206	-	615,839	1,196,045	-	1,196,045
Other revenue	-	-	368,925	-	(6,682)	362,243	-	362,243
Net benefits and claims	14,139	-	(531,982)	-	(350,183)	(868,026)	(1,293)	(869,319)
Other expenses	-	-	(67,969)	-	(46)	(68,015)	-	(68,015)
Change in reserves:								
- Discounting	-	282,887	(169,947)	-	-	112,940	(2,667)	110,273
- Assumptions	-	(63,911)	66,919	-	-	3,008	(730)	2,278
- Policy movements	-	422,590	(239,355)	-	-	183,235	(11,959)	171,276
Taxation	-	-	(25,597)	-	556	(25,041)	-	(25,041)
Surplus transferred to shareholder's fund	-	-	(17,300)	-	-	(17,300)	-	(17,300)
At 31 December 2020	81,836	7,758,496	667,536	24,431	1,912,665	10,444,964	(85,359)	10,359,605

18. DEFERRED TAXATION

	2021 RM'000	2020 RM'000
At 1 January	(340,870)	(317,596)
Recognised in:		
Income statement (Note 30)	1,823	(24,443)
- Taxation borne by policyholders	22,516	(19,484)
- Tax expense	(20,693)	(4,959)
Other comprehensive income (Note 30)	5,502	1,169
Insurance contract liabilities (Note 17)	(399)	-
At 31 December	(333,944)	(340,870)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred tax disclosed in the statement of financial position is presented on a net basis after offsetting as follows:

	2021 RM'000	2020 RM'000
Deferred tax assets	8,702	2,868
Deferred tax liabilities	(342,646)	(343,738)
	(333,944)	(340,870)

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. This tax is known as "Cukai Makmur" or Prosperity Tax. The corporate tax rate for the chargeable income below RM100 million remains unchanged at 24%.

Accordingly, the Company has applied a weighted average rate of 27% 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.)

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

Deferred Tax Assets

	Impairment losses on receivables RM'000	Net amortisation of premiums on investments RM'000	Unrealised currency exchange RM'000	Impairment losses on investments RM'000	FVOCI reserve RM'000	Provision for bonus RM'000	Total RM'000
2021							
At 1 January	477	2,128	236	27	-	-	2,868
Recognised in:							
Income statement	(112)	292	(236)	(3)	-	2,350	2,291
- Taxation borne by policyholders	(124)	(69)	(236)	1	-	-	(428)
- Tax expense	12	361	-	(4)	-	2,350	2719
Other comprehensive income	-	-		-	3,942	-	3,942
Insurance contract liabilities	-	-	-	-	(399)	-	(399)
At 31 December	365	2,420	-	24	3,543	2,350	8,702
2020							
At 1 January	300	1,833	45	37	-	-	2,215
Recognised in:							
Income statement	177	295	191	(10)	-	-	653
- Taxation borne by policyholders	55	312	190	-	-	-	557
- Tax expense	122	(17)	1	(10)	-	-	96
At 31 December	477	2,128	236	27	-	-	2,868

18. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities

	Accelerated capital allowances RM'000	Fair value adjustment RM'000	Non-Participating fund unallocated surplus RM'000	Unrealised currency exchange RM'000	Unit-linked RM'000	FVOCI reserve RM'000	Total RM'000
2021							
At 1 January	(3,860)	(85,984)	(243,755)	-	(8,579)	(1,560)	(343,738)
Recognised in:							
Income statement	(502)	25,841	(23,573)	(203)	(2,031)	-	(468)
- Taxation borne by policyholders	(502)	25,679	-	(202)	(2,031)	-	22,944
- Tax expense	-	162	(23,573)	(1)	-	-	(23,412)
Other comprehensive income	-	-	-	-	-	1,560	1,560
Insurance contract liabilities	-	-	-	-	-	-	-
At 31 December	(4,362)	(60,143)	(267,328)	(203)	(10,610)	-	(342,646)
2020							
At 1 January	(3,903)	(71,599)	(238,897)	-	(2,683)	(2,729)	(319,811)
Recognised in:							
Income statement	43	(14,385)	(4,858)	-	(5,896)	-	(25,096)
- Taxation borne by policyholders	43	(14,188)	-	-	(5,896)	-	(20,041)
- Tax expense	-	(197)	(4,858)	-	-	-	(5,055)
Other comprehensive income	-	-	-	-	-	1,169	1,169
At 31 December	(3,860)	(85,984)	(243,755)	-	(8,579)	(1,560)	(343,738)

19. INSURANCE PAYABLES

	2021 RM'000	2020 RM'000
Due to agents and intermediaries	12,995	10,804
Due to reinsurers and cedants	12,317	12,404
	25,312	23,208

Amounts due to reinsurers and cedants that have been offset against the amounts due from the same counterparties are as follows:

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 12)	Net amount in the Statement of Financial Position RM'000
2021			
Due to reinsurers and cedants	27,618	(15,301)	12,317
2020			
Due to reinsurers and cedants	18,183	(5,779)	12,404

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

	2021 RM'000	2020 RM'000
Premium deposits	170,063	201,391
Dividend payable to policyholders	71,026	69,638
Lease liabilities (Note 6)	52	86
ROU restoration cost	1	2
Amount due to related companies* (Note 36(b)):		
- Ultimate holding company	6,132	4,056
- Immediate holding company	4,484	21
- Penultimate holding company	20	-
- Other related companies	9,086	23,670
Amount due to stockbrokers	406	13,073
Claims pending disbursement	7,036	6,069
Sundry payables and accrued liabilities	187,362	137,570
Total other liabilities	455,668	455,576

20. OTHER LIABILITIES (CONTD.)

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

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

	2021 RM'000	2020 RM'000
Gross earned premiums	1,936,388	1,737,786
Investment income, net (Note 23)	498,012	452,606
	2,434,400	2,190,392

22. FEE AND COMMISSION INCOME

	2021 RM'000	2020 RM'000
Reinsurance commission income	6,486	434

23. INVESTMENT INCOME, NET

	2021 RM'000	2020 RM'000
Financial assets at FVTPL		
(i) Designated upon initial recognition		
Interest income	303,740	295,940

23. INVESTMENT INCOME, NET (CONTD.)

	2021 RM'000	2020 RM'000
Financial assets at FVTPL (contd.)		
(ii) HFT		
Interest income	27,647	23,168
Dividend income		
Equity securities		
- Quoted in Malaysia	46,262	30,880
- Quoted outside Malaysia	979	132
- Unquoted in Malaysia	875	1,071
- Unit and property trusts	1,811	1,758
	77,574	57,009
Financial assets at FVOCI		
Interest income	46,687	22,976
Dividend income		
Equity securities		
- Quoted in Malaysia	2,054	-
	48,741	22,976
Financial assets at AC		
Interest income	16,155	41,164
Interest income from financing receivables and other loans	20,160	18,323
Rental income	62,514	47,132
Rental related expense	(21,429)	(23,149)
Amortisation of premiums	(6,587)	(4,199)
Investment related expenses	(2,856)	(2,590)
Total investment income, net	498,012	452,606

24. REALISED LOSSES, NET

	2021 RM'000	2020 RM'000
Realised loss on disposal of:		
- property, plant and equipment	(82)	-
Financial assets at FVTPL		
(i) Designated upon initial recognition		
- Malaysian government papers	1,622	26,401
- Debt securities	3,891	35,772
- Other investments	-	7,044
	5,513	69,217

24. REALISED LOSSES, NET (CONTD.)

	2021 RM'000	2020 RM'000
Financial assets at FVTPL (contd.)		
(ii) HFT		
- Malaysian government papers	(6,170)	3,253
- Equity securities	(63,003)	(150,520)
- Debt securities	1,955	2,889
- Unit and property trust funds	1,338	5,176
- Derivatives	3,111	(716)
	(62,769)	(139,918)
Financial assets at FVOCI		
- Malaysian government papers	348	10,375
- Debt securities	1,052	10,679
	1,400	21,054
Total realised losses, net	(55,938)	(49,647)

25. FAIR VALUE (LOSSES)/GAINS, NET

	2021 RM'000	2020 RM'000
Fair value gains:		
Investment properties (Note 4)	17,230	18,270
Financial assets at FVTPL		
- Designated upon initial recognition	(371,317)	144,351
- HFT	18,995	112,092
Total fair value (losses)/gains on financial assets at FVTPL	(352,322)	256,443
Total fair value (losses)/gains, net	(335,092)	274,713

26. OTHER OPERATING INCOME/(EXPENSES), NET

	2021 RM'000	2020 RM'000
Other income		
Unrealised gain on foreign exchange	15,614	-
Processing income	3	1
Reversal of impairment losses on (Note 39(i)):		
- Financing receivables	184	-
- Insurance receivables	3,936	-
- Other assets	-	844
- Investments	1	-
Sundry income	5,261	1,345
	24,999	2,190
Other expenses		
Allowance for impairment losses on (Note 39(i)):		
- Financing receivables	-	(562)
- Insurance receivables	-	(3,348)
- Other assets	(117)	-
- Investments	-	(68)
Insurance receivables written off	(6)	-
Losses on foreign exchange		
- Realised	(626)	(4,644)
- Unrealised	-	(10,035)
Sundry expenditure	(9,623)	(2,944)
	(10,372)	(21,601)
Total other operating income/(expenses), net	14,627	(19,411)

27. MANAGEMENT EXPENSES

	2021 RM'000	2020 RM'000
Employee benefits expense (Note a)	89,743	89,307
Directors' fees and remuneration (Note 28)	1,084	908
Auditors' remuneration:		
- Statutory audit	433	523
- Regulatory related services	59	53
- Other assurance services	407	163
Amortisation of intangible assets (Note 7)	7,830	7,150
Amortisation of prepaid land lease payments (Note 5)	26	26
Bank charges	3,720	3,707
Depreciation of property, plant and equipment (Note 3)	6,091	6,078
ROU expenses: (Note 6)		
- Depreciation	33	14
- Lease liabilities interest	2	1
Other management fees	290	320

27. MANAGEMENT EXPENSES (CONTD.)

	2021 RM'000	2020 RM'000
Professional fees	220	3,217
Assured medical fees	1,211	1,419
Rental of offices/premises	4,481	4,889
Electronic data processing expenses	937	656
Information technology outsourcing	6,465	5,315
Postage and stamp duties	787	968
Printing and stationery	692	988
Promotional and marketing cost	20,782	19,268
Training expenses	589	600
Utilities, assessment and maintenance	848	1,098
Entertainment	71	149
Travelling expenses	285	419
Office facilities expenses	454	729
Legal fees	230	141
Other expenses	4,868	7,055
Total management expenses	152,638	155,161
(a) Employee benefits expense:		
Wages, salaries and bonuses	66,785	68,674
Employee Provident Fund ("EPF")	10,546	11,069
Social Security Contribution ("SOCSO")	488	476
Share-based compensation	2,352	1,930
Other benefits	9,572	7,158
	89,743	89,307

Included in employee benefits expense is CEO's remuneration of RM1,365,000 (2020: RM1,283,000) as further disclosed in Note (b).

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

Salary	744	744
EPF	166	171
Share-based compensation	119	-
Other emoluments	336	368
	1,365	1,283

28. DIRECTORS' FEES AND REMUNERATION

	2021 RM'000	2020 RM'000
Directors of the Company		
Executive director:		
Fees	-	10
Non-executive directors:		
Fees	900	780
Other emoluments	184	118
	1,084	898
Total directors' fees and remuneration	1,084	908

28. DIRECTORS' FEES AND REMUNERATION (CONTD.)

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

	Fees RM'000	Other emoluments RM'000	Total RM'000
2021			
Directors of the Company:			
Non-executive directors			
Datuk Mohd Najib Bin Abdullah	180	26	206
Mr. Philippe Pol Arthur Latour	120	18	138
Dato' Johan Bin Ariffin	120	24	144
Mr. Loh Lee Soon	120	35	155
Mr. Frank Johan Gerard Van Kempen	120	26	146
Mr. Wong Pakshong Kat Jeong Colin Stewart	120	26	146
Puan Norazilla Binti Md Tahir *(appointed w.e.f. 1 June 2021)*	70	16	86
Dr. Ariffin Bin Yahaya *(appointed w.e.f. 1 August 2021)*	50	13	63
Total directors' fees and remuneration	900	184	1,084

	Fees RM'000	Other emoluments RM'000	Total RM'000
2020			
Directors of the Company:			
Executive director			
Datuk Normala Binti Abdul Manaf *(ceased w.e.f. 31 January 2020)*	10	-	10
	10	-	10
Non-executive directors			
Datuk Mohd Najib Bin Abdullah	180	20	200
Mr. Philippe Pol Arthur Latour	120	18	138
Dato' Johan Bin Ariffin	120	18	138
Mr. Loh Lee Soon	120	26	146
Mr. Frank Johan Gerard Van Kempen	120	18	138
Mr. Wong Pakshong Kat Jeong Colin Stewart	120	18	138
	780	118	898
Total directors' fees and remuneration	790	118	908

29. FEE AND COMMISSION EXPENSES

	2021 RM'000	2020 RM'000
Costs incurred for the acquisition of insurance contracts expensed in the current financial year	103,200	102,514

30. TAXATION

The major components of income tax expense for the year ended 31 December 2021 and 31 December 2020 are:

	2021 RM'000	2020 RM'000
Income Statement		
Income tax:		
Current financial year	34,011	20,914
Under provision of taxation in prior financial year	404	645
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 18)	20,693	4,959
Income tax expense recognised in income statement	55,108	26,518
Statement of Comprehensive Income		
Deferred income tax related to other comprehensive income: (Note 18)		
- Fair value changes on financial assets at FVOCI	(5,502)	(1,169)

30. TAXATION (CONTD.)

Reconciliation between tax expense and accounting profit

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

	2021 RM'000	2020 RM'000
Profit before taxation	268,931	129,254
Taxation at Malaysian statutory tax rate of 24% (2020:24%)	64,544	31,021
Tax relief on actuarial surplus transferred to shareholder's fund	(13,336)	(3,408)
Income not subject to tax	(183)	(108)
Expenses not deductible for tax purposes	3,829	2,831
Deficit/(surplus) arising from Annuity Non-Par fund not subject to tax	194	(4,463)
Effect of weighted average tax rate on deferred tax	(344)	-
Under provision of taxation in prior financial year	404	645
Tax expense for the financial year	55,108	26,518

Domestic income tax for the shareholder's fund is calculated on the estimated assessable profit for the financial year at Malaysian statutory tax rate of 24%.

Taxation borne by policyholders

	2021 RM'000	2020 RM'000
Income tax:		
Current financial year	26,243	23,322
Under/(over) provision of taxation in prior financial year	169	(137)
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 18)	(22,516)	19,484
	3,896	42,669

The income tax borne by policyholders is calculated based on the statutory rate of 8% of the estimated assessable investment income net of allowable deductions for the financial year.

31. EARNINGS PER SHARE

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

	2021 RM'000	2020 RM'000
Profit attributable to ordinary equity holders	213,823	102,736
	2021 Units '000	**2020 Units '000**
Weighted average number of ordinary shares in issue at 31 December (Note 15)	100,000	100,000
	2021 sen	**2020 sen**
Basic and diluted earnings per share	213.82	102.74

There have been no other transactions involving ordinary shares between the reporting date and the authorisation date of these financial statements.

32. DIVIDENDS

	2021 RM'000	2020 RM'000
Final dividend in respect of financial year ended 31 December 2020		
- 47 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	47,000	-
Final dividend in respect of financial year ended 31 December 2019		
- 300 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	-	300,000

33. OPERATING LEASE COMMITMENTS

The Company as a lessor

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

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

	2021 RM'000	2020 RM'000
Not later than one year	56,851	43,388
Between one and five years	87,655	81,158
	144,506	124,546

Rental income on investment properties recognised in the income statement during the financial year is disclosed in Note 4 and Note 23.

34. OTHER COMMITMENTS AND CONTINGENCIES

	2021 RM'000	2020 RM'000
Approved and contracted for:		
Property, plant and equipment	50	1,075
Intangible assets	966	5,106
	1,016	6,181
Approved but not contracted for:		
Property, plant and equipment	19,952	24,154

	2021 Full commitment RM'000	2020 Full commitment RM'000
Derivative financial assets:		
Forward foreign exchange contracts (Note 14):		
Less than a year	94,710	148,699
One year to less than five years	49,300	49,300
	144,010	197,999

35. SHARE-BASED COMPENSATION

ESGP and CESGP

Maybank Group has implemented a new employees' share plan named as the Maybank Group ESGP and the plan 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.

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 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 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, MBB may terminate the ESGP at any time during the duration of the plan 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 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 susidiary companies, key management personnel and the subsidiaries and associates of a company with significant influence over its shareholder.

Related party transactions have been entered into in the normal course of business under normal trade terms.

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

	2021 RM'000	2020 RM'000
Expenses/(income):		
Ultimate holding company:		
Commissions and fees expenses	(75,332)	(77,809)
Dividend income	1,801	1,366
Interest income	93	1,125
Rental income	4,277	2,725
Other income	120	-
Other expenses	(2,809)	(2,669)
ESGP	(2,386)	(3,457)
Immediate holding company:		
Rental income	655	536
Dividend paid	(47,000)	(300,000)
Shared services cost	(27,608)	(10,326)
Remuneration of a seconded employee	(65)	(134)
Penultimate holding company:		
Rental income	162	1,148
Other income	-	141
Shared services cost	(61)	-

36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	2021 RM'000	2020 RM'000
Expenses/(income)(contd.):		
Fellow subsidiaries within the MAHB Group:		
Claims recovery	48	-
Rental income	6,587	6,279
Rental expenses	(2,212)	(2,219)
Other income	-	175
Other expenses	(624)	(820)
Shared services income	40,028	57,803
Fellow subsidiaries within the EIHSB Group:		
Rental income	961	-
Other expenses	(50)	(996)
Shared service income	49	-
Other related companies within the Maybank Group:		
Interest income	10,494	14,702
Rental income	4,425	4,747
Information Technology outsourcing	(6,465)	(5,315)
Other income	1	-
Other expenses	(375)	(375)
Companies with significant influence over the Maybank Group:		
Gross insurance premium income	1,635	1,486
Claims paid	-	(2,391)

(b) Included in the statement of financial position of the Company are investments placed with and amounts due from/(to) related companies represented by the following:

	Note	2021 RM'000	2020 RM'000
Ultimate holding company:			
Fixed and call deposits		-	64,202
Quoted shares		23,878	22,242
Derivatives		(400)	3,389
Bank balances		43,607	41,795
Income due and accrued		-	1
Amount due to ultimate holding company	20	(6,132)	(4,056)
Provision for custodian fee		(226)	-
Sundry receivables, deposits and prepayments		216	373
Sundry payables and accrued liabilities		(181)	(211)

36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(b) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following (contd.):

	Note	2021 RM'000	2020 RM'000
Immediate holding company:			
Amount due to holding company	20	(4,484)	(21)
Penultimate holding company:			
Amount due from penultimate holding company	13	-	35
Amount due to penultimate holding company	20	(20)	-
Fellow subsidiaries within the MAHB Group:			
Amount due from other related companies	13	8,246	438
Amount due to other related companies	20	(9,061)	(23,654)
Fellow subsidiaries within the EIHSB Group:			
Amount due from other related companies	13	148	-
Other related companies within the Maybank Group:			
Fixed and call deposits		584,233	554,903
Income due and accrued		924	1,011
Sundry receivables, deposits and prepayments		-	11
Amount due from other related companies	13	4	84
Amount due to other related companies	20	(25)	(16)
Companies with significant influence over the Maybank Group:			
Insurance receivables		86	19
Insurance payables		(1,474)	-

The balances with related companies are subject to normal trade terms and are as disclosed in Notes 13 and 20.

(c) Key management personnel compensation

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

	2021 RM'000	2020 RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	1,207	1,180
- Fees	900	790
- Contribution to EPF	166	171
- Other emoluments	176	50
	2,449	2,191

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

(c) Key management personnel compensation (contd.)

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

Award date	2021 Units '000	2020 Units '000
At 1 January	56	236
Awarded	-	28
Resignation	-	(208)
At 31 December	56	56

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 ("EFTB"), Etiqa Life Insurance Berhad ("ELIB"), Etiqa General Takaful Berhad ("EGTB"), Etiqa Life International (L) Ltd. ("ELIL"), Etiqa Offshore Insurance (L) Ltd. ("EOIL") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the MAHB Group".

The key building blocks have been set which serve as the foundation for effective risk management and executed in accordance with the standards and risk appetite set by the Board.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)



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.

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 & Procedures documenting the key expectations for the proper coping with each risk type the organisation faces.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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.

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.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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 Insurers 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

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

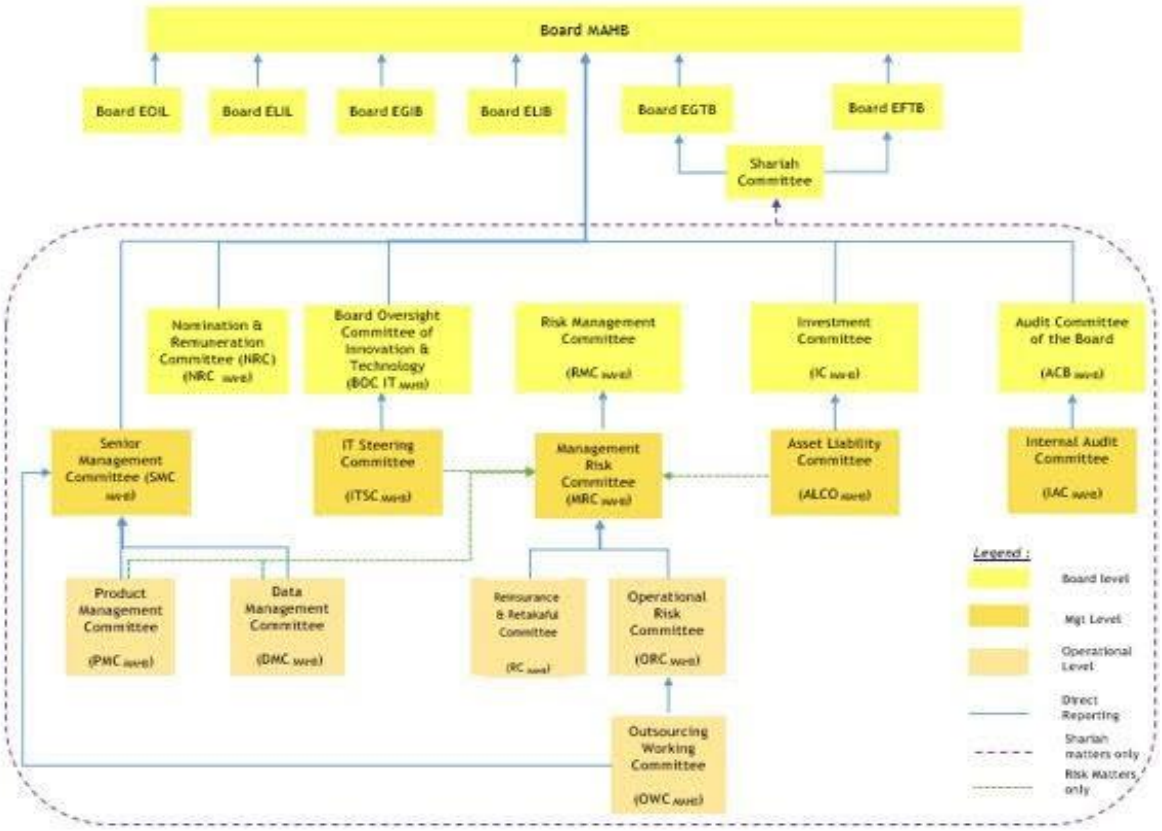
A governance structure should be clear, effective as well as robust and includes the role of the Board, Risk Committees and Senior Management with well defined, transparent and consistent lines of responsibility.

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 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 the Entities' Boards respectively.

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").

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Board (contd.)

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 adequately funded and resourced.

The following management level committees are established to support the Board in terms of risk governance on the business activities:

Senior Management Committee ("SMC")

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.

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 approve 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 technology obsolescence.

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:

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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.

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 and Takaful policies. The scope of the RC covers General Reinsurance and Retakaful, Inward / Outward Reinsurance and Life / Family Catastrophe protection areas/issues under MAHB 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 Company’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.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Motor Committee ("MC")

MC is responsible to verify the premium/contribution rate level is adequate and complies with BNM guidelines (aligned with Pricing Policy document); approve Motor Underwriting Guidelines in line with Company'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/policyholders.

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.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Resource and System Infrastructure

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.

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 functions 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.

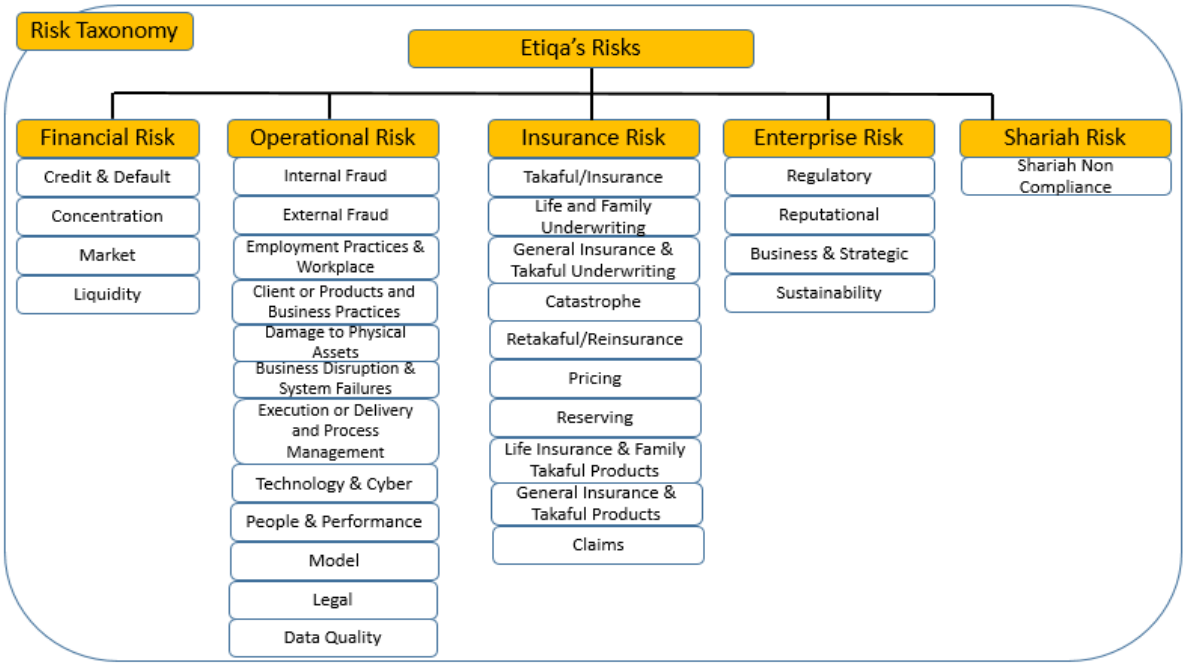
Risk Taxonomy

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.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy (contd.)



38. INSURANCE RISK

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

Reinsurance offers financial protection to insurers against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with reinsurance companies are the counterparty risk of reinsurers failing to honor their obligations. The Company monitors the reinsurers 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) Life Underwriting Risk

Underwriting Risk reflects the risk of loss or adverse impact arising from adverse changes in the actual outcome from the initial underwriting assessment /evaluation, selection, 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 premium charged resulting in higher than expected losses and expenses.

(iii) Reinsurance Risk

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

38. INSURANCE RISK (CONTD.)

(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 risk, financial risk, underwriting risk, operational risk, fraud risk and misselling risk. To properly manage products risks, an assessment of system readiness to cater for specific product requirements is also necessary.

(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 insurance businesses due to over-exposure to extreme or exceptional events, which can cause an accumulated loss or single large loss.

Catastrophe Risks could arise from life businesses. It 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.

38. INSURANCE RISK (CONTD.)

(i) The table below discloses the concentration of actuarial liabilities by type of contract:

	<---------- 2021 ---------->			<---------- 2020 ---------->		
	Gross RM'000	**Reinsurance RM'000**	**Net RM'000**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
Whole life	987,806	-	987,806	1,086,343	-	1,086,343
Endowment	4,260,991	-	4,260,991	4,251,008	-	4,251,008
Mortgage	992,238	(87,062)	905,176	1,054,959	(75,918)	979,041
Term assurance	228,174	-	228,174	260,470	-	260,470
Annuity	898,005	-	898,005	937,361	-	937,361
Others	168,158	-	168,158	168,355	-	168,355
Total	7,535,372	(87,062)	7,448,310	7,758,496	(75,918)	7,682,578

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

(ii) Key assumptions

Significant judgement is required in determining the insurance contract liabilities. Assumptions used in determining the insurance contract liabilities are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a periodic basis in order to ensure realistic and reasonable valuations.

38. INSURANCE RISK (CONTD.)

(ii) Key assumptions (contd.)

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

(a) Discount rate

The discount rate used for non-participating policies, guaranteed benefit liabilities of participating policies and the non-unit liability of investment-linked policies is the yield observed on Malaysian Government Securities ("MGS") of the appropriate duration.

In the case of total (guaranteed and non-guaranteed) participating policies, the discount rate is based on the expected fund yield of the participating fund, net of tax on investment income of the participating fund. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes and long term strategic assets allocation. Participating business includes participating annuity. The discount rate for participating annuity business is the gross rate as these funds are tax exempt.

(b) Mortality and morbidity rates

Mortality and morbidity rates represent the expected claims experience of the Company.

The Company bases mortality and morbidity on local established industry tables which reflect historical experiences and reinsurance premium rates, adjusted when appropriate to reflect the insurer's unique risk exposure, product characteristics, target markets and its own claims severity and frequency experience.

(c) Lapse and surrender rates

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

38. INSURANCE RISK (CONTD.)

(ii) Key assumptions (contd.)

(d) Expenses

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

(iii) Sensitivity analysis

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of insurance contract liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

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

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities** RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
2021		**<-------- Increase -------->**		**<-------- Decrease -------->**	
Discount rate*	-1%	473,746	465,295	(257,858)	(195,972)
Mortality and morbidity rates	+/- 10% (adverse)	141,416	118,901	(94,178)	(71,576)
Lapse and surrender rates	+/- 10% (adverse)	25,487	24,840	(3,416)	(2,596)
Expenses	+10%	34,968	34,968	(28,933)	(21,989)
2020					
Discount rate*	-1%	575,924	568,284	(377,576)	(286,958)
Mortality and morbidity rates	+/- 10% (adverse)	157,827	132,953	(115,234)	(87,577)
Lapse and surrender rates	+/- 10% (adverse)	40,356	39,646	(15,788)	(11,999)
Expenses	+10%	39,723	38,723	(32,516)	(24,712)

* excludes impact of fixed income financial assets.

** the impact on net liabilities results in an opposite impact to profit before tax and equity.

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 philosophies and principles below:

(a) The Risk Management and Investment Management Department actively monitor the counterparty exposure to prevent undue concentration by ensuring its credit portfolio is diversified and marketable;

(b) The asset management research team adopts a prudent position in the selection of fixed income investments;

(c) The Risk Management Department establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty's credit quality and aligned to the risk appetite; and

(d) The Risk Management Department uses Key Risk Indicators (“KRI”) to alert the management of any impending problems in a timely manner.

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.

	<---------- 2021 ----------				
	Shareholder's Fund RM'000	**Life Fund RM'000**	**Unit-Linked RM'000**	**Sub-total RM'000**	**Total RM'000**
Financial assets at FVTPL					
(i) **Designated upon initial recognition**					
Malaysian government papers	-	585,448	-	585,448	585,448
Debt securities and structured products	-	6,100,162	-	6,100,162	6,100,162
(ii) **HFT**					
Malaysian government papers	-	-	-	-	-
Debt securities and structured products	-	-	552,148	552,148	552,148
Unit trust funds	-	-	545,758	545,758	545,758
Financial assets at FVOCI					
Malaysian government papers	191,695	98,840	-	98,840	290,535
Debt securities and structured products	170,978	761,178	-	761,178	932,156
Financial assets at AC					
Deposits and placements with:					
Licensed financial institutions	51,255	626,413	170,484	796,897	848,152
Others	5,000	50,258	-	50,258	55,258
Financing receivables	21,115	244,412	-	244,412	265,527
Insurance receivables	-	23,755	-	23,755	23,755
Other assets *	3,921	135,944	8,666	144,610	148,531
Cash and bank balances**	158	47,000	37	47,037	47,195
	444,122	8,673,410	1,277,093	9,950,503	10,394,625

* 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.)

	2020				
	Shareholder's Fund RM'000	Life Fund RM'000	Unit-Linked RM'000	Sub-total RM'000	Total RM'000
Financial assets at FVTPL					
(i) **Designated upon initial recognition**					
Malaysian government papers	-	450,977	-	450,977	450,977
Debt securities and structured products	-	6,272,985	-	6,272,985	6,272,985
(ii) **HFT**					
Malaysian government papers	-	-	140,294	140,294	140,294
Debt securities and structured products	-	-	394,890	394,890	394,890
Unit trust funds	-	-	148,902	148,902	148,902
Financial assets at FVOCI					
Malaysian government papers	175,292	-	-	-	175,292
Debt securities and structured products	182,094	307,447	-	307,447	489,541
Financial assets at AC					
Deposits and placements with:					
Licensed financial institutions	124,769	1,158,558	140,428	1,298,986	1,423,755
Others	4,106	75,109	-	75,109	79,215
Financing receivables	18,213	231,861	-	231,861	250,074
Insurance receivables	-	22,982	-	22,982	22,982
Other assets*	3,803	131,023	12,938	143,961	147,764
Derivative assets	-	10,891	-	10,891	10,891
Cash and bank balances**	499	44,155	33	44,188	44,687
	508,776	8,705,988	837,485	9,543,473	10,052,249

* 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 assets. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

Risk Category	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	A- to BB+	AA1 to A3
Medium	11 – 15	BB+ to B+	A3 to BB1
High	16 – 21	B+ to CCC	BB1 to C

Risk categories are as described below:

Very low : Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.

Low : Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.

Medium : Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.

High : Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/ default : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.2(vii)(a).

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

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

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating

The table below provides information regarding the credit exposure of the Company by classifying assets according to the risk categories:

	Sovereign 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							
(i) **Designated upon initial recognition**							
Malaysian government papers	585,448	-	-	-	-	-	585,448
Debt securities and structured products	2,288,320	1,513,732	2,017,231	280,879	-	-	6,100,162
(ii) **HFT**							
Malaysian government papers	-	-	-	-	-	-	-
Debt securities and structured products	35,974	198,813	301,861	15,500	-	-	552,148
Unit trust funds	-	-	-	-	-	545,758	545,758
Financial assets at FVOCI							
Malaysian government papers	290,535	-	-	-	-	-	290,535
Debt securities and structured products	331,132	414,864	181,115	5,045	-	-	932,156
Financial assets at AC							
Deposits and placements with:							
Licensed financial institutions	-	848,152	-	-	-	-	848,152
Others	-	15,258	40,000	-	-	-	55,258
Financing receivables	-	-	-	-	-	265,527	265,527
Insurance receivables	-	-	-	-	-	23,755	23,755
Other assets*	38,355	26,336	38,692	3,925	-	41,223	148,531
Cash and bank balances**	-	47,142	53	-	-	-	47,195
	3,569,764	3,064,297	2,578,952	305,349	-	876,263	10,394,625

* 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 by rating (contd.)

	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							
(i) **Designated upon initial recognition**							
Malaysian government papers	450,977	-	-	-	-	-	450,977
Debt securities and structured products	2,354,676	1,219,722	2,439,066	259,521	-	-	6,272,985
(ii) **HFT**							
Malaysian government papers	140,294	-	-	-	-	-	140,294
Debt securities and structured products	67,956	91,417	218,586	16,931	-	-	394,890
Unit trust funds	-	-	-	-	-	148,902	148,902
Financial assets at FVOCI							
Malaysian government papers	175,292	-	-	-	-	-	175,292
Debt securities and structured products	172,794	98,695	206,541	11,511	-	-	489,541
Financial assets at AC							
Deposits and placements with:							
Licensed financial institutions	-	1,423,755	-	-	-	-	1,423,755
Others	-	59,984	19,231	-	-	-	79,215
Financing receivables	-	-	-	-	-	250,074	250,074
Insurance receivables	-	-	461	-	-	22,521	22,982
Other assets*	35,205	22,912	39,440	3,016	-	47,191	147,764
Derivative assets	-	10,891	-	-	-	-	10,891
Cash and bank balances**	-	44,013	269	-	-	405	44,687
	3,397,194	2,971,389	2,923,594	290,979	-	469,093	10,052,249

* 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 has considered both quantitative and qualitative parameters in the assessment of credit risk status from the initial recognition of the securities and at the reporting date. These include the establishment of staging criteria to each stage, debt rating deterioration threshold and a waterfall approach are to determine the credit rating as at origination date and as at reporting date in accordance to the Maybank Group's ECL model for debt securities portfolio.

Expected credit loss

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 is 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 assessed 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 Company's financial assets measured by credit risk, based on the Company's risk categories.

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	RM'000
2021				
Financial assets at FVOCI				
Sovereign	621,667	-	-	621,667
Very low	414,864	-	-	414,864
Low	149,704	31,412	-	181,116
Medium	-	5,045	-	5,045
Total carrying amount	1,186,235	36,457	-	1,222,692
Total ECL	(41)	(323)	-	(364)
2020				
Financial assets at FVOCI				
Sovereign	348,086	-	-	348,086
Very low	98,695	-	-	98,695
Low	173,434	33,107	-	206,541
Medium	11,511	-	-	11,511
Total carrying amount	631,726	33,107	-	664,833
Total ECL	(212)	(153)	-	(365)

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

Reconciliation of allowance account

Movements in the allowance for impairment losses for financial assets at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	RM'000
2021				
Financial assets at FVOCI				
At 1 January	212	153	-	365
Net adjustment of loss allowance	133	69	-	202
New financial assets originated or purchased	26	-	-	26
Financial assets that have been derecognised	(110)	-	-	(110)
Changes due to change in credit risk	(4)	4	-	-
Changes due to change in risk parameters	(216)	97	-	(119)
At 31 December	41	323	-	364
2020				
Financial assets at FVOCI				
At 1 January	281	16	-	297
Net adjustment of loss allowance	(15)	144	-	129
New financial assets originated or purchased	79	-	-	79
Financial assets that have been derecognised	(140)	-	-	(140)
Changes due to change in credit risk	7	(7)		-
At 31 December	212	153	-	365

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

Impact on movements in gross carrying amount on allowance for financial assets at FVOCI.

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 RM1,000 for the financial year ended 31 December 2021 due to the following:

a) 12-month ECL (Stage 1) – decrease of RM171,000, mainly due to:
- Financial assets at FVOCI that were derecognised;
- Partially offset by financial assets at FVOCI that were newly originated; and
- Changes in risk parameters.

b) Lifetime ECL Not Credit-Impaired (Stage 2) – increase of RM170,000, mainly due to:
- Transfer from Stage 1 due to deterioration in credit quality, and
- Changes in risk parameters.

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - reconciliation of allowance account

The Company applies the Simplified Approach where the ECL is measured at initial recognition of the financial assets using a provision matrix based on historical data or also known as the roll rate approach. Estimation of credit losses will use a provision matrix where insurance and reinsurance receivables are grouped based on different sales channels and different reinsurance arrangements respectively with forward looking elements being applied to it.

Movements in allowances for impairment losses for other financial assets are as follows:

	<-------- Not credit-impaired--------->			<---------- Credit-impaired---------->			<---------- Total ---------->		
	Financing receivables RM'000	Insurance receivables RM'000	Other assets RM'000	Financing receivables RM'000	Insurance receivables RM'000	Other assets RM'000	Financing receivables RM'000 (Note 10)	Insurance receivables RM'000 (Note 12)	Other assets* RM'000
Gross carrying amount									
At 1 January 2020	226,851	24,381	167,008	235	2,106	1,608	227,086	26,487	168,616
Increase/(decrease)	23,229	(1,834)	(26,423)	559	2,447	5,868	23,788	613	(20,555)
At 31 December 2020	250,080	22,547	140,585	794	4,553	7,476	250,874	27,100	148,061
Increase/(decrease)	15,455	(631)	(2,005)	(186)	(2,532)	2,889	15,269	(3,163)	884
At 31 December 2021	265,535	21,916	138,580	608	2,021	10,365	266,143	23,937	148,945
Lifetime ECL									
At 1 January 2020	3	93	225	235	677	916	238	770	1,141
Increase/(decrease)	3	807	(163)	559	2,541	(681)	562	3,348	(844)
At 31 December 2020	6	900	62	794	3,218	235	800	4,118	297
Increase/(decrease)	2	(836)	18	(186)	(3,100)	99	(184)	(3,936)	117
At 31 December 2021	8	64	80	608	118	334	616	182	414

* Other assets is stated net of prepayments and service tax recoverable.

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - reconciliation of allowance account (contd.)

Movements in allowances for impairment losses for financial assets at FVOCI are as follows:

	Financing receivables RM'000 (Note 10)	Insurance receivables RM'000 (Note 12)	Other assets RM'000 (Note 13)	Total RM'000
2021				
Lifetime ECL				
At 1 January	800	4,118	297	5,215
Net adjustment of loss allowance (Note 26)	(184)	(3,936)	117	(4,003)
At 31 December	616	182	414	1,212
2020				
Lifetime ECL				
At 1 January	238	770	1,141	2,149
Net adjustment of loss allowance (Note 26)	562	3,348	(844)	3,066
At 31 December	800	4,118	297	5,215

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial effects of collateral held

The main types of collateral held as security by the Company to mitigate credit risk are as follows:

Type of financing receivables	Type of collaterals
Policy/automatic premium loans	Cash value of policies
Secured staff/non-staff loans	Charges over residential properties and motor vehicles

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigates credit risk, held for financing receivables is 100% as at 31 December 2021 (2020: 98%).

(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 policyholders' liabilities, such as surrenders, withdrawal, claims and maturity benefits, and financial obligations to other contract holders without endangering the business financials due to constraints on liquidating assets.

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 Department actively monitor the cashflows 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 insurance assets and liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised insurance 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.)

	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	9,357,716	625,054	2,865,635	8,015,128	2,119,957	13,625,774
FVOCI	-	60,566	339,312	1,745,930	29,455	2,175,263
AC	903,410	903,891	-	-	-	903,891
Financing receivables	265,527	246,334	7,690	15,416	-	269,440
Reinsurance assets	110,404	31,042	27,263	93,781	-	152,086
Insurance receivables	23,755	23,755	-	-	-	23,755
Other assets*	148,531	148,531	-	-	-	148,531
Cash and bank balances	47,196	-	-	-	47,196	47,196
Total assets	10,856,539	2,039,173	3,239,900	9,870,255	2,196,608	17,345,936
Insurance contract liabilities	10,768,463	3,117,578	2,189,789	9,827,617	-	15,134,984
Derivative liabilities	2,192	687	1,505	-	-	2,192
Insurance payables	25,312	25,312	-	-	-	25,312
Other liabilities	455,668	455,649	19	-	-	455,668
Total liabilities	11,251,635	3,599,226	2,191,313	9,827,617	-	15,618,156

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

39. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2020						
Financial assets at:						
FVTPL	8,925,783	659,898	2,585,310	7,928,892	1,666,636	12,840,736
FVOCI	664,833	60,089	217,227	756,240	-	1,033,556
AC	1,502,970	1,504,594	-	-	-	1,504,594
Financing receivables	250,074	233,478	7,272	13,109	-	253,859
Reinsurance assets	85,359	16,290	23,816	72,857	-	112,963
Insurance receivables	22,982	22,982	-	-	-	22,982
Other assets*	147,764	147,764	-	-	-	147,764
Derivative assets	10,891	10,891	-	-	-	10,891
Cash and bank balances	44,703	-	-	-	44,703	44,703
Total assets	11,655,359	2,655,986	2,833,625	8,771,098	1,711,339	15,972,048
Insurance contract liabilities	10,444,964	2,550,668	2,101,944	9,705,453	-	14,358,065
Derivative liabilities	3,473	-	3,473	-	-	3,473
Insurance payables	23,208	23,208	-	-	-	23,208
Other liabilities	455,576	455,522	58	-	-	455,580
Total liabilities	10,927,221	3,029,398	2,105,475	9,705,453	-	14,840,326

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

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 adverse change 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) Interest Rate Risk; and
(c) Equity Price Risk.

The Company has three main key features in respect of its Market Risk management practices and policies:

(i) 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.

(ii) Compliance with the policies is monitored and exposures and breaches are reported as soon as practical.

(iii) 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 policies with a number of products. In the investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company's exposure to Market Risk 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 of 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 Financial Services Act 2013, and hence, primarily denominated in the same currency (the local "RM") as its investment and insurance contract liabilities.

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

(b) Interest Rate Risk

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

Interest Rate Risks arise from exposures to interest 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 Interest Rate Risk mainly based on the following four philosophies and principles:

(a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;
(b) Investment Management Department actively aim to match the asset duration with the liability duration, without compromising credit quality;
(c) The Risk Management uses Key Risk Indicators ("KRI") to alert the management of any impending problems in a timely manner; and
(d) Risk Management Department monitors the asset duration in accordance with the limits set, as well as the duration gap to the liability duration.

39. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Interest Rate Risk (contd.)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

	Changes in interest rates	<----------2021----------> Impact on carrying value RM'000	Impact on profit/ equity* RM'000	<----------2020----------> Impact on carrying value RM'000	Impact on profit/ equity* RM'000
		(Decrease)/increase		(Decrease)/increase	
Financial Assets at FVTPL	+100bps	(604,313)	(185,435)	(639,229)	(188,867)
	-100bps	604,313	185,435	639,229	188,867
Financial Assets at FVOCI	+100bps	(133,379)	(102,681)	(65,424)	(54,782)
	-100bps	133,379	102,681	65,424	54,782
Financial Assets at AC	+100bps	(251)	(68)	(824)	(251)
	-100bps	251	68	824	251

*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 regard also to such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may occur over time.

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.

	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%	42,968	2,946	16,754	15,046
	-10%	(42,968)	(2,946)	(16,754)	(15,046)
2020	+10%	36,843	-	18,185	13,497
	-10%	(36,843)	-	(18,185)	(13,497)

*Impact on Company's Equity is net of corporate tax of 24%

(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 operations (causing material adverse impact to the earnings, capital or total assets).

Concentration Risk relates to non-diversified portfolios and arises due to excessive 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 also to such limits stipulated by BNM.

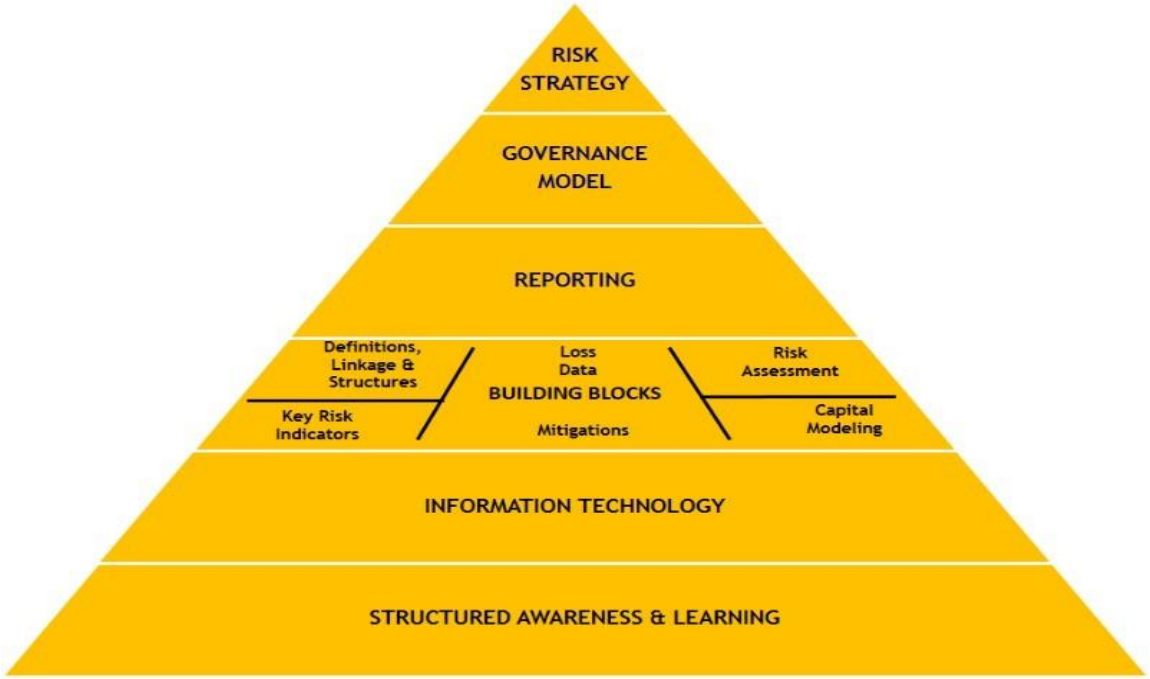
The Company complied with BNM stipulated limits during the financial year and had no significant concentration risk.

40. OPERATIONAL RISK

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.

40. OPERATIONAL RISK (CONTD.)

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.

(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; and

(c) Diversity and 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.

40. OPERATIONAL RISK (CONTD.)

Operational risk taxonomy (contd.)

(vii) Execution or Delivery and Process Management

The risk relates to transaction capture or execution and maintenance, monitoring and reporting, customer intake and documentation, customer or client account management, vendors and suppliers.

(viii) Information Technology 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.

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 and 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.

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 VALUE MEASUREMENTS

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

(a) Valuation principles;

(b) Valuation techniques;

(c) Fair value measurements and classification within the fair value hierarchy;

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy;

(e) Movements of Level 3 financial instruments and non-financial assets; and

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Company determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Company has also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Company follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

42. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

The Company continuously enhances its design, validation methodologies and processes to ensure the valuations are reflective and periodic reviews are performed to ensure the model remains suitable for its intended use.

The levels of the fair value hierarchy as defined by MFRS are an indication of the observability of prices or valuation input. It can be classified into the following hierarchies/levels:

- Level 1 : Active Market – Quoted price

  Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices which represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include listed derivatives, quoted equities and unit and property trust funds traded on an exchange.

- Level 2 : No Active Market – Valuation techniques using observable input

  Refers to inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

  Examples of level 2 financial instruments include corporate and government bonds, structured products, NCDs/NICDs and over-the-counter ("OTC") derivatives.

- Level 3 : No Active Market – Valuation techniques using unobservable input

  Refers to financial instruments where fair values are measured using unobservable market inputs. The valuation technique is consistent with level 2. The chosen valuation technique incorporates management's assumptions and data.

  Examples of level 3 instruments include corporate bonds in illiquid markets, private equity investments and investment properties.

42. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Valuation techniques

(i) Cash and cash equivalents and other assets/liabilities

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Financing receivables

Financing receivables are granted at interest rates which are comparable with the rates offered on similar instruments in the market and to counterparties with similar credit profiles. Accordingly, the carrying amounts of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Insurance receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(ix) and 2.2(xiv). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(vi) and 2.2(vii)(a). The carrying amounts and fair values of investments are disclosed in Note 8 to the financial statements. Investments in unquoted equity instruments that do not have quoted market price in an active market, the fair values are measured based on the adjusted net asset method by referencing to the annual financial statements of the entity that the Company invested in.

(v) Investment properties

The fair values of investment properties are determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. Income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process may consider the relationships including yield and discount rates.

42. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy

	Fair value measurement using:			
	Level 1 Quoted market prices RM'000	**Level 2 Observable inputs RM'000**	**Level 3 Significant unobservable inputs RM'000**	**Total RM'000**
2021				
Assets				
Investment properties	-	-	971,170	971,170
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	585,448	-	585,448
Debt securities and structured products	-	6,100,162	-	6,100,162
(ii) HFT				
Equity securities	1,467,416	-	77,846	1,545,262
Debt securities and structured products	-	552,148	-	552,148
Unit and property trust funds	28,938	545,758	-	574,696
Financial assets at FVOCI				
Equity securities	29,455	-	-	29,455
Malaysian government papers	-	290,535	-	290,535
Debt securities and structured products	-	932,156	-	932,156
Total assets	1,525,809	9,006,207	1,049,016	11,581,032
Liabilities				
Derivative liabilities	-	2,192	-	2,192
Total liabilities	-	2,192	-	2,192

42. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy (contd.)

	Fair value measurement using:			
	Level 1 Quoted market prices RM'000	**Level 2 Observable inputs RM'000**	**Level 3 Significant unobservable inputs RM'000**	**Total RM'000**
2020				
Assets				
Investment properties	-	-	953,610	953,610
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	450,977	-	450,977
Debt securities and structured products	-	6,272,985	-	6,272,985
(ii) HFT				
Equity securities	1,414,093	-	67,101	1,481,194
Malaysian government papers	-	140,294	-	140,294
Debt securities and structured products	-	394,890	-	394,890
Unit and property trust funds	36,541	148,902	-	185,443
Deposits and placements with licensed institutions	-	-	-	-
Financial assets at FVOCI				
Malaysian government papers	-	175,292	-	175,292
Debt securities and structured products	-	489,541	-	489,541
Derivative assets	-	10,891	-	10,891
Total assets	1,450,634	8,083,772	1,020,711	10,555,117
Liabilities				
Derivative liabilities	-	3,473	-	3,473
Total liabilities	-	3,473	-	3,473

42. FAIR VALUE MEASUREMENTS (CONTD.)

(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.

(e) Movements of Level 3 financial instruments and non-financial assets

	Investment properties RM'000	Financial instruments measured at fair value designated at FVTPL RM'000
2021		
At 1 January	953,610	67,101
Recognised in the income statement:		
Fair value gain	17,230	10,745
Addition, at cost	330	-
At 31 December	971,170	77,846
Total gains recognised in income statement for assets and financial instruments measured at Level 3 of the fair value hierarchy at the end of the reporting year	17,230	10,745
2020		
At 1 January	933,970	61,841
Recognised in the income statement:		
Realised gain	-	2,450
Fair value gain	18,270	5,750
Addition, at cost	1,370	-
Disposal	-	(2,940)
At 31 December	953,610	67,101
Total gains recognised in income statement for assets and financial instruments measured at Level 3 of the fair value hierarchy at the end of the reporting year	18,270	8,200

42. FAIR VALUE MEASUREMENTS (CONTD.)

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

(i) Investment properties

Recent sale transactions transacted in the real estate market would result in a significant change of estimated fair value for investment properties.

All investment properties of the Company carried at fair values were classified under Level 3. The valuation of investment properties were performed by an accredited independent valuer using a variety of approaches such as the comparison method and the income capitalisation approach.

	Valuation Method	Significant unobservable inputs	Range
2021			
Building	Income capitalisation	Rental per square foot	RM3.50 to RM10.25
Shop lots	Comparison	Sales price per square foot for similar properties	RM63.58 to RM1,128.30
2020			
Building	Income capitalisation	Rental per square foot	RM3.50 to RM10.25
Shop lots	Comparison	Sales price per square foot for similar properties	RM57.80 to RM1,128.30

Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold, adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. The income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process also considers the relationships including yield and discount rates. Recent transactions transacted in the market resulting in an increase in these inputs, would result in a significant increase in the estimated fair values of the investment properties.

A significant increase or decrease in the unobservable input used in the valuation would result in a correspondingly higher or lower fair value of the investment properties.

42. FAIR VALUE MEASUREMENTS (CONTD.)

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions (contd.)

(ii) Unquoted equity instruments

All unquoted equity instruments of the Company at fair values were classified under Level 3. The fair value of investments in unquoted equity instruments that do not have quoted market prices in an active market, are measured based on the adjusted net asset method by referencing to the annual financial statements of the entities that the Company invested in.

Company	Changes in variable	Impact on carrying value RM'000 Increase/ (decrease)	Impact on profit before tax RM'000 Increase/ (decrease)	Impact on equity* RM'000 Increase/ (decrease)
2021	+5%	3,892	3,673	2,568
	-5%	(3,892)	(3,673)	(2,568)
2020	+5%	3,355	3,166	2,214
	-5%	(3,355)	(3,166)	(2,214)

*Impact on Company's Equity is net of corporate tax of 24%

43. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2021 and 31 December 2020, as prescribed under the RBC Framework, is provided below:

	2021 RM'000	2020 RM'000
Eligible Tier 1 Capital		
Paid up share capital	100,000	100,000
Reserves, including retained earnings	3,318,950	3,082,119
	3,418,950	3,182,119
Tier 2 Capital		
Revaluation reserve	90,362	90,362
FVOCI reserves	1,977	30,809
	92,339	121,171
Amount deducted from Capital	(55,380)	(43,650)
Total Capital Available	3,455,909	3,259,640

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 insurance policies. The demand for longer term products was however restrained due to economic uncertainties. Nonetheless, the Company achieved 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) Investments 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 also 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.

44. SIGNIFICANT EVENT (CONTD.)

Covid-19 Impact (Contd.)

C) Capital Management

The higher interest rates have increased the solvency level for the Company and was adequate to absorb the Covid-19 impacts and economic slowdown, particularly on asset quality, impairment, business growth and profit.

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 the 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 policyholders that were diagnosed with Covid-19.

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 continued to be prepared on the basis of a going concern.

45. INSURANCE FUNDS

STATEMENT OF FINANCIAL POSITION BY FUNDS

	Company		Shareholder's Fund		Life Fund	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Assets:						
Property, plant and equipment	32,875	34,952	-	-	32,875	34,952
Investment properties	971,170	953,610	-	-	971,170	953,610
Prepaid land lease payments	763	789	-	-	763	789
Right-of-use assets	53	86	-	-	53	86
Intangible assets	48,730	43,554	-	-	48,730	43,554
Investments	11,513,272	11,093,586	437,235	501,168	11,076,037	10,592,418
Financing receivables	265,527	250,074	21,107	18,213	244,420	231,861
Reinsurance assets	110,404	85,359	-	-	110,404	85,359
Insurance receivables	23,755	22,982	-	-	23,755	22,982
Other assets	149,976	154,097	4,921	3,803	145,055	150,294
Derivative assets	-	10,891	-	-	-	10,891
Current tax assets	11,555	12,084	11,555	(15,652)	-	27,736
Cash and bank balances	47,196	44,703	158	499	47,038	44,204
Total Assets	13,175,276	12,706,767	474,976	508,031	12,700,300	12,198,736
Equity and liabilities:						
Share capital	100,000	100,000	100,000	100,000	-	-
Reserves	1,473,215	1,338,676	1,473,215	1,338,676	-	-
Total Equity	1,573,215	1,438,676	1,573,215	1,438,676	-	-

45. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

	Company		Shareholder's Fund		Life Fund	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Insurance contract liabilities	10,768,463	10,444,964	-	-	10,768,463	10,444,964
Derivative liabilities	2,192	3,473	-	-	2,192	3,473
Deferred tax liabilities, net	333,944	340,870	271,854	256,567	62,090	84,303
Insurance payables	25,312	23,208	-	-	25,312	23,208
Other liabilities[1]	455,668	455,576	(1,370,938)	(1,187,212)	1,826,606	1,642,788
Current tax liabilities	16,482	-	845	-	15,637	-
Total Liabilities	11,602,061	11,268,091	(1,098,239)	(930,645)	12,700,300	12,198,736
Total Equity and Liabilities	13,175,276	12,706,767	474,976	508,031	12,700,300	12,198,736

[1] Included in other liabilities are the interfund balances elimination, amount due from life fund to shareholder's fund of RM1,372,000 (2020: RM1,190,000) which is unsecured, not subject to any interest elements and are repayable in short term.

45. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS

	Company		Shareholder's Fund		Life Fund	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating revenue	2,434,400	2,190,392	15,813	16,092	2,418,587	2,174,300
Gross earned premiums	1,936,388	1,737,786	-	-	1,936,388	1,737,786
Earned premiums ceded to reinsurers	(38,999)	(35,041)	-	-	(38,999)	(35,041)
Net earned premiums	1,897,389	1,702,745	-	-	1,897,389	1,702,745
Fee and commission income	6,486	434	-	-	6,486	434
Investment income, net	498,012	452,606	15,813	16,092	482,199	436,514
Realised losses, net	(55,938)	(49,647)	338	17,633	(56,276)	(67,280)
Fair value (losses)/gains, net	(335,092)	274,713	(659)	821	(334,433)	273,892
Other operating income/(expenses), net	14,627	(19,411)	3,050	(383)	11,577	(19,028)
Other revenue	128,095	658,695	18,542	34,163	109,553	624,532
Gross benefits and claims paid	(1,219,749)	(1,079,267)	-	-	(1,219,749)	(1,079,267)
Claims ceded to reinsurers	17,705	9,865	-	-	17,705	9,865
Gross change in contract liabilities	(319,820)	(879,089)	-	-	(319,820)	(879,089)
Change in contract liabilities ceded to reinsurers	25,045	16,649	-	-	25,045	16,649
Net benefits and claims	(1,496,819)	(1,931,842)	-	-	(1,496,819)	(1,931,842)
Management expenses	(152,638)	(155,161)	(13,721)	(13,946)	(138,917)	(141,215)
Fee and commission expenses	(103,200)	(102,514)	-	-	(103,200)	(102,514)
Taxation borne by policyholders	(3,896)	(42,669)	-	-	(3,896)	(42,669)
Other expenses	(259,734)	(300,344)	(13,721)	(13,946)	(246,013)	(286,398)
	268,931	129,254	4,821	20,217	264,110	109,037
Surplus from/(to):						
- Life Par Funds	-	-	21,600	21,400	(21,600)	(21,400)
- Life Non-Par Funds	-	-	242,510	87,637	(242,510)	(87,637)
Profit before tax	268,931	129,254	268,931	129,254	-	-
Taxation	(55,108)	(26,518)	(55,108)	(26,518)	-	-
Net profit for the financial year	213,823	102,736	213,823	102,736	-	-

45. INSURANCE FUNDS (CONTD.)

STATEMENT OF CASH FLOWS BY FUNDS

	Company		Shareholder's Fund		Life Fund	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Cash flows from:						
Operating activities	1,514,274	648,308	76,781	291,605	1,437,493	356,703
Investing activities	(1,464,745)	(306,420)	(30,122)	8,894	(1,434,623)	(315,314)
Financing activities	(47,036)	(300,013)	(47,000)	(300,000)	(36)	(13)
Net increase/(decrease) in cash and cash equivalents	2,493	41,875	(341)	499	2,834	41,376
Cash and cash equivalents:						
Cash and cash equivalents at beginning of financial year	44,703	2,828	499	-	44,204	2,828
Cash and cash equivalents at end of financial year	47,196	44,703	158	499	47,038	44,204