



**Family Takaful**

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

**Directors' Report and Audited Financial Statements**  
**31 December 2025**

**ETIQA FAMILY TAKAFUL 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 2025.

**PRINCIPAL ACTIVITIES**

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

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

**RESULTS**

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

Net profit for the financial year 409,399

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 2024 was as follows:

**RM'000**

In respect of financial year ended 31 December 2024, final dividend of:

- 136.76 sen per share, single-tier tax exempt dividend on 100,000,000  
ordinary shares 136,760

The final dividends were declared on 16 April 2025 and paid on 17 April 2025.

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

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

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

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

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

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

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

The maximum number of ordinary shares in the Bank available under the ESGP should not exceed 3.5% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the ESGP schemes.

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

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**DIRECTORS**

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

Datuk Mohd Najib Bin Abdullah (Chairman) (Appointed with effect from 1 January 2026)

Dato' Majid Bin Mohamad (Retired with effect from 31 December 2025)

Mr. Ajay Kumar Garg (Vice Chairman)

Mr. Wong Pakshong Kat Jeong Colin Stewart

Professor Dr. Azman Bin Mohd Noor (Resigned with effect from 14 June 2025)

Encik Malique Firdaus Bin Ahmad Sidique

(Appointed with effect from 2 July 2025 and resigned with effect from 30 September 2025)

Encik Mohd Din Bin Merican (Resigned with effect from 31 December 2025)

Encik Mohamad Yasin Bin Abdullah (Appointed with effect from 1 January 2026)

Cik Hasnah Binti Omar (Appointed with effect from 1 January 2026)

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 those arising from the Maybank Group ESGP.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Note 31 and 40 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.

The directors' benefits are as follows:

	<b>RM'000</b>
Fees	671
Other emoluments	182
	<hr/>
	<b>853</b>

**DIRECTORS' INDEMNITY**

The Maybank Group maintains on group basis, a Directors' and Officers' Liability Coverage ("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 coverage for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

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

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**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:

<b>Ultimate Holding Company</b>	<b>Number of ordinary shares</b>		
	<b>As at 1 January 2025</b>	<b>Acquired during the year</b>	<b>As at 31 December 2025</b>
<b>Indirect Interest:</b>			
Wong Pakshong Kat Jeong			
Colin Stewart <sup>1</sup>	34,253	-	34,253
Mohd Din Bin Merican <sup>2</sup>	7,515	-	7,515

<sup>1</sup> Shares in Maybank held by spouse.

<sup>2</sup> Shares in Maybank held by spouse and son.

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 24.

**FINANCIAL HOLDING COMPANY**

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

**IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES**

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

**OTHER STATUTORY INFORMATION**

(a) Before the Statement of Financial Position and Income Statement of the Company were made out, the Directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and

**OTHER STATUTORY INFORMATION (CONTD.)**

- (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

**SIGNIFICANT EVENTS**

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

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**SUBSEQUENT EVENTS**

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

**AUDITORS**

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

Auditors' remuneration is as follows:

**RM'000**

Ernst & Young PLT

852

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 March 2026.



DATUK MOHD NAJIB BIN ABDULLAH



MOHAMAD YASIN BIN ABDULLAH

## **CORPORATE GOVERNANCE DISCLOSURES**

### **(1) INTRODUCTION**

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

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

#### **(a) Board Composition**

As at 31 December 2025, the Board consists of four (4) Directors:

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

The composition of the Board meets the requirement of having a majority of independent directors as set out in the BNM Policy Document on CG.

In regard to the compliance with Paragraph 11.11 of the BNM Policy on CG – maintaining minority of common directors:

- (i) Following the changes in leadership roles at Malayan Banking Berhad (“MBB” or “Maybank”), En. Malique Firdauz Bin Ahmad Sidique has resigned as an Executive Director of EFTB effective 30 September 2025, in view of his appointment as the Group Chief Audit Executive (GCAE) of Maybank effective 1 October 2025 due to potential conflicts of interest.
- (ii) As a result of the change, the composition of the EFTB Board no longer complies with the BNM Policy on CG requirement which requires the number of common directors to be in the minority threshold, namely Dato’ Majid Bin Mohamad and Mr. Ajay Kumar Garg, who both serve on the MAHB and EFTB Boards.
- (iii) To remedy the situation pending compliance with the requirement of minority common directors, Dato’ Majid Bin Mohamad and Mr. Ajay Kumar Garg are required to disclose any such conflicts and simultaneously abstaining from any deliberation and decision making of a resolution to mitigate and appropriately balance with the fiduciary and statutory duties that directors owe towards each legal entity they serve.
- (iv) The Nomination and Remuneration Committee of MAHB had written to BNM on 8 October 2025 seeking an indulgence of time up to February 2026 to comply with the said requirement. BNM had vide its letter dated 22 October 2025 responded with no objection for EFTB to ensure compliance by 14 February 2026, or ensure the appointment of a new director, whichever occurs earlier.

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(a) Board Composition (contd.)**

- (v) En. Mohamad Yasin Bin Abdullah and Cik Hasnah Binti Omar have been identified for appointment as an ED and INED respectively to the EFTB Board. BNM had vide its letters dated 2 December 2025 approved the appointments. With both appointments taken effect on 1 January 2026, EFTB is in compliance with Paragraph 11.11 of the BNM Policy Document on CG.

None of the INEDs had exceeded their respective nine (9) years' tenure pursuant to the MAHB Group's Policy on Tenure of Directorship which limits the tenure of an INED to a cumulative period of nine (9) years. Dato' Majid Bin Mohamad, an INED, is the Chairman of the Board, Mr. Ajay Kumar Garg, NINED who is also the Vice Chairman, is a nominee of Ageas Insurance International N.V. ("Ageas"), a shareholder of MAHB.

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

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

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

<b>Members of the Board</b>	<b>Designation</b>	<b>Number of Board Meetings attended</b>	<b>%</b>
Dato' Majid Bin Mohamad (Chairman)	INED <sup>1</sup>	11/11	100
Mr. Ajay Kumar Garg (Vice Chairman)	NINED <sup>2</sup>	9/11	82
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED <sup>3</sup>	11/11	100
Professor Dr. Azman Bin Mohd Noor	INED <sup>4</sup>	5/5	100
En. Mohd Din Bin Merican	INED <sup>5</sup>	11/11	100
En. Malique Firdauz Ahmad Sidique	ED <sup>6</sup>	1/1	100

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(a) Board Composition (contd.)**

<sup>1</sup> Resigned as the Chairman / INED of the Company with effect from 31 December 2025.

<sup>2</sup> He is also a member of the Risk Management Committee.

<sup>3</sup> He is also a member of the Risk Management Committee.

<sup>4</sup> Resigned as an INED of the Company with effect from 14 June 2025.

<sup>5</sup> Resigned as an INED of the Company with effect from 31 December 2025.

<sup>6</sup> Resigned as an ED of the Company with effect from 30 September 2025.

**Profile of Directors**

<b>Name/Designation/Age/ Nationality</b>	<b>Background/ Experience</b>	<b>Other Directorships within the Group</b>
<b>Dato' Majid Bin Mohamad</b> Chairman / INED 71 years of age Malaysian	Banking and Insurance	<ul style="list-style-type: none"> <li>• INED, MAHB (<i>Resigned with effect from 30 November 2025</i>)</li> <li>• Chairman / INED, Etiqa General Takaful Berhad (<i>Resigned with effect from 31 December 2025</i>)</li> <li>• Chairman / INED, Etiqa Offshore Insurance (L) Ltd (<i>incorporated in Federal Territory of Labuan</i>) (<i>Resigned with effect from 31 December 2025</i>)</li> <li>• Chairman / INED, Etiqa Life International (L) Ltd (<i>incorporated in Federal Territory of Labuan</i>) (<i>Resigned with effect from 31 December 2025</i>)</li> </ul>
<b>Mr. Ajay Kumar Garg</b> Vice Chairman / NINED 45 years of age Dutch	Insurance	<ul style="list-style-type: none"> <li>• NINED, MAHB (<i>Appointed with effect from 1 July 2025</i>)</li> </ul>
<b>Mr. Wong Pakshong Kat Jeong Colin Stewart</b> INED 66 years of age Singaporean	Actuarial and Insurance	<ul style="list-style-type: none"> <li>• INED, Etiqa Life Insurance Berhad</li> </ul>
<b>En. Mohd Din Bin Merican</b> INED 63 years of age Malaysian	Insurance	Nil

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(b) Roles and Responsibilities of the Board**

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

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

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

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

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

To ensure that the Company's operations comply with Shariah principles pursuant to the Islamic Financial Services Act 2013 ("IFSA"), the Board is assisted by:

- (iv) Shariah Committee.

**(i) Nomination and Remuneration Committee**

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

The primary objective of the NRC is to support the Board of the Group in discharging their duties and responsibilities in the appointments, removals, composition, performance evaluation and development, fit and proper assessments concerning the Board, Chief Executive Officers ("CEOs"), Shariah Committee members<sup>1</sup>, Senior Officers<sup>2</sup> and Company Secretary of the Group. In addition, the NRC oversees the design and operation of the remuneration system, and periodically reviews the appropriate remuneration of the Board, CEOs, Shariah Committee members<sup>1</sup> and Senior Officers<sup>2</sup> of the Group.

The NRC also establishes a formal and transparent procedure for the nomination and appointment of Directors, CEOs, Shariah Committee members<sup>1</sup>, Senior Officers<sup>2</sup> and Company Secretary of the Group.

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**(i) Nomination and Remuneration Committee (contd.)**

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

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

In addition, the NRC is also responsible to implement a formal and transparent procedure for developing a remuneration framework for Directors, CEOs, Shariah Committee members<sup>1</sup>, Senior Officers<sup>2</sup> and Other Material Risk Takers of the Group, and also to ensure compensation is competitive and consistent with the Group's culture, objectives and strategy as well as the industry standards.

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

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<sup>1</sup> The word 'Shariah Committee' shall refer to the Group Shariah Committee which reports to the Company and Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**(i) Nomination and Remuneration Committee (contd.)**

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

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

<sup>1</sup> Appointed as a member of the NRC with effect from 1 July 2025.

<sup>2</sup> Ceased as a member of the NRC with effect from 30 November 2025.

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

<sup>4</sup> Ceased as a member of the NRC with effect from 30 June 2025

<sup>5</sup> Ceased as a member of the NRC with effect from 1 January 2025.

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

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

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

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

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

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

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

<sup>2</sup> Ceased as a member of the ACB with effect from 31 December 2025.

<sup>3</sup> Appointed as a member of the ACB with effect from 1 July 2025.

<sup>4</sup> Ceased as a member of the ACB with effect from 30 June 2025.

<sup>5</sup> Ceased as a member of the ACB with effect from 14 June 2025.

**(iii) Risk Management Committee**

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

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**(iii) Risk Management Committee (contd.)**

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

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

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

<sup>2</sup> Ceased as a member of the RMC with effect from 31 December 2025.

<sup>3</sup> Appointed as a member of the RMC with effect from 1 July 2025.

<sup>4</sup> Ceased as a member of the RMC with effect from 30 June 2025.

**(iv) Shariah Committee**

Shariah Committee ("SC") consists of five (5) members.

The Board of the Company set up SC in compliance with the IFSA, which oversees the operations of the Company to ensure that they are in line with the principles of Shariah.

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**(iv) Shariah Committee (contd.)**

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

<b>Members of the SC</b>	<b>Designation</b>	<b>Number of SC Meetings attended</b>	<b>%</b>
Associate Professor Dr. Muhammad Najib Bin Abdullah (Chairman)	Member <sup>1</sup>	10/10	100
Professor Dr. Azman Bin Mohd Noor	INED <sup>2</sup>	6/6	100
Professor Emeritus Dato' Dr. Mohd Azmi Bin Omar	Member	10/10	100
Professor Dr. Sharifah Faigah Binti Syed Alwi	Member	10/10	100
Professor Emeritus Dato' Dr. Ahmad Hidayat Bin Buang	Member	10/10	100
En. Mohd Kamal Bin Mokhtar	Member <sup>3</sup>	3/3	100

<sup>1</sup> Appointed as Chairman of the SC with effect from 15 June 2025

<sup>2</sup> Ceased as the Chairman and member of the SC with effect from 14 June 2025

<sup>3</sup> Appointed as a member of the SC with effect from 15 August 2025.

**(d) Directors' Training**

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

During the financial year, 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, Financial Institutions Directors' Education ("FIDE") and In-house training programme by international speakers and Senior Management Committee members/Heads of Departments.

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**(i) Induction Programme**

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

**(ii) Training Attended by Directors**

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

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

<b>Training attended by Directors</b>	<b>DM<sup>1</sup></b>	<b>AK<sup>2</sup></b>	<b>WPC<sup>3</sup></b>	<b>MDM<sup>4</sup></b>
<b>A. In-house Training</b>				
1. Etiqa: Responsibilities & Liabilities of Directors and Officers and Corporate Governance, Messrs. Wong & Partners	✓	✓	✓	
2. Etiqa: FY2025 Annual MAHB Board Risk Landscape Workshop, MAHB Risk Management Department	✓	✓	✓	✓
3. Etiqa: The Insurance Horizon: Trends Shaping SEA's Future, Institute of Corporate Directors Malaysia (ICDM)				✓
4. Etiqa: MAHB Offsite Strategy Meeting 2025 – Optimising Capital & Resources – IT Highlights & Readiness, Milliman Southeast Asia	✓	✓	✓	✓
5. Etiqa: Takaful Governance for Boards, Shariah & Strategy, The International Center for Education in Islamic Finance (INCEIF) University and ISRA Consulting	✓	✓	✓	✓
6. Etiqa: The Nexus of Regulation & Board Governance, Achieving Cyber Resilience, Ernst & Young (EY) Consulting Sdn. Bhd.	✓	✓	✓	
7. Etiqa: E-Invoicing for Directors: Myinvois & MyTax Portal Walkthrough with EY Malaysia, Ernst & Young Consulting Sdn. Bhd.	✓		✓	
8. Etiqa: Regional Updates on Life and Non-Life Segments* by Milliman Southeast Asia				✓
9. Etiqa: Annual Engagement with Etiqa Takaful Shariah Committee, Shariah Committee Members of Etiqa Family Takaful Berhad (EFTB) and Etiqa General Takaful Berhad (EGTB)	✓		✓	✓
10. Etiqa: Etiqa Sustainability Day 2025 – The Environmental, Social & Governance (ESG) Reset Panel Session: Reinvent, Rebrand or Retreat?, Corporate Strategy Office of MAHB	✓			✓
11. Maybank: Maybank Annual Board Risk & Compliance Workshop 2025, Group Risk, PricewaterhouseCoopers (PwC), Oliver Wyman & Deloitte		✓	✓	✓
12. Maybank: Corporate Governance Excellence: Navigating Governance in Groups, Asia School of Business (ASB)			✓	
13. Maybank: Annual Cybersecurity Awareness, Accenture Cybersecurity Global			✓	
14. Maybank: Cyber Risk & Security Awareness Session, Mandiant & Trellix		✓	✓	✓
15. Maybank: Leadership Anchored in Legacy: Prophetic Principles for a Sustainable Future, Al-Salam Institute (ASI)				✓
16. Ageas Academy: Financial Excellence course on IFRS17 and Solvency II, Ageas Group		✓		
17. Ageas Group: Ageas Partnership Days, Ageas Group		✓		
18. Ageas Group: Ageas Management Forum, Ageas Group		✓		
19. Ageas Group: Microsoft Copilot Series #1, Ageas Group		✓		
20. Ageas Group: RO Compliance Refresher 2024, Ageas Group		✓		

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**(ii) Training Attended by Directors (contd.)**

Training attended by Directors	DM <sup>1</sup>	AK <sup>2</sup>	WPC <sup>3</sup>	MDM <sup>4</sup>
<b>A. In-house Training (contd.)</b>				
21. Ageas Group: M365 Advanced & M365 New Apps Training, Super Hub		✓		
22. Ageas Group: MS Copilot Advanced & Copilot Agents, Ageas Group		✓		
23. Ageas Group: M365 Advanced Training, Super Hub		✓		
24. Ageas Group: Finance & Investment Training – Developing High Performance Team, Thomas International		✓		
25. Ageas Group: NextGen Partnership, Ageas Group		✓		
26. Ageas Academy: Financial Excellence, Ageas Group		✓		
<b>B. External Trainings</b>				
1. FIDE Forum: Special Lecture on Global Events & Financial Industry Outlook George Town Institute of Open and Advanced Studies	✓			
2. Public hearing on the principles of assessment of necessity for obtaining conventional reinsurance by Takaful institutions, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)	✓			
3. BNM Sasana Symposium	✓			
4. Institutional Investor: 2025 Greater China Global Investment Forum, Institutional Investor		✓		
5. Harvard Business School: Advanced Management Program, Harvard Business School		✓		
6. Banque Nationale de Paris (BNP): Global Markets Conference APAC 2025, BNP Paribas		✓		
7. Técnicas Reunidas (TR) Capital: TR Capital Investor Day, TR Capital		✓		
8. Masterclass: On the cusp of Net Zero, an Financial Institution's (FI) journey, Institute of Banking and Finance (IBF) & Standard Chartered Bank (SCB)			✓	
9. The Carbon Conundrum: Capture, Credit & Coverage <sup>®</sup> by Insurtech Insights			✓	
10. Singapore Actuarial Society (SAS) Applied Data Science with ChatGPT Hands-On Workshop, SAS			✓	
11. SAS Annual Conference SAS			✓	
12. Heicoders Academy GA100: Generative AI for Automation and Productivity, Heicoders Academy			✓	
13. FIDE Forum: Breakfast Talk on E-Invoice & Service Tax Impact on Independent Directors, Deloitte Malaysia				✓
14. FIDE Forum: FIDE Forum / Asia School of Business Governance Programme, ASB ICLIF Executive Education Centre				✓

<sup>1</sup> DM - Dato' Majid Bin Mohamad  
<sup>2</sup> AG - Mr. Ajay Kumar Garg

<sup>3</sup> WPC - Mr. Wong Pakshong Kat Jeong Colin Stewart  
<sup>4</sup> MDM - En. Mohd Din Bin Merican

**(3) INTERNAL CONTROL FRAMEWORK**

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(4) REMUNERATION - QUALITATIVE DISCLOSURES**

**a) Board Performance**

In line with good corporate governance, the Board via NRC has set out its intention to periodically review the remuneration of Non-Executive Directors (“NEDs”) as per Maybank’s Remuneration Policy for Directors.

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

The remuneration package of NEDs consists of the following:-

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

**b) Senior Management Appointment and Performance**

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

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(5) REMUNERATION - QUANTITATIVE DISCLOSURES**

**a) NEDs' Remuneration**

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

<u>Remuneration</u>	<u>Per Annum (RM)</u>
<b>(i) Fees</b>	
Board:	
- Chairman	190,000
- Member	130,000
Committee:	
- Chairman	34,000
- Member	30,000
Shariah Committee:	
- Chairman	*80,000
- Member	^67,500
<b>(ii) Meeting Allowance</b>	
per meeting attended	2,200

*\*The amount of RM80,000 is borne equally by the Company and Etiqa General Takaful Berhad.*

*^The amount of RM67,500 is borne equally by the Company and Etiqa General Takaful Berhad.*

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

The details of Directors' and CEO's remuneration for FYE 2025 are disclosed in Notes 30(b) and 31 to the Company's Financial Statements.

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

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

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

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

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

**Components of remuneration**

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

**i) Total Compensation**

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**Components of remuneration (contd.)**

**i) Total Compensation (contd.)**

**Fixed Pay**

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

**Variable Bonus/Incentive**

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

**Long-Term Incentive Award**

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

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

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

**ii) Benefits, Well-being and Recognition**

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**Components of remuneration (contd.)**

**ii) Benefits, Well-being and Recognition (contd.)**

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

**iii) Development & Career Opportunities**

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

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

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**Long-Term Incentive Plan ("LTIP")**

**Employees' Share Grant Plan ("ESGP")**

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

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

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

**Governance & Controls – Remuneration Practices**

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

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

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

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

The remuneration of the Company's Senior Officers and OMRTs in FY2025 are summarised in the table below:

Total Value of remuneration awards for the Financial Year (RM'000)	Senior Officers		OMRTs	
	Unrestricted	Restricted	Unrestricted	Restricted
<b>Fixed Compensation</b>				
Cash	7,012 (15 headcount)	-	-	-
Shares and share-linked instrument	-	-	-	-
Others	-	-	-	-
<b>Variable Compensation</b>				
Cash	2,653 (15 headcount)	-	-	-
*Shares and share-linked instrument	1,517 (11 headcount)^	Refer to note below*	-	-
Others	-	-	-	-
Definition	Senior Officers are defined as Chief Executive Officer (CEO); Direct Reports to the CEO and Appointed Actuary.		OMRTs are defined as employees who can materially commit or control significant amounts of a financial institution's resources or whose actions are likely to have a significant impact on its risk profile or those among the most highly remunerated officers.	

Notes:

*\*In FY2025, a total of 240,000 units of Maybank shares (based on On-Target performance levels) under the Maybank Group ESGP/Cash-settled Employees' Share Grant Plan (CESGP) were awarded to 12 Senior Officers. The number of ESGP/CESGP units to be vested/paid by 2028 would be conditional upon the said employees fulfilling the vesting/payment criteria.*

*^ A total of 148,300 units of ESGP/CESGP granted in September 2022 have vested to 11 Senior Officers in 2025. ESGP values are based on statutory guidelines for taxable gains calculation while CESGP value is based on volume weighted average market price (VWAMP) for the five market days immediately preceding the CESGP vesting date.*

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

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

We, Datuk Mohd Najib Bin Abdullah and Mohamad Yasin Bin Abdullah, being two of the Directors of Etiqa Family Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 32 to 230 are drawn up in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2025 and of the results and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 March 2026.

DATUK MOHD NAJIB BIN ABDULLAH

MOHAMAD YASIN BIN ABDULLAH

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

I, Chow Wai Sum, being the Officer primarily responsible for the financial management of Etiqa Family Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 230 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed CHOW WAI SUM  
at Kuala Lumpur in Wilayah Persekutuan  
on 25 March 2026

CHOW WAI SUM  
HEAD, FINANCE

Before me,

Commissioner for Oaths



50A-1, Jalan Kemuja  
Bangsar Utama,  
59000 Kuala Lumpur  
25

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

**REPORT OF THE SHARIAH COMMITTEE**

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

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

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial year ended 31 December 2025. We have also conducted our review to form an opinion pursuant to Section 30(1) of Islamic Financial Services Act 2013 ("IFSA"), as to whether the Company has complied with the principles of Shariah, Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia ("BNM"), Shariah standards issued by BNM pursuant to Section 29 of IFSA, relevant guidelines and circulars issued by BNM, Shariah rulings issued by the Shariah Advisory Council of Securities Commission (for capital market related matters), as well as Shariah resolutions resolved by us.

During the financial year of 2025, the Committee had convened 10 times and all members have satisfied the minimum attendance requirement as per Paragraph 11.4 of Shariah Governance Policy Document of BNM which stipulates that a Committee member must attend at least 75% of the Committee meetings held in each financial year.

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

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

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

As part of the initiatives towards strengthening capabilities of the Shariah Committee, a series of relevant training programmes were conducted and participated by the Committee during the financial year of 2025, among others; Cyber Risk and Security Awareness, Responsibilities and Liabilities of Directors, Corporate Governance, Evolution and Global Growth of the Takaful and Retakaful Industry, Shariah Leadership in Sustainability, Methodologies of Deriving Fatwas in Fiqh al-Mu'amalat, Hibah from legal perspective and Management of Medical Takaful Business.

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

In our opinion:

1. The relevant contracts, transactions and dealings entered into by the Company during the financial year ended 31 December 2025 that we have reviewed are in compliance with the Shariah principles;

**REPORT OF THE SHARIAH COMMITTEE (CONTD.)**

In our opinion (contd.):

2. The investment activities and the investment avenues conform to the basis that had been approved by us in accordance with Shariah principles;
3. The sharing of surplus arising from the tabarru' fund (Participants' Risk Fund) conforms with the respective internal policies and approved by us;
4. Nothing has come to our attention that causes us to believe that the operations, business, affairs and activities of the Company involve in any material Shariah non-Compliant incidents;
5. Accordingly, there were no Shariah non-compliant events encountered by us during the financial year ended 31 December 2025. However, there were Shariah non-compliant earnings derived from prohibited sources by EFTB during the same period as disclosed in Note 49. These earnings were disposed of and channeled into the Amal Jariah fund for the purpose of purification;
6. The Shariah Committee has endorsed and approved the zakat calculation method, as well as the amount of RM 20,687,701 for the Company's zakat for the 2025 financial year. Of this total, 10% will be distributed directly by the Company, while 90% will be paid to each state zakat centre, Majlis Agama Islam Negeri, across Malaysia;
7. The payment and distribution of business zakat and distribution of Amal Jariah fund during the financial year ended 31 December 2025 is in compliance with the principles of Shariah.

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

All in all, we, the members of the Shariah Committee of Etiqa Family Takaful Berhad, do hereby confirm that, in our level best, the operations of the Company for the financial year ended 31 December 2025 have been conducted in conformity with the rules and principles of Shariah.

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

Allah knows best.

Signed on behalf of the Committee.



ASSOCIATE PROFESSOR DR.  
MUHAMMAD NAJIB BIN ABDULLAH



PROFESSOR EMERITUS DATO' DR.  
MOHD AZMI BIN OMAR



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Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
SST ID: W10-2002-32000062  
Chartered Accountants  
Level 23A Menara Milenium  
Jalan Damanela  
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

199301011506 (266243-D)

Independent auditors' report to the member of  
Etiqa Family Takaful Berhad  
(Incorporated in Malaysia)

Report on the audit of the financial statements

### *Opinion*

We have audited the financial statements of Etiqa Family Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2025 and income statement, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 32 to 230.

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

### *Basis for opinion*

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

### *Independence and other ethical responsibilities*

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



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199301011506 (266243-D)

**Independent auditors' report to the member of  
Etiqa Family Takaful Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Information other than the financial statements and auditors' report thereon*

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

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

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

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

*Responsibilities of the directors for the financial statements*

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

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



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**Independent auditors' report to the member of  
Etiqa Family Takaful Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Auditors' responsibilities for the audit of the financial statements*

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

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

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



Shape the future  
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199301011506 (266243-D)

Independent auditors' report to the member of  
Etiqa Family Takaful Berhad (cont'd.)  
(Incorporated in Malaysia)

*Auditors' responsibilities for the audit of the financial statements (cont'd.)*

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

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

#### Other matters

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

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

Kuala Lumpur, Malaysia  
25 March 2026

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

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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2025**

		31.12.2025		31.12.2024	
		Family Takaful		Family Takaful	
	Note	Fund	Company	Fund	Company
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Property, plant and equipment	3	-	158	-	194
Right-of-use assets ("ROU assets")	4	-	338	-	526
Intangible assets	5	-	25,081	-	11,810
Investments	6	14,610,358	17,437,422	13,984,528	16,554,223
Financing receivables	8	-	8,069	-	9,362
Retakaful certificate assets	9	394,448	394,448	307,415	307,415
Other assets	11	171,417	219,797	214,974	263,903
Derivative assets	17	3,879	4,023	1	1
Deferred tax assets	15	-	43,817	-	56,893
Current tax assets	12	-	41,562	-	43,040
Cash and bank balances		92,120	92,129	80,095	81,805
<b>Total Assets</b>		<b>15,272,222</b>	<b>18,266,844</b>	<b>14,587,013</b>	<b>17,329,172</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	13	-	100,000	-	100,000
Reserves	14	-	2,891,908	-	2,606,758
<b>Total Equity</b>		<b>-</b>	<b>2,991,908</b>	<b>-</b>	<b>2,706,758</b>
<b>Liabilities</b>					
Takaful certificate liabilities	10	14,534,275	14,475,640	14,231,949	14,182,242
Derivative liabilities	17	-	-	605	605
Deferred tax liabilities	15	46,652	-	38,624	-
Other liabilities	16	691,295	775,134	315,835	383,341
Current tax liabilities		-	24,162	-	56,226
<b>Total Liabilities</b>		<b>15,272,222</b>	<b>15,274,936</b>	<b>14,587,013</b>	<b>14,622,414</b>
<b>Total Equity and Liabilities</b>		<b>15,272,222</b>	<b>18,266,844</b>	<b>14,587,013</b>	<b>17,329,172</b>

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

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

	Note	2025		2024	
		Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund RM'000	Company RM'000
Takaful revenue	18	1,768,868	1,921,353	1,649,512	1,694,995
Takaful service expenses	19	(1,749,701)	(1,375,998)	(2,068,774)	(1,696,154)
Net income/(expenses) from retakaful certificates held	20	21,917	21,917	(2,771)	(2,771)
<b>Takaful service result</b>		<b>41,084</b>	<b>567,272</b>	<b>(422,033)</b>	<b>(3,930)</b>
Profit revenue from financial assets not measured at Fair Value through Profit or Loss ("FVTPL")	21	282,802	360,576	291,662	364,611
Net fair value gains on financial assets measured at FVTPL	22	151,037	173,185	186,395	208,364
Net fair value gains on derecognition of financial assets measured at Fair Value through Other Comprehensive Income ("FVOCI")	23	28,416	32,244	9,926	10,586
Other investment income	24	305,521	341,866	296,127	331,773
(Allowance for)/reversal of impairment losses on financial assets	25	(30)	(107)	419	671
Net foreign exchange losses	26	(26,342)	(26,972)	(10,806)	(13,072)
<b>Net investment income</b>		<b>741,404</b>	<b>880,792</b>	<b>773,723</b>	<b>902,933</b>
Finance expenses from Takaful certificates issued	27	(756,661)	(890,054)	(355,692)	(521,199)
Finance (expenses)/income from retakaful certificates held	28	(21,917)	(21,917)	2,771	2,771
<b>Net Takaful financial result</b>		<b>(778,578)</b>	<b>(911,971)</b>	<b>(352,921)</b>	<b>(518,428)</b>
<b>Total net investment income and net Takaful financial results</b>	28	<b>(37,174)</b>	<b>(31,179)</b>	<b>420,802</b>	<b>384,505</b>
<b>Other income/(expenses), net</b>	29	<b>1,883</b>	<b>(5,285)</b>	<b>9,035</b>	<b>4,945</b>
<b>Profit before taxation and zakat attributable to participants</b>		<b>5,793</b>	<b>530,808</b>	<b>7,804</b>	<b>385,520</b>
<b>Tax expenses attributable to participants</b>	33	<b>(5,793)</b>	<b>(5,793)</b>	<b>(7,804)</b>	<b>(7,804)</b>
<b>Profit before taxation and zakat</b>		<b>-</b>	<b>525,015</b>	<b>-</b>	<b>377,716</b>
Taxation	34	-	(94,928)	-	(126,094)
Zakat		-	(20,688)	-	(14,353)
<b>Net profit for the financial year</b>		<b>-</b>	<b>409,399</b>	<b>-</b>	<b>237,269</b>
<b>Basic and diluted earnings per share (sen)</b>	35		<b>409.40</b>		<b>237.27</b>

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

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

	2025		2024	
	Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund RM'000	Company RM'000
<b>Net profit for the financial year</b>	-	409,399	-	237,269
<b>Other comprehensive gains/(losses):</b>				
<b>Items that may be subsequently reclassified to profit or loss:</b>				
Net fair value gains on investments in debt securities measured at FVOCI	96,966	125,090	51,604	63,046
Net fair value losses on derecognition of financial assets measured at FVOCI	23 (28,416)	(32,244)	(9,926)	(10,586)
Fair value adjustment on FVOCI financial assets backing participants' funds	(63,547)	(63,547)	(38,659)	(38,659)
Tax effect relating to these items	34 (5,003)	(10,834)	(3,019)	(5,606)
	-	18,465	-	8,195
<b>Items that will not be subsequently reclassified to profit or loss:</b>				
Change in fair value of equity securities at FVOCI	(34,594)	(42,263)	24,895	31,682
Fair value adjustment on FVOCI financial assets backing participants' funds	31,826	31,826	(22,903)	(22,903)
Tax effect relating to these items	34 2,768	4,483	(1,992)	(3,620)
	-	(5,954)	-	5,159
<b>Other comprehensive income for the financial year, net of tax</b>	-	12,511	-	13,354
<b>Total comprehensive income for the financial year attributable to equity holder of the Company</b>	-	421,910	-	250,623

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

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

	Attributable to Equity Holder of the Company					
	Note	Non-Distributable		Distributable	Total Equity RM'000	
		Share Capital RM'000	FVOCI Reserve RM'000	Takaful Finance Reserve RM'000		Retained Profits RM'000
<b>At 1 January 2025</b>		100,000	206,913	(188,894)	2,588,739	2,706,758
Net profit for the financial year		-	-	-	409,399	409,399
Other comprehensive income/(loss) for the financial year		-	77,131	(64,620)	-	12,511
Total comprehensive income/(loss) for the financial year		-	77,131	(64,620)	409,399	421,910
Reclassification upon disposal of equity securities		-	(32,376)	32,899	(523)	-
Dividend on ordinary shares	36	-	-	-	(136,760)	(136,760)
<b>At 31 December 2025</b>		<u>100,000</u>	<u>251,668</u>	<u>(220,615)</u>	<u>2,860,855</u>	<u>2,991,908</u>
<b>At 1 January 2024</b>		100,000	131,997	(127,332)	2,643,470	2,748,135
Net profit for the financial year		-	-	-	237,269	237,269
Other comprehensive income/(loss) for the financial year		-	74,916	(61,562)	-	13,354
Total comprehensive income/(loss) for the financial year		-	74,916	(61,562)	237,269	250,623
Dividend on ordinary shares	36	-	-	-	(292,000)	(292,000)
<b>At 31 December 2024</b>		<u>100,000</u>	<u>206,913</u>	<u>(188,894)</u>	<u>2,588,739</u>	<u>2,706,758</u>

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

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

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

		<b>Company</b>	
	<b>Note</b>	<b>2025</b>	<b>2024</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation and zakat		525,015	377,716
<i>Adjustments for:</i>			
Amortisation of intangible assets	30	1,747	1,619
Net amortisation of premiums	24	24,158	23,601
Depreciation of property, plant and equipment	30	50	61
Depreciation of right-of-use assets	30	188	187
Profit on lease liabilities	30	8	16
Fair value gains on investments	22, 23	(156,810)	(135,264)
Gains on disposal of:			
- property, plant and equipment	29	(16)	(8)
- investments	22	(48,619)	(83,686)
Dividend income	24	(37,010)	(28,311)
Profit income	21, 24	(689,590)	(691,675)
Allowance for/(reversal of) impairment losses on:			
- investments	25	110	(664)
- retakaful certificate assets	43	2	8
- other assets	43	(1)	3
- financing receivables	25	(3)	(7)
Losses on foreign exchange:			
- realised	26	3,729	6,272
- unrealised	26	23,243	6,800
Tax expense attributable to participants	33	5,793	7,804
<i>Operating cash flows before working capital changes</i>		(348,006)	(515,528)
Changes in working capital:			
(Increase)/decrease in:			
- deposits with financial institutions		(1,060)	(49,753)
- financing receivables		1,296	838
- other assets		24,266	(58,008)
- retakaful certificate assets		(87,035)	(27,651)
- Takaful certificate liabilities		228,779	923,644
- other liabilities		411,126	30,619
<i>Operating cash flows after working capital changes, carried forward</i>		229,366	304,161

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

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

	Note	Company	
		2025 RM'000	2024 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>			
Operating cash flows after working capital changes, brought forward		229,366	304,161
Profit income received		680,931	687,886
Gross dividend income received		38,499	27,280
Zakat paid		(14,003)	(11,789)
Taxation paid		(129,437)	(97,071)
Withholding tax paid		(25,828)	(17,518)
<i>Net cash flows generated from operating activities</i>	38	<u>779,528</u>	<u>892,949</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of:			
- property, plant and equipment		16	171
- investments		2,945,533	2,178,884
Purchase of:			
- intangible assets	5	(15,018)	(2,580)
- property, plant and equipment	3	(14)	(27)
- investments		(3,562,763)	(2,719,075)
<i>Net cash flows used in investing activities</i>	38	<u>(632,246)</u>	<u>(542,627)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid	36	(136,760)	(292,000)
Payment of lease liabilities	4	(198)	(198)
<i>Net cash flows used in financing activities</i>	38	<u>(136,958)</u>	<u>(292,198)</u>
<b>Increase in cash and cash equivalents</b>	38	10,324	58,124
<b>Cash and cash equivalents at beginning of year</b>	38	81,805	23,681
<b>Cash and cash equivalents at end of year</b>	38	<u>92,129</u>	<u>81,805</u>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances of:			
Shareholder's fund		9	1,710
Family Takaful Fund		92,120	80,095
		<u>92,129</u>	<u>81,805</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2025**

**1. CORPORATE INFORMATION**

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

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

The principal activities of the Company are the management of Family Takaful and Takaful Investment-linked business.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 March 2026.

**2. MATERIAL ACCOUNTING POLICY INFORMATION**

**2.1 Basis of preparation and presentation of the financial statements**

**(a) Statement of compliance**

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

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

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

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

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

#### **Takaful operations and its funds**

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

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

#### **(b) Basis of measurement**

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

#### **(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.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

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

#### **(d) Use of estimates and judgements**

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

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

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

#### **i) Estimates of future cash flows**

In estimating the future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experiences, updated to reflect current expectations of future events, as referred in Note 10(b).

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

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

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

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

##### **i) Estimates of future cash flows (contd.)**

The following assumptions were used when estimating future cash flows:

##### Mortality and morbidity rates

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

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

##### Longevity

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

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

##### Lapse and surrender rates

Lapses relate to the termination of certificates due to non-payment of contributions. Surrenders relate to the voluntary termination of certificates by participants. Certificate termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, certificate duration and sales trends.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

ii) Discount rates

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

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

	1 year		3 year		Portfolio duration 5 year		10 year		15 year	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
<b>Takaful certificates issued</b>	2.88% - 3.04%	3.28% - 3.53%	3.14% - 3.30%	3.47% - 3.72%	3.29% - 3.45%	3.68% - 3.93%	3.58% - 3.74%	3.87% - 4.12%	3.83% - 3.99%	4.05% - 4.30%
<b>Retakaful certificates held</b>	3.02%	3.49%	3.28%	3.68%	3.43%	3.89%	3.72%	4.08%	3.97%	4.26%

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

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

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

##### **iii) Risk adjustments for non-financial risks**

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

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

##### **iv) Contractual service margin**

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

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

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

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

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

##### **iv) Contractual service margin (contd.)**

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

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

##### **v) Takaful and retakaful certificates**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in Note 2.1(d)(i) to Note 2.1(d)(iv). The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The Company disaggregates information to disclose Family Takaful certificates issued and retakaful certificates held separately. This disaggregation has been determined based on how the Company is managed.

##### **vi) Impairment losses on financial assets, as referred in Note 2.2 (vi)(a).**

### **2.2 Summary of material accounting policy information**

#### **(i) Property, plant and equipment and depreciation**

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

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

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

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

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

Furniture, fittings, office equipment and renovations	11% - 25%
Computers and peripherals	14% - 25%
Motor vehicles	25%

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

In July 2024, the Company revised the useful lives of its furniture, fittings, and office equipment from 5 years to 7 years, and renovations from 5 years to 9 years for assets registered on or after 1 January 2022. These adjustments reflect the actual usage patterns of these assets and aligns with the approach adopted by the ultimate holding company.

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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ii) Leases**

##### **(a) Classification**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease arrangement based on whether the contract conveys to the user ("the lessee") the right to control the use of an identified asset for a period of time in exchange for consideration.

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.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

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

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

###### **(1) The Company as lessee (contd.)**

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

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

Premises	3 years
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Right-of-use assets are subject to impairment assessment. The impairment policy for ROU assets is in accordance with impairment of non-financial assets as described in Note 2.2(vi)(b).

###### **(ii) Lease liabilities**

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date as the profit rate implicit in the lease is not readily determinable. The Company applies an Incremental Borrowing Rate ('IBR') determined by reference to the Group's external borrowing costs, adjusted for lease term, security, economic environment and entity-specific credit risk at commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

### 2.2 Summary of material accounting policy information (contd.)

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

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

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

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

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

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

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

##### (iii) Leases with variable lease payments

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

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

#### (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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

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

##### **(c) Lease modifications**

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

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

#### **(iii) Intangible assets**

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

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

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

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

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

##### **(a) Software development costs**

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

##### **(b) Computer software and licences**

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

Subsequently, 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.

Computer software and licences

10 years

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(iv) Financial assets**

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

##### **(a) Initial and subsequent measurement**

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

The Company determines the classification of financial assets at initial recognition 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 benefits as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support takaful certificate liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company 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;
- 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.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

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

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

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

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 begin or cease to perform an activity that is significant to its operations. A change in the objective of the business model must be effected before the reclassification date.

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

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

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

The most significant elements of profit 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 profit rate is set.

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.2 Summary of material accounting policy information (contd.)**

**(iv) Financial assets (contd.)**

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

**(iii) Classification of financial assets**

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

**(a) Financial assets at FVTPL**

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

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

**(b) Financial assets at FVOCI**

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

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

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

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

##### **(b) Financial assets at FVOCI (contd.)**

##### **(i) Financial assets at FVOCI (debt instruments)**

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

##### **(ii) Financial assets at FVOCI (equity instruments)**

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

##### **(c) Financial assets at AC**

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

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.2 Summary of material accounting policy information (contd.)**

**(iv) Financial assets (contd.)**

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

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

**(c) Financial assets at AC (contd.)**

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

**(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 25.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(v) Fair value of financial assets**

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

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

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

The market value of Negotiable Islamic Certificates of Deposit ("NICD") are determined by reference to BNM's Profit Rate Swap. Over-the-counter derivatives comprise foreign exchange forward contracts, currency swap contracts and options. Over-the-counter derivatives are revalued at each reporting date, based on valuations provided by the respective counterparties in accordance with market conventions.

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(vi) 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 financing commitments, financial guarantee contracts, which will include advances, financing, Takaful receivables, debts instruments and deposits held by the Company. The ECL model also applies to certificate assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases*.

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

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

##### **(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 the date of initial recognition.

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.2 Summary of material accounting policy information (contd.)**

**(vi) Impairment (contd.)**

**(a) Financial assets (contd.)**

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

The Company will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

<b>3 Stage approach</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
	<b>Performing</b>	<b>Under-performing</b>	<b>Non-performing</b>
<b>ECL Approach</b>	12-month ECL	Lifetime ECL	Lifetime ECL
<b>Criterion</b>	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
<b>Recognition of profit income</b>	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.

Financing receivables

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

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

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

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

###### Financing receivables (contd.)

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

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

###### Financial assets at FVOCI and AC

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

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 loss experiences arising from these government securities in all jurisdiction.

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

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

##### **(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 or amortisation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

#### **(vii) 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(vii) 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 other payables.

#### Other payables

Other payables are subsequently measured at amortised cost using the effective profit method.

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

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

#### **(viii) Takaful and retakaful certificates classification**

#### Takaful certificates

The Company issues certificates that contain Takaful risk or both Takaful risk and financial risk.

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(viii) Takaful and retakaful certificates classification (contd.)**

##### Takaful certificates (contd.)

A Takaful certificate is a certificate under which an entity has accepted significant Takaful risk from another party (the participants) by agreeing to compensate the participant if a specified uncertain future event (the covered event) adversely affects the participant. As a general guideline, the Company defines whether significant Takaful risk has been accepted by comparing claims paid or payable on the occurrence of an covered event against benefits paid or payable if the covered event had not occurred. If the ratio of the former exceeds the latter by 5% or more, the Takaful risk accepted is deemed to be significant.

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

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

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

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(viii) Takaful and retakaful certificates classification (contd.)**

##### Takaful certificates (contd.)

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

##### Retakaful certificates

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

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

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

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

#### **(ix) Takaful and retakaful certificates accounting treatment**

##### **(a) Separating components from Takaful certificates and retakaful certificates**

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(a) Separating components from Takaful certificates and retakaful certificates (contd.)**

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

MFRS 17 defines investment components as the amounts that a Takaful certificate requires a Takaful operator to repay to a participant in all circumstances, regardless of whether a covered event occurs.

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

##### **(b) Level of aggregation**

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(b) Level of aggregation (contd.)**

For Family Takaful, the portfolio of the certificates issued based on its participant risk funds and type of products where all the certificates within the fund will subject to the same asset-liability management (“ALM”) strategy and sharing on fund surplus arising based on the same surplus rules.

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

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

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

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

The retakaful certificates held portfolios are divided into:

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

##### **(c) Recognition**

The Company recognises groups of Takaful certificates that it issues from the earliest of the following:

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(c) Recognition (contd.)**

The Company recognises a group of retakaful certificates held at:

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

The retakaful certificates held by the Company provide proportionate cover. Therefore the Company does not recognise a proportional retakaful certificate held until at least one underlying direct Takaful certificate has been recognised. Groups of retakaful certificates held are recognised when the coverage of the first underlying certificate starts.

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

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(d) Onerous groups of certificates**

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

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

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

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

##### **(e) Certificate boundary**

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

- The Company has the practical ability to reassess the risks of the particular participant and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
  - (i) The Company has the practical ability to reassess the risks of the portfolio of takaful certificates that contain the certificate and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(e) Certificate boundary (contd.)**

- Both of the following criteria are satisfied (contd.):
  - (ii) The pricing of the contributions for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected contribution or claims outside the boundary of the takaful certificates are not recognised. Such amounts relate to future Takaful certificates.

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

##### **(f) Measurement - Takaful certificates**

###### Certificates measured under Premium Allocation Approach ("PAA")

###### Initial measurement

The Company may apply the PAA to the Takaful certificates that it issues and retakaful certificates that it holds, provided that:

- The coverage period of each certificate in the group is one year or less, including coverage arising from all contributions within the certificate boundary (Note 2.2(ix)(e)).

For certificates with the certificate boundary of 12 months or less, following simplifications apply:

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

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.2 Summary of material accounting policy information (contd.)**

**(ix) Takaful and retakaful certificates accounting treatment (contd.)**

**(f) Measurement - Takaful certificates (contd.)**

Certificates measured under Premium Allocation Approach ("PAA") (contd.)  
Initial measurement (contd.)

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

Subsequent measurement

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

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

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

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(f) Measurement - Takaful certificates (contd.)**

###### Certificates measured under Premium Allocation Approach ("PAA") (contd.) Subsequent measurement (contd.)

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

###### Certificates not measured under PAA Initial measurement

###### Variable Fee Approach ("VFA")

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

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

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

Based on the VFA eligibility test ratio, if the amounts expected to be paid to the participants exceed 50% of the fair value returns on the underlying items, the contract qualifies for the VFA approach.

The measurement approach for Takaful certificates with direct participation features is referred to as the Variable Fee Approach ("VFA").

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

Takaful certificate with direct participation features are viewed as creating an obligation to pay participants an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the Company's share of the fair value of the underlying items, less the fulfilment cash flows that do not vary based on the returns on underlying items.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(f) Measurement - Takaful certificates (contd.)**

###### Certificates not measured under PAA (contd.)

###### Subsequent measurement

###### Variable Fee Approach ("VFA") (contd.)

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

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

- The changes in fulfilment cash flows relating to future service, except to the extent that such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss or such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- The effect of any new certificates added to the group.
- The amount recognised as Takaful revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

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

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

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.2 Summary of material accounting policy information (contd.)**

**(ix) Takaful and retakaful certificates accounting treatment (contd.)**

**(f) Measurement - Takaful certificates (contd.)**

Certificates not measured under PAA (contd.)

Subsequent measurement (contd.)

Variable Fee Approach ("VFA") (contd.)

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

- Changes in the obligation to pay the participant the amount equal to the fair value of the underlying items;
- Changes in the FCF that do not vary based on the returns of underlying items:
  - (i) Changes in the FCF relating to the LIC; and
  - (ii) Experience adjustments relating to Takaful service expenses (excluding Takaful acquisition cash flows).
- Experience adjustments arising from changes in the Company share of the fair value of the underlying items that related to current service.

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(g) Measurement - Retakaful certificates**

###### Initial measurement

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

For Family Takaful, the measurement of retakaful certificates held follows the same principles as those for Takaful certificates issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the retakaful operator, including the effects of collateral and losses from disputes.
- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the retakaful operator.
- The Company recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as part of the fulfilment cash flow of direct underlying certificates.

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

###### Subsequent measurement

The subsequent measurement of retakaful certificates held follows the same principles as those for Takaful certificates issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the retakaful operators, including the effects of collateral and losses from disputes.
- Changes in the fulfilment cash flows that affecting gain or loss are recognised as part of the fulfilment cash flow of direct underlying certificates.
- Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a retakaful certificates held are recognised as part of the fulfilment cash flow of direct underlying certificates.

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.2 Summary of material accounting policy information (contd.)**

**(ix) Takaful and retakaful certificates accounting treatment (contd.)**

**(h) Takaful receivables and payables**

The liability for remaining coverage disclosed under Takaful certificates liabilities are including Takaful receivable and payables.

i) Liability for remaining coverage - Takaful receivables

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

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

The impairment on Takaful 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 Takaful and retakaful receivables are grouped based on different sales channel and different retakaful contribution type's arrangement respectively. The impairment is calculated on the total outstanding balance including all aging buckets from current to 12 months and above. Roll rates are to be applied on the outstanding balance of the aging bucket which forms the base of the roll rate. Forward-looking information has been included in the calculation of ECL.

ii) Liability for remaining coverage - Takaful payables

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(i) Takaful certificates – modification and derecognition**

The Company derecognises Takaful certificates when:

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

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

##### **(j) Qard**

For Family Takaful, any deficit in the participants' risk fund within the Family Takaful Fund is made good via a Qard, which is a profit free financing, granted by the shareholder's fund to the participants' risk fund. In the participants' risk fund, the Qard is included in fulfilment cash flows used to measure the Takaful liabilities under MFRS 17.

Qard is measured in the fulfilment cash flows at a value discounted for time value of money, which reflects the economic effect of the expected future cash flow, consistent with all the other cash flows measured in fulfilment cash flows. This accounting measurement does not affect the Family Takaful Fund's obligation to repay the nominal amount of Qard, nor does it affect or change any rights or obligations of the shareholder's fund.

The Qard shall be repaid from future surpluses of the participants' risk fund.

##### **(k) Family Takaful underwriting results**

The provision of surplus transferable from Family Takaful Fund to Takaful Operator is determined by the monthly actuarial valuation on the participants' fund based on Company's Policy Management of Takaful Fund Surplus and Loss Rectification. The differences between expected surplus transferable from Family Takaful Fund to Takaful Operator and the provision is adjusted through Contractual Service Margin ("CSM") before determine the release of CSM to Takaful Revenue.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(i) Takaful acquisition cash flows**

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

The Company uses a systematic and rational method to allocate:

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

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

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

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

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(l) Takaful acquisition cash flows (contd.)**

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

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

##### **(m) Presentation**

The Company has presented separately in the statement of financial position the carrying amount of groups of Takaful certificates issued that are assets, groups of Takaful certificates issued that are group of liabilities, retakaful certificates held that are assets and groups of retakaful certificates held that are liabilities.

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

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

The Company separately presents income or expenses from retakaful certificates held from the expenses or income from Takaful certificates issued.

##### **(i) Takaful revenue**

###### Certificates measured under PAA

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

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

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.2 Summary of material accounting policy information (contd.)**

**(ix) Takaful and retakaful certificates accounting treatment (contd.)**

**(m) Presentation (contd.)**

**(i) Takaful revenue (contd.)**

Certificates measured under PAA (contd.)

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

Certificates not measured under PAA

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

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

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(m) Presentation (contd.)**

##### **(ii) Loss components**

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

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

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

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

##### **(iii) Loss-recovery components**

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

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

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(m) Presentation (contd.)**

##### **(iii) Loss-recovery components (contd.)**

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

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

##### **(iv) Net income or expense from retakaful certificates held**

The Company presents the net amounts of income or expense expected to be recovered/paid from/to retakaful operator on the face of the statement of profit or loss.

The Company treats retakaful cash flows that are contingent on claims on the underlying certificates as part of the claims that are expected to be reimbursed under the retakaful certificate held, and excludes investment components and commissions from an allocation of retakaful contributions presented on the face of the statement of profit or loss. Amounts relating to the recovery of losses relating to retakaful of onerous direct certificates are included as amounts recoverable from the retakaful operator.

##### **(v) Takaful finance income and expenses**

Takaful finance income or expenses comprise the change in the carrying amount of the group of Takaful certificates arising from:

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

The Company defines the Family Takaful Fund as an underlying item. Hence, changes in measurement of a group of takaful certificates caused by changes in the value of the Family Takaful Fund are reflected in takaful finance income or expenses.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

### **2.2 Summary of material accounting policy information (contd.)**

#### **(ix) Takaful and retakaful certificates accounting treatment (contd.)**

##### **(m) Presentation (contd.)**

##### **(v) Takaful finance income and expenses (contd.)**

For certificates measured under the PAA, the main amounts within Takaful finance income or expenses are:

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

For certificates measured under the VFA, the main amounts within Takaful finance income or expenses are:

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

The Company reports the Takaful finance income or expenses on Takaful certificates issued to profit or loss only. The impact of changes in market profit rates on the value of the Family Takaful and related retakaful assets and liabilities are reflected in profit or loss. The Company's financial assets backing the Takaful issued portfolios are measured at AC, FVTPL or FVOCI. Finance income and expenses on the Company's issued retakaful certificates is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

The Company systematically allocates expected total Takaful finance income or expenses over the duration of the group of certificates to profit or loss using discount rates determined on initial recognition of the group of certificates, see Note 2.1(d)(ii) for current discount rates.

##### **(vi) Takaful Finance Reserve ("TFR")**

The TFR comprises cumulative OCI amounts and measurement differences attributable to the Participants' Risk Fund ("PRF") and Participants' Investment Fund ("PIF"). These balances arise from items such as:

- fair value changes on FVOCI instruments backing participants' funds,
- Takaful finance income/expense relating to participants' funds, and
- transfers within equity upon derecognition of financial assets attributable to participants.

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.2 Summary of material accounting policy information (contd.)**

**(ix) Takaful and retakaful certificates accounting treatment (contd.)**

**(m) Presentation (contd.)**

**(vi) Takaful Finance Reserve ("TFR") (contd.)**

As these amounts do not belong to shareholders under the requirements of IFSA 2013, the TFR is non-distributable and presented separately from shareholder reserves.

**(x) Revenue recognition**

Revenue from contracts with customers

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

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

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

Other revenue

**(a) Profit income**

Profit income is recognised using the effective profit yield method over the term of the underlying investments.

**(b) Dividend income**

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

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.2 Summary of material accounting policy information (contd.)**

**(x) Revenue recognition (contd.)**

**(c) Rental income**

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

**(xi) 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 expense in profit or loss when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised as an expense in profit or loss when the absences occur.

**(b) Long-term employee benefits**

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

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

**(c) Defined contribution plan**

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

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.2 Summary of material accounting policy information (contd.)**

**(xi) Employee benefits (contd.)**

**(d) Share-based compensation**

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

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

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

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

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.2 Summary of material accounting policy information (contd.)**

**(xi) Employee benefits (contd.)**

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

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

Upon vesting of CESGP shares, Maybank will recognise the impact of the actual numbers of CESGP shares vested as compared to the original estimates.

Details of share options granted under ESGP and CESGP as disclosed in Note 39.

**(xii) 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.

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.2 Summary of material accounting policy information (contd.)**

**(xii) Foreign currencies (contd.)**

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

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.

**(xiii) Zakat**

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

**(xiv) 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 Company level. Income and expenses directly associated with each business segment are included in determining business segment performance.

The company disclosed its segment information by funds on the face of the financial statements.

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

**2.3 New and amended standards and interpretations**

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

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

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

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

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

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

**2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)**

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

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Contracts Referencing Nature-dependent Electricity (Amendments to MFRS 9 <i>Financial Instruments</i> and MFRS 7 <i>Financial Instruments: Disclosures</i> )	1 January 2026
MFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
MFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
Amendments to MFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
Translation to a Hyperinflationary Presentation Currency (Amendments to MFRS 121 <i>The Effects of Changes in Foreign Exchange Rates</i> )	1 January 2027

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

### 3. PROPERTY, PLANT AND EQUIPMENT

#### Family Takaful Fund

2025/2024	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
<b>Cost</b>			
At 1 January/31 December	33	5	38
<b>Accumulated Depreciation</b>			
At 1 January/31 December	33	5	38
<b>Net Book Value at 1 January/31 December</b>	-	-	-

#### Company

2025	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2025	4,106	183	323	4,612
Additions	14	-	-	14
Write-off	-	-	(323)	(323)
At 31 December 2025	4,120	183	-	4,303
<b>Accumulated Depreciation</b>				
At 1 January 2025	3,955	140	323	4,418
Depreciation charge for the financial year (Note 30)	30	20	-	50
Write-off	-	-	(323)	(323)
At 31 December 2025	3,985	160	-	4,145
<b>Net Book Value at 31 December 2025</b>	135	23	-	158

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

**Company**

	<b>Furniture, fittings, office equipment and renovations RM'000</b>	<b>Computers and peripherals RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>2024</b>				
<b>Cost</b>				
At 1 January 2024	4,123	156	323	4,602
Additions	-	27	-	27
Write-off	(17)	-	-	(17)
At 31 December 2024	<u>4,106</u>	<u>183</u>	<u>323</u>	<u>4,612</u>
<b>Accumulated Depreciation</b>				
At 1 January 2024	3,930	121	323	4,374
Depreciation charge for the financial year (Note 30)	42	19	-	61
Write-off	(17)	-	-	(17)
At 31 December 2024	<u>3,955</u>	<u>140</u>	<u>323</u>	<u>4,418</u>
<b>Net Book Value at 31 December 2024</b>	<u>151</u>	<u>43</u>	<u>-</u>	<u>194</u>

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

**Company**

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

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Right-of-use assets - Premises</b>		
<b>Cost</b>		
At 1 January	1,587	1,587
At 31 December	<u>1,587</u>	<u>1,587</u>
<b>Accumulated depreciation</b>		
At 1 January	1,061	874
Depreciation charge for the financial year (Note 30)	188	187
At 31 December	<u>1,249</u>	<u>1,061</u>
<b>Net Book Value at 31 December</b>	<u>338</u>	<u>526</u>

The movement of lease liabilities is disclosed as follows:

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Lease liabilities</b>		
At 1 January	510	692
Accretion of profit (Note 30)	8	16
Settlement	(198)	(198)
At 31 December	<u>320</u>	<u>510</u>
<b>Lease liabilities by remaining maturity:</b>		
Less than 12 months	125	123
More than 12 months	195	387
Total	<u>320</u>	<u>510</u>

5. INTANGIBLE ASSETS

Family Takaful Fund

	<b>Computer software and licences RM'000</b>
<b>2025/2024</b>	
<b>Cost</b>	
At 1 January/31 December	<u>9,020</u>
<b>Accumulated amortisation and impairment losses</b>	
At 1 January/31 December	<u>9,020</u>
<b>Net Book Value at 1 January/31 December</b>	<u>-</u>

Company

	<b>Computer software and licences RM'000</b>	<b>Software development costs RM'000</b>	<b>Total RM'000</b>
<b>2025</b>			
<b>Cost</b>			
At 1 January 2025	35,980	112	36,092
Additions	690	14,328	15,018
At 31 December 2025	<u>36,670</u>	<u>14,440</u>	<u>51,110</u>
<b>Accumulated amortisation</b>			
At 1 January 2025	24,282	-	24,282
Amortisation charge for the financial year (Note 30)	1,747	-	1,747
At 31 December 2025	<u>26,029</u>	<u>-</u>	<u>26,029</u>
<b>Net Book Value at 31 December 2025</b>	<u>10,641</u>	<u>14,440</u>	<u>25,081</u>

**5. INTANGIBLE ASSETS (CONTD.)**

**Company (contd.)**

	<b>Computer software and licences RM'000</b>	<b>Software development costs RM'000</b>	<b>Total RM'000</b>
<b>2024</b>			
<b>Cost</b>			
At 1 January 2024	33,565	112	33,677
Additions	2,580	-	2,580
Disposals	(165)	-	(165)
At 31 December 2024	<u>35,980</u>	<u>112</u>	<u>36,092</u>
<b>Accumulated amortisation</b>			
At 1 January 2024	22,665	-	22,665
Amortisation charge for the financial year (Note 30)	1,619	-	1,619
Disposals	(2)	-	(2)
At 31 December 2024	<u>24,282</u>	<u>-</u>	<u>24,282</u>
<b>Net Book Value at 31 December 2024</b>	<u>11,698</u>	<u>112</u>	<u>11,810</u>

**6. INVESTMENTS**

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
Malaysian government papers	624,715	758,302
Equity securities	1,423,974	1,724,434
Debt securities	11,136,833	13,437,804
Unit and property trust funds	240,916	246,052
Negotiable Islamic certificates of deposit ("NICD")	64,801	64,801
Deposits with financial institutions	1,119,119	1,206,029
	<u>14,610,358</u>	<u>17,437,422</u>
<b>2024</b>		
Malaysian government papers	715,687	960,763
Equity securities	730,128	804,891
Debt securities	11,175,759	13,312,364
Unit and property trust funds	172,235	172,235
Structured products (Note 7)	99,001	99,001
Deposits with financial institutions	1,091,718	1,204,969
	<u>13,984,528</u>	<u>16,554,223</u>

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**6. INVESTMENTS (CONTD.)**

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

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
Fair value through profit or loss ("FVTPL")(Note a)		
- Designated upon initial recognition	5,918,186	6,641,514
- Held for trading ("HFT")	1,893,656	2,161,942
Fair value through other comprehensive income ("FVOCI") (Note b)	5,679,397	7,427,937
Amortised cost ("AC") (Note c)	1,119,119	1,206,029
	<u>14,610,358</u>	<u>17,437,422</u>
<b>2024</b>		
Fair value through profit or loss ("FVTPL")(Note a)		
- Designated upon initial recognition	6,081,444	6,833,480
- Held for trading ("HFT")	994,672	1,030,662
Fair value through other comprehensive income ("FVOCI") (Note b)	5,816,694	7,485,112
Amortised cost ("AC") (Note c)	1,091,718	1,204,969
	<u>13,984,528</u>	<u>16,554,223</u>

The following investments will mature after 12 months:

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
FVTPL		
- Designated upon initial recognition	5,398,608	6,101,726
- HFT	313,234	313,234
FVOCI	5,392,753	7,043,725
	<u>11,104,595</u>	<u>13,458,685</u>
<b>2024</b>		
FVTPL		
- Designated upon initial recognition	5,671,094	6,397,834
- HFT	227,952	227,952
FVOCI	5,560,525	7,185,130
	<u>11,459,571</u>	<u>13,810,916</u>

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**6. INVESTMENTS (CONTD.)**

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>(a) FVTPL</b>		
<b>(i) Designated upon initial recognition</b>		
<b>2025</b>		
<b><u>At fair value:</u></b>		
Malaysian government papers	350,951	350,951
Debt securities:		
Unquoted in Malaysia	5,470,093	6,193,421
Unquoted outside Malaysia	77,173	77,173
NICD	19,969	19,969
<b>Total financial assets designated as FVTPL upon initial recognition</b>	<b><u>5,918,186</u></b>	<b><u>6,641,514</u></b>
<b>2024</b>		
<b><u>At fair value:</u></b>		
Malaysian government papers	323,975	323,975
Debt securities:		
Unquoted in Malaysia	5,623,434	6,375,470
Unquoted outside Malaysia	35,034	35,034
Structured products	99,001	99,001
<b>Total financial assets designated as FVTPL upon initial recognition</b>	<b><u>6,081,444</u></b>	<b><u>6,833,480</u></b>
<b>(ii) HFT</b>		
<b>2025</b>		
<b><u>At fair value:</u></b>		
Malaysian government papers	42,766	42,766
Equity securities:		
Quoted in Malaysia	1,308,815	1,567,288
Quoted outside Malaysia	29,385	34,062
Debt securities:		
Unquoted in Malaysia	271,774	271,774
Unit and property trust funds:		
Quoted in Malaysia	17,109	22,245
Quoted outside Malaysia	218,537	218,537
Unquoted in Malaysia	5,270	5,270
<b>Total HFT financial assets</b>	<b><u>1,893,656</u></b>	<b><u>2,161,942</u></b>

6. INVESTMENTS (CONTD.)

	Family Takaful Fund RM'000	Company RM'000
<b>(a) FVTPL (contd.)</b>		
<b>(ii) HFT (contd.)</b>		
<b>2024</b>		
<b><u>At fair value:</u></b>		
Malaysian government papers	46,004	46,004
Equity securities:		
Quoted in Malaysia	563,118	587,076
Quoted outside Malaysia	31,367	43,399
Debt securities:		
Unquoted in Malaysia	181,948	181,948
Unit and property trust funds:		
Quoted outside Malaysia	172,235	172,235
<b>Total HFT financial assets</b>	<b><u>994,672</u></b>	<b><u>1,030,662</u></b>
<b>(b) FVOCI</b>		
<b>2025</b>		
<b><u>At fair value:</u></b>		
Malaysian government papers	230,998	364,585
Equity securities:		
Quoted in Malaysia	85,774	123,084
Debt securities:		
Unquoted in Malaysia	5,317,793	6,895,436
NICD	44,832	44,832
<b>Total FVOCI financial assets</b>	<b><u>5,679,397</u></b>	<b><u>7,427,937</u></b>
<b>2024</b>		
<b><u>At fair value:</u></b>		
Malaysian government papers	345,708	590,784
Equity securities:		
Quoted in Malaysia	135,643	174,416
Debt securities:		
Unquoted in Malaysia	5,335,343	6,719,912
<b>Total FVOCI financial assets</b>	<b><u>5,816,694</u></b>	<b><u>7,485,112</u></b>

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

During the financial year, the Company has disposed selected equity securities from its portfolio of FVOCI financial assets as the securities no longer aligned with the long term investment strategies of the Company as high dividend yielding stocks. The total fair value on the date of sales (gross of tax) are RM65,502,000 and the realised gains recognised on disposal of these securities amounted to RM37,269,000.

**6. INVESTMENTS (CONTD.)**

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>(c) AC</b>		
<b>2025</b>		
<b>Deposits and placements with financial institutions</b>		
Islamic investment accounts with:		
Licenced financial institutions	576,531	638,850
Other licenced financial institutions	542,588	567,179
<b>Total AC financial assets</b>	<b><u>1,119,119</u></b>	<b><u>1,206,029</u></b>
<b>2024</b>		
<b>Deposits and placements with financial institutions</b>		
Islamic investment accounts with:		
Licenced financial institutions	561,357	670,733
Other licenced financial institutions	530,361	534,236
<b>Total AC financial assets</b>	<b><u>1,091,718</u></b>	<b><u>1,204,969</u></b>

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

**Fair Value of Investments**

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 47.

**7. 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:

	←-----2025-----→		←-----2024-----→	
	Principal/ Notional amount RM'000	Net carrying amount RM'000 (Note 6)	Principal/ Notional amount RM'000	Net carrying amount RM'000 (Note 6)
<b>Family Takaful Fund/Company</b>				
<b>Financial assets at FVTPL</b>				
Structured deposits	-	-	100,000	99,001
	-	-	100,000	99,001

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.

**8. FINANCING RECEIVABLES**

	<b>Company RM'000</b>
<b>2025</b>	
Secured:	
Staff financing	7,742
Non-staff financing	2,163
	<u>9,905</u>
Unsecured non-staff financing	14
Allowance for impairment losses (Note 43(i))	<u>(1,850)</u>
	<u>8,069</u>
Of which, receivable after 12 months	<u>6,861</u>

**8. FINANCING RECEIVABLES (CONTD.)**

	<b>Company RM'000</b>
<b>2024</b>	
Secured:	
Staff financing	9,120
Non-staff financing	<u>2,081</u>
	11,201
Unsecured non-staff financing	14
Allowance for impairment losses (Note 43(i))	<u>(1,853)</u>
	<u>9,362</u>
Of which, receivable after 12 months	<u>6,212</u>

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

The weighted average effective profit rate during the financial year was 3.00% (2024: 3.05%) per annum.

9. RETAKAFUL CERTIFICATE ASSETS

Composition of Statement of Financial Position

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

	2025			2024		
	Asset RM'000	Liability RM'000	Net RM'000	Asset RM'000	Liability RM'000	Net RM'000
<b>Family Takaful Fund/Company</b>						
<b>Retakaful certificates held</b>						
Proportional Family Takaful	367,527	-	367,527	301,395	-	301,395
Proportional Takafulink	9,504	-	9,504	3,854	-	3,854
Non-proportional Excess of Loss	17,417	-	17,417	2,166	-	2,166
<b>Total retakaful certificates held</b>	<b>394,448</b>	<b>-</b>	<b>394,448</b>	<b>307,415</b>	<b>-</b>	<b>307,415</b>
Of which:						
Measured at PAA	17,417	-	17,417	2,166	-	2,166
Not measured at PAA	377,031	-	377,031	305,249	-	305,249
	<b>394,448</b>	<b>-</b>	<b>394,448</b>	<b>307,415</b>	<b>-</b>	<b>307,415</b>

9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

a. Analysis by remaining coverage and amounts recoverable on incurred claim measured at Premium Allocation Approach ("PAA")

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

2025

	Note	AIC			Total RM'000
		ARC Excluding loss recovery component RM'000	Present value of future cash flows RM'000	Risk adjustment for non- financial risk RM'000	
<b>Family Takaful Fund/Company</b>					
Retakaful certificate assets as at 1 January		(33,476)	35,246	396	2,166
<b>Allocation of retakaful contributions:</b>					
Amounts relating to the changes in assets for remaining coverage	20	(36,385)	-	-	(36,385)
<b>Amounts recoverable from retakaful operators:</b>					
Amounts recoverable for incurred claims and other expenses		-	33,310	609	33,919
Changes that relate to past services - adjustment to AIC		-	2,862	(396)	2,466
	20	-	36,172	213	36,385
<b>Net (expense)/income from retakaful certificates held</b>	20	(36,385)	36,172	213	-
Effect of changes in non-performance risk of retakaful operators	28	-	1	-	1
<b>Total amount recognised in profit or loss</b>		(36,385)	36,173	213	1
<b>Cash flows</b>					
Contributions paid		48,361	-	-	48,361
Recoveries from retakaful		-	(31,001)	-	(31,001)
<b>Total cash flows</b>		48,361	(31,001)	-	17,360
Other movements	(i)	-	(2,110)	-	(2,110)
<b>Net balance as at end of the year</b>		(21,500)	38,308	609	17,417
<b>Retakaful certificate assets as at 31 December</b>		(21,500)	38,308	609	17,417

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9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

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

The roll-forward of the net asset and liability for retakaful certificates held showing ARC and AIC arising from business ceded to retakaful operators is disclosed in the table below (contd.):

2024

Family Takaful Fund/Company	Note	AIC		Total RM'000	
		ARC Excluding loss recovery component RM'000	Present value of future cash flows RM'000		Risk adjustment for non- financial risk RM'000
Retakaful certificate assets as at 1 January		(7,216)	11,708	419	4,911
<b>Allocation of retakaful contributions:</b>					
Amounts relating to the changes in assets for remaining coverage	20	(27,761)	-	-	(27,761)
<b>Amounts recoverable from retakaful operators:</b>					
Amounts recoverable for incurred claims and other expenses		-	30,141	396	30,537
Changes that relate to past services - adjustment to AIC		-	(2,357)	(419)	(2,776)
	20	-	27,784	(23)	27,761
<b>Net (expenses)/income from retakaful certificates held</b>	20	(27,761)	27,784	(23)	-
Effect of changes in non-performance risk of retakaful operators	28	-	1	-	1
<b>Total amount recognised in profit or loss</b>		(27,761)	27,785	(23)	1
<b>Cash flows</b>					
Contributions paid		1,501	-	-	1,501
<b>Total cash flows</b>		1,501	-	-	1,501
Other movements	(i)	-	(4,247)	-	(4,247)
<b>Net balance as at end of the year</b>		(33,476)	35,246	396	2,166
<b>Represented by:</b>					
<b>Retakaful certificate assets as at 31 December</b>		(33,476)	35,246	396	2,166

**Note:**

(i) Other movements relates to movement of retakaful unallocated surplus during the financial year.

9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

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

The roll-forward of the net asset and liability for retakaful certificates held showing ARC and AIC arising from business ceded to retakaful operators is disclosed in the table below (contd.):

2025

	Note	AIC			Total RM'000
		ARC Excluding loss recovery component RM'000	Present value of future cash flows RM'000	Risk adjustment for non- financial risk RM'000	
<b>Family Takaful Fund/Company</b>					
Retakaful certificate assets as at 1 January		133,975	169,759	1,515	305,249
<b>Allocation of retakaful contributions:</b>					
Amounts relating to the changes in assets for remaining coverage	20	(86,179)	-	-	(86,179)
<b>Amounts recoverable from retakaful operators:</b>					
Amounts recoverable for incurred claims and other expenses		-	115,020	1,862	116,882
Changes that relate to past services - adjustment to AIC		-	(7,254)	(1,532)	(8,786)
	20	-	107,766	330	108,096
<b>Net (expenses)/income from retakaful certificates held</b>	20	(86,179)	107,766	330	21,917
Finance income from retakaful certificates held	28	(21,920)	-	-	(21,920)
Effect of changes in non-performance risk of retakaful operators	28	-	2	-	2
<b>Total amount recognised in profit or loss</b>		(108,099)	107,768	330	(1)
<b>Cash flows</b>					
Contributions paid		240,970	-	-	240,970
Recoveries from retakaful		-	(156,169)	-	(156,169)
<b>Total cash flows</b>		240,970	(156,169)	-	84,801
Other movements	(i)	-	(13,018)	-	(13,018)
<b>Net balance as at end of the year</b>		266,846	108,340	1,845	377,031
<b>Retakaful certificate assets as at 31 December</b>		266,846	108,340	1,845	377,031

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9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

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

The roll-forward of the net asset and liability for retakaful certificates held showing ARC and AIC arising from business ceded to retakaful operators is disclosed in the table below (contd.):

2024

Family Takaful Fund/Company	Note	AIC			Total RM'000
		ARC Excluding loss recovery component RM'000	Present value of future cash flows RM'000	Risk adjustment for non- financial risk RM'000	
Retakaful certificate assets as at 1 January		147,671	125,760	1,430	274,861
<b>Allocation of retakaful contributions:</b>					
Amounts relating to the changes in assets for remaining coverage	20	(59,951)	-	-	(59,951)
<b>Amounts recoverable from retakaful operators:</b>					
Amounts recoverable for incurred claims and other expenses		-	69,480	1,532	71,012
Changes that relate to past services - adjustment to AIC		-	(12,385)	(1,447)	(13,832)
	20	-	57,095	85	57,180
<b>Net (expenses)/income from retakaful certificates held</b>	20	(59,951)	57,095	85	(2,771)
Finance income from retakaful certificates held	28	2,765	-	-	2,765
Effect of changes in non-performance risk of retakaful operators	28	-	5	-	5
<b>Total amount recognised in profit or loss</b>		(57,186)	57,100	85	(1)
<b>Cash flows</b>					
Contributions paid		43,490	-	-	43,490
Recoveries from retakaful		-	(27,110)	-	(27,110)
<b>Total cash flows</b>		43,490	(27,110)	-	16,380
Other movements	(i)	-	14,009	-	14,009
<b>Net balance as at end of the year</b>		133,975	169,759	1,515	305,249
<b>Represented by:</b>					
<b>Retakaful certificate assets as at 31 December</b>		133,975	169,759	1,515	305,249

**Note:**

(i) Other movements relates to movement of retakaful unallocated surplus during the financial year.

9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

b. Analysis showing estimates of present value of future cash flows and risk adjustment for retakaful certificates held not measured at PAA.

The roll-forward of retakaful certificate assets and liabilities showing estimates of the present value of future cash flows and risk adjustment are shown below:

2025

	Note	Estimate of the present value of future cash flows RM'000	Risk adjustment for non- financial risks RM'000	Total RM'000
<b>Family Takaful Fund/Company</b>				
Retakaful certificate assets as at 1 January		303,734	1,515	305,249
<b>Changes that relate to current services</b>				
Experience adjustments		28,841	1,862	30,703
<b>Changes that relate to past services</b>				
Changes in amount recoverable arising from changes in liability for incurred claims		(7,254)	(1,532)	(8,786)
<b>Takaful service results</b>	20	21,587	330	21,917
Finance income from retakaful certificates held	28	(21,920)	-	(21,920)
Effect of changes in non-performance risk of retakaful operators	28	2	-	2
<b>Total amount recognised in profit or loss</b>		(331)	330	(1)
<b>Cash flows</b>				
Contributions paid		240,970	-	240,970
Recoveries from retakaful		(156,169)	-	(156,169)
<b>Total cash flows</b>		84,801	-	84,801
Other movements	(i)	(13,018)	-	(13,018)
<b>Net balance as at end of the financial year</b>		375,186	1,845	377,031
<b>Retakaful certificate assets as at 31 December</b>		375,186	1,845	377,031

9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

b. Analysis showing estimates of present value of future cash flows and risk adjustment for retakaful certificates held not measured at PAA. (contd.)

The roll-forward of retakaful certificate assets and liabilities showing estimates of the present value of future cash flows and risk adjustment are shown below (contd.):

2024

	Note	Estimate of the present value of future cash flows RM'000	Risk adjustment for non- financial risks RM'000	Total RM'000
<b>Family Takaful Fund/Company</b>				
Retakaful certificate assets as at 1 January		273,431	1,430	274,861
<b>Changes that relate to current services</b>				
Experience adjustments		9,529	1,532	11,061
<b>Changes that relate to past services</b>				
Changes in amount recoverable arising from changes in liability for incurred claims		(12,385)	(1,447)	(13,832)
<b>Takaful service results</b>	20	(2,856)	85	(2,771)
Finance income from retakaful certificates held	28	2,765	-	2,765
Effect of changes in non-performance risk of retakaful operators	28	5	-	5
<b>Total amount recognised in profit or loss</b>		(86)	85	(1)
<b>Cash flows</b>				
Contributions paid net of ceding commission		43,490	-	43,490
Recoveries from retakaful		(27,110)	-	(27,110)
<b>Total cash flows</b>		16,380	-	16,380
Other movements	(i)	14,009	-	14,009
<b>Net balance as at end of the financial year</b>		303,734	1,515	305,249
<b>Retakaful certificate assets as at 31 December</b>		303,734	1,515	305,249

**Note:**

(i) Other movements relates to movement of retakaful unallocated surplus during the financial year.

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9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

c. Impact of certificates recognised in the financial year

The components of new business for Family retakaful certificates held portfolios is disclosed in the table below:

	2025 RM'000	2024 RM'000
<b>Certificates purchased</b>		
Estimates of the present value of future cash outflows	259,955	282,209
Estimates of the present value of future cash inflows	<u>(259,955)</u>	<u>(282,209)</u>
Cost of retroactive cover on retakaful certificates held at 31 December	<u>-</u>	<u>-</u>

10. TAKAFUL CERTIFICATE LIABILITIES

Composition of Takaful certificates

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

	Family Takaful Fund			Company		
	Asset RM'000	Liability RM'000	Net RM'000	Asset RM'000	Liability RM'000	Net RM'000
<b>2025</b>						
<b><u>Family Takaful certificates issued</u></b>						
Direct :						
Credit	-	7,621,825	7,621,825	-	7,824,886	7,824,886
Non credit	-	3,225,648	3,225,648	-	2,854,142	2,854,142
Annuity	-	641,859	641,859	-	827,266	827,266
Investment Linked Takaful	-	833,527	833,527	-	771,343	771,343
Group Yearly Renewable Term	-	182,524	182,524	-	169,111	169,111
Unallocated Surplus	-	1,862,697	1,862,697	-	1,862,697	1,862,697
Others	-	166,195	166,195	-	166,195	166,195
<b>Total direct</b>	-	<b>14,534,275</b>	<b>14,534,275</b>	-	<b>14,475,640</b>	<b>14,475,640</b>
Of which:						
Measured at PAA	-	182,524	182,524	-	169,112	169,112
Not measured at PAA	-	14,351,751	14,351,751	-	14,306,528	14,306,528
	-	<b>14,534,275</b>	<b>14,534,275</b>	-	<b>14,475,640</b>	<b>14,475,640</b>
<b>2024</b>						
<b><u>Family Takaful certificates issued</u></b>						
Direct :						
Credit	-	7,183,478	7,183,478	-	7,466,254	7,466,254
Non credit	-	3,133,467	3,133,467	-	2,683,383	2,683,383
Annuity	-	655,231	655,231	-	848,928	848,928
Investment Linked Takaful	-	686,696	686,696	-	630,201	630,201
Group Yearly Renewable Term	-	217,456	217,456	-	197,855	197,855
Unallocated Surplus	-	2,248,915	2,248,915	-	2,248,915	2,248,915
Others	-	106,706	106,706	-	106,706	106,706
<b>Total direct</b>	-	<b>14,231,949</b>	<b>14,231,949</b>	-	<b>14,182,242</b>	<b>14,182,242</b>
Of which:						
Measured at PAA	-	217,456	217,456	-	197,854	197,854
Not measured at PAA	-	14,014,493	14,014,493	-	13,984,388	13,984,388
	-	<b>14,231,949</b>	<b>14,231,949</b>	-	<b>14,182,242</b>	<b>14,182,242</b>

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

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

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

2025

	Note	LIC			Total RM'000
		LRC Excluding loss component RM'000	Present value of future cash flows RM'000	Risk adjustments for non- financial risk RM'000	
<b>Family Takaful Fund</b>					
<b>Takaful certificate liabilities as at 1 January</b>		6,062	162,420	48,974	217,456
<b>Takaful Revenue</b>					
Certificates under fair value approach		(38)	-	-	(38)
Certificates under full retrospective approach and new certificates issued during the year	18	(572,620)	-	-	(572,620)
		(572,658)	-	-	(572,658)
<b>Takaful Service Expenses</b>					
Incurred claims and other Takaful service expenses		-	449,729	57,123	506,852
Amortisation of Takaful acquisition cash flows		78,981	-	-	78,981
Changes that relates to past services - adjustment to LIC	19	-	37,897	(49,657)	(11,760)
		78,981	487,626	7,466	574,073
<b>Takaful Service Result</b>		(493,677)	487,626	7,466	1,415
Finance expenses from Takaful certificates issued	27	-	17,295	1,509	18,804
<b>Total amount recognised in profit or loss</b>		(493,677)	504,921	8,975	20,219
<b>Cash Flows</b>					
Contributions received	(i)	552,007	-	-	552,007
Claims and other Takaful service expenses paid		-	(549,991)	-	(549,991)
Takaful acquisition cash flows		(76,096)	-	-	(76,096)
<b>Total cash flows</b>		475,911	(549,991)	-	(74,080)
Other movements	(ii)	-	14,479	-	14,479
Transfer to other liabilities	(iii)	-	4,450	-	4,450
<b>Net balance as at end of the year</b>		(11,704)	136,279	57,949	182,524
<b>Represented by:</b>					
<b>Takaful certificate liabilities as at 31 December</b>		(11,704)	136,279	57,949	182,524

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

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

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

2025

Company	Note	LRC	LIC		Total RM'000
		Excluding loss component RM'000	Present value of future cash flows RM'000	Risk adjustments for non- financial risk RM'000	
<b>Takaful certificate liabilities as at 1 January</b>		(13,190)	162,070	48,974	197,854
<b>Takaful Revenue</b>					
Certificates under fair value approach		(38)	-	-	(38)
Certificates under full retrospective approach and new certificates issued during the year	18	(572,620)	-	-	(572,620)
		<u>(572,658)</u>	<u>-</u>	<u>-</u>	<u>(572,658)</u>
<b>Takaful Service Expenses</b>					
Incurred claims and other Takaful service expenses		-	470,770	57,123	527,893
Amortisation of Takaful acquisition cash flows		62,342	-	-	62,342
Changes that relates to past services - adjustment to LIC	19	-	37,897	(49,657)	(11,760)
		<u>62,342</u>	<u>508,667</u>	<u>7,466</u>	<u>578,475</u>
<b>Takaful Service Result</b>		<u>(510,316)</u>	<u>508,667</u>	<u>7,466</u>	<u>5,817</u>
Finance expenses from Takaful certificates issued	27	-	17,295	1,509	18,804
<b>Total amount recognised in profit or loss</b>		<u>(510,316)</u>	<u>525,962</u>	<u>8,975</u>	<u>24,621</u>
<b>Cash Flows</b>					
Contributions received	(i)	552,007	-	-	552,007
Claims and other Takaful service expenses paid		-	(561,467)	-	(561,467)
Takaful acquisition cash flows		(62,832)	-	-	(62,832)
<b>Total cash flows</b>		<u>489,175</u>	<u>(561,467)</u>	<u>-</u>	<u>(72,292)</u>
Other movements	(ii)	9,562	4,917	-	14,479
Transfer to other liabilities	(iii)	(285)	4,735	-	4,450
<b>Net balance as at end of the year</b>		<u>(25,054)</u>	<u>136,217</u>	<u>57,949</u>	<u>169,112</u>
<b>Takaful certificate liabilities as at 31 December</b>		<u>(25,054)</u>	<u>136,217</u>	<u>57,949</u>	<u>169,112</u>

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

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

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

2024

	Note	LRC	LIC		Total RM'000
		Excluding loss component RM'000	Present value of future cash flows RM'000	Risk adjustments for non- financial risk RM'000	
<b>Family Takaful Fund</b>					
<b>Takaful certificate liabilities as at 1 January</b>		(8,930)	109,302	44,593	144,965
<b>Takaful Revenue</b>					
Certificates under fair value approach		(1,846)	-	-	(1,846)
Certificates under full retrospective approach and new certificates issued during the year		(472,497)	-	-	(472,497)
	18	(474,343)	-	-	(474,343)
<b>Takaful Service Expenses</b>					
Incurred claims and other Takaful service expenses		-	417,979	48,315	466,294
Amortisation of Takaful acquisition cash flows		61,092	-	-	61,092
Changes that relates to past services - adjustment to LIC		-	(8,137)	(44,758)	(52,895)
	19	61,092	409,842	3,557	474,491
<b>Takaful Service Result</b>		(413,251)	409,842	3,557	148
Finance expenses from Takaful certificates issued	27	-	25,541	824	26,365
<b>Total amount recognised in profit or loss</b>		(413,251)	435,383	4,381	26,513
<b>Cash Flows</b>					
Contributions received	(i)	495,225	-	-	495,225
Claims and other Takaful service expenses paid		-	(398,936)	-	(398,936)
Takaful acquisition cash flows		(66,982)	-	-	(66,982)
<b>Total cash flows</b>		428,243	(398,936)	-	29,307
Other movements	(ii)	-	20,014	-	20,014
Transfer to other liabilities	(iii)	-	(3,343)	-	(3,343)
<b>Net balance as at end of the year</b>		6,062	162,420	48,974	217,456
<b>Represented by:</b>					
<b>Takaful certificate liabilities as at 31 December</b>		6,062	162,420	48,974	217,456

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

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

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

2024

Company	Note	LRC Excluding loss component RM'000	LIC		Total RM'000
			Present value of cash flows RM'000	Risk adjustments for non- financial risk RM'000	
<b>Takaful certificate liabilities as at 1 January</b>		(56,183)	109,274	44,593	97,684
<b>Takaful Revenue</b>					
Certificates under fair value approach		(1,846)	-	-	(1,846)
Certificates under full retrospective approach and new certificates issued during the year		(472,395)	-	-	(472,395)
	18	(474,241)	-	-	(474,241)
<b>Takaful Service Expenses</b>					
Incurred claims and other Takaful service expenses		-	425,193	48,315	473,508
Amortisation of Takaful acquisition cash flows		71,321	-	-	71,321
Changes that relates to past services - adjustment to LIC		-	(8,137)	(44,758)	(52,895)
	19	71,321	417,056	3,557	491,934
<b>Takaful Service Result</b>		(402,920)	417,056	3,557	17,693
Finance expenses from Takaful certificates issued	27	-	25,541	824	26,365
<b>Total amount recognised in profit or loss</b>		(402,920)	442,597	4,381	44,058
<b>Cash Flows</b>					
Contributions received	(i)	495,330	-	-	495,330
Claims and other Takaful service expenses paid		-	(409,231)	-	(409,231)
Takaful acquisition cash flows		(46,658)	-	-	(46,658)
<b>Total cash flows</b>		448,672	(409,231)	-	39,441
Other movements	(ii)	(2,759)	22,773	-	20,014
Transfer to other liabilities	(iii)	-	(3,343)	-	(3,343)
<b>Net balance as at end of the year</b>		(13,190)	162,070	48,974	197,854
<b>Represented by:</b>					
<b>Takaful certificate liabilities as at 31 December</b>		(13,190)	162,070	48,974	197,854

**Notes:**

- (i) The refunds of contributions have been included in this line.
- (ii) Other movements comprises of FVOCI reserve and unallocated surplus movement during the financial year.
- (iii) Included within the 'Transfer to other liabilities' are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of contribution in the course of collection and withholding tax on amount payables.

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

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

The overview of the movement for net asset or liability for Takaful certificates issued, showing the LRC and the LIC is presented in the table below:

2025

	LRC		
	Excluding loss component	LIC	Total
Note	RM'000	RM'000	RM'000
<b>Family Takaful Fund</b>			
<b>Takaful certificate liabilities as at 1 January</b>			
	10,289,990	3,724,503	14,014,493
<b>Takaful Revenue</b>			
Certificates under modified retrospective approach	(266,035)	-	(266,035)
Certificates under fair value approach	(471,300)	-	(471,300)
Certificates under full retrospective approach and new certificates issued during the year	(458,875)	-	(458,875)
18	<u>(1,196,210)</u>	<u>-</u>	<u>(1,196,210)</u>
<b>Takaful Service Expenses</b>			
Incurred claims and other Takaful service expenses	-	1,057,253	1,057,253
Amortisation of Takaful acquisition cash flows	144,855	-	144,855
Changes that relates to past services - adjustment to LIC	-	(26,480)	(26,480)
19	<u>144,855</u>	<u>1,030,773</u>	<u>1,175,628</u>
Investment components	(951,664)	951,664	-
<b>Takaful Service Result</b>	<u>(2,003,019)</u>	<u>1,982,437</u>	<u>(20,582)</u>
Finance expenses from Takaful certificates issued	736,987	870	737,857
27	<u>(1,266,032)</u>	<u>1,983,307</u>	<u>717,275</u>
<b>Total amount recognised in profit or loss</b>			
<b>Cash Flows</b>			
Contributions received	1,825,942	-	1,825,942
Claims and other Takaful service expenses paid	-	(1,913,101)	(1,913,101)
Takaful acquisition cash flows	(331,219)	-	(331,219)
(i)	<u>1,494,723</u>	<u>(1,913,101)</u>	<u>(418,378)</u>
<b>Total cash flows</b>			
Other movements	404,288	(368,839)	35,449
Transfer to other liabilities	-	2,912	2,912
(ii)	<u>404,288</u>	<u>(368,839)</u>	<u>35,449</u>
(iii)	<u>10,922,969</u>	<u>3,428,782</u>	<u>14,351,751</u>
<b>Net balance as at end of the year</b>			
<b>Represented by:</b>			
<b>Takaful certificate liabilities as at 31 December</b>	<u>10,922,969</u>	<u>3,428,782</u>	<u>14,351,751</u>

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

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

The overview of the movement for net asset or liability for Takaful certificates issued, showing the LRC and the LIC is presented in the table below (contd.):

2025

Company	Note	LRC		LIC RM'000	Total RM'000
		Excluding loss component RM'000	Loss component RM'000		
<b>Takaful certificate liabilities as at 1 January</b>		10,254,467	5,302	3,724,619	13,984,388
<b>Takaful Revenue</b>					
Certificates under modified retrospective approach		(343,327)	-	-	(343,327)
Certificates under fair value approach		(538,402)	-	-	(538,402)
Certificates under full retrospective approach and new certificates issued during the year	18	(466,966)	-	-	(466,966)
		<u>(1,348,695)</u>	<u>-</u>	<u>-</u>	<u>(1,348,695)</u>
<b>Takaful Service Expenses</b>					
Incurred claims and other Takaful service expenses		-	(1,800)	720,026	718,226
Amortisation of Takaful acquisition cash flows		96,487	-	-	96,487
Changes that relates to past services - adjustment to LIC		-	-	(26,480)	(26,480)
Losses and reversal of losses on onerous certificates		119	9,171	-	9,290
	19	<u>96,606</u>	<u>7,371</u>	<u>693,546</u>	<u>797,523</u>
Investment components		(951,664)	-	951,664	-
<b>Takaful Service Result</b>		<u>(2,203,753)</u>	<u>7,371</u>	<u>1,645,210</u>	<u>(551,172)</u>
Finance expenses from Takaful certificates issued	27	870,381	-	869	871,250
<b>Total amount recognised in profit or loss</b>		<u>(1,333,372)</u>	<u>7,371</u>	<u>1,646,079</u>	<u>320,078</u>
<b>Cash Flows</b>					
Contributions received	(i)	1,823,614	-	-	1,823,614
Claims and other Takaful service expenses paid		-	-	(1,605,399)	(1,605,399)
Takaful acquisition cash flows		(254,514)	-	-	(254,514)
<b>Total cash flows</b>		<u>1,569,100</u>	<u>-</u>	<u>(1,605,399)</u>	<u>(36,299)</u>
Other movements	(ii)	374,743	-	(339,294)	35,449
Transfer to other liabilities	(iii)	-	-	2,912	2,912
<b>Net balance as at end of the year</b>		<u>10,864,938</u>	<u>12,673</u>	<u>3,428,917</u>	<u>14,306,528</u>
<b>Represented by:</b>					
<b>Takaful certificate liabilities as at 31 December</b>		<u>10,864,938</u>	<u>12,673</u>	<u>3,428,917</u>	<u>14,306,528</u>

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

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

The overview of the movement for net asset or liability for Takaful certificates issued, showing the LRC and the LIC is presented in the table below (contd.):

2024

	Note	LRC Excluding loss component RM'000	LIC RM'000	Total RM'000
<b>Family Takaful Fund</b>				
<b>Takaful certificate liabilities as at 1 January</b>		9,932,250	3,271,177	13,203,427
<b>Takaful Revenue</b>				
Certificates under modified retrospective approach		(317,577)	-	(317,577)
Certificates under fair value approach		(506,998)	-	(506,998)
Certificates under full retrospective approach and new certificates issued during the year		(350,594)	-	(350,594)
	18	<u>(1,175,169)</u>	<u>-</u>	<u>(1,175,169)</u>
<b>Takaful Service Expenses</b>				
Incurred claims and other Takaful service expenses		-	1,675,138	1,675,138
Amortisation of Takaful acquisition cash flows		124,084	-	124,084
Changes that relates to past services - adjustment to LIC		-	(204,939)	(204,939)
	19	<u>124,084</u>	<u>1,470,199</u>	<u>1,594,283</u>
Investment components		(797,700)	797,700	-
<b>Takaful Service Result</b>		<u>(1,848,785)</u>	<u>2,267,899</u>	<u>419,114</u>
Finance expenses from Takaful certificates issued	27	328,697	630	329,327
<b>Total amount recognised in profit or loss</b>		<u>(1,520,088)</u>	<u>2,268,529</u>	<u>748,441</u>
<b>Cash Flows</b>				
Contributions received	(i)	2,007,787	-	2,007,787
Claims and other Takaful service expenses paid		-	(1,621,224)	(1,621,224)
Takaful acquisition cash flows		(359,457)	-	(359,457)
<b>Total cash flows</b>		<u>1,648,330</u>	<u>(1,621,224)</u>	<u>27,106</u>
Other movements	(ii)	229,498	(176,459)	53,039
Transfer to other liabilities	(iii)	-	(17,520)	(17,520)
<b>Net balance as at end of the year</b>		<u>10,289,990</u>	<u>3,724,503</u>	<u>14,014,493</u>
<b>Represented by:</b>				
<b>Takaful certificate liabilities as at 31 December</b>		<u>10,289,990</u>	<u>3,724,503</u>	<u>14,014,493</u>

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

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

The overview of the movement for net asset or liability for Takaful certificates issued, showing the LRC and the LIC is presented in the table below (contd.):

2024

Company	Note	LRC		LIC RM'000	Total RM'000
		Excluding loss component RM'000	Loss component RM'000		
<b>Takaful certificate liabilities as at 1 January</b>		9,821,658	6,128	3,271,566	13,099,352
<b>Takaful Revenue</b>					
Certificates under modified retrospective approach		(369,599)	-	-	(369,599)
Certificates under fair value approach		(550,053)	-	-	(550,053)
Certificates under full retrospective approach and new certificates issued during the year	18	(301,102)	-	-	(301,102)
		<u>(1,220,754)</u>	<u>-</u>	<u>-</u>	<u>(1,220,754)</u>
<b>Takaful Service Expenses</b>					
Incurred claims and other Takaful service expenses		-	-	1,328,681	1,328,681
Amortisation of Takaful acquisition cash flows		81,113	-	-	81,113
Changes that relates to past services - adjustment to LIC		-	-	(204,939)	(204,939)
Losses and reversal of losses on onerous certificates		191	(826)	-	(635)
	19	<u>81,304</u>	<u>(826)</u>	<u>1,123,742</u>	<u>1,204,220</u>
Investment components		(797,700)	-	797,700	-
<b>Takaful Service Result</b>		<u>(1,937,150)</u>	<u>(826)</u>	<u>1,921,442</u>	<u>(16,534)</u>
Finance expenses from Takaful certificates issued	27	494,206	-	628	494,834
<b>Total amount recognised in profit or loss</b>		<u>(1,442,944)</u>	<u>(826)</u>	<u>1,922,070</u>	<u>478,300</u>
<b>Cash Flows</b>					
Contributions received	(i)	2,491,162	-	-	2,491,162
Claims and other Takaful service expenses paid		-	-	(1,494,590)	(1,494,590)
Takaful acquisition cash flows		(625,355)	-	-	(625,355)
<b>Total cash flows</b>		<u>1,865,807</u>	<u>-</u>	<u>(1,494,590)</u>	<u>371,217</u>
Other movements	(ii)	9,946	-	43,093	53,039
Transfer to other liabilities	(iii)	-	-	(17,520)	(17,520)
<b>Net balance as at end of the year</b>		<u>10,254,467</u>	<u>5,302</u>	<u>3,724,619</u>	<u>13,984,388</u>
<b>Represented by:</b>					
<b>Takaful certificate liabilities as at 31 December</b>		<u>10,254,467</u>	<u>5,302</u>	<u>3,724,619</u>	<u>13,984,388</u>

**Notes:**

- (i) The refunds of contributions have been included in this line.
- (ii) Other movements comprises of FVOCI reserve and unallocated surplus movement during the financial year.
- (iii) Included within the 'Transfer to other liabilities' are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of contribution in the course of collection and withholding tax on amount payables.

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

b. Analysis by measurement component of Takaful certificate not measured at PAA

The table below presents a roll-forward of the net asset or liability showing estimates of the present value of future cash flows, risk adjustment, CSM and the impact of certificates recognised in the financial year of the transition approaches adopted to establishing CSMs for Family Takaful certificates issued.

2025

	Note	Estimate of the present value of future cash flows RM'000	Risk adjustments for non-financial risk RM'000	Total RM'000
<b>Family Takaful Fund</b>				
Takaful certificate liabilities as at 1 January		14,004,812	9,681	14,014,493
<b>Changes that relate to current services</b>				
Experience adjustments		(645)	6,543	5,898
<b>Changes that relate to past services</b>				
Adjustments to liabilities for incurred claims	19	(16,526)	(9,954)	(26,480)
<b>Takaful Service Result</b>				
Finance expenses from Takaful certificates issued	27	737,849	8	737,857
<b>Total amount recognised in profit or loss</b>		<b>720,678</b>	<b>(3,403)</b>	<b>717,275</b>
<b>Cash Flows</b>				
Contributions received		1,825,942	-	1,825,942
Claims and other expenses paid		(1,913,101)	-	(1,913,101)
Takaful acquisition cash flows		(331,219)	-	(331,219)
<b>Total cash flows</b>		<b>(418,378)</b>	<b>-</b>	<b>(418,378)</b>
Other movements		35,449	-	35,449
Transfer to other liabilities	(i)	2,912	-	2,912
<b>Net balance as at end of the year</b>		<b>14,345,473</b>	<b>6,278</b>	<b>14,351,751</b>
<b>Takaful certificate liabilities as at 31 December</b>		<b>14,345,473</b>	<b>6,278</b>	<b>14,351,751</b>

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

b. Analysis by measurement component of Takaful certificate not measured at PAA (contd.)

The table below presents a roll-forward of the net asset or liability showing estimates of the present value of future cash flows, risk adjustment, CSM and the impact of certificates recognised in the financial year of the transition approaches adopted to establishing CSMs for Family Takaful certificates issued. (contd.)

2025

Company	Note	Estimate of the present value of future cash flows RM'000	Risk adjustments for non-financial risk RM'000	Total CSM RM'000	CSM			Total RM'000
					New certificates and certificates measured under the full retrospective approach at transition RM'000	Certificates measured under the modified retrospective approach at transition RM'000	Certificates measured under the fair value approach at transition RM'000	
<b>Takaful certificate liabilities as at 1 January</b>		12,000,714	583,248	1,400,426	677,862	484,680	237,884	13,984,388
<b>Changes that relate to current services</b>								
CSM recognised for services provided	18	-	-	(135,837)	(69,436)	(40,820)	(25,581)	(135,837)
Change in the risk adjustment for non-financial risks	18	-	(56,399)	-	-	-	-	(56,399)
Experience adjustments		(338,999)	6,543	-	-	-	-	(332,456)
<b>Changes that relate to future services</b>								
Certificates initially recognised in the year	10 (c)	(358,712)	159,327	199,385	199,332	-	53	-
Changes in estimate that adjust the CSM		226,124	(67,585)	(158,539)	(38,575)	(14,204)	(105,760)	-
<b>Changes that relate to past services</b>								
Adjustments to liabilities for incurred claims	19	(16,526)	(9,954)	-	-	-	-	(26,480)
<b>Takaful Service Result</b>		<b>(488,113)</b>	<b>31,932</b>	<b>(94,991)</b>	<b>91,321</b>	<b>(55,024)</b>	<b>(131,288)</b>	<b>(551,172)</b>
Finance expenses from Takaful certificates issued	27	871,242	8	-	-	-	-	871,250
<b>Total amount recognised in profit or loss</b>		<b>383,129</b>	<b>31,940</b>	<b>(94,991)</b>	<b>91,321</b>	<b>(55,024)</b>	<b>(131,288)</b>	<b>320,078</b>
<b>Cash Flows</b>								
Contributions received		1,823,614	-	-	-	-	-	1,823,614
Claims and other expenses paid		(1,605,399)	-	-	-	-	-	(1,605,399)
Takaful acquisition cash flows		(254,514)	-	-	-	-	-	(254,514)
<b>Total cash flows</b>		<b>(36,299)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36,299)</b>
Other movements		35,449	-	-	-	-	-	35,449
Transfer to other liabilities	(i)	2,912	-	-	-	-	-	2,912
<b>Net balance as at end of the year</b>		<b>12,385,905</b>	<b>615,188</b>	<b>1,305,435</b>	<b>769,183</b>	<b>429,656</b>	<b>106,596</b>	<b>14,306,528</b>
<b>Takaful certificate liabilities as at 31 December</b>		<b>12,385,905</b>	<b>615,188</b>	<b>1,305,435</b>	<b>769,183</b>	<b>429,656</b>	<b>106,596</b>	<b>14,306,528</b>

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

b. Analysis by measurement component of Takaful certificate not measured at PAA (contd.)

The table below presents a roll-forward of the net asset or liability showing estimates of the present value of future cash flows, risk adjustment, CSM and the impact of certificates recognised in the financial year of the transition approaches adopted to establishing CSMs for Family Takaful certificates issued. (contd.)

2024

	Note	Estimate of the present value of future cash flows RM'000	Risk adjustments for non-financial risk RM'000	Total RM'000
<b>Family Takaful Fund</b>				
Takaful certificate liabilities as at 1 January		13,195,373	8,054	13,203,427
<b>Changes that relate to current services</b>				
Experience adjustments		614,130	9,923	624,053
<b>Changes that relate to past services</b>				
Adjustments to liabilities for incurred claims	19	(196,655)	(8,284)	(204,939)
<b>Takaful Service Result</b>				
		417,475	1,639	419,114
Finance expenses/(income) from Takaful certificates issued	27	329,339	(12)	329,327
<b>Total amount recognised in profit or loss</b>				
		746,814	1,627	748,441
<b>Cash Flows</b>				
Contributions received		2,007,787	-	2,007,787
Claims and other expenses paid		(1,621,224)	-	(1,621,224)
Takaful acquisition cash flows		(359,457)	-	(359,457)
<b>Total cash flows</b>				
		27,106	-	27,106
Other movements		53,039	-	53,039
Transfer to other liabilities	(i)	(17,520)	-	(17,520)
<b>Net balance as at end of the financial year</b>				
		14,004,812	9,681	14,014,493
<b>Takaful certificate liabilities as at 31 December</b>				
		14,004,812	9,681	14,014,493

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

b. Analysis by measurement component of Takaful certificate not measured at PAA (contd.)

The table below presents a roll-forward of the net asset or liability showing estimates of the present value of future cash flows, risk adjustment, CSM and the impact of certificates recognised in the financial year of the transition approaches adopted to establishing CSMs for Family Takaful certificates issued. (contd.)

2024

Company	Note	Estimate of the present value of future cash flows RM'000	Risk adjustments for non-financial risk RM'000	Total CSM RM'000	CSM			Total RM'000
					New certificates and certificates measured under the full retrospective approach at transition RM'000	Certificates measured under the modified retrospective approach at transition RM'000	Certificates measured under the fair value approach at transition RM'000	
<b>Takaful certificate liabilities as at 1 January</b>		11,180,285	574,521	1,344,546	444,248	597,904	302,394	13,099,352
<b>Changes that relate to current services</b>								
CSM recognised for services provided	18	-	-	(140,302)	(53,341)	(47,510)	(39,451)	(140,302)
Change in the risk adjustment for non-financial risks	18	-	(56,157)	-	-	-	-	(56,157)
Experience adjustments		374,941	9,923	-	-	-	-	384,864
<b>Changes that relate to future services</b>								
Certificates initially recognised in the year	10 (c)	(388,280)	166,914	221,366	221,627	-	(261)	-
Changes in estimate that adjust the CSM		128,841	(103,657)	(25,184)	65,328	(65,714)	(24,798)	-
<b>Changes that relate to past services</b>								
Adjustments to liabilities for incurred claims	19	(196,655)	(8,284)	-	-	-	-	(204,939)
<b>Takaful Service Result</b>		(81,153)	8,739	55,880	233,614	(113,224)	(64,510)	(16,534)
Finance expenses/(income) from Takaful certificates issued	27	494,846	(12)	-	-	-	-	494,834
<b>Total amount recognised in profit or loss</b>		413,693	8,727	55,880	233,614	(113,224)	(64,510)	478,300
<b>Cash Flows</b>								
Contributions received		2,491,162	-	-	-	-	-	2,491,162
Claims and other expenses paid		(1,494,590)	-	-	-	-	-	(1,494,590)
Takaful acquisition cash flows		(625,355)	-	-	-	-	-	(625,355)
<b>Total cash flows</b>		371,217	-	-	-	-	-	371,217
Other movements		53,039	-	-	-	-	-	53,039
Transfer to other liabilities	(i)	(17,520)	-	-	-	-	-	(17,520)
<b>Net balance as at end of the year</b>		12,000,714	583,248	1,400,426	677,862	484,680	237,884	13,984,388
<b>Takaful certificate liabilities as at 31 December</b>		12,000,714	583,248	1,400,426	677,862	484,680	237,884	13,984,388

**Notes:**

(i) Included within the 'Transfer to other liabilities' are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of contribution in the course of collection and withholding tax on amount payables.

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

c. Impact of certificates recognised in the financial year

The components of new business for Family Takaful certificates issued is disclosed in the table below:

	Certificates issued Non-onerous / Total	
	Family Takaful Fund RM'000	Company RM'000
<b>2025</b>		
Estimates of present value of future cash inflows	(3,072,430)	(2,080,311)
Estimate of present value of future cash outflows:	3,072,430	1,721,599
Benefits payable and other expenses	2,738,427	1,487,398
Takaful acquisition cash flows	334,003	234,201
Risk adjustment for non-financial risks	-	159,327
CSM	-	199,385
<b>Losses on onerous certificates at initial recognition</b>	<b>-</b>	<b>-</b>
<b>2024</b>		
Estimates of present value of future cash inflows	(3,350,833)	(2,229,207)
Estimate of present value of future cash outflows:	3,350,833	1,840,927
Benefits payable and other expenses	2,993,904	1,592,675
Takaful acquisition cash flows	356,929	248,252
Risk adjustment for non-financial risks	-	166,914
CSM	-	221,366
<b>Losses on onerous certificates at initial recognition</b>	<b>-</b>	<b>-</b>

d. Expected release of CSM

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

	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	5 - 10 years RM'000	More than 10 years RM'000	Total RM'000
<b>2025</b>								
<b>Takaful certificates issued</b>	122,010	109,513	99,241	89,880	81,524	312,692	490,575	1,305,435
<b>2024</b>								
<b>Takaful certificates issued</b>	135,052	122,731	110,750	99,849	89,884	336,413	505,747	1,400,426

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**11. OTHER ASSETS**

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
Sundry receivables, deposits and prepayments	18,924	33,629
Allowance for impairment losses (Note 43)	(507)	(2,989)
	<u>18,417</u>	<u>30,640</u>
Income and profit due and accrued*	147,649	178,589
Amount due from related companies** (Note 40(ii))	-	3,709
Amount due from stockbrokers	5,351	6,859
	<u>153,000</u>	<u>189,157</u>
<b>Total other assets</b>	<u>171,417</u>	<u>219,797</u>
<b>2024</b>		
Sundry receivables, deposits and prepayments	13,943	32,623
Allowance for impairment losses (Note 43)	(507)	(2,990)
	<u>13,436</u>	<u>29,633</u>
Income and profit due and accrued*	155,455	185,760
Amount due from related companies** (Note 40(ii))	-	1,195
Amount due from stockbrokers	46,083	47,315
	<u>201,538</u>	<u>234,270</u>
<b>Total other assets</b>	<u>214,974</u>	<u>263,903</u>

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

\*\* Amount due from related companies is non-trade in nature, unsecured, not subject to any profit elements and is repayable in the short-term.

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

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**12. CURRENT TAX ASSETS**

**Company**

<b>2025</b>	<b>RM'000</b>
At 1 January 2025	43,040
Reversal during the year:	
YA 2015	(1,478)
At 31 December 2025	<u>41,562</u>
<b>2024</b>	<b>RM'000</b>
At 1 January 2024	79,295
Reversal during the year:	
YA 2011	(8,886)
YA 2012	(16,338)
YA 2013	(11,031)
At 31 December 2024	<u>43,040</u>

The Inland Revenue Board of Malaysia ("IRBM") had in previous financial years, raised additional assessments to the Company for Years of Assessment ("YA") 2008 to 2015, totalling RM79,294,509.

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

The specific issues raised and corresponding additional tax assessments issued are as summarised below:

- (a) For YA2008 to YA2013, the additional assessments, amounting to RM75,695,975, mainly related to the deductibility of commission expenses incurred by the Shareholder's fund ("SHF") in connection with the business of the then General Takaful Fund ("GTF").

In respect to the Company's appeal, both the SCIT and the High Court rejected the Company's appeal on 19 February 2021 and 14 September 2022, respectively. Following these unfavorable judgments, Etiqa filed an appeal with the Court of Appeal. After a hearing on 24 July 2024, the Court of Appeal, on 28 November 2024, deliberated that the Inland Revenue Board of Malaysia ("IRBM") did not have the merit to impose an additional assessment on Etiqa for the Years of Assessment ("YA") 2008, 2009, and 2014. However, for YA2011, YA2012, and YA2013, the court ruled in favor of the IRBM, and Etiqa's appeal was disallowed, resulting in a total reversal of RM36,254,504 in the year 2024 for YA2011, YA2012 and YA2013. The court has also deliberated that the penalty imposed by IRBM is incorrect hence the additional penalty imposed is to be refunded to Etiqa. IRBM has not issued any JR form for the year 2008, 2009 until 2014 and the penalty hence the remaining amount RM39,441,471 is still due from IRBM.

**12. CURRENT TAX ASSETS (CONTD.)**

The specific issues raised and corresponding additional tax assessments issued are as summarised below (contd.):

- (b) For YA2014 to YA2015, the additional assessments, amounting to RM3,598,534, mainly related to deeming surplus earned on retakaful ceded and processing fee income for the Family Takaful fund's business as incidental income of the Company under Section 60AA(13) of the Income Tax Act, 1967.

Based on the Ministry of Finance ("MOF")'s letter dated 25 February 2022, the MOF has agreed that the retakaful discount/experience refund is an amount received directly in relation to the retakaful ceded under the Family Takaful Fund. In view of the above, the retakaful discount/experience refund should not be regarded as other income under Section 60AA(13) of the ITA and hence is not subject to tax. The MOF has deemed that these issues have been resolved. The same letter was copied to Malaysian Takaful Association ("MTA"). On the 26 May 2025, IRBM issued a Notice of Reduced Assessment ("JR") amounting RM1,478,321 tax discharged for YA2015 in relation to the retakaful discount/experience refund however IRBM have not credited the refund to EFTB. IRBM has not issue any JR form for the remaining RM2,120,213 and the total RM3,598,534 is due from IRBM to the company.

Based on legal advice, the Company is of the view that it has strong justifications for the appeals and continues to treat the additional assessments paid as current tax assets in the financial statements. The current tax assets reflects the current position after the Form JR issued by IRBM dated 26 May 2025.

**13. SHARE CAPITAL**

<b>Company</b>	<b>No. of shares Units '000</b>	<b>Amount RM'000</b>
<b>Issued and fully paid, at no par value</b>		
<u>Ordinary shares</u>		
<b>2025</b>		
At 1 January/31 December	100,000	100,000
<b>2024</b>		
At 1 January/31 December	100,000	100,000

**14. RESERVES**

<b>Company</b>	<b>Note</b>	<b>2025 RM'000</b>	<b>2024 RM'000</b>
<b>Non-distributable:</b>			
FVOCI reserve	(i)	251,668	206,913
Takaful finance reserve	(ii)	(220,615)	(188,894)
<b>Distributable:</b>			
Retained profits	(iii)	2,860,855	2,588,739
<b>Total reserves</b>		<u>2,891,908</u>	<u>2,606,758</u>

- (i) The FVOCI reserve arose from changes in the fair value of investments classified as financial assets at FVOCI.
- (ii) The Takaful Finance Reserve represents cumulative OCI and measurement effects attributable to the Participants' Risk Fund and Participants' Investment Fund. These amounts are not distributable to shareholders. On disposal of FVOCI instruments that back the participants' funds, cumulative OCI is transferred to this reserve in accordance with the Company's policy and IFSA segregation requirements.
- (iii) The entire distributable retained profits may be distributed to the shareholder under the single-tier system.

**15. DEFERRED TAXATION**

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

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

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>Deferred tax (liabilities)/assets</b>		
<b>2025</b>		
At 1 January	(38,624)	56,893
Recognised in:		
Profit or loss		
Tax expense attributable to participants (Note 33)	(5,793)	(5,793)
Taxation (Note 34)	-	(932)
Other comprehensive income (Note 34)	(2,235)	(6,351)
At 31 December	<u>(46,652)</u>	<u>43,817</u>
<b>2024</b>		
At 1 January	(25,809)	26,224
Recognised in:		
Profit or loss		
Tax expense attributable to participants (Note 33)	(7,804)	(7,804)
Taxation (Note 34)	-	47,699
Other comprehensive income (Note 34)	(5,011)	(9,226)
At 31 December	<u>(38,624)</u>	<u>56,893</u>

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**15. DEFERRED TAXATION (CONTD.)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax assets/(liabilities) of the Family Takaful fund shown in the statement of financial position has been determined after appropriate offsetting as follows:

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Family Takaful Fund</b>		
Deferred tax assets	6,626	6,329
Deferred tax liabilities	(53,278)	(44,953)
	<u>(46,652)</u>	<u>(38,624)</u>

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

**(i) Deferred tax assets**

	<b>Net amortisation of premiums on investments RM'000</b>	<b>Impairment of FVOCI financial assets RM'000</b>	<b>Unrealised currency exchange RM'000</b>	<b>Total RM'000</b>
<b>2025</b>				
At 1 January	6,211	118	-	6,329
Recognised in:				
Profit or loss				
Tax credit attributable to participants	245	4	48	297
At 31 December	<u>6,456</u>	<u>122</u>	<u>48</u>	<u>6,626</u>
<b>2024</b>				
At 1 January	5,638	146	-	5,784
Recognised in:				
Profit or loss				
Tax credit/(expense) attributable to participants	573	(28)	-	545
At 31 December	<u>6,211</u>	<u>118</u>	<u>-</u>	<u>6,329</u>

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**15. DEFERRED TAXATION (CONTD.)**

**Family Takaful Fund (contd.)**

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

**(ii) Deferred tax liabilities**

	<b>FVOCI reserve RM'000</b>	<b>Fair value adjustment RM'000</b>	<b>Unrealised currency exchange RM'000</b>	<b>Total RM'000</b>
<b>2025</b>				
At 1 January	(15,020)	(29,931)	(2)	(44,953)
Recognised in:				
Profit or loss				
Tax (expense)/credit attributable to participants	-	(6,092)	2	(6,090)
Other comprehensive income (Note 34)	(2,235)	-	-	(2,235)
At 31 December	<u>(17,255)</u>	<u>(36,023)</u>	<u>-</u>	<u>(53,278)</u>
<b>2024</b>				
At 1 January	(10,009)	(21,578)	(6)	(31,593)
Recognised in:				
Profit or loss				
Tax (expense)/credit attributable to participants	-	(8,353)	4	(8,349)
Other comprehensive income (Note 34)	(5,011)	-	-	(5,011)
At 31 December	<u>(15,020)</u>	<u>(29,931)</u>	<u>(2)</u>	<u>(44,953)</u>

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**15. DEFERRED TAXATION (CONTD.)**

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

	<b>2025</b>	<b>2024</b>
<b>Company</b>	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	121,856	117,295
Deferred tax liabilities	(78,039)	(60,402)
	<u>43,817</u>	<u>56,893</u>

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

**(i) Deferred tax assets**

	<b>Unrealised currency exchange RM'000</b>	<b>Accelerated capital allowance RM'000</b>	<b>Others RM'000</b>	<b>Provision for bonus RM'000</b>	<b>Impairment of FVOCI financial assets RM'000</b>	<b>Net amortisation of premiums on investments RM'000</b>	<b>Takaful certificate liabilities RM'000</b>	<b>Lease liabilities RM'000</b>	<b>Total RM'000</b>
<b>2025</b>									
At 1 January	-	2,881	1,041	5,704	225	11,711	95,719	14	117,295
Recognised in:									
Profit or loss									
Tax credit attributable to participants	48	-	-	-	4	245	-	-	297
Taxation	22	3,176	19	5,953	19	667	(5,592)	-	4,264
At 31 December	<u>70</u>	<u>6,057</u>	<u>1,060</u>	<u>11,657</u>	<u>248</u>	<u>12,623</u>	<u>90,127</u>	<u>14</u>	<u>121,856</u>

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**15. DEFERRED TAXATION (CONTD.)**

**Company (contd.)**

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

**(i) Deferred tax assets (contd.)**

	<b>Accelerated capital allowance</b>	<b>Others</b>	<b>Provision for bonus</b>	<b>Impairment of FVOCI financial assets</b>	<b>Net amortisation of premiums on investments</b>	<b>Takaful certificate liabilities</b>	<b>Lease liabilities</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2024</b>								
At 1 January	2,697	1,042	3,532	312	10,686	51,065	13	69,347
Recognised in:								
Profit or loss								
Taxation	184	(1)	2,172	(59)	452	44,654	1	47,403
Tax (expense)/credit attributable to participants	-	-	-	(28)	573	-	-	545
At 31 December	<u>2,881</u>	<u>1,041</u>	<u>5,704</u>	<u>225</u>	<u>11,711</u>	<u>95,719</u>	<u>14</u>	<u>117,295</u>

15. DEFERRED TAXATION (CONTD.)

Company (contd.)

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

(ii) Deferred tax liabilities

	FVOCI reserve RM'000	Fair value adjustment RM'000	Unrealised currency exchange RM'000	Total RM'000
<b>2025</b>				
At 1 January	(20,711)	(39,684)	(7)	(60,402)
Recognised in:				
Profit or loss				
Taxation	-	(5,201)	5	(5,196)
Tax (expense)/credit attributable to participants	-	(6,092)	2	(6,090)
Other comprehensive income (Note 34)	(6,351)	-	-	(6,351)
At 31 December	<u>(27,062)</u>	<u>(50,977)</u>	<u>-</u>	<u>(78,039)</u>
<b>2024</b>				
At 1 January	(11,485)	(31,624)	(14)	(43,123)
Recognised in:				
Profit or loss				
Taxation	-	293	3	296
Tax (expense)/credit attributable to participants	-	(8,353)	4	(8,349)
Other comprehensive income (Note 34)	(9,226)	-	-	(9,226)
At 31 December	<u>(20,711)</u>	<u>(39,684)</u>	<u>(7)</u>	<u>(60,402)</u>

**16. OTHER LIABILITIES**

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
Proposal deposits	4,972	4,972
Lease liabilities (Note 4)	-	320
Provision for restoration/dismantling costs	-	76
Amount due to Shareholder's fund*	36,735	-
Unclaimed monies	428,061	428,079
Service tax payable	18,186	18,149
Amount due to related companies* (Note 40(ii)):		
- ultimate holding company	-	4,429
- immediate and penultimate holding companies	-	13,973
- other related companies	274	1,439
Amount due to stockbrokers	23,551	31,599
Zakat payable	-	23,618
Provision for expenses	-	31,415
Sundry payables and accrued liabilities**	119,486	157,035
Other components of Takaful certificate liabilities***	60,030	60,030
<b>Total other liabilities</b>	<b>691,295</b>	<b>775,134</b>
<b>2024</b>		
Proposal deposits	5,243	5,243
Lease liabilities (Note 4)	-	510
Provision for restoration/dismantling costs	-	76
Amount due to Shareholder's fund*	22,719	-
Unclaimed monies	106,285	106,307
Service tax payable	13,548	13,548
Amount due to related companies* (Note 40(ii)):		
- ultimate holding company	-	10,016
- immediate and penultimate holding companies	-	5,174
- other related companies	247	1,524
Amount due to stockbrokers	13,322	13,322
Zakat payable	-	16,613
Provision for expenses	-	24,665
Sundry payables and accrued liabilities**	87,079	118,951
Other components of Takaful certificate liabilities***	67,392	67,392
<b>Total other liabilities</b>	<b>315,835</b>	<b>383,341</b>

\* Amounts due to ultimate holding company, penultimate holding company, immediate holding company, other related companies and Shareholder's fund are non-trade in nature, unsecured, not subject to any profit elements and are repayable in the short term.

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

\*\*\* Included within other components of takaful certificate liabilities are amounts due to intermediaries for commissions on contributions in the course of collection and withholding taxes on outstanding payables.

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.

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**17. DERIVATIVES**

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

	<-----2025----->			<-----2024----->		
	Principal/ Notional Amount RM'000	Asset RM'000 (A)	Liability RM'000 (B)	Principal/ Notional Amount RM'000	Asset RM'000 (A)	Liability RM'000 (B)
<b>Family Takaful Fund</b>						
<b>Hedging derivative:</b>						
Forward foreign exchange contract (Note 37)	107,076	3,835	-	73,336	1	605
Cross currency swap ("CCS")	8,166	44	-	-	-	-
<b>Total derivative</b>		<u>3,879</u>	<u>-</u>		<u>1</u>	<u>605</u>
<b>Company</b>						
<b>Hedging derivative:</b>						
Forward foreign exchange contract (Note 37)	109,949	3,979	-	73,336	1	605
Cross currency swap ("CCS")	8,166	44	-	-	-	-
<b>Total derivative</b>		<u>4,023</u>	<u>-</u>		<u>1</u>	<u>605</u>

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## **17. DERIVATIVES (CONTD.)**

The fair value of the derivative at the end of the previous financial year was derived based on valuation techniques from market observable inputs and were revalued at the reporting date based on valuations provided by the respective counterparties. An analysis of the fair value measurement bases used in the determination of the fair values of the derivative are further disclosed in Note 47.

### Hedging derivative:

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

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 profit rates, foreign currency rates or equity indices. The Company uses swap contracts to hedge the principal amount invested in foreign debt securities denominated in USD which will be settled at a specified contract rate on the maturity date of the contract.

**18. TAKAFUL REVENUE**

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

	Note	2025		2024	
		Family	Company	Family	Company
		Takaful Fund	Company	Takaful Fund	Company
		RM'000	RM'000	RM'000	RM'000
<b>Certificates not measured under the PAA</b>					
Amounts relating to changes in the liability for remaining coverage					
- Expected claims and Takaful service expenses incurred in the year	(i)	1,051,354	853,017	1,051,085	855,311
- Change in the risk adjustment for non-financial risks	10(b), (ii)	-	56,399	-	56,157
- Amount of CSM recognised in profit or loss	10(b), (iii)	-	135,837	-	140,302
Amounts relating to recovery of Takaful acquisition cash flows					
	(iv)	144,856	96,487	124,084	81,113
Experience adjustments					
		-	206,955	-	87,871
<b>Takaful revenue from certificates not measured under the PAA</b>	10(a)	<u>1,196,210</u>	<u>1,348,695</u>	<u>1,175,169</u>	<u>1,220,754</u>
<b>Takaful revenue from certificates measured under the PAA</b>	10(a)	572,658	572,658	474,343	474,241
<b>Total Takaful revenue</b>		<u>1,768,868</u>	<u>1,921,353</u>	<u>1,649,512</u>	<u>1,694,995</u>

**Notes:**

- (i) Expected Takaful service expenses incurred in the year comprises of claims and other expenses which the Company expects to pay on covered events that occurred during the year. Refer to Note 2.2(ix)(f) for the full list of the cash flows included.
- (ii) Change in risk adjustment shows amount of risk which expired during the year. Refer to Note 2.1(d)(iii) for the details of accounting policy.
- (iii) The CSM is recognised in profit or loss over the coverage period of the corresponding group of certificates based on the established coverage units. Refer to Note 2.2(ix)(f).
- (iv) Acquisition cash flows are allocated on a straight-line basis over the coverage period of the groups of certificates. Refer to Note 2.2(ix)(f) for the details of accounting policy.

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**19. TAKAFUL SERVICE EXPENSES**

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

	Note	PAA		Non-PAA		Total	
		Family		Family		Family	
		Takaful Fund	Company	Takaful Fund	Company	Takaful Fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Incurring claims and other directly attributable expenses		535,960	557,001	629,550	733,372	1,165,510	1,290,373
Incurred claims		535,761	535,761	564,622	562,822	1,100,383	1,098,583
Incurred maintenance expenses		199	21,240	20,386	158,732	20,585	179,972
Others		-	-	44,542	11,818	44,542	11,818
Incurred wakalah fees	(i)	-	-	109,433	-	109,433	-
Incurred surplus to Shareholder's Fund	(ii)	-	-	333,416	-	333,416	-
Incurred surplus to participants	(ii)	-	-	333,611	333,611	333,611	333,611
Incurred unallocated surplus		(29,108)	(29,108)	(348,757)	(348,757)	(377,865)	(377,865)
Amortisation of acquisition cash flows	(iii)	78,981	62,342	144,855	96,487	223,836	158,829
Losses on onerous certificates and reversal of losses on onerous certificates		-	-	-	9,290	-	9,290
Changes that relate to the past service - adjustment to the LIC	10(a), 10(b)	(11,760)	(11,760)	(26,480)	(26,480)	(38,240)	(38,240)
<b>Total Takaful service expenses</b>	10(a)	<b>574,073</b>	<b>578,475</b>	<b>1,175,628</b>	<b>797,523</b>	<b>1,749,701</b>	<b>1,375,998</b>

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**19. TAKAFUL SERVICE EXPENSES (CONTD.)**

The table below presents an analysis of the total Takaful service expenses recognised in the financial year (contd.):

	Note	PAA		Non-PAA		Total	
		Family		Family		Family	
		Takaful Fund	Company	Takaful Fund	Company	Takaful Fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Incurred claims and other directly attributable expenses		490,819	507,595	714,256	822,562	1,205,075	1,330,157
Incurred claims		490,500	490,500	583,936	583,936	1,074,436	1,074,436
Incurred maintenance expenses		319	17,095	26,214	157,450	26,533	174,545
Others		-	-	104,106	81,176	104,106	81,176
Incurred wakalah fees	(i)	-	-	93,470	-	93,470	-
Incurred surplus to Shareholder's Fund	(ii)	9,562	-	361,293	-	370,855	-
Incurred surplus to participants	(ii)	9,562	9,562	386,785	386,785	396,347	396,347
Incurred unallocated surplus		(43,649)	(43,649)	119,334	119,334	75,685	75,685
Amortisation of acquisition cash flows	(i), (iii)	61,092	71,321	124,084	81,113	185,176	152,434
Losses on onerous certificates and reversal of losses on onerous certificates		-	-	-	(635)	-	(635)
Changes that relate to the past service - adjustment to the LIC	10(a), 10(b)	(52,895)	(52,895)	(204,939)	(204,939)	(257,834)	(257,834)
<b>Total Takaful service expenses</b>	10(a)	<b>474,491</b>	<b>491,934</b>	<b>1,594,283</b>	<b>1,204,220</b>	<b>2,068,774</b>	<b>1,696,154</b>

**Notes:**

- (i) The wakalah fees paid to the Shareholder's Fund during the financial year is RM185,530,000 (2024: RM160,452,000).
- (ii) The surplus paid to the Shareholder's fund and certificate holder during the financial year were RM370,855,000 (2024: RM289,385,000) and RM469,465,000 (2024: RM214,613,000) respectively.
- (iii) Takaful acquisition cash flows were allocated on a straight-line basis during the coverage period of the respective group of certificates. Please see extracts from accounting policy for details on Note 2.2(ix)(f).

**20. NET INCOME/(EXPENSES) FROM RETAKAFUL CERTIFICATES HELD**

The analysis of the net (expenses)/income from retakaful certificates held recognised in the financial year is as disclosed in the table below:

	Note	2025			2024		
		PAA RM'000	Non-PAA RM'000	Total RM'000	PAA RM'000	Non-PAA RM'000	Total RM'000
<b>Family Takaful Fund/Company</b>							
<b>Amounts relating to the changes in the assets for remaining coverage</b>							
Expected recovery for Takaful service expenses incurred in the financial year	(i)	-	(86,179)	(86,179)	-	(59,951)	(59,951)
Net cost recognised in profit or loss		(36,385)	-	(36,385)	(27,761)	-	(27,761)
<b>Allocation of retakaful contributions</b>	9(a)	<u>(36,385)</u>	<u>(86,179)</u>	<u>(122,564)</u>	<u>(27,761)</u>	<u>(59,951)</u>	<u>(87,712)</u>
<b>Amounts recoverable for incurred claims and other expenses</b>							
Amounts recoverable for claims and other expenses incurred in the financial year		31,808	103,864	135,672	26,290	85,021	111,311
Incurred unallocated surplus		2,111	13,018	15,129	4,247	(14,009)	(9,762)
Changes that relate to past services - adjustment to AIC		2,466	(8,786)	(6,320)	(2,776)	(13,832)	(16,608)
<b>Amounts recoverable from retakaful operators</b>	9(a)	<u>36,385</u>	<u>108,096</u>	<u>144,481</u>	<u>27,761</u>	<u>57,180</u>	<u>84,941</u>
<b>Total net income/(expenses) from retakaful certificates held</b>	9(a), 9(b)	<u>-</u>	<u>21,917</u>	<u>21,917</u>	<u>-</u>	<u>(2,771)</u>	<u>(2,771)</u>

**Notes:**

- (i) Expected recovery for Takaful service expenses incurred in the year comprise recovery for claims and other expenses which the Family Takaful Fund/Company expects to receive from retakaful operators on covered events occurred during the year.
- (ii) Net cost recognised in profit or loss during the coverage period of the corresponding groups of retakaful certificates held based on established coverage units. Refer to Note 2.2(ix)(f).
- (iii) Change in risk adjustment reflects the amount of risk which has expired during the year.

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**21. PROFIT REVENUE FROM FINANCIAL ASSETS NOT MEASURED AT FVTPL**

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
Profit income		
(i) Financial assets at FVOCI		
Investment		
- Malaysian government papers	9,643	16,533
- Debt securities	236,944	303,169
- NICD	324	324
(ii) Financial assets at AC		
Investment		
- Deposits with financial institutions	35,891	40,428
Financing receivables		
- Staff financing	-	97
- Non-staff financing	-	25
<b>Total profit revenue from financial assets not measured at FVTPL</b>	<b>282,802</b>	<b>360,576</b>
<b>2024</b>		
Profit income		
(i) Financial assets at FVOCI		
Investment		
- Malaysian government papers	13,430	21,239
- Debt securities	237,869	299,519
(ii) Financial assets at AC		
Investment		
- Deposits with financial institutions	40,363	43,666
Financing receivables		
- Staff financing	-	169
- Non-staff financing	-	18
<b>Total profit revenue from financial assets not measured at FVTPL</b>	<b>291,662</b>	<b>364,611</b>

**22. NET FAIR VALUE GAINS ON FINANCIAL ASSETS MEASURED AT FVTPL**

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
Realised gains on financial assets, net	48,143	48,619
Fair value gains/(losses) on investments:		
- Malaysian government papers	9,183	9,183
- Equity securities	(18,467)	(5,502)
- Debt securities	69,796	78,394
- Unit and property trust funds	36,931	36,896
- Structured products	999	999
- Derivatives	4,483	4,627
- NICD	(31)	(31)
Total net fair value gains on investments	<u>102,894</u>	<u>124,566</u>
<b>Total net fair value gains on financial assets measured at FVTPL</b>	<u><b>151,037</b></u>	<u><b>173,185</b></u>
<b>2024</b>		
Realised gains on financial assets, net	69,102	83,686
Fair value gains/(losses) on investments:		
- Malaysian government papers	650	650
- Equity securities	55,604	60,299
- Debt securities	32,427	35,117
- Unit and property trust funds	26,900	26,900
- Structured products	2,316	2,316
- Derivatives	(604)	(604)
Total net fair value gains on investments	<u>117,293</u>	<u>124,678</u>
<b>Total net fair value gains on financial assets measured at FVTPL</b>	<u><b>186,395</b></u>	<u><b>208,364</b></u>

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

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
Fair value gains on:		
Investment		
- Malaysian government papers	3,872	5,373
- Debt securities	24,544	26,871
<b>Total net fair value gains on derecognition of financial assets measured at FVOCI</b>	<b>28,416</b>	<b>32,244</b>
<b>2024</b>		
Fair value gains on:		
Investment		
- Malaysian government papers	5,914	6,207
- Debt securities	4,012	4,379
<b>Total net fair value gains on derecognition of financial assets measured at FVOCI</b>	<b>9,926</b>	<b>10,586</b>

**24. OTHER INVESTMENT INCOME**

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
Dividend/distribution income:		
Equity securities	30,676	36,587
Unit and property trust	324	423
Profit income from financial assets measured at FVTPL:		
Investment	297,396	334,546
Rental income, net	-	59
Net amortisation of premiums	(18,272)	(24,158)
Investment related expenses, net	(4,603)	(5,591)
<b>Total other investment income</b>	<b>305,521</b>	<b>341,866</b>
<b>2024</b>		
Dividend/distribution income:		
Equity securities	25,182	28,311
Profit income from financial assets measured at FVTPL:		
Investment	293,011	331,902
Rental income, net	-	59
Net amortisation of premiums	(18,035)	(23,601)
Investment related expenses, net	(4,031)	(4,897)
Obligations on financial assets sold under repurchase agreements	-	(1)
<b>Total other investment income</b>	<b>296,127</b>	<b>331,773</b>

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

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
(Allowance for)/reversal of impairment losses on:		
- investments	(30)	(110)
- financing receivables	-	3
<b>Total net allowance for impairment losses on financial assets</b>	<u>(30)</u>	<u>(107)</u>
<b>2024</b>		
Reversal of impairment losses on:		
- investments	419	664
- financing receivables	-	7
<b>Total net reversal of impairment losses on financial assets</b>	<u>419</u>	<u>671</u>

**26. NET FOREIGN EXCHANGE LOSSES**

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
Net realised losses	(3,000)	(3,729)
Net unrealised losses	(23,342)	(23,243)
<b>Total net foreign exchange losses</b>	<u>(26,342)</u>	<u>(26,972)</u>
<b>2024</b>		
Net realised losses	(4,171)	(6,272)
Net unrealised losses	(6,635)	(6,800)
<b>Total net foreign exchange losses</b>	<u>(10,806)</u>	<u>(13,072)</u>

27. FINANCE EXPENSES FROM TAKAFUL CERTIFICATES ISSUED

	Note	PAA		Non-PAA		Total	
		Family	Company	Family	Company	Family	Company
		Takaful Fund	Company	Takaful Fund	Company	Takaful Fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2025</b>							
<b>Takaful finance expenses from Takaful certificates issued</b>							
Changes in fair value of underlying assets of Family Takaful Fund		(14,629)	(14,629)	(379,628)	(513,021)	(394,257)	(527,650)
Profit accreted to Takaful certificates using current financial assumptions		(4,078)	(4,078)	(357,974)	(357,974)	(362,052)	(362,052)
Effect of changes in profit rates and other financial assumptions		(97)	(97)	(255)	(255)	(352)	(352)
<b>Takaful finance expenses from Takaful certificates issued</b>	10(a), 10(b)	<b>(18,804)</b>	<b>(18,804)</b>	<b>(737,857)</b>	<b>(871,250)</b>	<b>(756,661)</b>	<b>(890,054)</b>
<b>Represented by:</b>							
Amount recognised in profit or loss		<b>(18,804)</b>	<b>(18,804)</b>	<b>(737,857)</b>	<b>(871,250)</b>	<b>(756,661)</b>	<b>(890,054)</b>
<b>2024</b>							
<b>Takaful finance (expenses)/income from Takaful certificates issued</b>							
Changes in fair value of underlying assets of Family Takaful Fund		(23,635)	(23,635)	39,031	(126,476)	15,396	(150,111)
Profit accreted to Takaful certificates using current financial assumptions		(2,702)	(2,702)	(368,264)	(368,264)	(370,966)	(370,966)
Effect of changes in profit rates and other financial assumptions		(28)	(28)	(94)	(94)	(122)	(122)
<b>Takaful finance expenses from Takaful certificates issued</b>	10(a), 10(b)	<b>(26,365)</b>	<b>(26,365)</b>	<b>(329,327)</b>	<b>(494,834)</b>	<b>(355,692)</b>	<b>(521,199)</b>
<b>Represented by:</b>							
Amount recognised in profit or loss		<b>(26,365)</b>	<b>(26,365)</b>	<b>(329,327)</b>	<b>(494,834)</b>	<b>(355,692)</b>	<b>(521,199)</b>

28. FINANCE (EXPENSES)/INCOME FROM RETAKAFUL CERTIFICATES HELD

<u>Family Takaful Fund/Company</u>	Note	2025			2024		
		PAA RM'000	Non-PAA RM'000	Total RM'000	PAA RM'000	Non-PAA RM'000	Total RM'000
<b>Takaful finance (expenses)/income from retakaful certificates held</b>							
Effect of changes in profit rates and other financial assumptions	9(a), 9(b)	-	(21,920)	(21,920)	-	2,765	2,765
Changes in non-performance risk of retakaful operators	9(a), 9(b)	1	2	3	1	5	6
<b>Takaful finance income/(expenses) from retakaful certificates held</b>							
		1	(21,918)	(21,917)	1	2,770	2,771
<b>Represented by:</b>							
Amount recognised in profit or loss		1	(21,918)	(21,917)	1	2,770	2,771

	Note	2025		2024	
		Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund RM'000	Company RM'000
<b>Net investment result and net finance income/(expenses):</b>					
Represented by:					
Amount recognised in profit or loss					
Net investment income		741,404	880,792	773,723	902,933
Finance expenses from Takaful certificates issued	27	(756,661)	(890,054)	(355,692)	(521,199)
Finance (expense)/income from retakaful certificates held	28	(21,917)	(21,917)	2,770	2,771
		(37,174)	(31,179)	420,801	384,505

29. OTHER INCOME/(EXPENSES), NET

	Family Takaful Fund RM'000	Company RM'000
<b>2025</b>		
Realised gains on disposal of Property, plant and equipment	-	16
Sundry income	1,883	2,581
<b>Total other income</b>	<u>1,883</u>	<u>2,597</u>
<b>(B) Total other expenses (Note 30)</b>	<u>-</u>	<u>(7,882)</u>
<b>Total other income/(expenses), net</b>	<u>1,883</u>	<u>(5,285)</u>
<b>2024</b>		
Realised gains on disposal of Property, plant and equipment	-	8
Sundry income	9,035	9,587
<b>Total other income</b>	<u>9,035</u>	<u>9,595</u>
<b>(B) Total other expenses (Note 30)</b>	<u>-</u>	<u>(4,650)</u>
<b>Total other income, net</b>	<u>9,035</u>	<u>4,945</u>

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**30. OTHER EXPENSES**

An analysis of the expenses incurred by the Family Takaful Fund during the year is as showed in the table below:

**Family Takaful Fund**

	2025				2024			
	Takaful service expenses*				Takaful service expenses*			
	Expenses attributed to Takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000	Expenses attributed to Takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000
<b>Commission expenses (A)</b>	-	-	-	-	-	-	-	-
<b>Other expenses</b>								
Employee benefits expenses (a)	-	14,954	-	14,954	-	18,580	-	18,580
Auditors' remuneration:								
- regulatory related services	-	24	-	24	-	20	-	20
Other finance costs	-	13	-	13	-	16	-	16
Other management fees	-	392	-	392	-	246	-	246
Outside services and others	-	234	-	234	-	136	-	136
Professional fees	-	33	-	33	-	56	-	56
Short term leases	-	944	-	944	-	1,041	-	1,041
Small value assets	-	-	-	-	-	1	-	1
Office facilities expenses	-	7	-	7	-	92	-	92
Electronic data processing expenses	-	1,431	-	1,431	-	2,062	-	2,062
Information technology outsourcing	-	324	-	324	-	1,636	-	1,636
Postage and stamp duties	-	39	-	39	-	211	-	211
Printing and stationery	-	124	-	124	-	232	-	232
Promotional and marketing costs	-	14	-	14	-	(8)	-	(8)
Training expenses	-	60	-	60	-	(36)	-	(36)
Utilities, assessment and maintenance	-	209	-	209	-	254	-	254
Carried forward	-	18,802	-	18,802	-	24,539	-	24,539

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30. OTHER EXPENSES (CONTD.)

An analysis of the expenses incurred by the Family Takaful Fund during the year is as showed in the table below (contd.):

Family Takaful Fund (Contd.)

	2025				2024			
	Takaful service expenses*				Takaful service expenses*			
	Expenses attributed to Takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000	Expenses attributed to Takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000
Brought forward	-	18,802	-	18,802	-	24,539	-	24,539
Travelling expenses	-	39	-	39	-	47	-	47
Legal fees	-	7	-	7	-	(1)	-	(1)
Licence, subscriptions and levies	-	101	-	101	-	57	-	57
Contract staff services	-	140	-	140	-	199	-	199
Certificate related expenses	-	63	-	63	-	13	-	13
Others	-	521	-	521	-	794	-	794
<b>Total other expenses (B)</b>	-	19,673	-	19,673	-	25,648	-	25,648
<b><u>Other operating expenses</u></b>								
Sundry expenditure	-	912	-	912	-	885	-	885
<b>Total other operating expenses (C)</b>	-	912	-	912	-	885	-	885
<b>Total other expenses (A) + (B) + (C)</b>	-	20,585	-	20,585	-	26,533	-	26,533
<b>Represented by:</b>								
Takaful service expenses						20,585		26,533
Other expenses						-		-
						20,585		26,533

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

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**30. OTHER EXPENSES (CONTD.)**

An analysis of the expenses incurred by the Company during the year is as showed in the table below:

**Company**

	2025				2024			
	Takaful service expenses*				Takaful service expenses*			
	Expenses attributed to Takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000	Expenses attributed to Takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000
<b>Commission expenses (A)</b>	163,329	49,774	-	213,103	160,043	41,328	-	201,371
<b>Other expenses</b>								
Employee benefits expenses (a)	58,111	70,271	4,259	132,641	52,810	71,378	2,776	126,964
Directors' fees and remuneration (Note 31)	-	-	853	853	-	-	828	828
Shariah committee's remuneration (Note 32)	-	277	-	277	-	282	-	282
Auditors' remuneration:								
- statutory audits	-	691	-	691	-	1,052	-	1,052
- regulatory related services	-	161	-	161	-	157	-	157
Amortisation of intangible assets (Note 5)	-	1,747	-	1,747	-	1,619	-	1,619
Assured medical fees	2,083	-	-	2,083	3,024	-	-	3,024
Other finance costs	-	9,874	-	9,874	-	8,735	1	8,736
Depreciation of property, plant and equipment (Note 3)	-	50	-	50	-	61	-	61
Right-of-use expenses:								
-Depreciation (Note 4)	-	188	-	188	-	187	-	187
-Lease liabilities profit (Note 4)	-	8	-	8	-	16	-	16
Profit expenses	-	-	-	-	-	1	-	1
Other management fees	48	2,041	7	2,096	97	661	-	758
Outside services and others	-	1,557	-	1,557	-	853	-	853
Professional fees	-	267	-	267	-	339	-	339
Carried forward	60,242	87,132	5,119	152,493	55,931	85,341	3,605	144,877

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**30. OTHER EXPENSES (CONTD.)**

An analysis of the expenses incurred by the Company during the year is as showed in the table below (contd.):

**Company (Contd.)**

	2025				2024			
	Takaful service expenses*				Takaful service expenses*			
	Expenses attributed to Takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000	Expenses attributed to Takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000
Brought forward	60,242	87,132	5,119	152,493	55,931	85,341	3,605	144,877
Short term leases	2,632	3,627	45	6,304	2,577	3,741	45	6,363
Small value assets	-	6	-	6	-	4	-	4
Office facilities expenses	-	60	-	60	-	476	-	476
Electronic data processing expenses	4,795	10,626	-	15,421	2,099	12,454	-	14,553
Expensed assets	-	-	-	-	-	1	-	1
Information technology outsourcing	6,448	6,448	-	12,896	3,288	9,863	-	13,151
Postage and stamp duties	458	540	31	1,029	449	1,243	25	1,717
Printing and stationery	-	680	-	680	-	1,039	-	1,039
Promotional and marketing costs	51,566	15	933	52,514	52,064	(9)	576	52,631
Training expenses	629	969	7	1,605	524	1,341	1	1,866
Utilities, assessment and maintenance	-	1,247	4	1,251	-	1,215	4	1,219
Entertainment	-	-	276	276	-	-	277	277
Travelling expenses	1,233	299	34	1,566	968	285	37	1,290
Legal fees	-	199	-	199	-	309	-	309
Licence, subscriptions and levies	-	1,736	-	1,736	-	1,062	-	1,062
Contract staff services	1,139	1,570	12	2,721	846	1,301	-	2,147
Certificate related expenses	23,124	7,882	188	31,194	24,876	7,515	404	32,795
Others	-	583	107	690	-	971	173	1,144
<b>Total other expenses (B)</b>	<b>152,266</b>	<b>123,619</b>	<b>6,756</b>	<b>282,641</b>	<b>143,622</b>	<b>128,152</b>	<b>5,147</b>	<b>276,921</b>

30. OTHER EXPENSES (CONTD.)

An analysis of the expenses incurred by the Company during the year is as showed in the table below (contd.):

Company (Contd.)

	2025				2024			
	Takaful service expenses*				Takaful service expenses*			
	Expenses attributed to Takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000	Expenses attributed to Takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000
<b>Other operating expenses</b>								
Sundry expenditure	-	6,579	1,126	7,705	370	5,065	(497)	4,938
<b>Total other operating expenses (C)</b>	-	6,579	1,126	7,705	370	5,065	(497)	4,938
<b>Total other expenses (A) + (B) + (C)</b>	315,595	179,972	7,882	503,449	304,035	174,545	4,650	483,230
							<b>2025</b>	<b>2024</b>
<b>Represented by:</b>							<b>RM'000</b>	<b>RM'000</b>
Takaful service expenses							495,567	478,580
Other expenses							7,882	4,650
							<u>503,449</u>	<u>483,230</u>

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

**30. OTHER EXPENSES (CONTD.)**

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
(a) Employee Benefits Expense:		
<b>2025</b>		
Wages, salaries and bonuses	11,468	101,739
Employees Provident Fund ("EPF")	1,843	16,247
Social Security Contributions ("SOCSO")	73	757
Employees' Share Grant Plan ("ESGP")	394	3,011
Other benefits	1,176	10,887
	<u>14,954</u>	<u>132,641</u>
<b>2024</b>		
Wages, salaries and bonuses	14,047	95,411
EPF	2,385	15,072
SOCSO	85	715
ESGP	439	2,449
Other benefits	1,623	13,317
	<u>18,579</u>	<u>126,964</u>

Included in employer benefits expense is CEO's remuneration amounting to RM2,200,000 (2024:RM1,865,000) further disclosed as below:

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

<b>Company</b>	<b>2025 RM'000</b>	<b>2024 RM'000</b>
Salary	994	954
Bonus	560	450
EPF	256	232
SOCSO	1	-
ESGP	297	140
Other emoluments	92	89
	<u>2,200</u>	<u>1,865</u>

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**31. DIRECTORS' FEES AND REMUNERATION**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Family Takaful Fund/Company</b>		
Non-executive directors:		
Fees	671	689
Other emoluments	182	139
	<u>853</u>	<u>828</u>

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

	<b>Fees</b>	<b>Other</b>	<b>Total</b>
	<b>RM'000</b>	<b>emoluments</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>2025</b>			
Non-executive directors:			
Dato' Majid Bin Mohamad (Chairman) (Retired w.e.f 31 December 2025)	190	63	253
Mr. Ajay Kumar Garg (Vice Chairman)*	130	22	152
Mr. Wong Pakshong Kat Jeong Colin Stewart	130	29	159
Professor Dr. Azman Bin Mohd Noor (Resigned w.e.f 14 June 2025)	59	24	83
En. Mohd Din Bin Merican	130	42	172
En. Malique Firdauz bin Ahmad Sidique (Appointed w.e.f 2 July 2025/ resigned w.e.f 30 September 2025)	32	2	34
	<u>671</u>	<u>182</u>	<u>853</u>
<b>2024</b>			
Non-executive directors:			
Dato' Majid Bin Mohamad (Chairman)	185	35	220
Mr. Ajay Kumar Garg (Vice Chairman)*	126	19	145
Mr. Wong Pakshong Kat Jeong Colin Stewart	126	25	151
Professor Dr. Azman Bin Mohd Noor	126	25	151
En. Mohd Din Bin Merican	126	35	161
	<u>689</u>	<u>139</u>	<u>828</u>

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

**32. SHARIAH COMMITTEE'S REMUNERATION**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Family Takaful Fund/Company</b>		
Fees	169	170
Other emoluments	108	112
	<u>277</u>	<u>282</u>

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

	<b>Fees</b>	<b>Other</b>	<b>Total</b>
	<b>RM'000</b>	<b>emoluments</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>2025</b>			
Shariah committee:			
Assoc Prof Dr. Muhammad Najib Bin Abdullah (Chairman w.e.f 15 June 2025)	37	22	59
Prof Emeritus Dato' Dr. Mohd Azmi Omar	34	22	56
Prof Dr. Sharifah Faigah Binti Syed Alwi	34	22	56
Prof Emeritus Dato' Dr. Ahmad Hidayat Bin Buang	34	22	56
En. Mohd Kamal Bin Mokhtar (Appointed w.e.f 15 August 2025)	12	7	19
Prof Dr. Azman Bin Mohd Noor (Retired w.e.f 14 June 2025)	18	13	31
	<u>169</u>	<u>108</u>	<u>277</u>
<b>2024</b>			
Shariah committee:			
Prof Dr. Azman Bin Mohd Noor (Chairman)	40	23	63
Prof Emeritus Dato' Dr. Mohd Azmi Bin Omar	33	23	56
Dr. Muhammad Najib Bin Abdullah (Appointed w.e.f 4 April 2024)	26	19	45
Prof Dr. Sharifah Faigah Binti Syed Alwi (Appointed w.e.f 1 June 2024)	21	15	36
Prof Dato' Dr. Ahmad Hidayat Bin Buang (Appointed w.e.f 1 July 2024)	18	12	30
Prof Dr. Aznan Bin Hasan (Retired w.e.f 31 May 2024)	12	9	21
Prof Datin Dr. Rusni Binti Hassan (Resigned w.e.f 29 February 2024)	5	4	9
Prof Dr. Abdul Rahim Bin Abdul Rahman (Resigned w.e.f 30 June 2024)	15	7	22
	<u>170</u>	<u>112</u>	<u>282</u>

### 33. TAX EXPENSE ATTRIBUTABLE TO PARTICIPANTS

	2025 RM'000	2024 RM'000
<b>Family Takaful Fund/Company</b>		
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 15)	5,793	7,804
	<u>5,793</u>	<u>7,804</u>

#### **Taxation of Family Takaful business**

The income tax for the Family Takaful fund is calculated based on the statutory rate of 8% (2024: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

### 34. TAXATION

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

	2025 RM'000	2024 RM'000
<b>Company</b>		
<b><u>Profit or loss</u></b>		
Income tax:		
Tax expense for the financial year	98,704	139,519
(Over)/under provision of taxation in prior financial years	(4,708)	34,274
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 15)	932	(47,699)
	<u>94,928</u>	<u>126,094</u>

**34. TAXATION (CONTD.)**

	Note	2025 RM'000	2024 RM'000
<b><u>Statement of Comprehensive Income:</u></b>			
<b>Family Takaful Fund</b>			
Deferred income tax related to other comprehensive income:			
- Fair value changes on debt securities at FVOCI		5,003	3,019
- Fair value changes on equity securities at FVOCI		(2,768)	1,992
	15	2,235	5,011
<b>Company</b>			
Deferred income tax related to other comprehensive income:			
- Fair value changes on debt securities at FVOCI		10,834	5,606
- Fair value changes on equity securities at FVOCI		(4,483)	3,620
	15	6,351	9,226

**Reconciliation between tax expense and accounting profit**

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

	2025 RM'000	2024 RM'000
<b>Company</b>		
Profit before taxation and zakat	525,015	377,716
Taxation at Malaysian statutory tax rate of 24% (2024:24%)	126,004	90,652
Income not subject to tax	(26,913)	(806)
Expenses not deductible for tax purposes	2,301	3,951
Effect of zakat deduction and approved donation	(1,756)	(1,977)
(Over)/under provision of taxation in prior years	(4,708)	34,274
Tax expense for the financial year	94,928	126,094

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**35. EARNINGS PER SHARE**

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

	<b>2025</b>	<b>2024</b>
Profit attributable to ordinary shareholder (RM'000)	<u>409,399</u>	<u>237,269</u>
Weighted average number of ordinary shares in issue (units '000) (Note 13)	<u>100,000</u>	<u>100,000</u>
Basic and diluted earnings per share (sen)	<u>409.40</u>	<u>237.27</u>

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

**36. DIVIDENDS**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Recognised during the financial year</b>		
Final dividend for the financial year ended 31 December 2024 - 136.76 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	136,760	-
Final dividend for the financial year ended 31 December 2023 - 292.00 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	<u>-</u>	<u>292,000</u>

**37. OTHER COMMITMENTS AND CONTINGENCIES**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Family Takaful Fund/Company</b>		
Approved and contracted for:		
Bank guarantees:		
- in respect of performance bonds (Note a)	1,540	1,258
- in respect of security deposits (Note b)	426	260
	<u>1,966</u>	<u>1,518</u>

**Bank guarantees:**

a) Performance bonds

Bank guarantees were provided to the Company to secure the participants' contractual obligations with Takaful business, amounting to RM1,539,571 (2024: RM1,257,700). As at the reporting date, the Company does not consider it probable that a claim will be made under these guarantees.

b) Security deposits

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

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

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Family Takaful Fund</b>		
<b>Derivative financial assets:</b>		
Foreign exchange related contracts (Note 17)		
Less than a year	<u>107,076</u>	<u>9,300</u>
Cross currency swap (Note 17)		
Less than a year	<u>8,166</u>	<u>-</u>
<b>Derivative financial liabilities:</b>		
Foreign exchange related contracts (Note 17)		
Less than a year	<u>-</u>	<u>64,036</u>

**37. OTHER COMMITMENTS AND CONTINGENCIES (CONTD.)**

<b>Company</b>	<b>2025</b> <b>RM'000</b>	<b>2024</b> <b>RM'000</b>
<b>Derivative financial assets:</b>		
Foreign exchange related contracts (Note 17)		
Less than a year	109,949	9,300
	<hr/>	<hr/>
Cross currency swap (Note 17)		
Less than a year	8,166	-
	<hr/>	<hr/>
<b>Derivative financial liabilities:</b>		
Foreign exchange related contracts (Note 17)		
Less than a year	-	64,036
	<hr/>	<hr/>

**38. SEGMENTAL INFORMATION ON CASH FLOWS**

	<b>Family</b> <b>Takaful Fund</b> <b>RM'000</b>	<b>Company</b> <b>RM'000</b>
<b>2025</b>		
Net cash flows generated from/(used in):		
Operating activities	386,932	779,528
Investing activities	(374,907)	(632,246)
Financing activities	-	(136,958)
	<hr/>	<hr/>
Net increase in cash and cash equivalents:	12,025	10,324
At 1 January 2025	80,095	81,805
At 31 December 2025	<hr/>	<hr/>
	92,120	92,129
	<hr/>	<hr/>
<b>2024</b>		
Net cash flows generated from/(used in):		
Operating activities	557,484	892,949
Investing activities	(500,589)	(542,627)
Financing activities	-	(292,198)
	<hr/>	<hr/>
Net increase in cash and cash equivalents:	56,895	58,124
At 1 January 2024	23,200	23,681
At 31 December 2024	<hr/>	<hr/>
	80,095	81,805
	<hr/>	<hr/>

### **39. SHARE-BASED COMPENSATION**

#### ESGP and CESGP

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

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

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

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

Other principal features of the ESGP are as follows:

- (i) The employees eligible to participate in the ESGP must be on the payroll of the Participating Maybank Group and have not served a notice of resignation or received a notice of termination. Participating Maybank Group includes the Bank 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 the Bank in a general meeting.

**39. SHARE-BASED COMPENSATION (CONTD.)**

ESGP and CESGP (Contd.)

Other principal features of the ESGP are as follows (contd.):

- (iii) The existing ESGP (“ESGP2018”) is valid for a period of seven (7) years from the effective date. No new awards under ESGP2018 have been issued to staff since 2023, and the plan has officially expired on 13 December 2025. The number of ESGP Shares and CESGP to be vested is based on a multiple of the initial grant whereby the multiple is determined according to the performance targets and/or conditions. In the event the performance targets and/or conditions are not met by the eligible employees, the ESGP Shares and CESGP shall not be vested to them at the end of the ESGP vesting schedule. As continuation of the existing employees’ share grant plan, a new ESGP plan (“ESGP2023”) has been established in 2023 and is valid for a period of ten (10) years from the effective date.

Notwithstanding the above, the Bank may terminate the ESGP at any time during the duration of the scheme subject to consent of Maybank’s shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination.

**40. 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 subsidiary companies, key management personnel and the subsidiaries and associates of a company with significant influence over its shareholders.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Company are as follows:

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

<b>Income/(expenses):</b>	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
Ultimate holding company:		
Gross contribution income	13,839	13,839
Other income	-	593
Commission and fee expenses	-	(7,285)
Bank charges	(13)	(384)
Other expenses	-	(1,088)
ESGP	-	(1,209)
Claims paid	<u>(11,762)</u>	<u>(11,762)</u>
Immediate and penultimate holding companies:		
Gross contribution income	1,156	1,156
Shared services costs	-	(61,407)
Claims paid	(715)	(715)
Remuneration of a seconded employee	-	(99)
Other expenses	-	(420)
Dividend paid	<u>-</u>	<u>(136,760)</u>

**40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)**

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

<b>Income/(expenses)(contd.):</b>	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025 (contd.)</b>		
Fellow subsidiaries within the MAHB Group:		
Gross contribution income	636	636
Gross contribution expenses	(69)	(69)
Rental income	-	59
Rental expenses	-	(5,560)
Claims paid	(401)	(401)
Shared services costs	-	(2,888)
Fellow subsidiaries within the EIHSB Group:		
Gross contribution income	153	153
Shared services costs	-	(189)
Other related companies within the Maybank Group:		
Gross contribution income	9,143	9,143
Profit income	11,364	15,092
Other income	-	31
Information technology outsourcing	(325)	(12,920)
Commission and fee expenses	-	(90,998)
Investment expenses	(3,117)	(3,810)
Claims paid	(1,846)	(1,846)
Companies with significant influence over the Maybank Group:		
Gross contribution income	14,628	14,628
Claims paid	(1,538)	(1,538)
<b>2024</b>		
Ultimate holding company:		
Gross contribution income	13,016	13,016
Other income	-	453
Commission and fee expenses	-	(12,664)
Bank charges	(15)	(410)
Other expenses	(246)	(729)
ESGP	-	(1,434)
Claims paid	(11,340)	(11,340)

**40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)**

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

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>Income/(expenses)(contd.):</b>		
<b>2024 (contd.)</b>		
Immediate and penultimate holding companies:		
Gross contribution income	403	403
Shared services costs	-	(29,056)
Claims paid	(432)	(432)
Remuneration of a seconded employee	-	(78)
Other expenses	-	(448)
Dividend paid	-	(292,000)
	<hr/>	<hr/>
Fellow subsidiaries within the MAHB Group:		
Gross contribution income	972	972
Rental income	-	59
Rental expenses	-	(5,587)
Shared services costs	-	(17,497)
	<hr/>	<hr/>
Fellow subsidiaries within the EIHSB Group:		
Gross contribution income	39	39
Shared services costs	-	(698)
	<hr/>	<hr/>
Other related companies within the Maybank Group:		
Gross contribution income	7,903	7,903
Profit income	12,323	14,949
Other income	-	22
Information technology outsourcing	(1,650)	(13,265)
Commission and fee expenses	-	(99,151)
Obligations on financial assets sold under repurchase agreements	-	(1)
Investment expenses	(2,964)	(3,622)
Claims paid	(7,024)	(7,024)
	<hr/>	<hr/>
Companies with significant influence over the Maybank Group:		
Gross contribution income	13,415	13,415
Claims paid	(1,356)	(1,356)
	<hr/>	<hr/>

**40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)**

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

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
Ultimate holding company:		
Bank balances	34,531	34,541
Outstanding contributions	4,797	4,797
Claim liabilities	(752)	(752)
Sundry payables and accrued liabilities	-	9,183
Amount due to ultimate holding company (Note 16)	<u>-</u>	<u>(4,429)</u>
Immediate and penultimate holding companies:		
Claim liabilities	(10)	(10)
Amount due to penultimate holding companies (Note 16)	<u>-</u>	<u>(13,973)</u>
Fellow subsidiaries within the MAHB Group:		
Amount due from other related companies (Note 11)	-	3,709
Amount due to other related companies (Note 16)	<u>-</u>	<u>(858)</u>
Fellow subsidiaries within the EIHSB Group:		
Amount due to other related companies (Note 16)	<u>-</u>	<u>(246)</u>

**40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)**

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

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025 (contd.)</b>		
Other related companies within the Maybank Group:		
Income due and accrued	958	1,133
Fixed and call deposits	384,853	447,172
Outstanding contributions	222	222
Derivatives	2,989	3,030
Sundry receivables, deposits and prepayments	-	1,001
Sundry payables and accrued liabilities	-	(1,578)
Amount due to other related companies (Note 16)	<u>(274)</u>	<u>(335)</u>
Companies with significant influence over the Maybank Group:		
Outstanding contributions	22,723	22,723
Claim liabilities	<u>(1,397)</u>	<u>(1,397)</u>
<b>2024</b>		
Ultimate holding company:		
Bank balances	51,770	53,480
Outstanding contributions	(3)	(3)
Claim liabilities	(4,198)	(4,198)
Sundry payables and accrued liabilities	-	12,353
Amount due to ultimate holding companies (Note 16)	<u>-</u>	<u>(10,016)</u>
Immediate and penultimate holding companies:		
Amount due to immediate holding companies (Note 16)	<u>-</u>	<u>(5,174)</u>

**40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)**

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

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2024 (contd.)</b>		
Fellow subsidiaries within the MAHB Group:		
Amount due from other related companies (Note 11)	-	1,195
Amount due to other related companies (Note 16)	-	(1,093)
	<u>-</u>	<u>(1,093)</u>
Fellow subsidiaries within the EIHSB Group:		
Amount due to other related companies (Note 16)	-	(129)
	<u>-</u>	<u>(129)</u>
Other related companies within the Maybank Group:		
Income due and accrued	1,308	1,535
Fixed and call deposits	422,668	532,045
Outstanding contributions	104	104
Claim liabilities	(80)	(80)
Derivatives	(391)	(391)
Sundry receivables, deposits and prepayments	-	(912)
Amount due to other related companies (Note 16)	(247)	(302)
	<u>(247)</u>	<u>(302)</u>
Companies with significant influence over the Maybank Group:		
Outstanding contributions	13,911	13,911
	<u>13,911</u>	<u>13,911</u>

Trade and investments related balances with related companies are subject to normal trade terms. The terms for non-trade balances with related companies are as disclosed in Notes 11 and 16.

**40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)**

(iii) Key management personnel compensation

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

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short-term employee benefits</b>		
Fees	671	689
Salaries, allowances and bonuses	1,599	1,449
Contribution to EPF and pension scheme	256	232
Share based compensation	297	140
Other emoluments	230	182
	<u>3,053</u>	<u>2,692</u>

Further details on the remuneration of key management personnel, being the non-executive directors of the Company are as disclosed in Notes 30 and 31 of the financial statements.

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

	<b>2025</b>	<b>2024</b>
	<b>Units '000</b>	<b>Units '000</b>
At 1 January	118	101
Awarded	45	45
Vested	(29)	(15)
Additional/(Forfeited)	1	(13)
At 31 December	<u>135</u>	<u>118</u>

## **41. ENTERPRISE RISK MANAGEMENT FRAMEWORK**

The MAHB Group Enterprise Risk Management Framework ("ERMF") is intended to institutionalise vigilance and awareness of the management of risk across MAHB Group. It encapsulates the governance structure to support the Risk Management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, Committees and Departments for the legal entities within Maybank Ageas Holdings Berhad ("MAHB"), being Etiqa General Insurance Berhad ("EGIB"), Etiqa Family Takaful Berhad ("the Company"), Etiqa Life Insurance Berhad ("ELIB"), Etiqa General Takaful Berhad ("EGTB"), Etiqa Life International (L) Ltd. ("ELIL"), Etiqa Offshore Insurance (L) Ltd. ("EOIL") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the MAHB Group".

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



The overall risk management process is viewed in a structured and disciplined approach to align strategies, policies, processes, technology and knowledge with the purpose of evaluating and managing the uncertainties the organisation faces as it creates value.

#### **41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)**

##### **Principles**

Strong risk culture serves as the foundation upon which a robust enterprise wide risk management structure is built. The approach to risk management is premised on the following broad principles:

- Maintains a Risk Taxonomy for Assessing Risk
- Establish Risk Appetite and Strategy
- Assign Adequate Capital
- Select an Appropriate Risk Response Action
- Ensure Governance and Oversight Function
- Establish Risk Management Practices and Processes
- Identify and Quantify Unfavourable Effects Through Stress Testing
- Ensure Sufficient Resources and System Infrastructures

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

##### **Risk Culture**

At the heart or foundation of the ERM structure is the risk culture. It is a vital component in strengthening risk governance and forms a fundamental tenet of strong risk management. If an institution lacks the right culture and strong leadership at the top, the other elements in the structure will be somewhat irrelevant.

Risk Culture stems from the conduct of staff, businesses and the organisation as a whole in ensuring that customers, either internal or external, are treated fairly and their interest upheld at all times.

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

Risk Culture can be strengthened by having a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired Risk Culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

Embedding a strong Risk Culture goes beyond compliance to policies, core values, code of ethics and conduct. It is essentially about the belief, emotion and behaviour that 'risk is everyone's responsibility' and should permeate in the attitude of each individual.

#### **41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)**

##### **Risk Coverage**

MAHB Group maintains a Risk Taxonomy for assessing risk, which is derived from several risk analysis exercises conducted each year. New risks if any, are added as they are identified through:

- Annual Enterprise Risk Assessment (with methodology of Risk Landscape Survey)
- New Business/Product Approval process as governed by the New Product Approval Policy
- Forward-looking stress testing
- Inputs from the Senior Management and the Board of Directors.

##### **Risk Appetite**

The establishment of the risk appetite is an integral component of a robust risk management framework and should be driven by both top-down Board leadership and bottom-up involvement of management at all levels. The Risk Appetite should enable the Board of Directors and the Senior Management to communicate, understand and assess the types and levels of risks that MAHB Group is willing to accept in pursuit of its business and strategic goals while taking into consideration the constraints under a stressed environment.

Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic as well as responsive to changing internal and external drivers such as business and market conditions, stakeholders' expectations and internal capabilities. The articulation of the risk appetite is done through a set of risk appetite statements, which include a comprehensive view of material risks selected on the basis of having more strategic focus on the risks that will significantly impact our capital, liquidity, asset quality, profitability and ultimately MAHB Group's strategic objectives and reputation. This forms the link in which risk limits and controls are set to manage risk exposures arising from business activities. An effective risk appetite can also act as a powerful reinforcement to a strong risk culture.

##### **Adequate Capital**

Capital management is the key element for ensuring that MAHB Group has adequate capital to meet its capital requirements on an on-going basis, fulfilling the regulatory requirements on Internal Capital Adequacy Assessment Process ("ICAAP") that all Takaful Operators must operate at capital levels above the Individual Target Capital Level ("ITCL") at all times, which means that in the event that the ITCL is breached, MAHB Group must have an actionable plan to restore the capital level within a reasonable timeframe. The Capital Management Framework documents all principles MAHB Group follows to ensure a sound Capital Management approach.

**41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Risk Response**

Risk response refers to the actions taken to address inherent risk and potential risk which have been identified in the MAHB Group’s product offerings, investment decisions, operating processes and business strategies. It involves evaluating the likelihood and potential impact of risks and deciding on the best course of action to take. Generally, there are four (4) possible responses to risk:-



When strategising the response action, it is important to thoroughly consider whether or not the risk that MAHB Group is willing to assume is reasonable. In general, if MAHB Group is unable to manage and mitigate the risk then the risk should be avoided, unless the cost and benefit trade-off of assuming such risks brings greater value to MAHB Group. In a nutshell, the risk responses chosen must be realistic, taking into account the costs of the responses as well as the impact to MAHB Group.

**Governance and Risk Oversight**

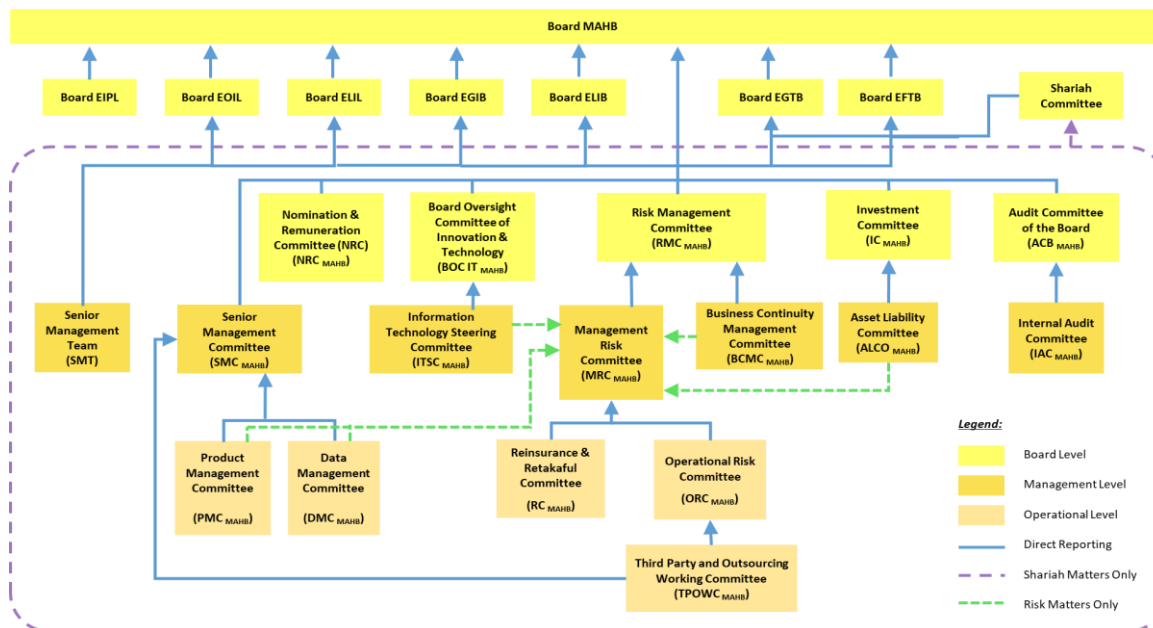
A governance structure should be clear, effective as well as robust and includes the role of the Board, Risk Committees and Senior Management with well defined, transparent and consistent lines of responsibilities.

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

MAHB Group’s risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the risk governance bodies in the risk management function. The roles and responsibilities of each committee in risk governance are clarified in their respective Terms of Reference ("TOR").

**41. 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 Entities' Boards respectively.
- 3 ELIL is undergoing its exit strategy and full closure is tentatively to be completed by end 2026.

**Lines of Defense**

In general, the role of the 1<sup>st</sup> line involves the execution of activities and ownership of risk, while the 2<sup>nd</sup> line is responsible for establishing policies and risk structure. The 3<sup>rd</sup> line is responsible for providing independent risk assurance.

**MAHB Board**

The MAHB Board, together with the respective Etiqa Entities' Boards, have the final responsibility for all business activities, including risk management. The Boards are the ultimate decision-making body for MAHB Group. The Boards have delegated specific matters to sub-board committees, such as risk matters to the Risk Management Committee ("RMC"), audit matters to the Audit Committee Board ("ACB") and investment matters to the Investment Committee ("IC").

#### **41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)**

##### **Governance and Risk Oversight (contd.)**

##### **Board Oversight Committee of Innovation and Technology ("BOC IT")**

BOC IT is responsible to review the innovations enabled by technology; Financial and Operational Excellence ("FOX") opportunities enabled by technology; critical/significant innovation and technology projects, initiatives and opportunities, operational and regulatory related activities, and ensure all IT initiatives are adequately funded and resourced.

##### **Shariah Committee ("SC") – EGTB and EFTB Entity Board**

SC is responsible to oversee Shariah compliance for Takaful business, as well as the Shariah funds. SC assists the EGTB and EFTB Boards in fulfilling its supervision and monitoring responsibilities in respect of Shariah principles.

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

##### **Senior Management Committee ("SMC") and Senior Management Team ("SMT")**

The SMC and SMT are responsible to assure the Boards that the Etiqa entities take adequate decisions regarding risks and return and to make sure adequate controls exist and are fully operational; and, ensure that the management of risk is in line with the approved risk appetite, strategy, risk frameworks, policies, procedures and risk management practices and processes established.

##### **Management Risk Committee ("MRC")**

The MRC is the advisor to the RMC concerning all risk related topics, including limits, exposures and methodologies.

MRC to review and recommend new and revised MAHB Group Risk frameworks/policies where control of documents is determined as material for RMC and Board endorsement/approval, whichever relevant. Also, to review and recommend the MAHB Group's annual Risk Appetite Statements ("RAS") and Key Risk Indicators ("KRI"), for RMC and Board endorsement/approval, whichever relevant.

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

The ALCO is responsible for formulating and overseeing the investment strategy and managing asset-liability mismatches, liquidity and market risks. It will carry out its responsibilities within the limits set by the MRC such as following the Risk Appetite and Asset Liability Management constraints. Also, it is responsible for reviewing and recommending the reallocation of the investment portfolio and the classifications of the financial assets based on considerations of capacity and intent.

#### **41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)**

##### **Governance and Risk Oversight (contd.)**

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

ITSC is to establish and review long term strategies IT plans of the organisation; identify potential IT strategies and improve business operating model; ensure the alignment of IT initiatives and business strategies; ensure adequacy of IT infrastructure to support business-as-usual and new projects, and addressing risks of technology obsolescence.

##### **Internal Audit Committee ("IAC")**

The IAC is responsible to deliberate the audit findings highlighted in the internal and external auditors' reports as well as internal investigation reports; and to deliberate and ensure adequacy and timeliness of the remedial actions.

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

The BCMC is responsible to ensure that the Business Continuity Management ("BCMC") framework (Maybank GNFR Framework), policy and procedure are embedded, promoted and implemented in each service areas within MAHB Group. It also provides centralised co-ordination of the response to, and recovery from, any incident, or situation that causes potential or significant disruption to MAHB Group in delivering its products and services.

The following Operational Level Committees are established to support the Management Level Committees at MAHB level in the discharge of their duties.

##### **Operational Risk Committee ("ORC")**

ORC serves as the advisor to MRC concerning group wide operational risk related topics in day-to-day activities and practices, ensuring sound risk governance standards through effective implementation of Operational Risk Policy and other risk governing documents.

##### **Product Management Committee ("PMC")**

The PMC's prime objective is to oversee, coordinate and manage the whole process of product development and product management for specific product lines including the monitoring of the implementation, and post implementation performance of the Takaful Products.

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

DMC serves as the advisor to SMC and MRC concerning MAHB Group-wide data management need and information risk-related topics in day-to-day activities and practices, ensuring sound governance standards through effective implementation of risk-related governing frameworks, policies & mandates set.

#### **41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)**

##### **Governance and Risk Oversight (contd.)**

##### **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 retakaful management of the Takaful certificates. The scope of the RC covers Retakaful, Inward/Outward Retakaful and deliberation in relation to the arrangement for Family Catastrophe protection for Family Takaful.

##### **Third Party and Outsourcing Working Committee ("TPOWC")**

TPOWC is responsible to deliberate and make recommendations on overall third party and outsourcing related topics and also to ensure sound governance through effective implementation of third party and outsourcing governing policies and procedures for all the operating Entities in Malaysia (ELIB, EGIB, EFTB, and EGTB and Labuan entities EOIL and ELIL) including oversight function on EIPL third party and outsourcing-related matters.

##### **Fire Committee ("FC")**

FC is responsible to verify the contribution rate level is adequate and complies with BNM guidelines (aligned with Fire Pricing Policy document); Approve Fire Underwriting Guidelines in line with Company's business strategy and risk appetite; Approve pricing and re-pricing within FC's authority; To monitor the monthly performance indicators and propose corrective actions; To ensure customers are treated fairly as per item no 12 'Fair Business Practices and Adequate Disclosure' under the BNM Phase Liberalisation of Motor & Fire Tariffs policy document; On the advice of Pricing Department, report deviation from Fire Pricing Policy to MRC.

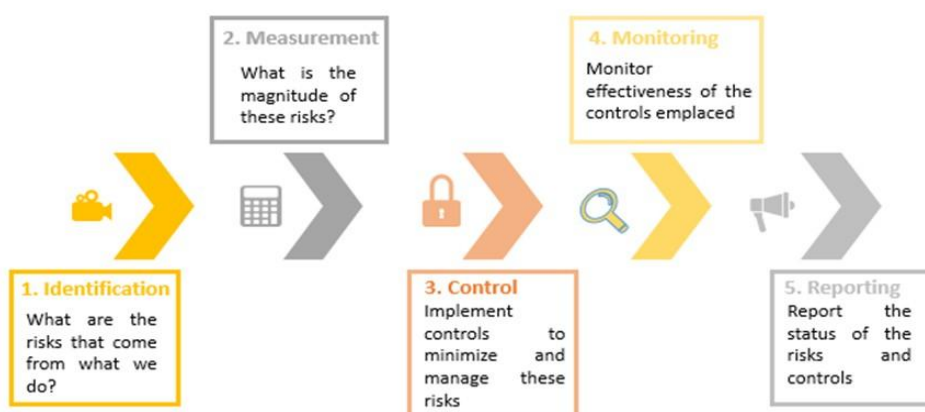
##### **Motor Committee ("MC")**

MC is responsible to verify the adequacy of contribution level complying with BNM guidelines (aligned with Motor Pricing Policy document); Discuss, deliberate and approve Motor Underwriting Guidelines in line with Company's business strategy and risk appetite; Discuss, deliberate and approve pricing and re-pricing within MC's authority; To ensure customer are treated fairly as per item no 12 'Fair Business Practices and Adequate Disclosure' under the BNM Phase Liberalisation of Motor & Fire Tariffs certificate document.

#### **41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)**

##### **Risk Management Practices and Processes**

A robust process should be in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the business. The practices and processes are to be reflective of the nature, size and complexity of the various business activities. There are five (5) main stages of the risk management process which form a continuous cycle are depicted below:



##### **Stress Test**

Stress Test is used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavourable effects on MAHB Group's exposure. This involves an assessment of MAHB Group's capability to withstand such changes in relation to the capital and earnings to absorb potentially significant losses.

Stress Test is conducted on a periodic basis or when required to better understand the risk profile, evaluate business risk and thus, taking appropriate measures to address these risks accordingly.

##### **Resource and System Infrastructure**

Any good risk management infrastructure requires a highly robust management information system as well as adequate resources as these are the foundation and enabler to an effective risk management practice and processes. Hence, MAHB Group should equip itself with the necessary resources, infrastructure and support to perform its roles efficiently.

#### **41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)**

##### **Resources**

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

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

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these lines in all facets of risk taking activities.

##### **System Infrastructure**

With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated System Infrastructure to support an enterprise-wide or consolidated view of risk. The System Infrastructure should be able to provide adequate and effective data aggregation capabilities at all times, with accurate, complete, timely and adaptable data to facilitate effective risk management practices and processes.

Through the established infrastructure, the roles and responsibilities required for effective management of risk can be performed appropriately.

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

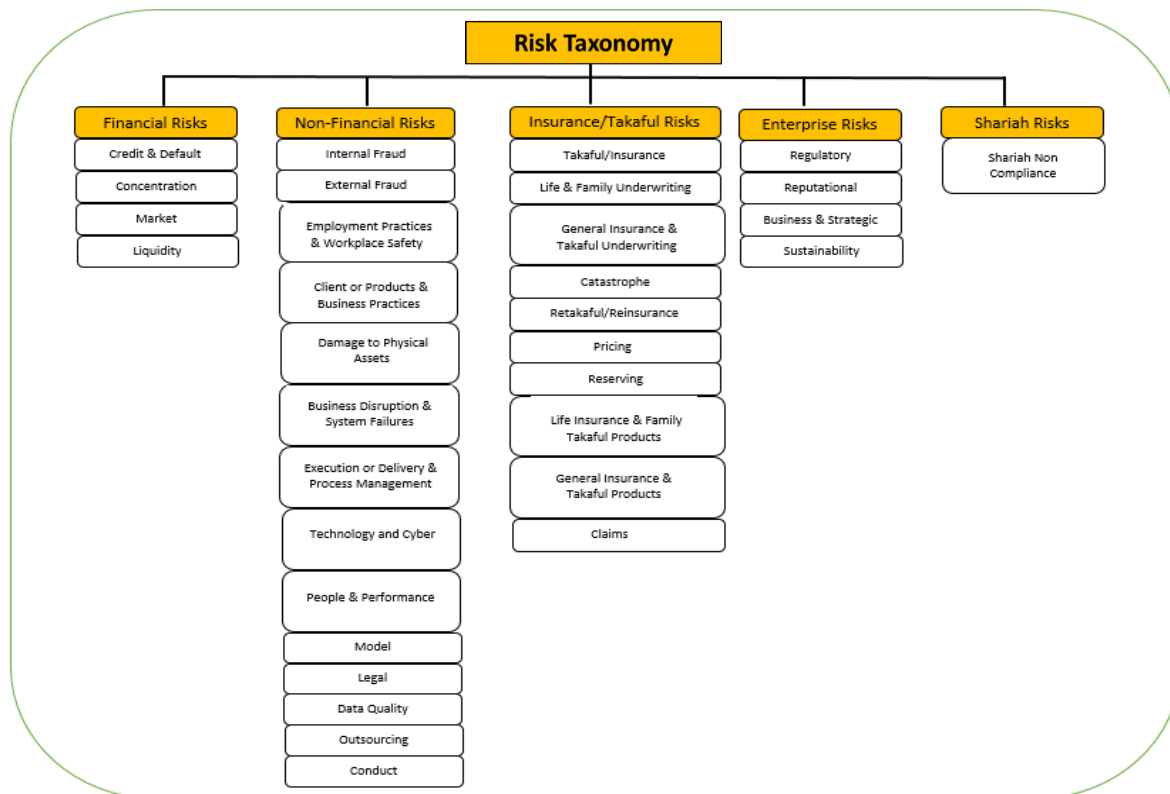
##### **Risk Taxonomy**

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

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

**41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Risk Taxonomy (contd.)**



**42. TAKAFUL RISK**

Takaful risk is the risk of loss or adverse change arising from the underwritten takaful business. This can be due to adverse deviation in portfolio experience as well as underlying assumptions/expectation on which product, pricing, underwriting, claims, reserving and retakaful have been made.

Retakaful offers financial protection to takaful operators against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with retakaful companies are the counterparty risk of retakaful operators failing to honor their obligations. The Company monitors the retakaful operators' creditworthiness on a monthly basis.

The Company has established appropriate policies and monitoring metrics combined with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

## **42. TAKAFUL RISK (CONTD.)**

### **(i) Underwriting Risk**

Underwriting Risk reflects the risk of loss or adverse impact arising from adverse changes in the actual outcome from the initial underwriting assessment/evaluation, selection, and terms set against underlying assumption/expectation derived in pricing and reserving process.

### **(ii) Pricing Risk**

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

### **(iii) Retakaful Risk**

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

### **(iv) Products Risk**

Product risk is a risk of loss or adverse impact arising from the development of new products and management of new and existing products. Product related risks including enterprise risks, Takaful risks, financial risks, operational & IT risk, technology risk, legal risk, compliance risk, Anti-Money Laundering ("AML")/Countering Financing of Terrorosim ("CFT") risk and Shariah risk.

### **(v) Reserving Risk**

Reserving risk is the risk of loss or adverse impact arising from the inadequate reserves due to unanticipated loss developments.

### **(vi) Catastrophe Risk**

Catastrophe Risk is the risk of loss or adverse changes in the value of underwritten takaful liabilities businesses due to over-exposures to extreme or exceptional events (e.g. pandemic outbreaks, flood, etc.), which can cause an accumulated loss or a single large loss.

### **(vii) Claims Risk**

Risk of loss or adverse impact arising from the claims management process which is expected to affect client satisfaction and the Company's reputation.

42. TAKAFUL RISK (CONTD.)

(a) Family Takaful Certificates

(i) The table below shows the concentration of Takaful certificate liabilities by type of certificates

	2025		2024	
	Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund RM'000	Company RM'000
<b><u>Family Takaful certificates issued</u></b>				
<b>Direct :</b>				
Credit	7,621,825	7,824,886	7,183,478	7,466,254
Non credit	3,225,648	2,854,142	3,133,467	2,683,383
Annuity	641,859	827,266	655,231	848,928
Investment Linked Takaful	833,527	771,343	686,696	630,201
Group Yearly Renewable Term	182,524	169,111	217,456	197,855
Unallocated Surplus	1,862,697	1,862,697	2,248,915	2,248,915
Others	166,195	166,195	106,706	106,706
<b>Total direct</b>	<b>14,534,275</b>	<b>14,475,640</b>	<b>14,231,949</b>	<b>14,182,242</b>
<b>Family Takaful Fund/Company</b>				
			<b>2025</b>	<b>2024</b>
<b><u>Family retakaful certificates held</u></b>				
Proportional Family Takaful			367,527	301,395
Proportional Takafulink			9,504	3,854
Non-proportional Excess of Loss			17,417	2,166
<b>Total retakaful</b>			<b>394,448</b>	<b>307,415</b>

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

**42. TAKAFUL RISK (CONTD.)**

**(a) Family Takaful Certificate (contd.)**

**(ii) Key Assumptions**

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

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

(a) Discount rate

The discount rates used in the determination of PRF cashflows are based on the yield observed on Government Investment Issues ("GII") of the appropriate duration plus an illiquidity premium. It is determined using bottom-up approach, extrapolating from the last available market data point to the ultimate forward rate.

(b) Mortality and morbidity rates

Mortality and morbidity rates represent the expected claims experience of the Takaful operator. The Takaful operator determines the mortality rates based on the Company's own experience. Morbidity rates are determined using retakaful rates, adjusted to reflect the Takaful operator's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

(c) Lapse and surrender rates

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

(d) Expenses

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

42. TAKAFUL RISK (CONTD.)

(a) Family Takaful Certificates (contd.)

(ii) Sensitivity analysis

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

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

Company	Change in assumptions	Impact on Takaful service result before retakaful certificates held	Impact on Takaful service result	Impact on equity before retakaful certificates held**	Impact on equity**
		RM'000	RM'000	RM'000	RM'000
<----- Increase/(decrease) ----->					
<b>Family Takaful certificates issued</b>					
<b>2025</b>					
Discount rate*	-1%	(36,975)	(35,254)	(28,101)	(26,793)
Mortality and morbidity rates	10% (adverse)	(27,854)	(18,881)	(21,169)	(14,349)
Lapse and surrender rates	10% (adverse)	(5,865)	(5,904)	(4,458)	(4,487)
Expenses	+10%	(7,905)	(7,905)	(6,008)	(6,008)

\* excludes impact of fixed income financial assets.

\*\* the impact on equity is stated after tax of 24%.

42. TAKAFUL RISK (CONTD.)

(a) Family Takaful Certificate (contd.)

(ii) Sensitivity analysis (contd.)

	Change in assumptions	Impact on Takaful service result before retakaful certificates held RM'000	Impact on Takaful service result RM'000	Impact on equity before retakaful certificates held** RM'000	Impact on equity** RM'000
		←----- Increase/(decrease) ----->			
<b>Company</b>					
<b>Family Takaful certificates issued</b>					
<b>2024</b>					
Discount rate*	-1%	(32,541)	(31,119)	(24,731)	(23,650)
Mortality and morbidity rates	10% (adverse)	(24,587)	(17,041)	(18,686)	(12,951)
Lapse and surrender rates	10% (adverse)	(5,273)	(5,415)	(4,008)	(4,115)
Expenses	+10%	(6,768)	(6,768)	(5,144)	(5,144)

\* excludes impact of fixed income financial assets.

\*\* the impact on equity is stated after tax of 24%.

42. TAKAFUL RISK (CONTD.)

(a) Family Takaful Certificate (contd.)

(ii) Sensitivity analysis (contd.)

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

Company	Change in assumptions	Impact on CSM	Impact on CSM
		before retakaful certificates held RM'000	after retakaful certificates held RM'000
<----- Increase/(decrease) ----->			
<b>2025</b>			
Discount rate*	-1%	(336,545)	(318,060)
Mortality and morbidity rates	10% (adverse)	(296,637)	(200,219)
Lapse and surrender rates	10% (adverse)	(51,720)	(52,139)
Expenses	+10%	(84,076)	(84,076)
<b>2024</b>			
Discount rate*	-1%	(321,936)	(305,856)
Mortality and morbidity rates	10% (adverse)	(280,063)	(194,760)
Lapse and surrender rates	10% (adverse)	(52,148)	(53,748)
Expenses	+10%	(77,116)	(77,116)

\* excludes impact of fixed income financial assets.

#### **43. FINANCIAL RISKS**

##### **(i) Credit & Default Risk**

Credit & Default Risk refers to the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms. It stems primarily from lending, trading and investment activities from both on- and off-balance sheet transactions.

Credit Spread Risk and ultimately Default risk result from the intrinsic quality of the issuer of debt securities and the impact it has on the value of assets of these instruments. Changes in the level or in the volatility of spreads as a result of changes in the underlying credit quality define the risk of investment default.

Credit Risk arises when a counterparty is no longer able to pay its contractual obligations. Key areas of credit risk include counterparty risk, country risk, concentration risk, settlement risk and issuer risk. The Company's exposure to credit risk arises mainly from assets (fixed income and equities) and retakaful.

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.

**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

**Credit Exposure**

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

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2025</b>		
<b>Financial assets at FVTPL:</b>		
<b>- Designated upon initial recognition</b>		
Malaysian government papers	350,951	350,951
Debt securities, structured products, and NICDs	5,567,235	6,290,563
<b>- HFT****</b>		
Malaysian government papers	42,766	42,766
Debt securities, structured products, NCDs and NICDs	271,774	271,774
<b>Financial assets at FVOCI:</b>		
Malaysian government papers	230,998	364,585
Debt securities, structured products, and NICDs	5,362,625	6,940,268
<b>Financial assets at AC:</b>		
Islamic investment accounts with :		
Licenced financial institutions	576,531	638,850
Other licenced financial institutions	542,588	567,179
Financing receivables	-	8,069
Retakaful certificate assets*	8,489	8,489
Other assets**	171,417	219,274
Derivative assets	3,879	4,023
Cash and bank balances***	92,120	92,129
	<b>13,221,373</b>	<b>15,798,920</b>

\* Comprise of receivable from retakaful, net of impairment.

\*\* Excluding non-financial assets such as prepayments and deposits.

\*\*\* Excluding petty cash.

\*\*\*\* Included in the above balances are investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borne by the participants.

**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

**Credit Exposure (contd.)**

	<b>Family Takaful Fund RM'000</b>	<b>Company RM'000</b>
<b>2024</b>		
<b>Financial assets at FVTPL:</b>		
<b>- Designated upon initial recognition</b>		
Malaysian government papers	323,975	323,975
Debt securities and structured products	5,757,469	6,509,505
<b>- HFT****</b>		
Malaysian government papers	46,004	46,004
Debt securities	181,948	181,948
<b>Financial assets at FVOCI:</b>		
Malaysian government papers	345,708	590,784
Debt securities	5,335,343	6,719,912
<b>Financial assets at AC:</b>		
Islamic investment accounts with:		
Licenced financial institutions	561,357	670,733
Other licenced financial institutions	530,361	534,236
Financing receivables	-	9,362
Retakaful certificate assets*	9,484	9,484
Other assets**	214,974	263,339
Derivative assets	1	1
Cash and bank balances***	80,095	81,805
	<u>13,386,719</u>	<u>15,941,088</u>

\* Comprise of receivable from retakaful, net of impairment.

\*\* Excluding non-financial assets such as prepayments and deposits.

\*\*\* Excluding petty cash.

\*\*\*\* Included in the above balances are investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borne by the participants.

**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

**Credit quality of financial assets**

The four (4) risks categories as set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Company's financial investments. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

<b>Risk Category</b>	<b>Probability of default ("PD") grade</b>	<b>External credit ratings based on S&amp;P's ratings</b>	<b>External credit ratings</b>
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(vi)(a).
- Unrated : Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of ratings models.
- Sovereign : Refer to obligors which are governments and/or government-related agencies.

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**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

**Credit exposure by rating**

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

**Family Takaful Fund**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2025</b>							
<b>Financial assets at FVTPL:</b>							
<b>(i) Designated upon initial recognition</b>							
Malaysian government papers	350,951	-	-	-	-	-	350,951
Debt securities, structured products, NCDs and NICDs	2,075,335	1,311,655	2,100,057	80,188	-	-	5,567,235
<b>(ii) Held-for-trading (HFT)****</b>							
Malaysian government papers	42,766	-	-	-	-	-	42,766
Debt securities, structured products, NCDs and NICDs	10,517	81,310	162,251	17,696	-	-	271,774
<b>Financial assets at FVOCI:</b>							
Malaysian government papers	230,998	-	-	-	-	-	230,998
Debt securities, structured products, NCDs and NICDs	1,823,755	1,918,419	1,575,128	45,323	-	-	5,362,625

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**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

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

The table below provides information regarding the credit risk exposure of the Family Takaful Fund by classifying assets according to the risk categories (contd.):

**Family Takaful Fund (contd.)**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2025 (contd.)</b>							
<b>Financial assets at AC:</b>							
Islamic investment accounts with:							
Licenced financial institutions	-	575,431	1,100	-	-	-	576,531
Other licenced financial institutions	-	517,231	25,357	-	-	-	542,588
Retakaful certificate assets*	-	8,489	-	-	-	-	8,489
Other assets**	49,088	46,550	48,739	1,365	-	25,675	171,417
Derivative assets	-	3,879	-	-	-	-	3,879
Cash and bank balances***	-	60,807	29,676	1,637	-	-	92,120
	<b>4,583,410</b>	<b>4,523,771</b>	<b>3,942,308</b>	<b>146,209</b>	<b>-</b>	<b>25,675</b>	<b>13,221,373</b>

\* Comprise of receivable from retakaful, net of impairment.

\*\* Excluding non-financial assets such as prepayments and deposits.

\*\*\* Excluding petty cash.

\*\*\*\* Including investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borne by the participants.

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**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

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

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

<b>Company</b>	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2025</b>							
<b>Financial assets at FVTPL:</b>							
<b>- Designated upon initial recognition</b>							
Malaysian government papers	350,951	-	-	-	-	-	350,951
Debt securities, structured products, NCDs and NICDs	2,295,131	1,484,656	2,430,588	80,188	-	-	6,290,563
<b>- Held for trading****</b>							
Malaysian government papers	42,766	-	-	-	-	-	42,766
Debt securities, structured products, NCDs and NICDs	10,517	81,310	162,251	17,696	-	-	271,774
<b>Financial assets at FVOCI:</b>							
Malaysian government papers	364,585	-	-	-	-	-	364,585
Debt securities, structured products, NCDs and NICDs	2,121,519	2,579,638	2,188,815	50,296	-	-	6,940,268

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**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

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

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

**Company (contd.)**

	<b>Sovereign</b>	<b>Very Low</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Unrated</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2025 (contd.)</b>							
<b>Financial assets at AC:</b>							
Islamic investment accounts with:							
Licenced financial institutions	-	637,750	1,100	-	-	-	638,850
Other licenced financial institutions	-	537,307	29,872	-	-	-	567,179
Financing receivables	-	-	-	-	-	8,069	8,069
Retakaful certificate assets*	-	8,489	-	-	-	-	8,489
Other assets**	56,485	57,745	60,487	1,381	-	43,176	219,274
Derivative assets	-	4,023	-	-	-	-	4,023
Cash and bank balances***	-	60,816	29,676	1,637	-	-	92,129
	<u>5,241,954</u>	<u>5,451,734</u>	<u>4,902,789</u>	<u>151,198</u>	<u>-</u>	<u>51,245</u>	<u>15,798,920</u>

\* Comprise of receivable from retakaful, net of impairment.

\*\* Excluding non-financial assets such as prepayments and deposits.

\*\*\* Excluding petty cash.

\*\*\*\* Including investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borne by the participants.

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**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

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

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

**Family Takaful Fund**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2024</b>							
<b>Financial assets at FVTPL:</b>							
<b>- Designated upon initial recognition</b>							
Malaysian government papers	323,975	-	-	-	-	-	323,975
Debt securities and structured products	1,964,887	1,544,630	2,138,028	109,924	-	-	5,757,469
<b>- Held for trading****</b>							
Malaysian government papers	46,004	-	-	-	-	-	46,004
Debt securities and structured products	5,829	66,508	109,611	-	-	-	181,948
<b>Financial assets at FVOCI:</b>							
Malaysian government papers	345,708	-	-	-	-	-	345,708
Debt securities and structured products	1,914,845	1,825,081	1,505,353	90,064	-	-	5,335,343

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**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

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

The table below provides information regarding the credit risk exposure of the Family Takaful Fund by classifying assets according to the risk categories (contd.):

**Family Takaful Fund (contd.)**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2024 (contd.)</b>							
<b>Financial assets at AC:</b>							
Islamic investment accounts with :							
Licenced financial institutions	-	538,392	22,965	-	-	-	561,357
Other licenced financial institutions	-	480,011	50,350	-	-	-	530,361
Retakaful certificate assets*	-	9,484	-	-	-	-	9,484
Other assets**	50,683	53,128	48,848	1,899	-	60,416	214,974
Derivative assets	-	1	-	-	-	-	1
Cash and bank balances***	-	60,637	17,955	1,503	-	-	80,095
	<b>4,651,931</b>	<b>4,577,872</b>	<b>3,893,110</b>	<b>203,390</b>	<b>-</b>	<b>60,416</b>	<b>13,386,719</b>

\* Comprise of receivable from retakaful, net of impairment

\*\* Excluding non-financial assets such as prepayments and deposits.

\*\*\* Excluding petty cash.

\*\*\*\* Including investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borne by the participants.

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**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

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

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

**Company**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2024 (contd.)</b>							
<b>Financial assets at FVTPL:</b>							
<b>- Designated upon initial recognition</b>							
Malaysian government papers	323,975	-	-	-	-	-	323,975
Debt securities and structured products	2,181,137	1,727,449	2,490,995	109,924	-	-	6,509,505
<b>- Held for trading****</b>							
Malaysian government papers	46,004	-	-	-	-	-	46,004
Debt securities and structured products	5,829	66,508	109,611	-	-	-	181,948
<b>Financial assets at FVOCI:</b>							
Malaysian government papers	590,784	-	-	-	-	-	590,784
Debt securities and structured products	2,148,732	2,393,472	2,087,644	90,064	-	-	6,719,912

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**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

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

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

**Company (contd.)**

	<b>Sovereign</b>	<b>Very Low</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Unrated</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2024 (contd.)</b>							
<b>Financial assets at AC:</b>							
Islamic investment accounts with :							
Licenced financial institutions	-	647,768	22,965	-	-	-	670,733
Other licenced financial institutions	-	483,834	50,350	-	-	52	534,236
Financing receivables	-	-	-	-	-	9,362	9,362
Retakaful certificate assets*	-	9,484	-	-	-	-	9,484
Other assets**	58,991	63,824	60,043	1,899	-	78,582	263,339
Derivative assets	-	1	-	-	-	-	1
Cash and bank balances***	-	62,347	17,955	1,503	-	-	81,805
	<b>5,355,452</b>	<b>5,454,687</b>	<b>4,839,563</b>	<b>203,390</b>	<b>-</b>	<b>87,996</b>	<b>15,941,088</b>

\* Comprise of receivable from retakaful, net of impairment

\*\* Excluding non-financial assets such as prepayments and deposits.

\*\*\* Excluding petty cash.

\*\*\*\* Including investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borne by the participants.

**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

**Financial assets - reconciliation of allowance account**

**Significant increase in credit risk**

The Company applies the General Approach or 'three-stage' approach which is based on the change in credit quality of financial instruments since initial recognition to assess the impairment for investment assets. In particular, recognition of ECL is dependent on which of the three stages a particular financial instrument is assigned to. Assets move through the three stages as credit quality changes and the stages dictate how the Company measures impairment losses and applies the effective interest rate ("EIR") method with the forward looking element to compute the ECL.

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

**Expected credit loss**

The Company assesses the possible default events within 12 months for the calculation of the 12- month ECL in Stage 1. Given the impairment policy, the probability of default for new instruments acquired is generally determined to be minimal, in addition to the exception rule to apply zero loss given default ratio to specified financial assets which is applicable to the Company. A newly purchased or originated financial asset will be subject to ECL upon recognition in Stage 1.

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company are required to estimate the probability of default occurring in the 12 months after the reporting date and in each subsequent year throughout the expected lives of the financial instruments. The lifetime ECL allowance measured for the Company during the year were mainly in respect of debt securities as Watchlist ("WL") or which have been downgraded as at the reporting date.

For a financial asset which is determined to be a credit-impaired debt security under Stage 3, the ECL calculation will be based on objective evidence of impairment.

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

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

The table below shows the fair value of the Family Takaful Fund's financial assets measured by credit quality, based on the Company's risk categories:

**Family Takaful Fund**

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
<b>2025</b>				
<b>Financial assets at FVOCI</b>				
Sovereign	2,054,753	-	-	2,054,753
Very low	1,918,419	-	-	1,918,419
Low	1,450,918	124,210	-	1,575,128
Medium	45,323	-	-	45,323
<b>Total carrying amount</b>	<b>5,469,413</b>	<b>124,210</b>	<b>-</b>	<b>5,593,623</b>
<b>Total ECL</b>	<b>(984)</b>	<b>(680)</b>	<b>-</b>	<b>(1,664)</b>

Movements in allowance for impairment losses for the Family Takaful Fund's financial assets at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
<b>2025</b>				
<b>Financial assets at FVOCI</b>				
At 1 January 2025	395	1,239	-	1,634
Net adjustment of loss allowance Writeback (ECL Writeback)	448	-	-	448
	-	(384)	-	(384)
New financial assets originated or purchased	192	-	-	192
Financial assets that have been derecognised	(51)	(175)	-	(226)
Allowance for impairment loss (Note 25)	589	(559)	-	30
At 31 December 2025	<b>984</b>	<b>680</b>	<b>-</b>	<b>1,664</b>

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

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

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

**Family Takaful Fund**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12-month ECL RM'000</b>	<b>Lifetime ECL not credit impaired RM'000</b>	<b>Lifetime ECL credit impaired RM'000</b>	<b>Total RM'000</b>
<b>2024</b>				
<b>Financial assets at FVOCI</b>				
Sovereign	2,260,553	-	-	2,260,553
Very low	1,797,121	27,961	-	1,825,082
Low	1,270,377	234,975	-	1,505,352
Medium	90,064	-	-	90,064
<b>Total carrying amount</b>	<b>5,418,115</b>	<b>262,936</b>	<b>-</b>	<b>5,681,051</b>
<b>Total ECL</b>	<b>(395)</b>	<b>(1,239)</b>	<b>-</b>	<b>(1,634)</b>

Movements in allowance for impairment losses for the Family Takaful Fund's financial assets at FVOCI are as follows:

**Family Takaful Fund**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12-month ECL RM'000</b>	<b>Lifetime ECL not credit impaired RM'000</b>	<b>Lifetime ECL credit impaired RM'000</b>	<b>Total RM'000</b>
<b>2024</b>				
<b>Financial assets at FVOCI</b>				
At 1 January 2024	849	1,204	-	2,053
Net adjustment of loss allowance Writeback (ECL Writeback)	(492)	(207)	-	(699)
New financial assets originated or purchased	83	242	-	325
Financial assets that have been derecognised	(45)	-	-	(45)
Allowance for impairment loss (Note 25)	(454)	35	-	(419)
At 31 December 2024	<b>395</b>	<b>1,239</b>	<b>-</b>	<b>1,634</b>

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

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

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

**Company**

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
<b>2025</b>				
<b>Financial assets at FVOCI</b>				
Sovereign	2,486,104	-	-	2,486,104
Very low	2,579,638	-	-	2,579,638
Low	2,037,121	151,694	-	2,188,815
Medium	50,296	-	-	50,296
<b>Total carrying amount</b>	<b>7,153,159</b>	<b>151,694</b>	<b>-</b>	<b>7,304,853</b>
<b>Total ECL</b>	<b>(1,345)</b>	<b>(842)</b>	<b>-</b>	<b>(2,187)</b>

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

**Company**

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
<b>2025</b>				
<b>Financial assets at FVOCI</b>				
At 1 January 2025	544	1,533	-	2,077
Net adjustment of loss allowance Writeback (ECL Writeback)	630	-	-	630
	-	(475)	-	(475)
New financial assets originated or purchased	230	-	-	230
Financial assets that have been derecognised	(59)	(216)	-	(275)
Allowance for impairment loss (Note 25)	801	(691)	-	110
<b>At 31 December 2025</b>	<b>1,345</b>	<b>842</b>	<b>-</b>	<b>2,187</b>

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

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

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

**Company**

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
<b>2024</b>				
<b>Financial assets at FVOCI</b>				
Sovereign	2,739,515	-	-	2,739,515
Very low	2,365,512	27,961	-	2,393,473
Low	1,805,044	282,600	-	2,087,644
Medium	90,064	-	-	90,064
<b>Total carrying amount</b>	<b>7,000,135</b>	<b>310,561</b>	<b>-</b>	<b>7,310,696</b>
<b>Total ECL</b>	<b>(544)</b>	<b>(1,533)</b>	<b>-</b>	<b>(2,077)</b>

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

**Company**

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
<b>2024</b>				
<b>Financial assets at FVOCI</b>				
At 1 January 2024	1,198	1,543	-	2,741
Net adjustment of loss allowance Writeback (ECL Writeback)	(683)	(293)	-	(976)
New financial assets originated or purchased	107	283	-	390
Financial assets that have been derecognised	(78)	-	-	(78)
Allowance for impairment loss (Note 25)	(654)	(10)	-	(664)
At 31 December 2024	<b>544</b>	<b>1,533</b>	<b>-</b>	<b>2,077</b>

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

**Other financial assets - reconciliation of allowance account**

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

Movements in gross carrying value and allowances for impairment losses recognised for not credit-impaired and credit impaired financial assets of the Family Takaful Fund are as follows:

**Family Takaful Fund**

	<u>Not Credit Impaired</u>			<u>Credit Impaired</u>			<u>Total</u>		
	<u>Financing receivables</u>	<u>Retakaful certificate assets*</u>	<u>Other assets**</u>	<u>Financing receivables</u>	<u>Retakaful certificate assets*</u>	<u>Other assets**</u>	<u>Financing receivables</u>	<u>Retakaful certificate assets*</u>	<u>Other assets**</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Gross carrying amount</u>							<u>(Note 8)</u>		<u>(Note 11)</u>
At 1 January 2024	-	2,844	172,338	-	729	507	-	3,573	172,845
(Decrease)/increase	-	5,996	42,636	-	48	-	-	6,044	42,636
At 31 December 2024	-	8,840	214,974	-	777	507	-	9,617	215,481
(Decrease)/increase	-	(996)	(43,557)	-	3	-	-	(993)	(43,557)
At 31 December 2025	-	7,844	171,417	-	780	507	-	8,624	171,924
<u>Lifetime ECL</u>									
At 1 January 2024	-	2	-	-	123	507	-	125	507
Increase/(decrease)	-	(2)	-	-	10	-	-	8	-
At 31 December 2024	-	-	-	-	133	507	-	133	507
(Decrease)/increase	-	2	-	-	-	-	-	2	-
At 31 December 2025	-	2	-	-	133	507	-	135	507

\* Comprise of receivable from retakaful, net of impairment.

\*\* Excluding non-financial assets such as prepayments and deposits.

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

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

Movements in gross carrying value and allowances for impairment losses recognised for not credit impaired and credit impaired other financial assets of the Company are as follows:

**Company**

	<u>Not Credit Impaired</u>			<u>Credit Impaired</u>			<u>Total</u>		
	Financing receivables RM'000	Retakaful certificate assets* RM'000	Other assets** RM'000	Financing receivables RM'000	Retakaful certificate assets* RM'000	Other assets** RM'000	Financing receivables RM'000 (Note 8)	Retakaful certificate assets* RM'000	Other assets** RM'000 (Note 11)
<u>Gross carrying amount</u>									
At 1 January 2024	10,210	2,844	213,629	1,843	729	2,692	12,053	3,573	216,321
(Decrease)/increase	(840)	5,996	49,423	2	48	585	(838)	6,044	50,008
At 31 December 2024	9,370	8,840	263,052	1,845	777	3,277	11,215	9,617	266,329
(Decrease)/increase	(1,296)	(996)	(44,076)	-	3	10	(1,296)	(993)	(44,066)
At 31 December 2025	8,074	7,844	218,976	1,845	780	3,287	9,919	8,624	222,263
<u>Lifetime ECL</u>									
At 1 January 2024	17	2	1	1,843	123	2,986	1,860	125	2,987
(Decrease)/increase	(8)	(2)	-	1	10	3	(7)	8	3
At 31 December 2024	9	-	1	1,844	133	2,989	1,853	133	2,990
(Decrease)/increase	(4)	2	-	1	-	(1)	(3)	2	(1)
At 31 December 2025	5	2	1	1,845	133	2,988	1,850	135	2,989

\* Comprise of receivable from retakaful, net of impairment.

\*\* Excluding non-financial assets such as prepayments and deposits.

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

**Other financial assets - reconciliation of allowance account**

Movements in the allowance for impairment losses for the Family Takaful Fund's other financial assets are as follows:

**Family Takaful Fund**

	<b>Financing receivables RM'000 (Note 8)</b>	<b>Retakaful certificate assets* RM'000</b>	<b>Other assets** RM'000 (Note 11)</b>	<b>Total RM'000</b>
<b>2025</b>				
At 1 January 2025	-	133	507	640
Net adjustment of loss allowance	-	2	-	2
At 31 December 2025	<u>-</u>	<u>135</u>	<u>507</u>	<u>642</u>
<b>2024</b>				
At 1 January 2024	-	125	507	632
Net adjustment of loss allowance	-	8	-	8
At 31 December 2024	<u>-</u>	<u>133</u>	<u>507</u>	<u>640</u>

\* Comprise of receivable from retakaful, net of impairment.

\*\* Excluding non-financial assets such as prepayments and deposits.

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

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

Movements in allowance for impairment losses for the Company's other financial assets are as follows:

**Company**

	<b>Financing receivables RM'000 (Note 8)</b>	<b>Retakaful certificate assets* RM'000</b>	<b>Other assets** RM'000 (Note 11)</b>	<b>Total RM'000</b>
<b>2025</b>				
At 1 January 2025	1,853	133	2,990	4,976
Net adjustment of loss allowance	(3)	2	(1)	(2)
At 31 December 2025	<u>1,850</u>	<u>135</u>	<u>2,989</u>	<u>4,974</u>
<b>2024</b>				
At 1 January 2024	1,860	125	2,987	4,972
Net adjustment of loss allowance	(7)	8	3	4
At 31 December 2024	<u>1,853</u>	<u>133</u>	<u>2,990</u>	<u>4,976</u>

\* Comprise of receivable from retakaful, net of impairment.

\*\* Excluding non-financial assets such as prepayments and deposits.

#### **43. FINANCIAL RISKS (CONTD.)**

##### **(i) Credit & Default Risk (contd.)**

###### **Financial effect of collateral held**

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

<b>Type of financing receivables</b>	<b>Types of collateral</b>
Secured staff/non-staff financing	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 2025 (2024: 100%). Secured financing receivables amounting to RM8,055,000 as at 31 December 2025 (2024: RM9,348,000).

##### **(ii) Liquidity Risk**

Liquidity risk is the risk of an adverse impact to the Company's financial condition or overall safety and soundness that could arise from their inability (or perceived inability) or unexpected higher cost to meet obligations. Generally, there are two types of liquidity risks, 1) funding liquidity risk and 2) market liquidity risk.

Funding liquidity risk is the risk that the Company will not be able to meet both expected and unexpected current and future cash flow and collateral needs effectively without affecting either daily operations or the financial condition of the Company.

Market liquidity risk is the risk that the Company cannot easily offset or eliminate the position at market price because of inadequate market depth or market disruption.

The objective of liquidity risk management is to have sufficient availability of cash to meet participants' 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.

**43. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity risk (contd.)**

The Company measures and manages liquidity risk following the philosophies and principles below:

- (a) The Risk Management and Investment Management Departments actively monitor the cash flows associated and derived from assets and liabilities of the Company through the ALCO platform;
- (b) The Investment Management Department ensures that reasonable liquidity is maintained in the assets held at all times; and
- (c) The Risk Management Department uses Key Risk Indicators (“KRI”) to alert the management of any impending problems in a timely manner.

**Maturity Profiles**

The following table summarises the Maturity Profile of the financial assets and financial liabilities and Takaful assets/liabilities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable. For Takaful certificates liabilities and retakaful assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised Takaful liabilities.

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**43. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (contd.)**

**Maturity Profiles (contd.)**

**Family Takaful Fund**

	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2025</b>						
Financial assets at:						
FVTPL	7,811,842	797,438	2,642,450	5,527,676	1,579,115	10,546,679
FVOCI	5,679,397	446,334	2,341,336	5,391,090	85,774	8,264,534
AC	1,119,119	1,123,960	-	-	-	1,123,960
Retakaful certificate assets, net*	394,448	89,103	83,952	423,929	-	596,984
Other assets**	171,417	171,417	-	-	-	171,417
Derivative assets	3,879	3,879	-	-	-	3,879
Cash and bank balances***	92,120	-	-	-	92,120	92,120
<b>Total assets</b>	<b>15,272,222</b>	<b>2,632,131</b>	<b>5,067,738</b>	<b>11,342,695</b>	<b>1,757,009</b>	<b>20,799,573</b>
Takaful certificate liabilities, net****	14,534,275	6,804,493	1,980,124	9,096,470	-	17,881,088
Other liabilities	691,295	691,295	-	-	-	691,295
<b>Total liabilities</b>	<b>15,225,570</b>	<b>7,495,788</b>	<b>1,980,124</b>	<b>9,096,470</b>	<b>-</b>	<b>18,572,383</b>

\* Including AIC and receivables from retakaful, net of impairment.

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

\*\*\* Excluding petty cash.

\*\*\*\* Including LIC and receivables from co-retakaful, net of impairment.

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

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**43. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (contd.)**

**Maturity Profiles (contd.)**

**Company**

	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2025</b>						
Financial assets at:						
FVTPL	8,803,456	852,818	3,096,767	5,972,100	1,847,401	11,769,086
FVOCI	7,427,937	580,722	3,253,731	6,754,817	123,084	10,712,354
AC	1,206,029	1,210,926	-	-	-	1,210,926
Financing receivables	8,069	1,336	4,008	3,630	-	8,974
Retakaful certificate assets, net*	394,448	89,103	83,952	423,929	-	596,983
Other assets**	219,273	219,273	-	-	-	219,273
Derivative assets	4,023	4,023	-	-	-	4,023
Cash and bank balances***	92,129	-	-	-	92,129	92,129
<b>Total assets</b>	<b>18,155,364</b>	<b>2,958,201</b>	<b>6,438,458</b>	<b>13,154,476</b>	<b>2,062,614</b>	<b>24,613,748</b>
Takaful certificate liabilities, net****	14,475,640	6,438,896	2,202,735	7,868,550	-	16,510,181
Other liabilities	775,134	775,134	-	-	-	775,134
<b>Total liabilities</b>	<b>15,250,774</b>	<b>7,214,030</b>	<b>2,202,735</b>	<b>7,868,550</b>	<b>-</b>	<b>17,285,315</b>

\* Including AIC and receivables from retakaful, net of impairment.

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

\*\*\* Excluding petty cash.

\*\*\*\* Including LIC and receivables from co-retakaful, net of impairment.

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

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**43. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (contd.)**

**Maturity Profiles (contd.)**

**Family Takaful Fund**

	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2024</b>						
Financial assets at:						
FVTPL	7,076,116	704,693	2,792,856	5,733,467	766,721	9,997,737
FVOCI	5,816,694	376,209	2,193,826	6,097,076	135,643	8,802,754
AC	1,091,718	1,098,326	-	-	-	1,098,326
Retakaful certificate assets, net*	307,415	25,315	88,058	384,009	-	497,382
Other assets**	214,974	214,974	-	-	-	214,974
Derivative assets	1	1	-	-	-	1
Cash and bank balances***	80,095	-	-	-	80,095	80,095
<b>Total assets</b>	<b>14,587,013</b>	<b>2,419,518</b>	<b>5,074,740</b>	<b>12,214,552</b>	<b>982,459</b>	<b>20,691,269</b>
Takaful certificate liabilities, net****	14,231,949	6,707,747	1,837,670	8,917,338	-	17,462,755
Derivative liabilities	605	605	-	-	-	605
Other liabilities	315,835	315,835	-	-	-	315,835
<b>Total liabilities</b>	<b>14,548,389</b>	<b>7,024,187</b>	<b>1,837,670</b>	<b>8,917,338</b>	<b>-</b>	<b>17,779,195</b>

\* Including AIC and receivables from retakaful, net of impairment.

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

\*\*\* Excluding petty cash.

\*\*\*\* Including LIC and receivables from co-retakaful, net of impairment.

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

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**43. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (contd.)**

**Maturity Profiles (contd.)**

**Company**

	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2024</b>						
Financial assets at:						
FVTPL	7,864,142	767,161	3,225,373	6,269,933	802,710	11,065,177
FVOCI	7,485,112	453,685	3,045,532	7,537,484	174,416	11,211,117
AC	1,204,969	1,211,602	-	-	-	1,211,602
Financing receivables	9,362	1,098	4,723	4,706	-	10,527
Retakaful certificate assets, net*	307,415	25,315	88,058	384,009	-	497,382
Other assets**	263,339	263,339	-	-	-	263,339
Derivative assets	1	1	-	-	-	1
Cash and bank balances***	81,805	-	-	-	81,805	81,805
<b>Total assets</b>	<b>17,216,145</b>	<b>2,722,201</b>	<b>6,363,686</b>	<b>14,196,132</b>	<b>1,058,931</b>	<b>24,340,950</b>
Takaful certificate liabilities, net****	14,182,242	6,335,582	2,028,685	7,688,390	-	16,052,657
Derivative liabilities	605	605	-	-	-	605
Other liabilities	383,341	383,341	-	-	-	383,341
<b>Total liabilities</b>	<b>14,566,188</b>	<b>6,719,528</b>	<b>2,028,685</b>	<b>7,688,390</b>	<b>-</b>	<b>16,436,603</b>

\* Including AIC and receivables from retakaful, net of impairment.

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

\*\*\* Excluding petty cash.

\*\*\*\* Including LIC and receivables from co-retakaful, net of impairment.

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

#### **43. FINANCIAL RISKS (CONTD.)**

##### **(iii) Market Risk**

Market Risk is the risk of losses on financial investments caused by adverse price movements.

There are four primary sources of risk that affect the overall market:

- (a) Foreign Exchange Risk;
- (b) Profit Rates Risk (including the credit spread risk);
- (c) Equity Price Risk; and
- (d) Property Risk.

The Company has three main key features with respect to of its market risk management practices and policies:

- (a) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's management policies and risk appetite after taking into consideration of regulatory requirements with respect to the maintenance of assets and solvency.
- (b) Compliance to policies are monitored; exposures and breaches are reported as soon as practicable.
- (c) Strict controls exist for derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company also issues investment-linked investment certificates for a number of products. For investment-linked business, the participants bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company's exposure to Market Risk for this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analysis disclosed for each component of Market Risk in the following pages do not include analysis on the impact of such risks on the investment-linked funds.

##### **(a) Foreign Exchange Risk**

Foreign Exchange Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to US Dollar, Australian Dollar and Hong Kong Dollar.

**43. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (contd.)**

**(a) Foreign Exchange Risk (contd.)**

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the IFSA 2013, and hence, primarily denominated in the same currency (the local RM) as its Takaful and investment certificate liabilities.

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

**(b) Profit Rate Risk**

Profit Rate Risk is the risk that the fair value of future cash flows of a financial instrument or Takaful certificate or retakaful certificate will fluctuate because of changes in market profit rates.

Profit Rate Risks arises from exposures to profit rate related assets and liabilities. It is also known as asset-liability mismatch risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Company.

The Company measures and manages Profit Rate Risk mainly based on the following four philosophies and principles:

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

There is no direct contractual relationship between financial assets and Takaful certificates. However, the Company's profit rate risk policy requires it to manage the extent of net profit rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the Takaful certificates liabilities. The policy also requires it to manage the maturities of profit bearing financial assets.

**43. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (contd.)**

**(b) Profit Rate Risk (contd.)**

The Company's exposure to profit rate risk sensitive Takaful and retakaful certificates and financial instruments are, as follows

Company	Changes in profit rate	Impact	Impact on	Impact on
		on carrying value RM'000	CSM RM'000	profit/equity* RM'000
------(Decrease)/increase-----				
<b>2025</b>				
Takaful certificates and retakaful certificates, net	+100bps	(563,735)	287,125	24,514
	-100bps	644,356	(316,531)	(26,687)
Financial Instruments at FVTPL	+100bps	(471,188)	(185,399)	(53,151)
	-100bps	555,597	219,847	60,230
Financial Instruments at FVOCI	+100bps	(559,013)	-	-
	-100bps	641,164	-	-
Financial Instruments at AC	+100bps	(1,392)	-	-
	-100bps	1,325	-	-
<b>2024</b>				
Takaful certificates and retakaful certificates, net	+100bps	(516,632)	268,505	20,985
	-100bps	597,829	(303,972)	(23,509)
Financial Instruments at FVTPL	+100bps	(482,787)	(185,284)	(54,970)
	-100bps	558,379	214,713	62,002
Financial Instruments at FVOCI	+100bps	(585,870)	-	-
	-100bps	675,055	-	-
Financial Instruments at AC	+100bps	(1,706)	-	-
	-100bps	1,646	-	-

\* Impact on Company's Profit/Equity is stated net of corporate tax of 24%

**43. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (contd.)**

**(c) Equity Price Risk**

Equity Price Risk is the risk that the fair value of an equity instrument or Takaful certificate or retakaful certificate assets and/or liabilities would fluctuate because of changes in its market prices whether those changes are caused by factors specific to the individual equity instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's Equity Price Risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in equities' market prices and unit trust Net Asset Value ("NAV") to equity.

The Company's risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, and market, having regards to also such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may occur over time.

The Company's exposure to equity price risk sensitive Takaful and retakaful certificates and equity instruments are, as follows:

	<b>Change in market indices</b>	<b>Impact on carrying value RM'000</b>	<b>Impact on CSM RM'000</b>	<b>Impact on profit/ equity* RM'000</b>
		<b>&lt;------(Decrease)/increase-----&gt;</b>		
<b>Company</b>				
<b>2025</b>				
Takaful certificates and retakaful certificates, net	+10% -10%	18,314 (18,330)	4,635 (4,629)	618 (617)
Financial Instruments at FVTPL	+10% -10%	144,120 (144,120)	45,753 (45,753)	25,652 (25,652)
Financial Instruments at FVOCI	+10% -10%	12,308 (12,308)	- -	- -

**43. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (contd.)**

**(c) Equity Price Risk (contd.)**

The Company's exposure to equity price risk sensitive Takaful and retakaful certificates and equity instruments are, as follows:

<b>Company</b>	<b>Change in market indices</b>	<b>Impact on carrying value RM'000</b>	<b>Impact on CSM RM'000</b>	<b>Impact on profit/ equity* RM'000</b>
		<b>&lt;------(Decrease)/increase-----&gt;</b>		
<b>2024</b>				
Takaful certificates and retakaful certificates, net	+10% -10%	11,382 (11,368)	3,977 (3,991)	385 (386)
Financial Instruments at FVTPL	+10% -10%	45,710 (45,710)	11,838 (11,838)	5,347 (5,347)
Financial Instruments at FVOCI	+10% -10%	17,442 (17,442)	- -	- -

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

#### **43. FINANCIAL RISKS (CONTD.)**

##### **(iii) Market Risk (contd.)**

##### **(d) Property Risk**

Property risk is the possibility of financial loss occurring as the result of owning a real estate investment. Property risk might arise from such things as liability, legal issues, partner problems that can force a sale, fire or theft, loss of rental income and purchasing property with an imperfect title.

##### **(iv) Concentration Risk**

Concentration risk as its name suggests, is the risk of over concentration in any type of market risk, liquidity risk and credit risk. Risk concentration can materialize from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment/sector.

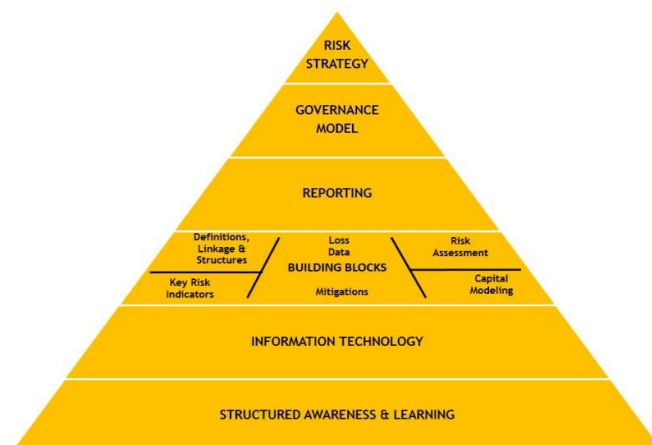
The Company's quantitative controls to manage concentration risk is through diversification. A minimum level of diversification is realised by observing the single counterparty limits. The single counterparty exposure limit represents maximum concentration of a particular counterparty. The limit exists for each asset class as well as across all investment assets, retakaful and derivative counterparty.

#### **44. NON-FINANCIAL RISKS (OPERATIONAL RISKS)**

Non-Financial Risk Management is a discipline of systematically identifying the causes of failures in the organisation's day-to-day operations, assessing the risk of loss and taking appropriate actions to minimise the impact of such loss.

Non-Financial Risk is the risk of loss arising from operational events and/or external factors that could result in monetary losses or negative impact in brand value and stakeholder's perception.

Non-Financial risk management methodology comprise of the components summarised in diagram below.



#### **44. NON-FINANCIAL RISKS (OPERATIONAL RISKS) (CONTD.)**

The nature and extent of operational risk can shift quickly in response to changes in people, organisational structure, processes, systems, products, customers or business environments. Hence, continuous review and monitoring of the risks and the control effectiveness is vital for an effective non-financial risk management.

To facilitate this process, specific tools and methodologies are employed to identify, assess and measure, control, monitor and report the operational risks that affect the MAHB Group.

##### **Non-Financial Risk Taxonomy**

###### **(i) Internal Fraud**

Losses due to illegal acts (explicitly prohibited by internal policies/guidelines or external regulations/law provisions) committed by employees. It also includes fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation.

###### **(ii) External Fraud**

Losses due to fraudulent activities/theft perpetrated by third party against the company/organisation. External fraud could arise from system security risk, i.e. failure to provide a secure system platform or an activity/incident that can and will threaten the integrity of a system, which will in turn affect the reliability and privacy of data.

###### **(iii) Employment Practices and Workplace Safety**

- (a) Employee relations - failure to maintain positive employer-employee relationships that contributes to unsatisfactory productivity, demotivation and low morale;
- (b) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees;
- (c) Diversity and discrimination - failure to provide equalities in the employment practice.

###### **(iv) Client or Products and Business Practices**

In general, this risk category covers information risk as well as conduct risk, and it is subdivided 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.

**44. NON-FINANCIAL RISKS (OPERATIONAL RISKS) (CONTD.)**

**Non-Financial Risk Taxonomy (contd.)**

**(vi) Business Disruption and System Failures**

Failure in the provision of an effective information technology infrastructure (e.g. hardware, networks, software) to support the current and future needs of the business in an efficient, cost-effective and well controlled manner.

**(vii) Execution or Delivery and Process Management**

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

Note: all risk types have an element of compliance risk (i.e. inability to comply with existing regulation, such as conduct risk). Regulatory risk under Enterprise risk is linked with Changing Regulations and the risk they represent to sustainability of the current Business Model.

**(viii) Technology and Cyber Risk**

Risk which impacts confidentiality, availability and integrity of information and services related to information technology, be it hosted on-premises or in cloud. This includes risks that customers or the business units may suffer on service disruptions or may incur losses arising from system defects such as failures, faults, incompleteness in computer operations, information security breach, cyber-attacks, illegal or unauthorized use of computer systems or data breach via computer systems that was perpetrated either by internal staff or external parties, intentionally or unintentionally. Besides, Cyber Risk that can lead to losses due to cyber-crime and cyber terrorism is included. The consequences are potential breach of customers' data/information, jeopardize data integrity, regulation and reputational impact.

**(ix) Business Continuity Risk**

Risk of loss due to force of nature (e.g. avalanche, earthquake, flood, forest fire, hurricane, lightning, tornado, tsunami, and volcanic eruption), or events which are not within due control of human (e.g. terrorism, vandalism) or epidemic of infectious disease (e.g. H1N1, SARS, cholera) which could impact the continuity of MAHB and its entities' operations.

**(x) Model Risk**

Model risk is the risk arising from of a model that does not operate as intended resulting in adverse consequences (e.g. financial loss, poor business or strategic decisions, reputational damage) arising from inappropriate decisions based on incorrect or misused model outputs.

#### **44. NON-FINANCIAL RISKS (OPERATIONAL RISKS) (CONTD.)**

##### **Non-Financial Risk Taxonomy (contd.)**

###### **(xi) Legal Risk**

Risk of loss which is primarily caused by a defective transaction, a claim (including a defence to a claim or a counterclaim) being made or some other event occurring which results in a liability or other loss, failing to take appropriate measures to protect assets owned, change in legislation or case law or failure to comply with regulatory requirements.

###### **(xii) Compliance Risk**

Risk of legal or regulatory sanctions, financial loss or reputational damage which a financial institution may suffer as a result of its failure to comply with legal and regulatory requirements applicable to its activities.

###### **(xiii) Data Risk**

Risk of loss of data/information that could lead to financial risk, operational risk, reputational risk, legal risk and regulatory sanctions.

###### **(xiv) Third Party Risk**

Risk of loss due to internal control failure of third parties or failure of third parties performing in a manner consistent with their contracted scope of engagement with MAHB group for the provision of the intended services/deliverables.

###### **(xv) Conduct Risk**

The risk of an organisation or an individual's activities having a detrimental impact on customers or negatively impacting the market and/or shareholder value.

#### **45. 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.

#### **45. ENTERPRISE RISK (CONTD.)**

##### **(i) Regulatory Risk**

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment and legislation.

Changing regulations (local and foreign countries in which MAHB Group has operations) threaten the competitive position and the capacity to efficiently conduct business. This can result in increased competitive pressures and significantly affect the ability to efficiently conduct business.

##### **(ii) Business and Strategic Risk**

Risk of current or prospective impact on earnings, capital, reputation or standing arising from changes in the environment the MAHB Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.

Risk of failure in directing and managing the business and affairs towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

##### **(iii) Reputational Risk**

Reputational risk is risk damaged by one or more than one reputation event, as reflected from negative publicity about the business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence, resulting in costly litigation, or lead to a decline in its customer base, business or revenue.

Reputational risk can have severe impact on overall value either directly, by causing an increase in lapses, or indirectly through the inability of future value generation as a result of not being able to attract and keep new customers, distribution partners and staff.

##### **(iv) Sustainability Risk**

Sustainability risks is the uncertainty in being able to sustain the growth of our organisation. It can either represent a risk on its own or have an impact on other risks and may contribute significantly to such risks, including financial, non-financial and takaful risks.

This is the risk of loss arising from the failure to address environmental, social and corporate governance concerns, thus adversely impacting the sustainability of business operations or the value of assets and liabilities.

#### **46. SHARIAH RISK**

Risk that arises from failure to comply with the Shariah rules and principle determined by the Shariah Committee of the Islamic Financial Services and the relevant body in the jurisdiction in which it operates.

Monitoring of shariah risk and control is a joint responsibility of all risk pillars under Risk Management Department and Shariah Division.

##### **(i) Shariah Non-Compliance Risk**

Shariah non-compliance risk refers to the risk of Shariah, legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which an Islamic Financial Institution ("IFI") may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM, standards on Shariah matters issued by the Bank pursuant to section 29(1) of the Islamic Financial Services Act ("IFSA") or decisions or advice of the Shariah Committee ("SC").

#### **47. FAIR VALUES MEASUREMENTS**

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

- (a) Valuation principles;
- (b) Valuation techniques;
- (c) Fair value measurements and classification within the fair value hierarchy; and
- (d) Transfers between Level 1 and Level 2 in the fair value hierarchy.

##### **(a) Valuation principles**

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

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

## **47. FAIR VALUES MEASUREMENTS (CONTD.)**

### **(a) Valuation principles (contd.)**

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

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

- Level 1: Active Market – Quoted price

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

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

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

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

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

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

Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

### **(b) Valuation techniques**

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

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

**47. FAIR VALUES MEASUREMENTS (CONTD.)**

**(b) Valuation techniques (contd.)**

**(ii) Financing receivables**

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

**(iii) Takaful receivables and payables**

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

**(iv) Investments**

Investments have been accounted for in accordance with the accounting policies as disclosed in Notes 2.2(iv) and Note 2.2(v). The carrying amounts and fair values of investments are disclosed in Note 6 to the financial statements.

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

**Family Takaful Fund**

	Fair value measurement using:		Total RM'000
	Level 1 Quoted price in active markets RM'000	Level 2 Significant observable inputs RM'000	
<b>2025</b>			
<b>Financial assets at FVTPL</b>			
<b>(i) Designated upon initial recognition</b>			
Malaysian government papers	-	350,951	350,951
Debt securities	-	5,547,266	5,547,266
Negotiable Islamic certificates of deposit	-	19,969	19,969
<b>(ii) HFT</b>			
Malaysian government papers	-	42,766	42,766
Equity securities	1,338,200	-	1,338,200
Debt securities	-	271,774	271,774
Unit and property trust funds	17,109	223,807	240,916

47. FAIR VALUES MEASUREMENTS (CONTD.)

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

Family Takaful Fund (contd.)

	Fair value measurement using:		Total RM'000
	Level 1 Quoted price in active markets RM'000	Level 2 Significant observable inputs RM'000	
<b>2025 (contd.)</b>			
<b>Financial assets at FVOCI</b>			
Malaysian government papers	-	230,998	230,998
Equity securities	85,774	-	85,774
Debt securities	-	5,317,793	5,317,793
Negotiable Islamic certificates of deposit	-	44,832	44,832
Derivative assets	-	3,879	3,879
	<u>1,441,083</u>	<u>12,054,035</u>	<u>13,495,118</u>
<b>2024</b>			
<b>Financial assets at FVTPL</b>			
<b>(i) Designated upon initial recognition</b>			
Malaysian government papers	-	323,975	323,975
Debt securities	-	5,658,468	5,658,468
Structured products	-	99,001	99,001
<b>(ii) HFT</b>			
Malaysian government papers	-	46,004	46,004
Equity securities	594,485	-	594,485
Debt securities	-	181,948	181,948
Unit and property trust funds	-	172,235	172,235
<b>Financial assets at FVOCI</b>			
Malaysian government papers	-	345,708	345,708
Equity securities	135,643	-	135,643
Debt securities	-	5,335,343	5,335,343
Derivative assets	-	1	1
	<u>730,128</u>	<u>12,162,683</u>	<u>12,892,811</u>

47. FAIR VALUES MEASUREMENTS (CONTD.)

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

Company

	Fair value measurement using:		Total RM'000
	Level 1 Quoted price in active markets RM'000	Level 2 Significant observable inputs RM'000	
<b>2025</b>			
<b>Financial assets at FVTPL</b>			
<b>(i) Designated upon initial recognition</b>			
Malaysian government papers	-	350,951	350,951
Debt securities	-	6,270,594	6,270,594
Negotiable Islamic certificates of deposit	-	19,969	19,969
<b>(ii) HFT</b>			
Malaysian government papers	-	42,766	42,766
Equity securities	1,601,350	-	1,601,350
Debt securities	-	271,774	271,774
Unit and property trust funds	22,245	223,807	246,052
<b>Financial assets at FVOCI</b>			
Malaysian government papers	-	364,585	364,585
Equity securities	123,084	-	123,084
Debt securities	-	6,895,436	6,895,436
Negotiable Islamic certificates of deposit	-	44,832	44,832
Derivative assets	-	4,023	4,023
	<u>1,746,679</u>	<u>14,488,737</u>	<u>16,235,416</u>

47. FAIR VALUES MEASUREMENTS (CONTD.)

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

Company (contd.)

	Fair value measurement using:		Total RM'000
	Level 1 Quoted price in active markets RM'000	Level 2 Significant observable inputs RM'000	
<b>2024</b>			
<b>Financial assets at FVTPL</b>			
<b>(i) Designated upon initial recognition</b>			
Malaysian government papers	-	323,975	323,975
Debt securities	-	6,410,504	6,410,504
Structured products	-	99,001	99,001
<b>(ii) HFT</b>			
Malaysian government papers	-	46,004	46,004
Equity securities	630,475	-	630,475
Debt securities	-	181,948	181,948
Unit and property trust funds	-	172,235	172,235
<b>Financial assets at FVOCI</b>			
Malaysian government papers	-	590,784	590,784
Equity securities	174,416	-	174,416
Debt securities	-	6,719,912	6,719,912
Derivative assets	-	1	1
	<u>804,891</u>	<u>14,544,364</u>	<u>15,349,255</u>

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. There were no transfers between Level 1 and Level 2 for the Company during the financial years ended 31 December 2025 and 31 December 2024.

#### **48. REGULATORY CAPITAL REQUIREMENT**

The capital structure of the Company as at 31 December 2025 and 31 December 2024, as prescribed under the RBCT Framework, is provided below:

##### **Company**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Eligible Tier 1 Capital</b>		
Paid up share capital	100,000	100,000
Valuation surplus in Takaful Funds	1,775,948	2,161,646
Retained earnings	2,822,472	2,596,647
	<u>4,698,420</u>	<u>4,858,293</u>
<b>Tier 2 Capital</b>		
FVOCI reserve	275,406	197,753
	<u>275,406</u>	<u>197,753</u>
Amount deducted from capital	<u>(129,673)</u>	<u>(106,732)</u>
Total Capital Available	<u>4,844,153</u>	<u>4,949,314</u>

#### **49. SHARIAH DISCLOSURES**

Shariah principles are the foundation of the practice of Islamic Finance through the observance of the tenets, conditions and principles espoused by Shariah to ensure all the operations and activities of the Company complies with Shariah rules and principles at all times.

The Company has put in place a sound Shariah governance framework to ensure strict adherence to Shariah requirements in its processes. A dedicated SC provides Shariah oversight on all material Shariah non-compliant risks across the Company. Supporting the SC are the Shariah Risk Management and Shariah Review and Compliance ("SRC") functions that respectively identify, measure, monitor and control Shariah non-compliance risks, and provides regular assessment on the compliance of the operations, business, affairs and activities of the Company with Shariah requirements.

Underpinning the governance framework are the detailed policies and procedures that include the required steps to ensure that each transaction executed by the Company complies with Shariah requirements. A dedicated internal audit team was also established to provide the required check and balance in ensuring strict compliance with the policies and procedures.

**49. SHARIAH DISCLOSURES (CONTD.)**

Any transaction classified as potential Shariah non-compliant will be escalated to the SC for deliberation and decision whether any Shariah requirements have been breached. Shariah Risk Management will track on the incident and rectification status, and ensure timely reporting to the SC, Board and BNM. For Shariah non-compliant transactions, any related income earned will be purified by channeling the amount to charity or given back to the customer, as determined by the SC.

The nature of transactions deliberated to SC for Shariah non-compliance are as follows:

(i) Shariah non-compliant sources

<b>2025</b>	<b>Number of occurrences</b>	<b>RM'000</b>
Interest earned from the usage of conventional collection bank account Bank Simpanan Nasional ("BSN") for collection bank account	-	2
	<u>-</u>	<u>2</u>
	<u>-</u>	<u>2</u>
<b>2024</b>	<b>Number of occurrences</b>	<b>RM'000</b>
Holding of security that has subsequently been considered Shariah Non-compliant (Tencent Holdings Ltd.)	1	4
Interest earned from the usage of conventional collection bank account BSN for collection bank account	-	*_
	<u>1</u>	<u>4</u>
	<u>1</u>	<u>4</u>

\*Representing RM334.00.

**49. SHARIAH DISCLOSURES (CONTD.)**

Apart from the purification of income from Shariah non-compliant earnings, the Company has instituted several rectification measures relating to systems, processes and procedures to enhance control mechanism and minimise recurrence of Shariah non-compliant incidents.

The rectification action plans are as follows:

<b>Nature of earnings</b>	<b>Measures undertaken</b>	<b>Status</b>
Holding of security that has subsequently been considered Shariah Non-compliant (Tencent Holdings Ltd.)	The Shariah Non-compliant earnings from the disposal of the security has been disbursed to Pusat Pungutan Zakat-Majlis Agama Islam Wilayah Persekutuan ("PPZ MAIWP").	Income has been purified and channelled to charity
Holding of security that has subsequently been considered Shariah Non-compliant (China Yangtze Power)	The Shariah Non-compliant earnings from the disposal of the security has been disbursed to PPZ MAIWP.	Income has been purified and channelled to charity
Interest earned from the usage of conventional collection bank account BSN for collection bank account. <sup>1</sup>	Interest generated from the usage of conventional bank account has been disbursed to PPZ MAIWP.	Income has been purified and channelled to charity

<sup>1</sup> The event was concluded as Shariah non-compliant earnings in the financial year 2023.

(i) Sources and uses of charity funds

	<b>2025</b>	<b>2024</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>Sources of charity funds</b>		
Brought forward as at 1 January	14	10
Shariah non-compliant prohibited income	2	4
Total sources of charity funds during the year	<u>16</u>	<u>14</u>
<b>Uses of charity funds</b>		
Contribution to non-profit organisation	16	-
Total uses of charity funds during the year	<u>16</u>	<u>-</u>
Undistributed charity funds as at 31 December	<u>-</u>	<u>14</u>