ETIQA GENERAL TAKAFUL BERHAD

201701025031 (1239197-A)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2021

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the management of General Takaful business. There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	RM'000
Net profit for the financial year	273,498

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

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

DIVIDENDS

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

	RM'000
In respect of financial year ended 31 December 2020, final dividend of:	
- 18.73 sen per share, single-tier tax exempt dividend on 870,000,000 ordinary shares	162,951

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

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

Maybank Group ESGP is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017. It was awarded to the participating Maybank Group employees who fulfil the eligibility criteria. The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee. The ESGP consists of two (2) types of performance-based awards namely as Employees' Share Grant Plan ("ESGP Share") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

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

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

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

DIRECTORS

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

Dato' Majid Bin Mohamad (Chairman)
Mr. Philippe Pol Arthur Latour (Vice Chairman)
Dato’ Mohamed Rafique Merican Bin Mohd Wahiduddin Merican
Dato' Johan Bin Ariffin (Resigned w.e.f 1 January 2022)
Mr. Koh Heng Kong
Prof. Dr. Rusni Binti Hassan

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

DIRECTORS' BENEFITS

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

Since the end of previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors, as disclosed in Notes 26 and 34 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INDEMNITY

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

Premium paid for D&O policy

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

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares		
	As at 1 January 2021	Acquired/ Disposed 2021	As at 31 December 2021
Ultimate Holding Company			
Direct Interest:			
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	241,144	58,707	299,851
Dato' Johan Bin Ariffin	315,187	152,471	467,658

DIRECTORS' INTERESTS (CONTD.)

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

	Award date	Number of ESGP shares awarded	Vesting year
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	14 December 2018	104,000	2021
	30 September 2019	104,000	2022
	30 September 2020	104,000	2023
	30 September 2021	104,000	2024
		416,000	

The ESGP shares will be vested on the ESGP vesting date provided that all the ESGP vesting conditions are met.

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 8 to 31.

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.

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OTHER STATUTORY INFORMATION

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

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

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and

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

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Company misleading.

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONTD.)

(f) In the opinion of the Directors:

(i) no contingent 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 purposes 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 would require disclosure other than as disclosed in Note 42 to the financial statements.

SUBSEQUENT EVENTS

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

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AUDITORS

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

The auditors' remuneration are as disclosed in Note 25 to the financial statements.

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

DATO' MAJID BIN MOHAMAD

DATO' MOHAMED RAFIQUE MERICAN BIN MOHD WAHIDUDDIN MERICAN

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CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

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

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

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

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

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

(a) Board Composition

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

(i) one (1) Executive Director (“ED”);
(ii) one (1) Non-Independent Non-Executive Directors (“NINED”); and
(iii) four (4) Independent Non-Executive Directors (“INED”).

The composition of the Board meets the requirement of having a majority of independent directors and common directors remain in the minority as set out in the BNM CG Policy. Dato' Majid Bin Mohamad, an INED, is the Chairman of the Board, while Dato’ Mohamed Rafique Merican Bin Mohd Wahiduddin Merican is the only ED on the Board and the NINED, is a nominee of Ageas Insurance International N.V. ("Ageas"), a shareholder of MAHB.

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

The Board meets on a bi-monthly basis, and the meeting dates are scheduled well in advance (before the commencement of each financial year) to enable the Directors to plan ahead. When required, the Board will meet on an ad hoc basis to consider urgent matters. 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 during the financial year are as follows:

Members of the Board	Designation	Number of Board Meetings attended	%
Dato' Majid Bin Mohamad *(Chairman)*	INED	9/9	100
Mr. Philippe Pol Arthur Latour *(Vice Chairman)*	NINED	9/9	100
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	ED	8/9	89
Dato' Johan Bin Ariffin	INED[1]	9/9	100
Mr. Koh Heng Kong	INED	9/9	100
Prof. Dr. Rusni Binti Hassan	INED	9/9	100

1 Ceased as Director w.e.f.1 January 2022.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorships within the Group
Dato' Majid Bin Mohamad Independent Non-Executive Director Chairman 67 years of age Malaysian	Banking & Insurance	• Director of Maybank Ageas Holdings Berhad • Chairman of Etiqa Family Takaful Berhad • Chairman of Etiqa Offshore Insurance (L) Ltd *(incorporated in F.T. Labuan)* • Chairman of Etiqa Life International (L) Ltd *(incorporated in F.T. Labuan)*
Mr. Philippe Pol Arthur Latour Non-Independent Non-Executive Director Vice-Chairman 62 years of age Belgian	Banking & Insurance	• Director of Etiqa Life Insurance Berhad
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican Executive Director 56 years of age Malaysian	Banking	Nil
Dato' Johan Bin Ariffin Independent Non-Executive Director 62 years of age Malaysian *(Ceased as Director w.e.f. 1 January 2022)*	Property Development & Banking	• Director of Maybank Ageas Holdings Berhad • Director of Etiqa Life Insurance Berhad (*Ceased as Director w.e.f 1 January 2022)* • Director of Etiqa Family Takaful Berhad • Chairman of Etiqa Insurance Pte Ltd *(Incorporated in Singapore)*
Mr. Koh Heng Kong Independent Non-Executive Director 69 years of age Malaysian	Insurance	• Director of Etiqa General Insurance Berhad

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors (contd.)

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorships within the Group
Prof. Dr. Rusni Binti Hassan Independent Non-Executive Director 54 years of age Malaysian	Islamic Finance	Nil

Detailed profile of each Director is available on the Group's corporate website (www.etiqa.com.my). Directors' interests in shares and share options in the ultimate holding company, Malayan Banking Berhad ("MBB" or "Maybank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2021 ("FYE 2021").

(b) Roles and Responsibilities of the Board

The business and affairs of the Company are managed under the direction and oversight of the Board, which also has the responsibility to periodically review and approve the overall strategies, business, organisation and significant policies of the Company. The Board also sets the core values 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 its Term of Reference which are available on the Group's corporate website (www.etiqa.com.my).

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(c) Board Committees Composition and Roles & Responsibilities

The Company 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
(iv) Investment Committee;

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

(i) Nomination and Remuneration Committee

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

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

The Board via the NRC assesses the independence of INEDs prior to their appointments and re-appointments as part of the annual Fit and Proper Assessment exercise. Pursuant to the recommendation of the NRC based on the assessment undertaken for the financial year, the Board is satisfied that all the INEDs of the Board have met the independence criteria set out under the BNM CG Policy as well as Maybank's Directors' Independence Policy adopted by the Group. NRC engaged a consultant firm to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board and individual Directors.

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 NRC plays a major role in the recruitment and selection process of potential candidates, which includes procuring from time to time the curriculum vitae of prospective candidates discreetly to ensure that the Board will always have a steady pool of talent whenever there is a need to appoint new directors, not only to ensure continuity in meeting its long term goals and to ensure that the knowledge, experience and skillset of the Board members would be well suited to meet the demands of the ever-changing landscape of the takaful industry.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[2] *NINED of MAHB.*

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

[4] Appointed as a member of the ACB w.e.f 1 January 2021. INED of Etiqa General Insurance Berhad,

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

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

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

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

RMC assists the Board in ensuring that the risk exposures and outcomes affecting the Group are effectively managed and addressed by the Board. More specifically, the RMC is responsible for formulating policies and frameworks to identify, monitor, manage and control material risks impacting the Group under the key risk categories of financial, insurance, operational and enterprise risks.

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

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

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

[1] *1 INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte Ltd.*

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

[3] *Appointed as a member of the RMC w.e.f. 15 February 2021. INED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB.*

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

[5] *Appointed as a member of the RMC w.e.f 17 June 2021.*

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(iv) Investment Committee

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

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

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

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

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

[1] *Redesignated as Chairman of the IC w.e.f.16 July 2021.*

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(v) Shariah Committee

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

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

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

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

[1] *Ceased as a member of the SC w.e.f. 13 May 2021.*

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training

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

During the financial year, all the Board members have attended various training programmes and workshops on issues relevant to the Group, including key training programmes for new Directors, namely the Induction Programme ("in-house training") and Financial Institutions Directors' Education ("FIDE").

(i) Induction Programme

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

(ii) Training Attended

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

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

Training attended by Directors	DM[1]	PL[2]	DRM[3]	DJ[4]	KHK[5]	PRH[6]
A. Inhouse Training						
1. Etiqa: Directors' Induction Program				√		
2. Etiqa: Directors' Training Programme Module 1 – Series # 1 (Day 1) : • Corporate Overview of Etiqa; Its Dynamic Organization, People, Process and Product. • Industry Updates / Market Landscape. • Brief Overview of Key Pillars		√		√	√	
3. Etiqa: Directors' Training Programme Module 1 – Series # 2 (Day 2): • Introduction To Insurance and Takaful		√		√	√	√
4. Etiqa Director Training Programme Module 1 – Series #3 (Day 3) • Discovering the basic of Takaful Updates on Anti Money Laundering/Counter Financing of Terrorism ("AML/CFT")		√			√	√
5. Etiqa Directors' Training Programme Module 1 - Orientation/On-boarding Session Series #2				√		
6. Etiqa: Oversight Committee Innovation & Technology Onboarding session					√	
7. Etiqa: Impacts of IFRS 17 on Financial Reporting		√				
8. Etiqa Risk Management Division: Etiqa Risk Landscape FY2021	√	√	√	√	√	√
9. Etiqa: IFRS 17 – Walkthrough session with ACB and RMC members on Financial Impact Assessment ("FIA")		√			√	√
10. Etiqa, Operations: Captive Retakaful Arrangements						√
11. Etiqa, Shariah Management: Industrial Roundtable Discussion on Hajah Discussion Paper Issued by Bank Negara Malaysia						√
12. Etiqa, Shariah Management & Malaysian Takaful Association ("MTA') & Association of Shariah Advisors in Islamic Finance ("ASAS"): The 2nd Muzakarah for Shariah Advisors of Takaful Operators (M-SAT 2021)						√
13. Etiqa, General Agency & Shariah Management: Introduction to Agent on the Go Campaign						√
14. Etiqa, Academy & Shariah Management: Sembang Santai Syariah – Mendalami Syariah Menjiwai Takaful						√
15. Etiqa, Accounting and Actuarial: MFRS17- Reporting Qard in the Takaful Fund Column within Takaful Entity Financial Statements						√
16. Etiqa Academy: Sharing Session with Etiqa Life Insurance/Family Takaful						√

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by the Directors during the financial year were as follows: (contd.)

Training attended by Directors	DM[1]	PL[2]	DRM[3]	DJ[4]	KHK[5]	PRH[6]
17. Etiqa Academy: Sharing Session with Etiqa General Insurance/General Takaful						√
18. Etiqa: SCRUM training		√	√	√	√	√
19. Etiqa: Merdeka Talk – Reflection of my journey in Islamic Finance, featuring the President of Court of Appeal, YAA Tan Sri Rohana Yusuf			√			
20. Etiqa and Ernst & Young: Environmental, Social & Governance ("ESG") related training	√			√	√	
21. Maybank: Inaugural Diversity Day 2021		√				
22. Maybank Group Technology/Nicholas Palmer, Group IB: Cyber Threat Landscape Awareness	√			√		
23. Maybank Group Human Capital: International Women's Day Celebration 2021 – IWD Flagship Programme	√		√	√	√	
24. Maybank Group Risk/Group Compliance: Annual Board Risk Workshop: Risk Session – Building Sustainability in a Digital World, Compliance Session – Managing Financial Crime in Emerging Markets	√		√	√		
25. Maybank Investment Bank and Bursa Malaysia: ESG in investment - The time is now	√			√		
26. Maybank Kim Eng: US China rivalry and the new geopolitics in Asean - By Dr Tan Kwang Yam, Prof Of Economy Nanyang Technological University	√		√			
27. Maybank Kim Eng: MKE Captains Speak (Special Edition) - Singapore Recovering & Transforming				√		
28. Maybank Kim Eng & Bursa: Invest Malaysia 2021 Series 1 - "Economic Reform"			√	√		√
29. Maybank and Asia Business School: LESA – Leadership for Enterprise Sustainability Asia 2021 – Ready for the climate change in the economy?	√					
30. Maybank Group Sustainability and IMD Business School: Maybank ESG Executive Education: Senior Leaders Module 1 – The Global Context of ESG			√			
31. Maybank Group Sustainability and IMD Business School: Maybank ESG Executive Education: Senior Leaders Module 2			√			
32. Maybank Group Sustainability and IMD Business School: Maybank ESG Executive Education: Senior Leaders Module 3 -Frame a Sustainable ESG Practice			√			
33. Maybank Group Sustainability and IMD Business School: Maybank ESG Executive Education: Masterclass 1: Understanding the Business Case for Sustainability : Schneider Electric Case Study			√			
34. Maybank Group Sustainability and IMD Business School: Maybank ESG Executive Education: Senior Leaders Masterclass 2			√			

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by the Directors during the financial year were as follows: (contd.)

Training attended by Directors	DM[1]	PL[2]	DRM[3]	DJ[4]	KHK[5]	PRH[6]
35. Ageas Partnership Day – Global Economic Outlook For 2021 And On The Challenges Facing The Financial World by Mr. Nouriel Roubini		√	√	√		
36. Ageas Partnership Day - Impact 24	√	√				
37. Ageas Partnership Day - A World Authority on Corporate Responsibility and Sustainable Future of Capitalism Called "Green Swans" by Mr. John Elkington	√			√		
38. Ageas Academy with Korn Ferry: Executive Development Journey		√				
39. Ageas Management Forum 2021		√				
40. Ageas: How blockchain can disrupt the industry in the future		√				
41. Ageas: A future for next generations – sustainability matters		√				
42. Ageas: Project-driven organisations in a world driven by change		√				
43. Ageas: Cybersecurity awareness training		√				
B. External Training						
1. FIDE Elective Program: Risk Management in Technology (RMiT) & Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards?					√	
2. BNM Annual Report 2020: Economic and Monetary Report 2020 and Financial Stability Review 2nd Half 2020 engagement session	√					
3. FIDE Forum: Dialogue with Tan Sri Nor Shamsiah binti Mohd Yunus, Governor of BNM	√			√		
4. FIDE Forum: Board Effectiveness Evaluation – Industry Briefing	√					
5. FIDE Forum: MASB Dialogue on MFRS 17 – Insurance Contracts – What every director must know	√		√	√	√	
6. FIDE Forum: The role of Independent Directors in embracing present and future challenges with Deputy Governor Jessica Chew	√			√		
7. FIDE Forum: Dialogue on the future of Malaysia's financial sector by Suhaimi Ali – Director Financial Development and Innovation, Bank Negara Malaysia	√				√	
8. FIDE Forum: Dialogue with senior leadership of Bank Negara on Risk-Based Capital Framework for Insurance and Takaful operators by Ms Cindy Siah Hooi Hoon	√			√	√	
9. FIDE Forum: Dialogue with 4 leaders on the 2050 Net Zero Carbon Emission Target - Finance Role	√					
10. FIDE Forum: The Board's Role and Responsibilities in Crisis Communication				√		
11. BNM and Securities Commission Malaysia: JC-3 Flagship Conference 2021 (Day 1), Sustainability as a Business Strategy for Financial Institutions	√		√	√	√	

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by the Directors during the financial year were as follows: (contd.)

Training attended by Directors	DM[1]	PL[2]	DRM[3]	DJ[4]	KHK[5]	PRH[6]
12. BNM and Securities Commission Malaysia: JC-3 Flagship Conference 2021 (Day 2), Sustainability Outcomes and implications for Malaysian Financial Institutions	√			√	√	
13. BNM, Securities Commission and Ernst & Young: JC3 SC4 Capacity Building Programme Level 2 (Series 2 – Climate Risk Management)			√			
14. National Insurance Academy, Pune: Orientation Programme for Non-Executive Directors of Life Insurance Companies		√				
15. SOS International: Covid-19 Vaccination Awareness' Talk (HK focus)		√				
16. INSEAD: Towards a Hybrid Corporate Governance Paradigm		√				
17. Dutch Chamber HK / HKLLC – HK Language Learning Center: Mandarin Course		√				
18. Thai Institute of Directors Association: Director Accreditation Program DAP 183/2021		√				
19. Islamic Banking & Finance Institute Malaysia ("IBFIM"): Aligining sadaqah and social impact financing – The experience of global sadaqah	√					
20. IBFIM: Halatuju pentadiran zakat dan wakaf dalam membangun sosial ekonomi ummah – Ke arah kewangan sosial berdaya maju	√					
21. IBFIM and University of Cambridge for Sustainability Leadership ("CISL"): CISL-IBFIM Sustainability Leadership Program for Financial Institutions			√			
22. International Islamic University Malaysia ("IIUM") & Institute of Islamic Banking and Finance ("IIBF"): International conference on Islamic Literacy 2021 – Enhancing the well-being of society, sustaining the economy	√					
23. IIUM and Kolej Universiti Islam Antarabangsa Selangor ("KUIS") : 4TH Islamic Financial Intellectual Discourse ("IFIF") – Social economic justice through Islamic social finance	√					
24. IIUM, Centre for Islamic Economics ("CIE"): Webinar with CIE-IIUM on "Towards a Just Monetary System" by Muhammad Umer Chapra			√			
25. IIBF – IIUM & IBFIM: Launching of i-Contract services and IIUM Islamic Finance Presidential Talk – Sustainability and value-based Islamic Finance	√					
26. Ernst & Young ("EY"): How Asia Pacific response series: Demystifying to reach net zero	√					
27. EY: APAC Blockchain Summit – Blockchain for trust, transparency and efficiency	√					
28. EY: IFRS 17 Webinar - The Journey Ahead for Life Insurers	√					
29. EY: APAC Blockchain Summit – Blockchain for trust, transparency and efficiency					√	
30. EY: Cloud Game Changer					√	
31. EY Digital Insurance Future after Covid					√	
32. EY Asia Pacific: Reimagine Climate Finance Net Zero					√	
33. KMPG speakers: KPMG Transfer Pricing War Stories					√	

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by the Directors during the financial year were as follows: (contd.)

Training attended by Directors	DM[1]	PL[2]	DRM[3]	DJ[4]	KHK[5]	PRH[6]
34. Tricor Trustco: How Malaysian Plcs can benefit from Labuan International Business and Financial Centre ("IBFC")	√					
35. Labuan IBFC: Qatar Financial Centre and Labuan IBFC Partnership Webinar	√					
36. Labuan IBFC: The Asian Captive Conference 2021					√	
37. Malaysian Re: Launching of Malaysian Insurance Highlight 2020 – Impact of Covid-19 pandemic on Malaysia's economy and insurance market	√					
38. Akademi Kepimpinan Pendidikan Tinggi ("AKEPT"): Higher education institutions leadership towards education for sustainable development	√					
39. S&P Global Rating: Islamic Finance 2021-2022: Towards more sustainable growth	√					
40. Asia Insurance Review : Virtual Takaful Rendezvous	√					
41. Asia School of Business ("ASB") ICLIF Executive Education Centre: Implementing amendments in the Malaysian Code of Corporate Governance by Dr Elsa Satkunasingam, Asia School of Business – ICLIF Executive Education Centre	√					
42. ASB ICLIF Executive Education Center: Understanding Board Decision Making Process						√
43. ASB ICLIF Executive Education Center: Corporate Governance Regulatory Updates for the capital markets						√
44. Asia School of Business ("ASB"): Corruption Risk Management				√		
45. ASB: Nomination and Remuneration Committee – Beyond Box-Ticking & Enhancing Effectiveness				√		
46. ASB Program: Board's Role in the Changing World of Work – Managing Performance & Innovation in the New Normal			√			
47. Asia Global Institute, Hong Kong: Asia Global Dialogue 2021 – Asia forward: Leading the way towards a new multilateralism	√					
48. Permodalan Nasional Berhad ("PNB") Research Institute Sdn Bhd: PNB Knowledge Forum 2021 – Climate Change: A New Green Deal for Malaysia			√	√	√	
49. PNB: iRAC Week 2021 – Upholding Good Governance In A Challenge Environment				√		
50. PNB: Cyber Security Awareness Program for BOD and Leadership Team				√		
51. PNB Shariah Management Department & Corporate Governance Department): PNB Knowledge Forum 2021 – Shariah Awareness: Strengthening Shariah Culture				√		
52. Akademi Sains Malaysia: ASM 34th ideaXchange – Moving towards the Inovation Driven Growth Model : The Challenges Between Policies and Implementation						√
53. Cambridge IFA: WOMAN Symposium on International Women's Day 2021						√

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by the Directors during the financial year were as follows: (contd.)

Training attended by Directors	DM[1]	PL[2]	DRM[3]	DJ[4]	KHK[5]	PRH[6]
54. World Bank: Online Knowledge Series #2: Competitiveness and Jobs Aiming High – Navigating the Next Stage of Malaysia's Development						√
55. Association of Shariah Advisors in Islamic Finance ("ASAS"): Value-based Intermediation for Takaful ("VBIT")						√
56. Institute of Corporate Directors Malaysia ("ICDM'): Powertalk Series 2021 – A Boardroom Simulation : Corporate Strategy Beyond the Crisis				√		
57. Malaysian Economic Association: 2022 Post-Budget Debate				√		
58. The Star: The rise of Gov coins and What's next for Crypto					√	
59. Ministry of Science, Technology & Innovation Malaysia and Securities Commission Malaysia ("SC"): Sustainable Finance Week at Malaysia EXPO 2020 Dubai			√			
60. SC and Oxford Centre for Islamic Studies ("OCIS"): 12th SC-OCIS Virtual Roundtable 2021			√			
61. Malaysia Ministry of International Trade & Industry ("MITI") and Malaysia Halal Development Corporation Berhad (HDC): World Halal Business Conference 2021			√			
62. Khazanah Nasional Berhad: Khazanah Megatrends Forum 2021			√			
63. Akademi Penyelidikan Syariah Antarabangsa dalam Kewangan Islam ('ISRA'): Muzakarah Cendekiawan Syariah Nusantara ke-15			√			
64. Islamic Financial Services Board ('IFSB'): IFSB Virtual Annual Meetings 2021: 19th General Assembly			√			
65. The Bankers Institute of the Philippines, Inc ("BAIPHIL"): Virtual Executive Learning Series Speaker on "ESG – Fostering Sustainable Financing in Banking			√			
66. International Finance Corporation ("IFC"), Pakistan: Pakistan CEO Forum: Housing Roundtable Panelist on "Housing Financing for the Low-Income Segment"			√			
67. Kuala Lumpur Islamic Finance Forum ("KLIFF"): 16th Kuala Lumpur Islamic Finance Virtual Forum			√			
68. KLIFF Shariah Forum (Muzakarah)						√
69. KLIFF Forum 2021						√

1 DM - Dato' Majid Bin Mohamad
2 PL - Mr. Philippe Pol Arthur Latour
3 DRM - Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican
4 DJ - Dato' Johan Bin Ariffin
5 KHK - Mr. Koh Heng Kong
6 PRH - Prof. Dr. Rusni Bin Hassan

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(3) INTERNAL CONTROL FRAMEWORK

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

(4) REMUNERATION - QUALITATIVE DISCLOSURES

(a) Board Performance

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

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

The remuneration package of NEDs consists of the following:

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

(b) Senior Management Appointment and Performance

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES

(a) Non-Executive Directors' Remuneration

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

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

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

The details of Directors' and CEO's Remuneration for FYE 2021 are disclosed in Notes 26 and 25 (b) to the financial statements.

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

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

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Long-term Incentive Award – Employees' Share Grant Plan

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

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

Corporate Governance – Remuneration practices

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

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

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

(ii) among the most highly remunerated officers in the Company

Summary of FYE 2021 compensation outcome for those identified as Senior Officers and OMRTs:

Company

Remuneration	Unrestricted		Deferred	
Fixed Remuneration	No. of pax	RM'000	No. of pax	RM
Material Risk Taker ("Senior Management")				
Cash-based	11	3,998	Nil	
Shares and share-linked instruments (ESOS etc.)				
Other	Nil			
Other Material Risk Taker ("OMRT")				
Cash-based	Nil			
Shares and share-linked instruments (ESOS etc.)				
Other	Nil			

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Summary of FYE 2021 compensation outcome for those identified as Senior Officers and OMRTs: (contd.)

Company (contd.)

Variable Remuneration	No. of pax	RM'000	No. of pax	RM
Material Risk Taker ("Senior Management")				
Cash-based	11	1,361	Nil	
Shares and share-linked instruments (ESOS etc.)				
Other	Nil			
Other Material Risk Taker ("OMRT")				
Cash-based	Nil			
Shares and share-linked instruments (ESOS etc.)				
Other	Nil			

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

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

We, Dato' Majid Bin Mohamad and Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican, being two of the Directors of Etiqa General Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 39 to201 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and of the results and the cash flows of the Company for the financial year ended 31 December 2021.

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

DATO' MAJID BIN MOHAMAD

DATO' MOHAMED RAFIQUE MERICAN BIN MOHD WAHIDUDDIN MERICAN

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 General Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 39 to 201 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed CHOW WAI SUM
at Kuala Lumpur in Wilayah Persekutuan on
23 February 2022

CHOW WAI SUM
ACTING, HEAD OF FINANCE

Before me,

PESURUHJAYA SUMPAH
NO: W 681
RAJEEV SAIGAL A/L
RAMJARAYA SAIGAL
BC/R/548
1 JAN 2022 - 31 DIS 2024
MALAYSIA

Commissioner for Oaths

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE

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

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

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

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

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

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

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

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

In our opinion:

1. the relevant contracts, transactions and dealings entered into by the Company during the financial year ended 31 December 2021

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

REPORT OF THE SHARIAH COMMITTEE (CONTD.)

In our opinion: (contd.)

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

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

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

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

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

Allah knows best.

Signed on behalf of the Committee.

ASSOC. PROF.
DR. AZMAN BIN MOHD NOOR

PROF. DATO'
DR. MOHD AZMI BIN OMAR

Kuala Lumpur, Malaysia
23 February 2022

Ernst & Young PLT
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SST ID: W10-2002-32000062
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Independent auditors' report to the member of Etiqa General Takaful Berhad 201701025031 (1239197-A) (Incorporated in Malaysia)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiqa General Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2021 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended 31 December 2021, and a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 201.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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Auditors' Responsibilities for the Audit of the Financial Statements (contd.)

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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Independent auditors' report to the member of Etiqa General Takaful Berhad (contd.)
201701025031 (1239197-A)
(Incorporated in Malaysia)

Other Matters

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

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

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

Kuala Lumpur, Malaysia
23 February 2022

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ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		2021			2020		
	Note	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
ASSETS							
Property, plant and equipment	3	58	-	58	78	-	78
Intangible assets	4	1,759	-	1,759	766	-	766
Investments	5	1,461,856	2,502,849	3,964,705	1,448,721	2,228,791	3,677,512
Financing receivables	6	148	-	148	-	-	-
Retakaful assets	7	-	861,436	861,436	-	312,191	312,191
Takaful receivables	8	-	83,741	83,741	-	89,001	89,001
Other assets	9	176,046	29,601	47,587	143,707	17,524	44,529
Deferred tax assets	15	52,146	4,754	56,833	-	-	-
Current tax assets		-	-	-	-	3,883	3,883
Cash and bank balances		1,271	2,073	3,344	2,559	37,779	40,338
Total assets		1,693,284	3,484,454	5,019,611	1,595,831	2,689,169	4,168,298
EQUITY, LIABILITIES AND PARTICIPANTS' FUND							
Equity							
Share capital	10	870,000	-	870,000	870,000	-	870,000
Reserves	11	538,794	-	539,007	467,343	-	468,156
Total equity		1,408,794	-	1,409,007	1,337,343	-	1,338,156
Liabilities and Participants' Fund							
Participants' fund	12	-	212,506	212,506	-	232,337	232,337
Takaful certificate liabilities	13	-	2,620,725	2,620,725	-	1,905,070	1,905,070
Expense liabilities	14	157,167	-	157,167	139,797	-	139,797
Deferred tax liabilities	15	-	-	-	12,776	8,629	21,661
Takaful payables	16	-	130,078	130,078	-	145,538	145,538
Other liabilities	17	101,675	521,145	464,480	81,534	397,595	361,358
Current tax liabilities		25,648	-	25,648	24,381	-	24,381
Total liabilities and participants' fund		284,490	3,484,454	3,610,604	258,488	2,689,169	2,830,142
Total equity, liabilities and participants' fund		1,693,284	3,484,454	5,019,611	1,595,831	2,689,169	4,168,298

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 Shareholder's fund RM'000	2021 General Takaful fund RM'000	2021 Company RM'000	2020 Shareholder's fund RM'000	2020 General Takaful fund RM'000	2020 Company RM'000
Operating revenue	18	609,570	1,810,887	1,869,104	548,290	1,642,506	1,693,430
Gross earned contributions		-	1,658,551	1,658,551	-	1,604,993	1,604,993
Earned contributions ceded to retakaful		-	(237,854)	(237,854)	-	(165,811)	(165,811)
Net earned contributions	19	-	1,420,697	1,420,697	-	1,439,182	1,439,182
Fee and commission income	20	551,353	12,872	12,872	497,366	9,076	9,076
Investment income, net	21	58,217	87,293	145,510	50,924	72,789	123,713
Realised (losses)/gains, net	22	(3,293)	(4,622)	(7,915)	29,910	33,946	63,856
Fair value (losses)/gains, net	23	(4,123)	(6,222)	(10,345)	2,838	2,473	5,311
Other operating income, net	24	5,180	6,814	11,205	3,012	3,311	6,349
Other revenue		607,334	96,135	151,327	584,050	121,595	208,305
Gross claims paid		-	(652,128)	(652,128)	-	(751,735)	(751,735)
Claims ceded to retakaful operators		-	42,594	42,594	-	25,745	25,745
Gross change in certificate liabilities		-	(650,612)	(788,893)	-	(233,652)	(330,284)
Change in certificate liabilities ceded to retakaful operators		-	551,908	551,908	-	75,965	75,965
Net claims incurred		-	(708,238)	(846,519)	-	(883,677)	(980,309)
Management expenses	25	(227,172)	-	(227,172)	(217,712)	-	(217,712)
Change in expense liabilities		(17,370)	-	(17,370)	8,916	-	8,916
Fee and commission expenses	28	(157,460)	(551,705)	(157,812)	(142,208)	(497,557)	(142,399)
Tax borne by participants' fund	29	-	(3,008)	(3,008)	-	(2,117)	(2,117)
Other expenses		(402,002)	(554,713)	(405,362)	(351,004)	(499,674)	(353,312)
Operating profit before surplus transfers		205,332	253,881	320,143	233,046	177,426	313,866
Surplus transferred to participants' fund		-	(138,281)	-	-	(96,632)	-
Surplus attributable to shareholder		115,600	(115,600)	-	80,794	(80,794)	-
Profit before taxation		320,932	-	320,143	313,840	-	313,866
Taxation	29	(36,992)	-	(36,803)	(76,419)	-	(76,425)
Zakat		(9,842)	-	(9,842)	(10,840)	-	(10,840)
Net profit for the financial year		274,098	-	273,498	226,581	-	226,601
Basic and diluted earnings per share (sen):	30			31.44			26.05

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

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

		2021			2020		
	Note	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
Net profit for the financial year		274,098	-	273,498	226,581	-	226,601
Other comprehensive income/(loss):							
Items that may be subsequently reclassified to profit or loss:							
Change in value of financial assets at Fair Value through Other Comprehensive Income ("FVOCI")							
- Fair value changes		(50,161)	(49,730)	(99,891)	30,702	27,151	57,853
- Transfer to profit or loss upon disposal	22	(1,807)	(1,008)	(2,815)	(38,170)	(35,068)	(73,238)
Fair value adjustments on FVOCI financial assets backing participants' fund		-	38,230	38,230	-	6,017	6,017
Tax effects relating to FVOCI financial assets	15	12,272	12,508	24,780	1,792	1,900	3,692
Other comprehensive loss for the financial year, net of tax		(39,696)	-	(39,696)	(5,676)	-	(5,676)
Total comprehensive income for the financial year		234,402	-	233,802	220,905	-	220,925

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

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

		Non-Distributable		Distributable	
	Note	Share Capital RM'000	FVOCI Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 January 2021		870,000	42,038	426,118	1,338,156
Net profit for the financial year		-	-	273,498	273,498
Other comprehensive loss for the financial year		-	(39,696)	-	(39,696)
Total comprehensive (loss)/ income for the financial year		-	(39,696)	273,498	233,802
Dividend on ordinary shares	31	-	-	(162,951)	(162,951)
At 31 December 2021		870,000	2,342	536,665	1,409,007

		Non-Distributable		Distributable	
		Share Capital RM'000	FVOCI Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 January 2020		870,000	47,714	309,485	1,227,199
Net profit for the financial year		-	-	226,601	226,601
Other comprehensive loss for the financial year		-	(5,676)	-	(5,676)
Total comprehensive (loss)/ income for the financial year		-	(5,676)	226,601	220,925
Dividend on ordinary shares	31	-	-	(109,968)	(109,968)
At 31 December 2020		870,000	42,038	426,118	1,338,156

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

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

	Note	2021 RM'000	2020 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation and zakat:		320,143	313,866
Adjustments for:			
Depreciation of property, plant and equipment	25	20	2
Amortisation of intangible assets	25	255	246
Fair value losses/(gains) on financial assets at Fair Value Through Profit or Loss ("FVTPL")	23	10,345	(5,311)
Realised losses/(gains) on disposal of investments	22	7,915	(63,856)
Realised losses on foreign exchange	24	148	70
Unrealised (gains)/losses on foreign exchange	24	(58)	8
Reversal of impairment losses on investments	24	(656)	(141)
Reversal of impairment losses on financing receivables	24	-	(3,331)
(Reversal of)/allowance for impairment losses on takaful receivables	24	(6,742)	353
(Reversal of)/allowance for impairment losses on other assets	24	(5)	10
Reversal of impairment losses on retakaful assets	24	(104)	(458)
Profit income	21	(144,144)	(124,326)
Dividend income	21	(6,612)	(1,935)
Net amortisation of premiums	21	4,016	1,818
Tax borne by participants	29	3,008	2,117
Surplus transferred to participants' fund	12	138,281	96,632
Operating cash flows before working capital changes		325,810	215,764
Changes in working capital:			
Decrease/(increase) in takaful receivables		12,002	(6,291)
Decrease/(increase) in other assets		8,724	(14,077)
(Decrease)/increase in takaful payables		(15,460)	30,896
Increase in other liabilities		103,370	48,123
Increase/(decrease) in expense liabilities		17,370	(8,916)
(Increase)/decrease in financing receivables		(148)	3,583
Operating cash flows after working capital changes, carried forward		451,668	269,082

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

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

	Note	2021 RM'000	2020 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (CONTD.)			
Brought forward		451,668	269,082
Changes in working capital:			
Increase/(decrease) in placements of deposits with financial institutions		895,369	(963,481)
Increase in retakaful assets		(549,140)	(72,658)
Increase in takaful certificate liabilities		715,655	198,376
Operating cash flows after working capital changes		1,513,552	(568,681)
Profit income received		132,620	130,656
Gross dividend income received		6,357	1,843
Zakat paid		(10,090)	(4,977)
Taxation paid		(88,374)	(69,843)
Surplus paid to participants' fund	12	(115,600)	(80,795)
Witholding tax borne by participants' fund		(4,282)	-
Net cash flows generated from/(used in) operating activities	32	1,434,183	(591,797)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		621,176	2,865,301
Purchase of investments		(1,928,154)	(2,167,956)
Purchase of intangible assets	4	(1,248)	-
Purchase of property, plant and equipment	3	-	(80)
Net cash flows (used in)/generated from investing activities	32	(1,308,226)	697,265
CASH FLOWS FROM FINANCING ACTIVITY			
Dividend paid, representing net cash flows used in financing activity	31,32	(162,951)	(109,968)
Decrease in cash and cash equivalents	32	(36,994)	(4,500)
Cash and cash equivalents at beginning of financial year		40,338	44,838
Cash and cash equivalents at end of financial year	32	3,344	40,338
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		1,271	2,559
General Takaful fund		2,073	37,779
		3,344	40,338

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

1. CORPORATE INFORMATION

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation of financial statements

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(a) Statement of compliance (contd.)

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

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

Takaful operation and its funds

Under the concept of Takaful, individuals make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a Takaful Operator, the Company manages the General 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 is 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 is consolidated with those of the Takaful Operator to represent the control possessed by the operator over the respective funds.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

Estimates and 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) Takaful certificate liabilities

These are provided in Note 2.2(xii). The note presents a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amount of the General Takaful certificate liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 36 of the financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies

(i) Property, plant and equipment and depreciation

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

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

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

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

Furniture, fittings, office equipment and renovations	20% - 25%
Computer and peripherals	14% - 25%

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (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 recognise 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

(1) The Company as lessee (contd.)

(i) Right-Of-Use ("ROU") assets (contd.)

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment. The impairment policy for ROU assets are in accordance with impairment of non-financial assets.

(ii) Lease liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

(1) The Company as lessee (contd.)

(ii) Lease liabilities (contd.)

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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

The Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date that do not have a 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

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

The Company is to recognise the lease payments, when incurred, 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 for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Leases (contd.)

(c) Lease modifications

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

i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

(iii) Intangible assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Intangible assets (contd.)

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

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

a) Software development costs

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

b) Computer software and licences

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Intangible assets (contd.)

b) Computer software and licences (contd.)

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 recognized in profit or loss.

c) Amortisation period

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

	Useful lives
Computer software and licences	10 years

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(i) Business model assessment

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

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support takaful certificate 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(i) Business model assessment (contd.)

- the expected frequency, value and timing of sales are also important aspects of the Company's assessment.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

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

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

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

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

(iii) Classification of financial assets

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

(i) Financial assets at FVTPL

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets (contd.)

(i) Financial assets at FVTPL (contd.)

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVTPL do not include exchange differences, 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 the profit or loss.

(ii) Financial assets at FVOCI

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets (contd.)

(iii) Financial assets at AC

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

Subsequent to initial recognition, financial assets at AC are measured at amortised cost using the 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 gains or losses are recognised in profit or loss.

(b) Derecognition of financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(c) Write off of financial assets

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

The amount written off for bad debts in the financial statements of the Company are expensed to profit or loss as disclosed in Note 24.

(v) Fair value of financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

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

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.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment (contd.)

(a) Financial assets (contd.)

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment (contd.)

(a) Financial assets (contd.)

(ii) Forward-looking information and ECL measurement

The amount of credit loss recognised is based on forward-looking estimates that reflect current and forecast economic conditions. The forward-looking adjustment is interpreted as an adjustment for the expected future economic conditions, as indicated by different macroeconomic factors and/or expert experienced in credit judgement. A forward-looking ECL calculation should be based on an accurate estimation of current and future probability of default ("PD"), exposure at default ("EAD"), loss given default ("LGD") and discount factors.

Financing receivables

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

Takaful receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment (contd.)

(a) Financial assets (contd.)

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 lost experiences arising from these government securities in all jurisdiction.

(b) Non-financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment (contd.)

(b) Non-financial assets (contd.)

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

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

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

(vii) Retakaful assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Retakaful assets (contd.)

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

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

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

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

(viii) Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective yield method. The impairment for takaful receivables is described in Note 2.2(vi).

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ix) Cash and cash equivalents

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

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

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

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

(x) Equity instruments

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

(xi) Product classification

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xii) General Takaful certificate liabilities

The General Takaful certificate liabilities of the Company comprise claim liabilities and contribution liabilities.

(a) Claim liabilities

Claim liabilities represent the Company's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities comprises the estimated provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") and related claims handling costs. Claim liabilities are measured at best estimate and include a provision of risk margin for adverse deviation ("PRAD") as prescribed by BNM.

Provision for claims reported are recognised upon notification by participants or claimants.

Claim liabilities are determined based upon valuations performed by the Appointed Actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns. The Company's claim liabilities are not discounted.

(b) Contribution liabilities

Contribution liabilities represent the Company's future obligations on takaful certificates as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful certificates and is recognised as contribution income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xii) General Takaful certificate liabilities (contd.)

(b) Contribution liabilities (contd.)

In accordance with the valuation requirements of the Guidelines on Valuation Basis for Liabilities of General Takaful Business, contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") for all lines of business or the best estimate value of the unearned risk reserves ("URR") with PRAD at the end of the financial year as prescribed by BNM.

- UCR

UCR represents the portion of the contributions of takaful certificates written, net of the related retakaful contributions ceded to qualified operators, that relate to the unexpired periods of the certificates at the end of reporting date.

In determining the UCR at the reporting date, the method that most accurately reflects the actual unearned contribution is used as follows:

- 25% method for marine cargo and aviation cargo, and transit business; and

- all other classes of general business, using time-apportionment basis over the period of the risks, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding contributions.

Wakalah

The UCR for wakalah business is calculated on contribution income with a further deduction for wakalah fee expenses to reflect the wakalah business principle. The method used to calculate UCR is the same as the mudharabah business. No further deduction for commission expenses is made as commission expenses are borne by Shareholder's fund.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xii) General Takaful certificate liabilities (contd.)

(b) Contribution liabilities (contd.)

- **URR**

  The URR is a prospective estimate of the expected future payments arising from future events insured under certificates in force as at the reporting date and also includes cost of retakaful and expected future contribution refunds. URR is estimated via an actuarial valuation performed by the Appointed Actuary.

(xiii) Financial liabilities

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

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

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

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

(1) Takaful payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiii) Financial liabilities (contd.)

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

(xiv) Expense liabilities

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

Expense liabilities in relation to the Company's General Takaful business are reported as the higher of the aggregate of the provision for unearned wakalah fees ("UWF") and the unexpired expense risk ("UER") and a PRAD, as prescribed by BNM.

(i) Provision for unearned wakalah fees

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing General Takaful certificates that relate to the unexpired periods of certificates at the end of the reporting period. The method used in computing UWF is consistent with the method used to reflect the UCR.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiv) Expense liabilities (contd.)

(ii) Unexpired expense reserves

UER consists of the best estimate value of the unexpired expense reserves at the valuation date with an appropriate allowance for PRAD as prescribed by BNM. The best estimate UER is determined based on the expected claims handling expenses to be incurred as well as the expected expenses in maintaining certificates with unexpired risks. The method used in computing UER is consistent with the method used to URR.

(xv) Measurement and impairment of Qard

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xvi) Offsetting of financial assets and financial liabilities

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

(xvii) Contribution income

Contributions represent consideration paid for takaful certificates, and is accounted for as follows:

- Contribution income is recognised in the financial year in respect of risks assumed during that particular financial year. Contributions from direct business are recognised during the financial year upon the issuance of debit notes. Contributions in respect of risks incepted for which debit notes have not been issued as of the reporting date are accrued at that date;

- Inward facultative retakaful contributions are recognised in the financial year in respect of the facultative risks accepted during that particular financial year, as in the case of direct certificates, following the individual risks' inception dates;

- Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators; and

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

(xviii) Claims expenses

Claim expenses represent compensation paid or payable on behalf of the certificate holders in relation a specific loss event that has occurred. They include claims, handling costs and settlement costs that arise from events that have occurred up to the end of the reporting year even if they had not been reported to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xix) Commission expenses and acquisition costs

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

Mudharabah principle

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

Wakalah principle

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

(xx) Revenue recognition

Revenue from contracts with customers

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xx) Revenue recognition (contd.)

Revenue from contracts with customers (contd.)

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).

(a) Fund management fees

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

(b) Management fees

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

(c) Service and network fees

Service and network fees are recognised at a point in time upon performance of the service and fulfillment of the obligation for the issuance of health cards to give network access to the participants.

Other revenue

(a) Wakalah fees

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xx) Revenue recognition (contd.)

Other revenue (contd.)

(b) Profit income

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

(c) Dividend income

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

(d) 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.

(xxi) Fee and commission income

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

Commission income is derived from retakaful operators in the course of ceding contributions to retakaful operators.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and Social Security Contributions ("SOCSO") are recognised as an expense in profit or loss the period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised as an expenses in profit or loss when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised as an expense in 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 benefits contribution plans disclosed in Note 2.2(xxii)(c), except that the remeasurements of the net defined contribution liability or asset are recognised immediately in profit or loss.

(c) Defined contribution plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) 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 ESGP Committee.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) Employee benefits (contd.)

(d) Share-based compensation (contd.)

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

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

(xxiii) 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's at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxiii) Foreign currencies (contd.)

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under the foreign currency translation reserve in other comprehensive income.

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

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

(xxiv) Income tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxiv) Income tax (contd.)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxv) Zakat

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

(xxvi) Provisions

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

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

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

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

(xxvii) Contingent assets and contingent liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxvii) Contingent assets and contingent liabilities (contd.)

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

(xxviii) 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 group of people that is responsible to allocate resources and assess the performances of the operating segments of an entity. The Company has determined the Chief Executive Officer as its chief operating decision-maker.

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

The Company disclosed its segment information on the face of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 New and amended standards and interpretations

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

	Effective for annual periods beginning on or after
Interest Rate Benchmark Reform- Phase 2 (Amendment to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
Covid-19 - Related Rent Concessions beyond '30 June 2021 (Amendments to MFRS 16 *Leases)*	1 April 2021

MFRS 16 has been amended to:

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

Description	Effective for annual periods beginning on or after
MFRS 116 *Property, Plant and Equipment*	
(Amendments to MFRS 116): *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
MFRS 137 *Provision, Contingent Liabilities and Contingent Assets*	
(Amendments to MFRS 137): *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
MFRS 3 *Business Combination*	
(Amendment to MFRS 3) *Reference to the Conceptual Framework)*	1 January 2022
Annual Improvements to MFRSs 2018 - 2020:	
MFRS 1 *First-time Adoption of MFRSs*	1 January 2022
MFRS 9 *Financial Instruments*	1 January 2022
MFRS 141 *Agriculture*	1 January 2022
MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 17 *Insurance Contracts*	
Initial Application of MFRS 17 and MFRS 9 - *Comparative Information*	1 January 2023
MFRS 101 *Presentation of Financial Statements*	
(Amendment to MFRS 101) *Classification of Liabilities as Current or Non-current*	1 January 2023
(Amendments to MFRS 101) *Disclosure of Accounting Policies*	1 January 2023
MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	
(Amendments to MFRS 108) *Definition of Accounting Estimates*	1 January 2023
MFRS 112 *Income Taxes*	
(Amendments to MFRS 112) *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);

- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period);

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;

- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income will be based on the concept of services provided during the period;

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss, but are recognised directly on the statement of financial position.

- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and

- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

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

(i) Modified retrospective approach

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

(ii) Fair value approach

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

Shareholder's fund

	Computers and peripherals RM'000
2021	
Cost	
At 1 January 2021/At 31 December 2021	80
Accumulated depreciation	
At 1 January 2021	2
Depreciation charge for the financial year (Note 25)	20
At 31 December 2021	22
Net Book Value	
At 31 December 2021	58

	Computers and peripherals RM'000
2020	
Cost	
At 1 January 2020	-
Additions	80
At 31 December 2020	80
Accumulated depreciation	
At 1 January 2020	-
Depreciation charge for the financial year (Note 25)	2
At 31 December 2020	2
Net Book Value	
At 31 December 2020	78

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

General Takaful fund

	Furniture, fittings, office equipment and renovations RM'000
2021/2020	
Cost	
At 1 January/At 31 December	23
Accumulated depreciation	
At 1 January/At 31 December	23
Net Book Value	
At 31 December 2021/2020	-

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company

	Computers and peripherals RM'000	Furniture, fittings, office equipment and renovations RM'000	Total RM'000
2021			
Cost			
At 1 January 2021/At 31 December 2021	80	23	103
Accumulated depreciation			
At 1 January 2021	2	23	25
Depreciation charge for the financial year (Note 25)	20	-	20
At 31 December 2021	22	23	45
Net Book Value			
At 31 December 2021	58	-	58

	Computers and peripherals RM'000	Furniture, fittings, office equipment and renovations RM'000	Total RM'000
2020			
Cost			
At 1 January 2020	-	23	23
Additions	80	-	80
At 31 December 2020	80	23	103
Accumulated depreciation			
At 1 January 2020	-	23	23
Depreciation charge for the financial year (Note 25)	2	-	2
At 31 December 2020	2	23	25
Net Book Value			
At 31 December 2020	78	-	78

4. INTANGIBLE ASSETS

Shareholder's fund/Company

	Software development costs RM'000	Computer software and licences RM'000	Total RM'000
2021			
Cost			
At 1 January 2021	-	3,290	3,290
Additions	1,248	-	1,248
At 31 December 2021	1,248	3,290	4,538
Accumulated amortisation			
At 1 January 2021	-	2,524	2,524
Amortisation charge for the financial year (Note 25)	9	246	255
At 31 December 2021	9	2,770	2,779
Net Book Value			
At 31 December 2021	1,239	520	1,759

	Computer software and licences RM'000	Total RM'000
2020		
Cost		
At 1 January 2020	3,318	3,318
Write-off	(28)	(28)
At 31 December 2020	3,290	3,290
Accumulated amortisation		
At 1 January 2020	2,306	2,306
Amortisation charge for the financial year (Note 25)	246	246
Write-off	(28)	(28)
At 31 December 2020	2,524	2,524
Net Book Value		
At 31 December 2020	766	766

5. INVESTMENTS

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Malaysian government papers	122,228	194,469	316,697
Debt securities	1,064,401	1,887,601	2,952,002
Equity securities	110,743	138,488	249,231
Property trust funds	1,604	2,046	3,650
Deposits with financial institutions	162,880	280,245	443,125
	1,461,856	2,502,849	3,964,705
2020			
Malaysian government papers	122,256	78,482	200,738
Debt securities	923,415	1,154,840	2,078,255
Equity securities	30,111	27,045	57,156
Property trust funds	1,725	1,144	2,869
Deposits with financial institutions	371,214	967,280	1,338,494
	1,448,721	2,228,791	3,677,512

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

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Fair value through profit or loss ("FVTPL") (Note i)			
- Designated upon initial recognition	-	19,335	19,335
- Held for trading ("HFT")	106,286	135,020	241,306
	106,286	154,355	260,641
Fair value through other comprehensive income ("FVOCI") (Note ii)	1,192,690	2,068,249	3,260,939
Amortised cost ("AC") (Note iii)	162,880	280,245	443,125
	1,461,856	2,502,849	3,964,705
2020			
Fair value through profit or loss ("FVTPL") (Note i)			
- Designated upon initial recognition	-	20,157	20,157
- Held for trading ("HFT")	31,836	28,189	60,025
	31,836	48,346	80,182
Fair value through other comprehensive income ("FVOCI") (Note ii)	1,045,671	1,213,165	2,258,836
Amortised cost ("AC") (Note iii)	371,214	967,280	1,338,494
	1,448,721	2,228,791	3,677,512

5. INVESTMENTS (CONTD.)

The following investments will mature after 12 months:

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
FVTPL			
- Designated upon initial recognition	-	19,335	19,335
FVOCI	1,136,885	1,951,873	3,088,758
	1,136,885	1,971,208	3,108,093
2020			
FVTPL			
- Designated upon initial recognition	-	20,157	20,157
FVOCI	954,587	1,076,883	2,031,470
	954,587	1,097,040	2,051,627

(i) FVTPL

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
- Designated upon initial recognition			
2021			
At fair value:			
Debt securities:			
Unquoted in Malaysia	-	19,335	19,335
Total financial assets designated as FVTPL upon initial recognition	-	19,335	19,335
2020			
At fair value:			
Debt securities:			
Unquoted in Malaysia	-	20,157	20,157
Total financial assets designated as FVTPL upon initial recognition	-	20,157	20,157

5. INVESTMENTS (CONTD.)

(i) FVTPL (CONTD.)

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
- HFT			
2021			
At fair value:			
Equity securities:			
Quoted in Malaysia	100,354	125,794	226,148
Quoted outside Malaysia	4,328	7,180	11,508
Property trust funds:			
Quoted in Malaysia	1,604	2,046	3,650
Total HFT financial assets	106,286	135,020	241,306
2020			
At fair value:			
Equity securities:			
Quoted in Malaysia	28,790	24,768	53,558
Quoted outside Malaysia	1,321	2,277	3,598
Property trust funds:			
Quoted in Malaysia	1,725	1,144	2,869
Total HFT financial assets	31,836	28,189	60,025

(ii) FVOCI

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
At fair value:			
Malaysian government papers	122,228	194,469	316,697
Debt securities:			
Unquoted in Malaysia	1,064,401	1,868,266	2,932,667
Equity securities:			
Quoted in Malaysia	6,061	5,514	11,575
Total FVOCI financial assets	1,192,690	2,068,249	3,260,939
2020			
At fair value:			
Malaysian government papers	122,256	78,482	200,738
Debt securities:			
Unquoted in Malaysia	923,415	1,134,683	2,058,098
Total FVOCI financial assets	1,045,671	1,213,165	2,258,836

5. INVESTMENTS (CONTD.)

(iii) AC

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
At cost			
Islamic investment accounts with:			
Licensed financial institutions	162,880	270,082	432,962
Others	-	10,163	10,163
Total AC financial assets	162,880	280,245	443,125
2020			
At cost			
Islamic investment accounts with:			
Licensed financial institutions	347,732	886,731	1,234,463
Others	23,482	80,549	104,031
Total AC financial assets	371,214	967,280	1,338,494

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

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 40 (a) to the financial statements.

6. FINANCING RECEIVABLES

Shareholder's fund/Company

	2021 RM'000	2020 RM'000
Staff financing	148	-
Receivable after 12 months	115	-

The carrying amount of financing approximates fair value as these financing 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 profit rate during the financial year was 5.40%. (2020 : nil)

7. RETAKAFUL ASSETS

General Takaful fund/Company

	2021 RM'000	2020 RM'000
Retakaful operators' share of:		
Claims liabilities (Note 13 (i))	835,717	283,809
Contribution liabilities (Note 13 (ii))	25,872	28,640
	861,589	312,449
Allowance for impairment losses	(153)	(258)
	861,436	312,191

8. TAKAFUL RECEIVABLES

General Takaful fund/Company

	2021 RM'000	2020 RM'000
Due from agents and intermediaries	86,000	93,153
Due from retakaful operators	1,115	5,964
	87,115	99,117
Allowance for impairment losses (Note 37 (i))	(3,374)	(10,116)
	83,741	89,001

Amounts of takaful receivables have been offset against the amounts due to the same counterparties are as follows:

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 16)	Net amount in the Statement of Financial Position RM'000
General Takaful fund/Company			
2021			
Due from agents and intermediaries	103,112	(17,112)	86,000
Due from retakaful operators	1,220	(105)	1,115
	104,332	(17,217)	87,115
2020			
Due from agents and intermediaries	105,233	(12,080)	93,153
Due from retakaful operators	6,241	(277)	5,964
	111,474	(12,357)	99,117

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

9. OTHER ASSETS

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Sundry receivables, deposits and prepayments	1,246	147	1,393
Allowance for impairment losses (Note 37 (i))	(367)	-	(367)
	879	147	1,026
Wakalah fees receivable**	26,676	-	-
Allowance for impairment losses (Note 37 (i))	(280)	-	-
	26,396	-	-
Surplus receivable from General Takaful fund (Note 12)	115,600	-	-
Income and profit due and accrued	14,064	26,155	40,219
Amount due from General Takaful fund*	16,064	-	-
Amount due from stockbrokers	3,043	3,299	6,342
	176,046	29,601	47,587

9. OTHER ASSETS (CONTD.)

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
Amount due from related companies* (Note 34 (b)):			
- Immediate holding company	330	-	330
- Other related companies	14,177	-	14,177
	14,507	-	14,507
Sundry receivables, deposits and prepayments	1,283	125	1,408
Allowance for impairment losses (Note 37 (i))	(372)	-	(372)
	911	125	1,036
Wakalah fees receivable**	27,823	-	-
Allowance for impairment losses (Note 37 (i))	(1,069)	-	-
	26,754	-	-
Surplus receivable from General Takaful fund (Note 12)	80,795	-	-
Income and profit due and accrued	11,375	17,066	28,441
Amount due from General Takaful fund*	9,153	-	-
Amount due from stockbrokers	212	333	545
	143,707	17,524	44,529

* The amounts due from the related companies and General Takaful fund are non-trade in nature, unsecured, not subject to any profit elements are repayable in the short term.

** Wakalah fees receivable is due from the General Takaful fund and were eliminated to arrive at the Company-level balances. These balances are trade in nature, unsecured, not subject to any profit elements and is repayable in accordance with the terms of the takaful contracts.

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

10. SHARE CAPITAL

	No. of shares Units '000	Amount RM'000
Shareholder's fund/Company		
2021		
Issued and fully paid:		
Ordinary shares		
At 1 January/At 31 December	870,000	870,000
2020		
Issued and fully paid:		
Ordinary shares		
At 1 January/At 31 December	870,000	870,000

11. RESERVES

	Note	2021 RM'000	2020 RM'000
Shareholder's fund			
Non-distributable:			
FVOCI reserve	(i)	2,342	42,038
Distributable:			
Retained profits	(ii)	536,452	425,305
		538,794	467,343

	Note	2021 RM'000	2020 RM'000
Company			
Non-distributable:			
FVOCI reserve	(i)	2,342	42,038
Distributable:			
Retained profits	(ii)	536,665	426,118
		539,007	468,156

(i) The FVOCI reserve arose from changes in the fair values of the financial assets which are measured at fair value through other comprehensive income.

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

12. PARTICIPANTS' FUND

	2021 RM'000	2020 RM'000
General Takaful fund/Company		
Accumulated surplus (Note (i))	216,360	197,961
FVOCI reserve (Note (ii))	(3,854)	34,376
	212,506	232,337
(i) Accumulated surplus		
At 1 January	197,961	182,124
Surplus arising during the financial year	138,281	96,632
Witholding tax	(4,282)	-
Surplus paid to participants during the financial year	(115,600)	(80,795)
At 31 December	216,360	197,961
(ii) FVOCI reserve		
At 1 January	34,376	40,393
Fair value changes	(49,730)	27,151
Realised gain transferred to income statement (Note 22)	(1,008)	(35,068)
Deferred tax on fair value changes (Note 15)	12,508	1,900
At 31 December	(3,854)	34,376

13. TAKAFUL CERTIFICATE LIABILITIES

General Takaful fund

	<----------2021 ---------->			<----------2020 ---------->		
	Gross RM'000	**Retakaful RM'000 (Note 7)**	**Net RM'000**	**Gross RM'000**	**Retakaful RM'000 (Note 7)**	**Net RM'000**
Claims liabilities (i)	1,865,645	(835,717)	1,029,928	1,215,033	(283,809)	931,224
Contribution liabilities (ii)	755,080	(25,872)	729,208	690,037	(28,640)	661,397
	2,620,725	(861,589)	1,759,136	1,905,070	(312,449)	1,592,621

(i) Claims liabilities

At 1 January	1,215,033	(283,809)	931,224	981,381	(207,844)	773,537
Claims incurred in the current accident year	1,391,364	(668,297)	723,067	1,000,258	(94,107)	906,151
Movements in claims incurred in prior accident year	(128,695)	96,486	(32,209)	(15,127)	(13,922)	(29,049)
Claims paid during the financial year	(652,128)	42,594	(609,534)	(751,735)	25,745	(725,990)
Movements in Provision of Risk Margin for Adverse Deviation ("PRAD")	40,071	(22,691)	17,380	256	6,319	6,575
At 31 December	1,865,645	(835,717)	1,029,928	1,215,033	(283,809)	931,224

(ii) Contribution liabilities

At 1 January	690,037	(28,640)	661,397	725,313	(31,947)	693,366
Contributions written during the financial year (Note 19)	1,723,594	(235,086)	1,488,508	1,569,717	(162,504)	1,407,213
Contributions earned during the financial year (Note 19)	(1,658,551)	237,854	(1,420,697)	(1,604,993)	165,811	(1,439,182)
At 31 December	755,080	(25,872)	729,208	690,037	(28,640)	661,397

14. EXPENSE LIABILITIES

Shareholder's fund/Company	2021 RM'000	2020 RM'000
Unearned wakalah fee ("UWF") of General Takaful fund	157,167	139,797
At 1 January	139,797	148,713
Wakalah fee received during the financial year (Note 20)	551,353	497,366
Wakalah fee earned during the financial year	(533,983)	(506,282)
Movement in UWF	17,370	(8,916)
At 31 December	157,167	139,797

15. DEFERRED TAXATION

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
At 1 January 2021	(12,776)	(8,629)	(21,661)
Recognised in:			
Income statement (Note 29)	52,650	-	52,839
Tax borne by participants fund (Note 29)	-	875	875
Other comprehensive income/ participants' fund	12,272	12,508	24,780
At 31 December 2021	52,146	4,754	56,833

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
At 1 January 2020	(14,115)	(8,412)	(22,777)
Recognised in:			
Income statement (Note 29)	(453)	-	(459)
Tax borne by participants fund (Note 29)	-	(2,117)	(2,117)
Other comprehensive income/ participants' fund	1,792	1,900	3,692
At 31 December 2020	(12,776)	(8,629)	(21,661)

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

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

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 deferred tax disclosed in the statement of financial position is presented on a net basis after offsetting as follows:

	RM'000	RM'000
Shareholder's fund		
Deferred tax assets	53,156	877
Deferred tax liabilities	(1,010)	(13,653)
	52,146	(12,776)

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

(i) Deferred tax assets

	Fair value adjustment RM'000	Impairment on investments RM'000	Net amortisation of premiums on investments RM'000	Impairment of other receivables RM'000	Provision for bonus RM'000	Provision of expense liabilities RM'000	Accelerated capital allowance RM'000	Total RM'000
2021								
At 1 January 2021	-	127	403	346	-	-	1	877
Recognised in:								
Income statement	764	(57)	350	(152)	6,389	44,986	(1)	52,279
At 31 December 2021	764	70	753	194	6,389	44,986	-	53,156
2020								
At 1 January 2020	304	140	258	250	-	-	-	952
Recognised in:								
Income statement	(304)	(13)	145	96	-	-	1	(75)
At 31 December 2020	-	127	403	346	-	-	1	877

15. DEFERRED TAXATION (CONTD.)

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

(ii) Deferred tax liabilities

	FVOCI reserve RM'000	Fair value adjustment RM'000	Unrealised currency exchange RM'000	Total RM'000
2021				
At 1 January 2021	(13,275)	(377)	(1)	(13,653)
Recognised in:				
Income statement	-	377	(6)	371
Other comprehensive income	12,272	-	-	12,272
At 31 December 2021	(1,003)	-	(7)	(1,010)
2020				
At 1 January 2020	(15,067)	-	-	(15,067)
Recognised in:				
Income statement	-	(377)	(1)	(378)
Other comprehensive income	1,792	-	-	1,792
At 31 December 2020	(13,275)	(377)	(1)	(13,653)

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 deferred tax disclosed in the statement of financial position is presented on a net basis after offsetting as follows (contd.):

	2021 RM'000	2020 RM'000
General Takaful fund		
Deferred tax assets	4,796	2,939
Deferred tax liabilities	(42)	(11,568)
	4,754	(8,629)

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

(i) Deferred tax assets

	Net amortisation of premiums on investments RM'000	Fair value adjustment RM'000	Impairment of takaful receivables RM'000	FVOCI reserve RM'000	Impairment of investments RM'000	Takaful certificate liabilities RM'000	Total RM'000
2021							
At 1 January 2021	184	-	2,490	-	223	42	2,939
Recognised in:							
Tax borne by participants' fund	753	977	(1,431)	-	(52)	(42)	205
Other comprehensive income/ participants' fund	-	-	-	1,652	-	-	1,652
At 31 December 2021	937	977	1,059	1,652	171	-	4,796
2020							
At 1 January 2020	908	-	2,515	-	1,044	-	4,467
Recognised in:							
Tax borne by participants' fund	(724)	-	(25)	-	(821)	42	(1,528)
At 31 December 2020	184	-	2,490	-	223	42	2,939

15. DEFERRED TAXATION (CONTD.)

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

(ii) Deferred tax liabilities

	Fair value adjustment RM'000	FVOCI reserve RM'000	Unrealised currency exchange RM'000	Takaful certificate liabilities RM'000	Total RM'000
2021					
At 1 January 2021	(711)	(10,856)	(1)	-	(11,568)
Recognised in:					
Tax borne by participants' fund	711	-	(12)	(29)	670
Other comprehensive income/participants' fund	-	10,856	-	-	10,856
At 31 December 2021	-	-	(13)	(29)	(42)
2020					
At 1 January 2020	(109)	(12,756)	-	(14)	(12,879)
Recognised in:					
Tax borne by participants' fund	(602)	-	(1)	14	(589)
Other comprehensive income/participants' fund	-	1,900	-	-	1,900
At 31 December 2020	(711)	(10,856)	(1)	-	(11,568)

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 deferred tax disclosed in the statement of financial position is presented on a net basis after offsetting as follows (contd.):

	2021 RM'000	2020 RM'000
Company		
Deferred tax assets	57,885	3,560
Deferred tax liabilities	(1,052)	(25,221)
	56,833	(21,661)

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

	Fair value adjustment RM'000	Impairment on investments RM'000	Net amortisation of premiums on investments RM'000	Impairment of takaful receivables RM'000	Impairment of other receivables RM'000	FVOCI reserves RM'000	Takaful certificate liabilities RM'000	Provision for bonus RM'000	Provision of expense liabilities RM'000	Accelerated capital allowance RM'000	Total RM'000
2021											
At 1 January 2021	-	350	587	2,490	90	-	42	-	-	1	3,560
Recognised in:											
Income statement	764	(57)	350	-	37	-	-	6,389	44,986	(1)	52,468
Tax borne by participants' fund	977	(52)	753	(1,431)	-	-	(42)	-	-	-	205
Other comprehensive income/ participants' fund	-	-	-	-	-	1,652	-	-	-	-	1,652
At 31 December 2021	1,741	241	1,690	1,059	127	1,652	-	6,389	44,986	-	57,885
2020											
At 1 January 2020	195	1,184	1,166	2,515	-	-	-	-	-	-	5,060
Recognised in:											
Income statement	(195)	(13)	145	-	90	-	-	-	-	1	28
Tax borne by participants' fund	-	(821)	(724)	(25)	-	-	42	-	-	-	(1,528)
At 31 December 2020	-	350	587	2,490	90	-	42	-	-	1	3,560

15. DEFERRED TAXATION (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 reserves RM'000	Takaful certificate liabilities RM'000	Fair value adjustment RM'000	Unrealised currency exchange RM'000	Total RM'000
2021					
At 1 January 2021	(24,131)	-	(1,088)	(2)	(25,221)
Recognised in:					
Income statement	-	-	377	(6)	371
Tax borne by participants' fund	-	(29)	711	(12)	670
Other comprehensive income/ participants' fund	23,128	-	-	-	23,128
At 31 December 2021	(1,003)	(29)	-	(20)	(1,052)
2020					
At 1 January 2020	(27,823)	(14)	-	-	(27,837)
Recognised in:					
Income statement	-	-	(486)	(1)	(487)
Tax borne by participants' fund	-	14	(602)	(1)	(589)
Other comprehensive income/ participants' fund	3,692	-	-	-	3,692
At 31 December 2020	(24,131)	-	(1,088)	(2)	(25,221)

16. TAKAFUL PAYABLES

	2021 RM'000	2020 RM'000
General Takaful fund/Company		
Due to agents and intermediaries	79,395	104,992
Due to retakaful operators	50,683	40,546
	130,078	145,538

Amounts of takaful payables that have been offset against the amounts due from the same counterparties are as follows:

	Gross carrying amounts RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 8)	Net amount in the Statement of Financial Position RM'000
General Takaful fund/Company			
2021			
Due to agents and intermediaries	96,507	(17,112)	79,395
Due to retakaful operators	50,788	(105)	50,683
	147,295	(17,217)	130,078
2020			
Due to agents and intermediaries	117,072	(12,080)	104,992
Due to retakaful operators	40,823	(277)	40,546
	157,895	(12,357)	145,538

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

17. OTHER LIABILITIES

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Amount due to Shareholder's fund*	-	16,064	-
Amount due to stockbrokers	44	71	115
Unclaimed monies	-	85,271	85,271
Service tax payable	-	29,164	29,164
Stamp duty payable	-	2,849	2,849
Surplus payable to participants	-	344,634	229,034
Withholding tax payable	-	15,235	15,235
Amount due to related companies (Note 34 (b))*:			
- Ultimate holding company	6,032		6,032
- Penultimate holding company	8		8
- Immediate holding company	4,199		4,199
- Other related companies	14,179	53	14,232
Zakat payable	12,470	-	12,470
Provisions for expenses	20,890	-	20,890
Wakalah fees payable**	-	26,676	-
Sundry payables and accrued liabilities	43,853	1,128	44,981
	101,675	521,145	464,480
2020			
Amount due to Shareholder's fund*	-	9,153	-
Amount due to stockbrokers	222	392	614
Unclaimed monies	-	85,697	85,697
Service tax payable	-	23,087	23,087
Stamp duty payable		1,976	1,976
Surplus payable to participants	-	238,789	157,994
Withholding tax payable	-	9,331	9,331
Amount due to related companies (Note 34 (b))*:			
- Ultimate holding company	4,051	-	4,051
- Other related companies	324	22	346
Zakat payable	11,372	-	11,372
Provisions for expenses	19,941	-	19,941
Wakalah fees payable**	-	27,823	-
Sundry payables and accrued liabilities	45,624	1,325	46,949
	81,534	397,595	361,358

* Amounts due to related companies and the Shareholder's fund are non-trade in nature, unsecured, not subject to any profit elements and are repayable in the short-term.

** Wakalah fees payable due to Shareholder's fund were eliminated to arrive at Company-level balances.

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.

18. OPERATING REVENUE

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Gross contributions (Note 19)	-	1,723,594	1,723,594
Wakalah fees (Note 20)	551,353	-	-
Investment income (Note 21)	58,217	87,293	145,510
	609,570	1,810,887	1,869,104
2020			
Gross contributions (Note 19)	-	1,569,717	1,569,717
Wakalah fees (Note 20)	497,366	-	-
Investment income (Note 21)	50,924	72,789	123,713
	548,290	1,642,506	1,693,430

19. NET EARNED CONTRIBUTIONS

	2021 RM'000	2020 RM'000
General Takaful fund/Company		
Gross contributions (Notes 13 and 18)	1,723,594	1,569,717
Change in unearned contribution reserves	(65,043)	35,276
	1,658,551	1,604,993
Contributions ceded to retakaful operators (Note 13)	(235,086)	(162,504)
Change in unearned contribution reserves	(2,768)	(3,307)
	(237,854)	(165,811)
Net earned contributions	1,420,697	1,439,182

20. FEE AND COMMISSION INCOME

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Wakalah fee income from:			
General Takaful fund (Notes 14 and 18)	551,353	-	-
Retakaful commission income	-	12,468	12,468
Others	-	404	404
Fee and commission income realated to Takaful contracts	551,353	12,872	12,872
2020			
Wakalah fee income from:			
General Takaful fund (Notes 14 and 18)	497,366	-	-
Retakaful commission income	-	8,855	8,855
Others	-	221	221
Fee and commission income realated to Takaful contracts	497,366	9,076	9,076

21. INVESTMENT INCOME, NET

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Profit income	-	1,038	1,038
- HFT			
Dividend income:			
Quoted equity securities in Malaysia	2,680	2,833	5,513
Quoted equity securities outside Malaysia	31	52	83
Property trust funds	82	66	148
Financial assets at FVOCI:			
Profit income	53,071	78,114	131,185
Dividend income:			
Quoted equity securities in Malaysia	468	400	868
Financial assets at AC:			
Profit income	3,884	8,037	11,921
Net amortisation of premiums	(1,496)	(2,520)	(4,016)
Other investment income	-	1	1
Investment related expenses	(503)	(728)	(1,231)
Total investment income, net	58,217	87,293	145,510
2020			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Profit income	-	1,082	1,082
- HFT			
Dividend income:			
Quoted equity securities in Malaysia	937	840	1,777
Quoted equity securities outside Malaysia	13	18	31
Property trust funds	78	49	127
Financial assets at FVOCI:			
Profit income	38,596	48,936	87,532
Financial assets at AC:			
Profit income	12,159	23,553	35,712
Net amortisation of premiums	(532)	(1,286)	(1,818)
Investment related expenses	(327)	(403)	(730)
Total investment income, net	50,924	72,789	123,713

22. REALISED (LOSSES)/GAINS, NET

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Financial assets at FVTPL			
- HFT			
Quoted equity securities	(5,100)	(5,628)	(10,728)
Property trust funds	-	(2)	(2)
	(5,100)	(5,630)	(10,730)
Financial assets at FVOCI			
Malaysian government papers	626	602	1,228
Unquoted debt securities	1,181	406	1,587
	1,807	1,008	2,815
Total realised losses, net	(3,293)	(4,622)	(7,915)
2020			
Financial assets at FVTPL			
- Designated upon initial recognition			
Unquoted debt securities	-	744	744
- HFT			
Quoted equity securities	(8,260)	(1,866)	(10,126)
	(8,260)	(1,122)	(9,382)
Financial assets at FVOCI			
Malaysian government papers	1,081	7,098	8,179
Unquoted debt securities	37,089	27,970	65,059
	38,170	35,068	73,238
Total realised gains, net	29,910	33,946	63,856

23. FAIR VALUE (LOSSES)/GAINS, NET

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Financial assets at FVTPL:			
- Designated upon initial recognition	-	(647)	(647)
- HFT	(4,123)	(5,575)	(9,698)
Total fair value losses, net	(4,123)	(6,222)	(10,345)
2020			
Financial assets at FVTPL:			
- Designated upon initial recognition	-	(52)	(52)
- HFT	2,838	2,525	5,363
Total fair value gains, net	2,838	2,473	5,311

24. OTHER OPERATING INCOME/(EXPENSES), NET

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Other income			
Reversal of impairment losses on (Note 37 (i)):			
- Investments	296	360	656
- Takaful receivables	-	6,742	6,742
- Retakaful assets	-	104	104
- Other assets	794	-	5
Unrealised gain on foreign exchange	13	45	58
Sundry income	4,140	587	4,727
	5,243	7,838	12,292
Other expenses			
Realised loss on foreign exchange	(47)	(101)	(148)
Bad debts written off	-	(923)	(923)
Sundry expenditure	(16)	-	(16)
	(63)	(1,024)	(1,087)
Total other operating income, net	5,180	6,814	11,205

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
Other income			
Reversal of impairment losses on (Note 37 (i)):			
- Investments	53	88	141
- Financing receivables	-	3,331	3,331
- Retakaful assets	-	458	458
Unrealised gain on foreign exchange	3	-	3
Sundry income	3,052	501	3,553
	3,108	4,378	7,486
Other expenses			
Allowance of impairment losses on (Note 37 (i)):			
- Takaful receivables	-	(353)	(353)
- Other assets	(36)	-	(10)
Bad debts written off	-	(641)	(641)
Realised loss on foreign exchange	(27)	(43)	(70)
Unrealised loss on foreign exchange	-	(11)	(11)
Sundry expenditure	(33)	(19)	(52)
	(96)	(1,067)	(1,137)
Total other operating income, net	3,012	3,311	6,349

25. MANAGEMENT EXPENSES

	2021 RM'000	2020 RM'000
Shareholder's fund/Company		
Employee benefits expenses (a)	121,365	112,243
Directors' fees and remuneration (Note 26)	896	858
Shariah Committee's fees and remuneration (Note 27)	208	189
Auditors' remuneration:		
- Statutory audits	313	478
- Regulatory services	14	18
Amortisation of intangible assets (Note 4)	255	246
Depreciation of property, plant and equipment (Note 3)	20	2
Auto assist services	12,007	11,057
Bank and financing charges	10,133	8,818
Electronic data processing expenses	8,706	9,419
Entertainment expenses	110	157
Legal fees	221	120
Information technology outsourcing	6,734	6,888
Office facilities expenses	579	780
Other management fees	265	828
Postage and stamp duties	1,510	2,342
Printing and stationery	1,100	1,538
Professional fees	2,715	1,939
Promotional and marketing costs	33,585	33,621
Rental of offices/premises	6,986	6,748
Training expenses	631	460
Travelling expenses	201	581
Utilities, assessment and maintenance	1,752	2,071
Other expenses	16,866	16,311
Total management expenses	227,172	217,712

(a) Employee benefits expenses

	2021 RM'000	2020 RM'000
Shareholder's fund/Company		
Wages, salaries and bonus	90,503	84,926
Employees' Provident Fund ("EPF")	14,501	13,720
Social Security Organisation ("SOCSO")	778	670
Share-based compensation	2,274	1,944
Other benefits	13,309	10,983
	121,365	112,243

Included in employee benefits expenses is CEO's remuneration of RM1,174,000 (2020: RM1,268,000) as further disclosed in Note (b).

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

	2021 RM'000	2020 RM'000
Salaries	600	600
Bonus	200	250
EPF	135	143
Share based compensation	136	138
Other emoluments	103	137
	1,174	1,268

26. DIRECTORS' FEES AND REMUNERATION

	2021 RM'000	2020 RM'000
Shareholder's fund/Company		
Executive director:		
Fees	120	120
Other emoluments	18	12
	138	132
Non executive directors:		
Fees	660	648
Other emoluments	98	78
	758	726
Total directors' fees and remuneration	896	858

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

	Fees RM'000	Other Emoluments RM'000	Total RM'000
2021			
Executive director:			
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	120	18	138
Non-executive directors:			
Dato' Majid Bin Mohamad (Chairman)	180	20	200
Mr Philippe Pol Arthur Latour (Vice Chairman)	120	18	138
Dato' Johan Bin Ariffin	120	18	138
Mr Koh Heng Kong	120	20	140
Prof. Dr. Rusni Binti Hassan	120	22	142
	660	98	758
Total directors' fees and remuneration	780	116	896

26. DIRECTORS' FEES AND REMUNERATION (CONTD.)

The details of the remuneration of the directors of the Company are as follows (contd.):

	Fees RM'000	Other Emoluments RM'000	Total RM'000
2020			
Executive director:			
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	120	12	132
Non-executive directors:			
Dato' Majid Bin Mohamad (Chairman)	180	16	196
Mr Philippe Pol Arthur Latour (Vice Chairman)	120	14	134
Dato' Johan Bin Ariffin	120	14	134
Mr Koh Heng Kong	120	16	136
Prof. Dr. Rusni Binti Hassan (Appointed w.e.f 7 February 2020)	108	18	126
	648	78	726
Total directors' fees and remuneration	768	90	858

27. SHARIAH COMMITTEE'S FEES AND REMUNERATION

	2021 RM'000	2020 RM'000
Shareholder's fund/Company		
Fees	123	128
Other emoluments	85	61
Total Shariah Committee's fees and remuneration	208	189

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

	Fees RM'000	Other Emoluments RM'000	Total RM'000
2021			
Shariah Committee:			
Assoc. Prof. Dr. Aznan Bin Hasan (Chairman)	26	16	42
Dr. Sarip Bin Adul (Ceased as member 13 May 2021)	9	5	14
Prof. Dr. Rusni Binti Hassan	22	16	38
Prof. Dr. Abdul Rahim Bin Abdul Rahman	22	16	38
Prof. Dato' Dr. Mohd Azmi Bin Omar	22	16	38
Assoc. Prof. Dr. Azman Bin Mohd	22	16	38
Total Shariah Committee's fees and remuneration	123	85	208
2020			
Shariah Committee:			
Assoc. Prof. Dr. Aznan Bin Hasan (Chairman)	28	12	40
Dr. Sarip Bin Adul	22	11	33
Prof. Dr. Rusni Binti Hassan	22	11	33
Prof. Dr. Abdul Rahim Bin Abdul Rahman	22	10	32
Prof. Dato' Dr. Mohd Azmi Bin Omar	22	11	33
Assoc. Prof. Dr. Azman Bin Mohd Noor (w.e.f 15 June 2020)	12	6	18
Total Shariah Committee's fees and remuneration	128	61	189

28. FEE AND COMMISSION EXPENSES

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Commission expenses	157,460	-	157,460
Wakalah fee expense	-	551,353	-
Others	-	352	352
	157,460	551,705	157,812
2020			
Commission expenses	142,208	-	142,208
Wakalah fee expense	-	497,366	-
Others	-	191	191
	142,208	497,557	142,399

29. TAXATION

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

	Shareholder's fund RM'000	Company RM'000
2021		
Income Statement		
Income tax:		
Current financial year	87,398	87,398
Under provision of taxation in prior financial year	2,244	2,244
	89,642	89,642
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 15)	(52,650)	(52,839)
	36,992	36,803

29. TAXATION (CONTD.)

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

	Shareholder's fund RM'000	Company RM'000
2020		
Income Statement		
Income tax:		
Current financial year	75,755	75,755
Over provision of taxation in prior financial year	211	211
	75,966	75,966
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 15)	453	459
	76,419	76,425

Reconciliation between tax expense and accounting profit

The reconciliation of income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Shareholder's fund and the Company are as follows:

	Shareholder's fund RM'000	Company RM'000
2021		
Profit before taxation & zakat	320,932	320,143
Taxation at Malaysian statutory tax rate of 24%	77,024	76,835
Income not subject to tax	(39,230)	(39,230)
Expenses not deductible for tax purposes	6,484	6,484
Effect of weighted average tax rate on deferred tax	(8,799)	(8,799)
Effect of zakat deduction and approved donation	(731)	(731)
Under provision of taxation in prior financial year	2,244	2,244
Tax expense for the financial year	36,992	36,803

29. TAXATION (CONTD.)

Reconciliation between tax expense and accounting profit (contd.)

The reconciliation of income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Company are as follows: (contd.)

	Shareholder's fund RM'000	Company RM'000
2020		
Profit before taxation & zakat	313,840	313,866
Taxation at Malaysian statutory tax rate of 24%	75,322	75,328
Income not subject to tax	(916)	(916)
Expenses not deductible for tax purposes	3,162	3,162
Effect of zakat deduction and approved donation	(1,360)	(1,360)
Over provision of taxation in prior financial year	211	211
Tax expense for the financial year	76,419	76,425

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

	General Takaful fund RM'000	Company RM'000
Taxation borne by participants		
2021		
Income Statement		
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 15)	(875)	(875)
Income taxation:		
Under provision of tax in prior financial years	3,883	3,883
Tax borne by participants recognised in income statement	**3,008**	**3,008**

29. TAXATION (CONTD.)

	General Takaful fund RM'000	Company RM'000
Taxation borne by participants (contd.)		
2020		
Income Statement		
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 15)	2,117	2,117
Tax borne by participants recognised in Income Statement	**2,117**	**2,117**

The domestic income tax for General Takaful fund is calculated at the Malaysian statutory tax rate of 24% (2020 : 24%) of the estimated assessable profit for the financial year.

Statement of Comprehensive Income

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Deferred income tax related to other comprehensive income: (Note 15)			
- Fair value changes on financial assets at FVOCI	12,272	12,508	24,780
2020			
Deferred income tax related to other comprehensive income: (Note 15)			
- Fair value changes on financial assets at FVOCI	1,792	1,900	3,692

30. EARNINGS PER SHARE

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

	2021	2020
Profit attributable to ordinary equity holders (RM'000)	273,498	226,601
Weighted average number of ordinary shares in issue (units '000) (Note 10)	870,000	870,000
Basic and diluted earnings per share (sen)	31.44	26.05

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

31. DIVIDENDS

	2021 RM'000	2020 RM'000
Final dividend in respect of financial year ended 31 December 2020		
- 18.73 sen per share, single-tier tax exempt dividend on 870,000,000 ordinary shares	162,951	109,968

32. SEGMENTAL INFORMATION ON CASH FLOWS

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Net cash flows generated from/ (used in):			
Operating activities	444,997	989,186	1,434,183
Investing activities	(283,334)	(1,024,892)	(1,308,226)
Financing activities	(162,951)	-	(162,951)
Net decrease in cash and cash equivalents:	(1,288)	(35,706)	(36,994)
At 1 January 2021	2,559	37,779	40,338
At 31 December 2021	1,271	2,073	3,344
2020			
Net cash flows (used in)/ generated from:			
Operating activities	(79,995)	(511,991)	(591,797)
Investing activities	180,944	516,510	697,265
Financing activities	(109,968)	-	(109,968)
Net (decrease)/increase in cash and cash equivalents:	(9,019)	4,519	(4,500)
At 1 January 2020	11,578	33,260	44,838
At 31 December 2020	2,559	37,779	40,338

33. SHARE-BASED COMPENSATION

ESGP and CESGP

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

The ESGP consists of two (2) types of performance-based awards, i.e. ESGP Shares and CESGP. The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

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

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

Other principal features of the ESGP are as follows:

(i) The employees eligible to participate in the ESGP must be on the payroll of the Participating Maybank Group and has not served a notice of resignation or received a notice of termination. Participating Maybank Group includes Maybank and its overseas branches and subsidiaries, but excluding dormant subsidiaries.

(ii) The entitlement under the ESGP for the Executive Directors, including any persons connected to the Directors, is subject to the approval of the shareholders of Maybank in a general meeting.

(iii) The ESGP shall be valid for a period of seven (7) years from the effective date.

Notwithstanding the above, Maybank may terminate the ESGP at any time during the duration of the plan subject to consent of Maybank's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination.

34. 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 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 shareholder.

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

(a) The significant related party transactions and balances of the Company are as follows:

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
Income/(expenses):			
2021			
Ultimate holding company:			
Gross contribution income	-	28	28
Commission and fee expenses	(31,203)	-	(31,203)
Bank charges	(842)	-	(842)
Employee's Share Grant Plan ("ESGP")	(625)	-	(625)
Immediate holding company:			
Gross contribution income	-	296	296
Shared services costs	(38,564)	-	(38,564)
Remuneration of a seconded employee	(158)	-	(158)
Other expenses	(158)	-	(158)
Dividend paid	(162,951)	-	(162,951)

34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(a) The significant related party transactions and balances of the Company are as follows: (contd.)

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
Income/(expenses) (contd.):			
2021 (contd.)			
Fellow subsidiaries within the MAHB Group:			
Gross contribution income	-	32	32
Rental expenses	(7,037)	-	(7,037)
Shared services costs	(44,671)	-	(44,671)
Fellow subsidiaries within the EIHSB Group:			
Consultation fee	(1,987)	-	(1,987)
Shared services costs	(40)	-	(40)
Other expenses	(1)	-	(1)
Other related companies within the Maybank Group:			
Gross contribution income	-	2,046	2,046
Profit income	3,302	5,546	8,848
Information technology outsourcing	(6,916)	-	(6,916)
Commission and fee expenses	(7,901)	-	(7,901)
Investment expenses	(398)	(525)	(923)
Claims paid	-	(10)	(10)
Companies with significant influence over the Maybank Group:			
Gross contribution income	-	4,847	4,847
Claims paid	-	(202)	(202)
Companies with significant influence over the MAHB Group:			
Premium ceded	-	(110)	(110)
Claims paid recovery	-	4	4
2020			
Ultimate holding company:			
Gross contribution income	-	13	13
Commission and fee expenses	(30,439)	-	(30,439)
Bank charges	(322)	-	(322)
Employee's Share Grant Plan ("ESGP")	(212)	-	(212)

34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(a) The significant related party transactions and balances of the Company are as follows: (contd.)

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
Income/(expenses) (contd.):			
2020 (contd.)			
Immediate holding company:			
Gross contribution income	-	321	321
Shared services costs	(15,109)	-	(15,109)
Immediate holding company:			
Claims paid	-	(37)	(37)
Remuneration of a seconded employee	(134)	-	(134)
Dividend paid	(109,968)	-	(109,968)
Fellow subsidiaries within the MAHB Group:			
Gross contribution income	-	44	44
Rental expense	(6,697)	-	(6,697)
Shared services costs	(35,004)	-	(35,004)
Fellow subsidiaries within the EIHSB Group:			
Consultation fee	(987)	-	(987)
Other related companies within the Maybank Group:			
Gross contribution income	-	2,422	2,422
Profit income	7,332	12,935	20,267
Information technology outsourcing	(6,888)	-	(6,888)
Commission and fee expenses	(5,066)	-	(5,066)
Investment expenses	(223)	(268)	(491)
Claims paid	-	(8)	(8)
Companies with significant influence over the Maybank Group:			
Gross contribution income	-	11,809	11,809
Claims paid	-	(104)	(104)

34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Ultimate holding company:			
Bank balances	1,271	(15,892)	(14,621)
Outstanding contributions	-	2,746	2,746
Amount due to ultimate holding company (Note 17)	(6,032)	-	(6,032)
Immediate and penultimate holding companies			
Outstanding contributions	-	289	289
Amount due to immediate holding company (Note 17)	(4,199)	-	(4,199)
Amount due to penultimate holding company (Note 17)	(8)	-	(8)
Fellow subsidiaries within the MAHB Group:			
Amount due to other related companies (Note 17)	(13,959)	-	(13,959)
Outstanding contributions	-	5	5
Fellow subsidiaries within the EIHSB Group:			
Amount due to other related companies (Note 17)	(182)	-	(182)
Other related companies within the Maybank Group:			
Fixed and call deposits	162,880	255,082	417,962
Income and profit due and accrued	233	306	539
Claims liabilities	-	(51)	(51)
Amount due to other related companies (Note 17)	(38)	(53)	(91)
Sundry payables and accrued liabilities	(16,683)	-	(16,683)
Companies with significant influence over the Maybank Group:			
Claims liabilities	-	(1,957)	(1,957)

The balances with related companies are subject to normal trade terms or as disclosed in Note 9 and Note 17.

34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
Ultimate holding company:			
Bank balances	2,559	31,786	34,345
Outstanding contributions	-	2,407	2,407
Amount due to ultimate holding company (Note 17)	(4,051)	-	(4,051)
Immediate holding company:			
Amount due from immediate holding company (Note 9)	330	-	330
Outstanding contributions	-	289	289
Fellow subsidiaries within the MAHB Group:			
Amount due from other related companies (Note 9)	14,177	-	14,177
Claims liabilities	-	(5)	(5)
Fellow subsidiaries within the EIHSB Group:			
Amount due to other related companies (Note 17)	(304)	-	(304)
Other related companies within the Maybank Group:			
Fixed and call deposits	221,666	605,935	827,601
Income and profit due and accrued	419	1,851	2,270
Claims liabilities	-	(61)	(61)
Amount due to other related companies (Note 17)	(20)	(22)	(42)
Sundry payables and accrued liabilities	(12,248)	-	(12,248)
Companies with significant influence over the Maybank Group:			
Claims liabilities	-	(917)	(917)

The balances with related companies are subject to normal trade terms or as disclosed in Note 9 and Note 17.

34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(c) Key management personnel compensation

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

	2021 RM'000	2020 RM'000
Short-term employee benefits		
- Fees	780	768
- Salaries, allowances and bonuses	800	850
- Contribution to EPF and pension scheme	135	143
- Share-based compensation	136	138
- Other emoluments	219	227
	2,070	2,126

The remuneration of other key management personnel, being the executive directors and non-executive directors of the Company are as disclosed in Note 25 and 26 of the financial statements.

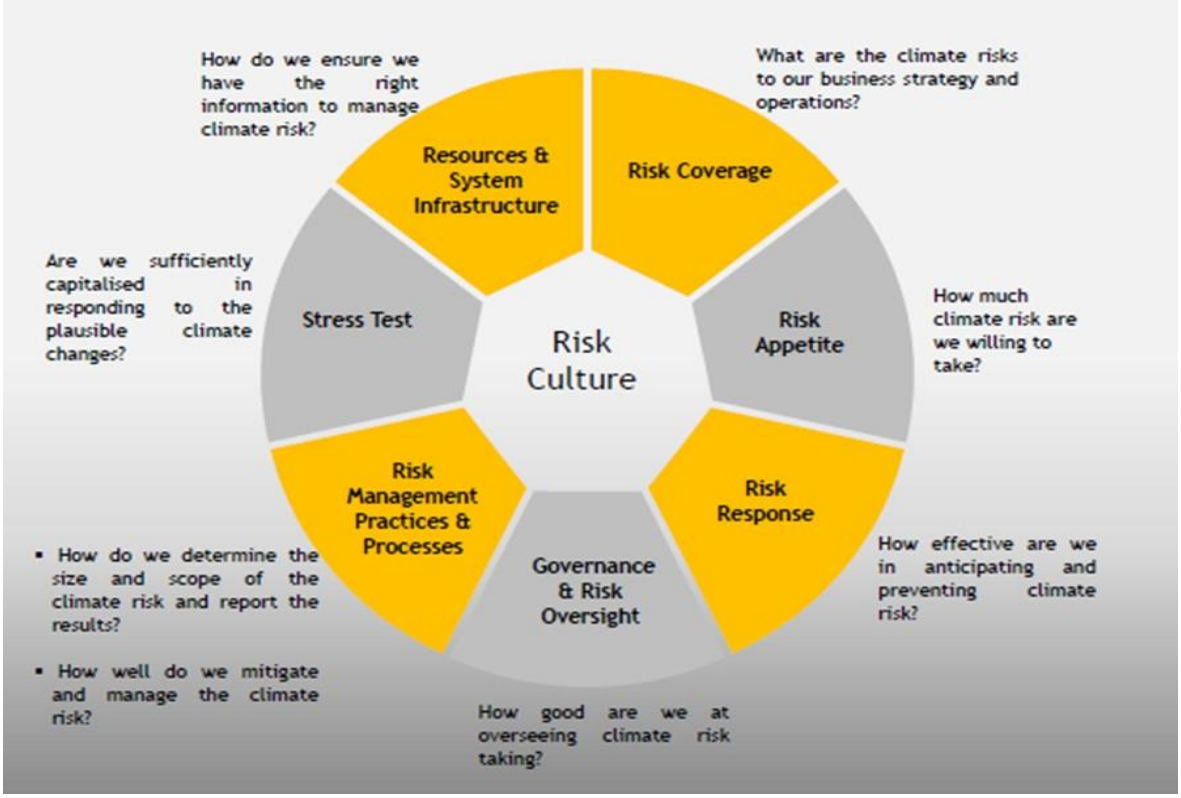
(ii) The number of shares awarded for ESGP to key management personnel were as follows:

	2021 '000	2020 '000
At 1 January 2021/At 1 January 2020	292	264
Awarded	28	28
At 31 December 2021/At 31 December 2020	320	292

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Enterprise Risk Management Framework ("ERMF") is intended to institutionalise vigilance and awareness of the management of risk. It encapsulates the governance structure to support the Risk Management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, Committees and Departments for the legal entities within Maybank Ageas Holdings Berhad ("MAHB"), being Etiqa General Insurance Berhad ("EGIB"), Etiqa Family Takaful Berhad ("EFTB"), Etiqa Life Insurance Berhad ("ELIB"), Etiqa General Takaful Berhad ("EGTB"), Etiqa Life International (L) Ltd. ("ELIL"), Etiqa Offshore Insurance (L) Ltd. ("EOIL") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the MAHB Group".

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



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

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Principles

Strong risk culture serves as the foundation upon which a robust enterprise wide risk management structure is built. The approach to risk management is premised on the following broad principles:

- Maintain a Risk Taxonomy for assessing risk
- Establish Risk Appetite and Strategy
- Assign Adequate Capital
- Select an Appropriate Risk Response Action
- Ensure Governance and Oversight Function
- Establish Risk Management Practices and Processes
- Identify & Quantify Unfavorable Effects Through Stress Testing
- Ensure Sufficient Resources and System Infrastructures

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

Risk Culture

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

It stems from the conduct of staff, businesses and the organisation as a whole in ensuring that customers, either internal or external, are treated fairly and their interest upheld at all times.

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

The Risk Culture can be strengthened by a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired Risk Culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

Embedding a strong risk culture goes beyond compliance to policies, core values, code of ethics and conduct, it is essentially about the belief, emotion and behaviour that ‘risk is everyone’s responsibility’ and should permeate in the attitude of each individual.

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Coverage

MAHB Group maintains a Risk Taxonomy for assessing risk, which is derived from several risk analysis exercises conducted each year. New risks if any, are added as they are identified through the annual Enterprise Risk Assessment (with methodology of Risk Landscape Survey), the New Business/Product Approval process as governed by the New Product Approval Policy, through forward looking stress testing as well as inputs from the Senior Management and Board of Directors.

Risk Appetite and Strategy

The establishment of the MAHB Group's Risk Appetite is a critical component of a robust risk management framework and should be driven by both top-down Board leadership and bottom-up involvement of management at all levels. The Risk Appetite should enable the Board of Directors ("the Board") and Senior Management to communicate, understand and assess the types and levels of risks that they are willing to accept in pursuit of their business objectives.

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

Adequate Capital

Capital Management is the key element for ensuring that MAHB and its subsidiaries have 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 and its subsidiaries must have an actionable plan to restore the capital level within a reasonable timeframe.

Risk Response

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

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

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Response (contd.)

When strategising the response action, the overarching principle that needs to be thoroughly considered is whether or not the risk that we are willing to assume is feasible to MAHB Group. In general, if we are unable to manage and mitigate the risk then we should avoid the risk, unless the trade-off cost and benefit of assuming such risks brings greater value to MAHB Group. In a nutshell, the Risk Responses chosen must be realistic, taking into account the costs of the responses as well as the impact to MAHB Group.

Governance and Risk Oversight

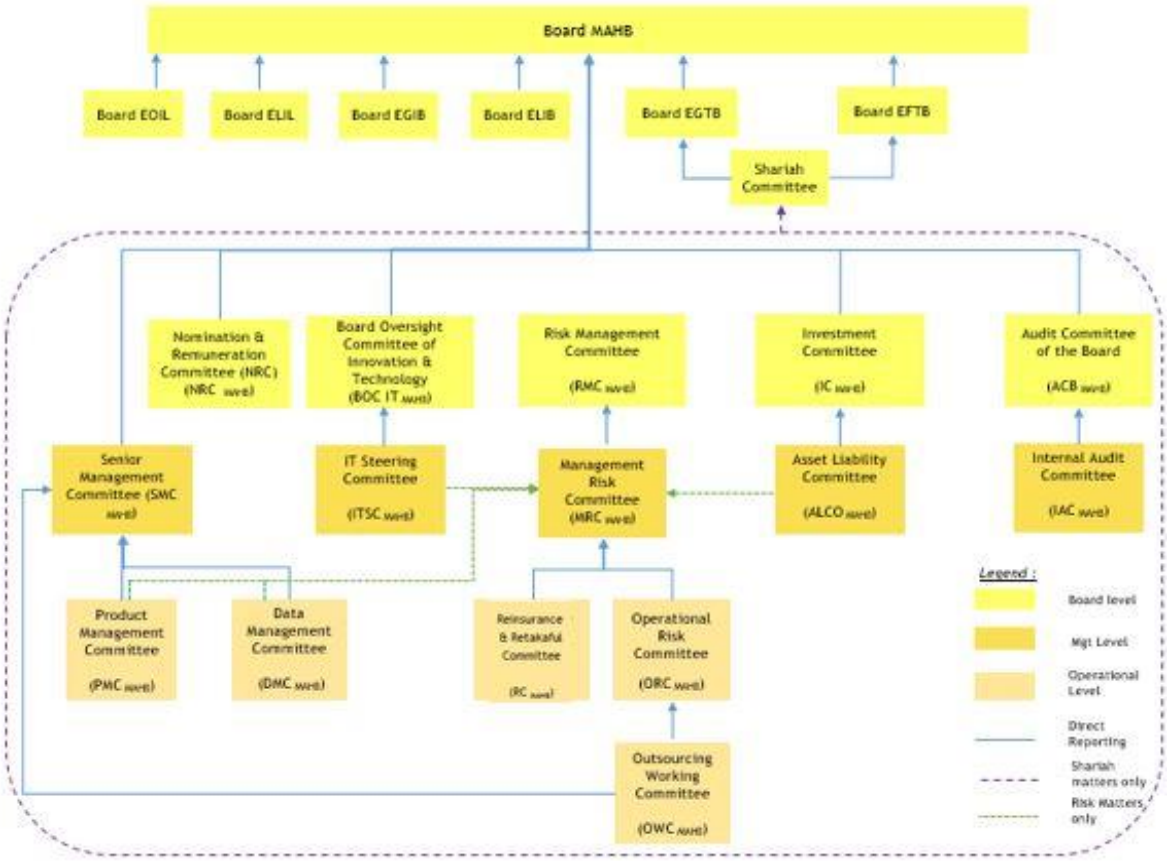
A governance structure should be clear, effective as well as robust and includes the role of the Board, Risk Committees and Senior Management with well defined, transparent and consistent lines of responsibility.

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

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

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)



Note:

1) This is a representation of overall risk governance bodies within MAHB, there exist other committees not captured in this diagram as any risk matters that require the risk focused supervision shall be escalated to the risk governance bodies for deliberations as captured above.

2) As for Shariah risk matters, the oversight responsibility resides with the Shariah Committee which reports to the Entities' Boards respectively.

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

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Board

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

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

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

Senior Management Committee ("SMC")

The SMC is responsible to assure the Board that the Etiqa entities take adequate decisions regarding risks and return and to make sure adequate controls exist and are fully operational; and, ensure that the management of risk is in line with the approved risk appetite, strategy, risk frameworks, policies, procedures and risk management practices and processes established.

Management Risk Committee ("MRC")

The MRC is the advisor to the RMC concerning all risk related topics, including limits, exposures and methodologies.

Asset Liability Committee ("ALCO")

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

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Infromation Technology Steering Committee ("ITSC")

ITSC is to establish, review and approve IT initiatives as well as long term IT strategies and plans; identify potential IT strategies for the improvement of business operating model; ensure the alignment of IT initiatives and business strategies; ensure adequacy of IT infrastructure to support business-as-usual and new projects, and addressing risks of technology obsolescence.

Internal Audit Committee ("IAC")

The IAC is responsible to deliberate the audit findings highlighted in the internal and external auditors' reports as well as internal investigation reports; to deliberate and ensure adequacy and timeliness of the remedial actions; and, to support ACB in all audit related matters.

The following Operational Level Committees are established to support the Management level committees at MAHB level in the discharge of theirs duties:

Operational Risk Committee ("ORC")

ORC serves as the advisor to MRC concerning group wide operational risk related topics in day-to-day activities and practices, ensuring sound risk governance standards through effective implementation of Operational Risk Policy and other risk governing documents.

Product Management Committee ("PMC")

The PMC's prime objective is to oversee, coordinate and manage the whole process of product development and product management for specific product lines. PMC monitors the implementation, and post implementation performance of the Insurance and Takaful Products.

Data Management Committee ("DMC")

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

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Reinsurance and Retakaful Committee ("RC")

The primary objective of the RC is to function as the governance body to provide decision and guidance in relation to the reinsurance management of the Insurance and Takaful policies. The scope of the RC covers General Reinsurance and Retakaful, Inward / Outward Reinsurance and Life / Family Catastrophe protection areas/issues under Maybank Ageas Holdings Berhad for the Insurance and Takaful Group.

Outsourcing Working Committee ("OWC")

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

Fire Committee ("FC")

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

Motor Committee ("MC")

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

Business Continuity Management Committee ("BCMC")

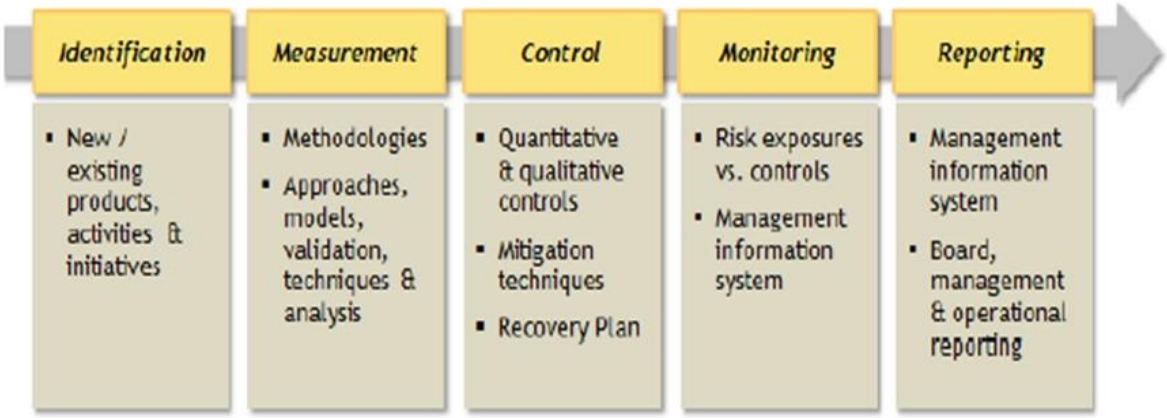
The BCMC is responsible to ensure that the Business Continuity Management ("BCM') framework is embedded, promoted and implemented in each service area within the MAHB group. It also provides centralised co-ordination of the response to, and recovery from, any incident, or situation that causes potential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

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Management Practices and Processes

A robust process should be in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the business. The practices and processes are to be reflective of the nature, size and complexity of the various business activities.

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



Stress Testing

Stress Testing should be used to identify and quantify possible events or future changes in the financial and economic conditions that could have unfavourable effects on MAHB Group's exposure. This involves an assessment of MAHB Group's capability to withstand such changes in relation to capital and earnings to absorb potentially significant losses.

Stress Testing is to be conducted on a periodic basis or when required to better understand the risk profile, evaluate business risk and thereafter, taking appropriate measures to address these risks accordingly.

Resource and System Insfrastructure

Appropriate system infrastructure and resources are the foundation and enabler to an effective risk management practices and processes. As a result, the MAHB Group should equip itself with necessary resources, infrastructures and support to perform its roles efficiently.

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Resources

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

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

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

System Infrastructure

With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated System Infrastructure to support an enterprise-wide or consolidated view of risks. The System Infrastructure should be able to provide adequate and effective data aggregation capabilities at all times, with accurate, complete, timely and adaptable data to facilitate effective risk management practices and processes.

Through the established infrastructure, the roles and responsibilities required for the effective management of risk can be performed appropriately.

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

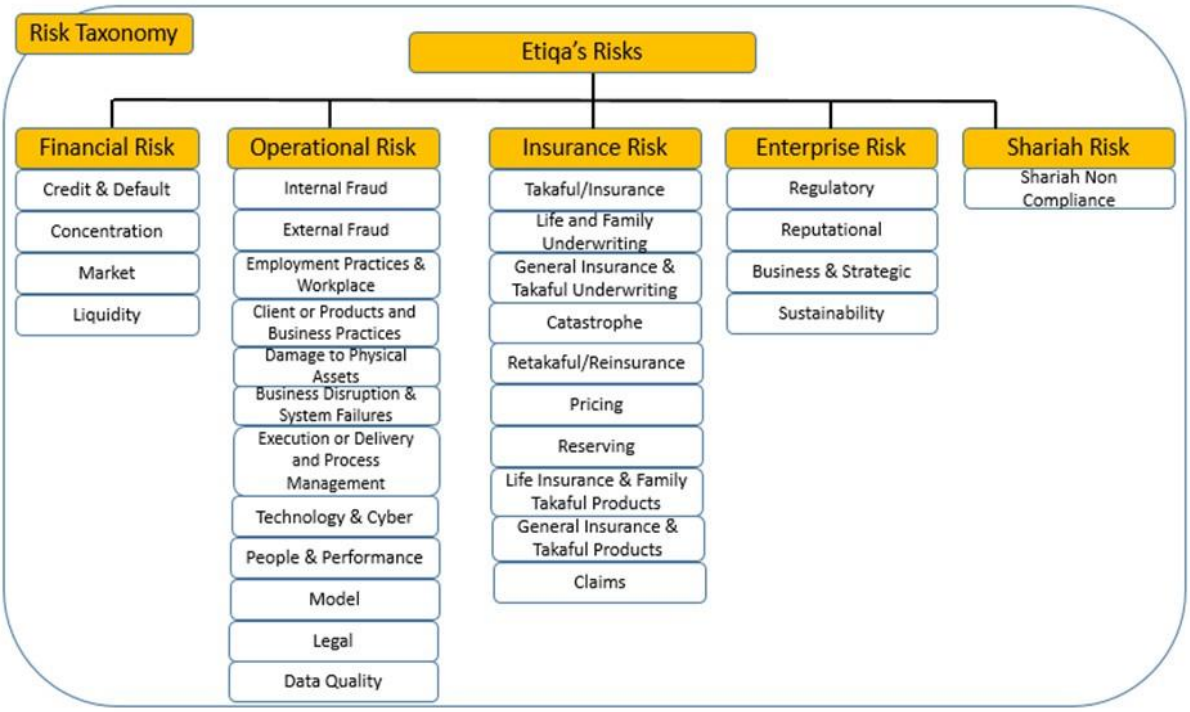
Risk Taxonomy

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

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

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy (contd.)



36. TAKAFUL RISK

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

Retakaful offers financial protection to takaful operators against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with retakaful companies are the counterparty risk of retakaful operators failing to honor their obligations. The Company monitors the retakaful operators creditworthiness on a monthly basis.

The Company has established appropriate policies and monitoring metrics combined with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(i) General Takaful Underwriting Risk

General Takaful Underwriting Risk reflects the risk of loss or adverse impact arising from adverse changes in the actual outcome from the initial underwriting assessment/evaluation, selection, expectations and terms set. General Takaful Underwriting Risk also considers other factors such as Environment, Social and Governance ("ESG") and Value-Based Intermediation ("VBI") based on any available or established internal standard.

(ii) Pricing Risk

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

(iii) Retakaful Risk

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

36. TAKAFUL RISK (CONTD.)

(iv) Products Risk

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

(v) Reserving Risk

Being the risk of loss or adverse impact arising from the inadequate reserves due to unanticipated loss developments.

(vi) Catastrophe Risk

Catastrophe Risk is the risk of loss or adverse changes in the underwritten takaful businesses due to over-exposures to extreme or exceptional events, which can cause an accumulated loss or a single large loss.

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

(vii) Claims Risk

Claims Risk is risk of loss or adverse impact arising from the claims management process which is expected to affect the client satisfaction and the Company's reputation. Claims management process can also impact claims cost resulting in higher claims experience, which affect profitability.

36. TAKAFUL RISK (CONTD.)

General Takaful fund

The table below discloses contribution written by type of contract:

	2021		
	Gross RM'000	**Retakaful RM'000**	**Net RM'000**
Motor	1,191,238	(9,672)	1,181,566
Fire	228,693	(89,006)	139,687
Marine, Aviation, Cargo and Transit	13,757	(9,583)	4,174
Miscellaneous	289,906	(126,825)	163,081
	1,723,594	(235,086)	1,488,508

	2020		
	Gross RM'000	**Retakaful RM'000**	**Net RM'000**
Motor	1,103,527	(7,364)	1,096,163
Fire	193,286	(51,869)	141,417
Marine, Aviation, Cargo and Transit	14,621	(10,702)	3,919
Miscellaneous	258,283	(92,569)	165,714
	1,569,717	(162,504)	1,407,213

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

(i) Key assumptions and methods

The estimation of the claim liabilities of the General Takaful fund is based on BNM/RH/GL004-21 Guidelines on Valuation Basis for Liabilities of General Takaful Business as issued by BNM. It requires all General Takaful operators to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The claim liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and, hence the ultimate costs of claims. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(i) Key assumptions and methods (contd.)

The assumptions used in the projection methodologies, including future rates of claims inflation are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public perspective towards claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are explicitly allowed for in the reserving process by adding in a Provision of Risk Margin for Adverse Deviation ("PRAD") for the best estimate of the cost of future claim payments.

The methodology used in deriving the provision for expenses is consistent with prior year. Loadings are applied directly to the central estimate of claim liabilities and the central estimate of URR and UCR to derive the expense liabilities.

(ii) Sensitivity analysis

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

Illustrative results of sensitivity testing for the General Takaful fund's claim liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and net claims ratio for the financial year. Therefore, the sensitivity analysis has been performed based on reasonably possible movements in the net claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net claim liabilities, profit before tax and participants' fund.

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(ii) Sensitivity analysis (contd.)

	% change in key assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on participants' fund RM'000
		<----Increase/(Decrease)----->		<----(Decrease)/Increase----->	
2021					
Net incurred claims ratio	+ 5%	82,928	71,035	(71,035)	(71,035)
	- 5%	(82,928)	(71,035)	71,035	71,035
2020					
Net incurred claims ratio	+ 5%	80,250	71,959	(71,959)	(71,959)
	- 5%	(80,250)	(71,959)	71,959	71,959

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

(iii) Claims development table

The following tables show the estimated incurred claims, including both claims notified and Incurred But Not Reported ("IBNR") for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the Company believes the estimate of total claims liabilities as at the financial year end are adequate. The Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Analysis of claims development - gross takaful certificate liabilities - 2021

	Before	As at 31 December						
	2015	2015	2016	2017	2018	2019	2020	2021	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		660,739	783,911	724,824	725,826	946,499	1,000,258	1,391,364	
1 year later		639,081	816,040	723,792	698,316	924,486	973,211		
2 years later		608,828	817,518	713,777	694,842	909,997			
3 years later		616,600	826,331	713,221	693,581				
4 years later		615,472	837,210	718,913					
5 years later		615,168	747,343						
6 years later		616,520							
Estimate of gross cumulative claims to date (A)		616,520	747,343	718,913	693,581	909,997	973,211	1,391,364	

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Analysis of claims development - gross takaful certificate liabilities - 2021 (contd.)

	Before	As at 31 December							
	2015	2015	2016	2017	2018	2019	2020	2021	Total
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At the end of accident year		264,533	310,865	345,399	343,275	452,202	397,925	273,974	
1 year later		461,390	578,438	569,587	547,544	691,241	631,501		
2 years later		544,056	657,527	649,221	611,865	765,718			
3 years later		585,241	691,344	674,541	639,544				
4 years later		594,240	705,490	685,250					
5 years later		597,161	723,686						
6 years later		601,413							
Gross cumulative claims paid to date (B)		601,413	723,686	685,250	639,544	765,718	631,501	273,974	
Best estimate gross claim liabilities (A) - (B)	22,824	15,107	23,657	33,663	54,037	144,279	341,710	1,117,390	1,752,667
PRAD (C)									112,978
Gross takaful certificate liabilities as at 31 December 2021 (A) - (B) + (C)									1,865,645

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Net analysis of claims development - net of retakaful - 2021

	Before	As at 31 December						
	2015	2015	2016	2017	2018	2019	2020	2021	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		630,670	708,666	699,503	699,161	913,618	906,151	723,067	
1 year later		610,264	664,057	699,550	671,700	895,213	867,718		
2 years later		586,008	664,219	689,778	662,981	878,593			
3 years later		589,008	660,648	690,165	664,437				
4 years later		586,707	659,552	695,981					
5 years later		586,235	666,583						
6 years later		589,588							
Estimate of net cumulative claims to date (A)		589,588	666,583	695,981	664,437	878,593	867,718	723,067	

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Net analysis of claims development - net of retakaful - 2021 (contd.)

	Before	As at 31 December							
	2015	2015	2016	2017	2018	2019	2020	2021	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		259,797	307,415	340,963	340,369	450,253	395,860	271,665	
1 year later		449,210	521,478	559,277	538,219	681,490	602,965		
2 years later		525,894	599,827	632,054	596,401	750,921			
3 years later		562,333	628,770	657,164	623,065				
4 years later		571,010	637,303	667,774					
5 years later		573,928	648,086						
6 years later		577,996							
Net cumulative claims paid to date (B)		577,996	648,086	667,774	623,065	750,921	602,965	271,665	
Best estimate net claim liabilities (A) - (B)	9,800	11,592	18,497	28,207	41,372	127,672	264,753	451,402	953,295
PRAD (C)									76,633
Net takaful certificate liabilities as at 31 December 2021 (A) - (B) + (C)									1,029,928

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Analysis of claims development - gross takaful certificate liabilities - 2020

	Before	As at 31 December						
	2014	2014	2015	2016	2017	2018	2019	2020	Total
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At the end of accident year		589,933	660,739	783,911	724,824	725,826	946,499	1,000,258	
1 year later		617,750	639,081	816,040	723,792	698,316	924,486		
2 years later		608,081	608,828	817,518	713,777	694,842			
3 years later		601,915	616,600	826,331	713,221				
4 years later		592,831	615,472	837,210					
5 years later		592,733	615,168						
6 years later		595,627							
Estimate of gross cumulative claims to date (A)		595,627	615,168	837,210	713,221	694,842	924,486	1,000,258	

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Analysis of claims development - gross takaful certificate liabilities - 2020 (contd.)

	Before	As at 31 December							
	2014	2014	2015	2016	2017	2018	2019	2020	Total
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At the end of accident year		231,130	264,533	310,865	345,399	343,275	452,202	397,925	
1 year later		470,575	461,390	578,438	569,587	547,544	691,241		
2 years later		532,800	544,056	657,527	649,221	611,865			
3 years later		557,757	585,241	691,344	674,541				
4 years later		572,230	594,240	705,490					
5 years later		576,534	597,161						
6 years later		577,897							
Gross cumulative claims paid to date (B)		577,897	597,161	705,490	674,541	611,865	691,241	397,925	
Best estimate gross claim liabilities (A) - (B)	17,435	17,730	18,007	131,720	38,680	82,977	233,245	602,333	1,142,127
PRAD (C)									72,906
Gross takaful certificate liabilities as at 31 December 2020 (A) - (B) + (C)									1,215,033

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Net analysis of claims development - net of retakaful - 2020

	Before	As at 31 December						
	2014	2014	2015	2016	2017	2018	2019	2020	Total
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At the end of accident year		532,858	630,670	708,666	699,503	699,161	913,619	906,151	
1 year later		506,414	610,264	664,057	699,550	671,700	895,213		
2 years later		496,700	586,008	664,219	689,778	662,981			
3 years later		490,130	589,008	660,648	690,165				
4 years later		483,011	586,707	659,552					
5 years later		482,964	586,235						
6 years later		485,359							
Estimate of net cumulative claims to date (A)		485,359	586,235	659,552	690,165	662,981	895,213	906,151	

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Net analysis of claims development - net of retakaful - 2020 (contd.)

Accident year	Before 2014 RM'000	As at 31 December 2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At the end of accident year		227,238	259,797	307,415	340,963	340,369	450,253	395,860	
1 year later		386,400	449,210	521,478	559,277	538,219	681,490		
2 years later		435,687	525,894	599,827	632,054	596,401			
3 years later		458,229	562,333	628,770	657,164				
4 years later		471,323	571,010	637,303					
5 years later		475,518	573,928						
6 years later		476,882							
Net cumulative claims paid to date (B)		476,882	573,928	637,303	657,164	596,401	681,490	395,860	
Best estimate net claim liabilities (A) - (B)	5,343	8,477	12,307	22,249	33,001	66,580	213,723	510,291	871,971
PRAD (C)									59,253
Net takaful certificate liabilities as at 31 December 2020 (A) - (B) + (C)									931,224

37. FINANCIAL RISKS

(i) Credit Risk

Credit Risk refers to the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms. It stems primarily from lending, underwriting, trading and investment activities from both on-balance sheet transactions and off-balance sheet transactions, if any.

Credit or spread risk and ultimately default risk result from the intrinsic quality of the issuer of debt securities and the impact it has on the value of these instruments. Changes in the level or in the volatility of both spreads as a result of changes in the underlying credit quality define the risk of investment default.

Credit Risk arises when a counterparty is no longer able to pay its contractual obligations. The Company's exposure to credit risk arises mainly from fixed income investment activities.

The Company measures and manages its Credit Risk following the philosopies 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.

37. FINANCIAL RISKS (CONTD.)

(i) Credit 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 agreement.

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2021			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Unquoted debt securities in Malaysia	-	19,335	19,335
Financial assets at FVOCI:			
Malaysian government papers	122,228	194,469	316,697
Unquoted debt securities in Malaysia	1,064,401	1,868,266	2,932,667
Financial assets at AC:			
Islamic investment accounts with:			
Licensed financial institutions	162,880	270,082	432,962
Others	-	10,163	10,163
Financing receivables	148	-	148
Takaful receivables	-	83,741	83,741
Other assets*	174,991	29,535	46,466
Cash and bank balances**	1,271	10,496	11,767
	1,525,919	2,486,087	3,853,946

* Excluding non-financial assets such as prepayments and deposits.

** Excluding petty cash and overnight deposit in Islamic investment accounts placed with licensed financial institutions amounting of RM 8,424,000

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure (contd.)

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 agreement. (contd.)

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Unquoted debt securities in Malaysia	-	20,157	20,157
Financial assets at FVOCI:			
Malaysian government papers	122,256	78,482	200,738
Unquoted debt securities in Malaysia	923,415	1,134,683	2,058,098
Financial assets at AC:			
Islamic investment accounts with:			
Licensed financial institutions	347,732	886,731	1,234,463
Others	23,482	80,549	104,031
Takaful receivables	-	89,001	89,001
Other assets*	142,617	17,458	43,373
Cash and bank balances**	2,559	37,772	40,331
	1,562,061	2,344,833	3,790,192

* Excluding non-financial assets such as prepayments and deposits.
** Excluding petty cash.

37. FINANCIAL RISKS (CONTD.)

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

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

Risk categories are as described below:

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

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

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

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

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

Impaired/ defaulted : 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.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating

The table below provides information regarding the credit risk exposure of the Shareholder's fund by classifying assets according to the risk categories:

Shareholder's fund

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2021							
Financial assets at FVOCI:							
Malaysian government papers	122,228	-	-	-	-	-	122,228
Debt securities	400,559	318,392	345,450	-	-	-	1,064,401
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	162,880	-	-	-	-	162,880
Financing receivables	-	-	-	-	-	148	148
Other assets*	6,366	3,470	4,035	-	-	161,120	174,991
Cash and bank balances**	-	1,271	-	-	-	-	1,271
	529,153	486,013	349,485	-	-	161,268	1,525,919
2020							
Financial assets at FVOCI:							
Malaysian government papers	122,256	-	-	-	-	-	122,256
Debt securities	271,739	239,050	412,626	-	-	-	923,415
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	347,732	-	-	-	-	347,732
Others	-	3,168	20,314	-	-	-	23,482
Other assets*	4,313	2,727	4,259	-	-	131,318	142,617
Cash and bank balances**	-	2,559	-	-	-	-	2,559
	398,308	595,236	437,199	-	-	131,318	1,562,061

* Excluding non-financial assets such as prepayments and deposits.
** Excluding petty cash.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

The table below provides information regarding the credit risk exposure of the General Takaful fund by classifying assets according to the risk categories (contd.):

General Takaful fund

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2021							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Debt securities	-	-	19,335	-	-	-	19,335
Financial assets at FVOCI:							
Malaysian government papers	194,469	-	-	-	-	-	194,469
Debt securities	637,571	533,117	657,104	40,474	-	-	1,868,266
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	270,082	-	-	-	-	270,082
Others	-	10,163	-	-	-	-	10,163
Takaful receivables	-	-	-	1	-	83,740	83,741
Other assets*	10,319	6,478	8,897	267	-	3,574	29,535
Cash and bank balances**	-	-	10,456	-	-	40	10,496
	842,359	819,840	695,792	40,742	-	87,354	2,486,087

* Excluding non-financial assets such as prepayments and deposits.
** Excluding petty cash and overnight deposit in Islamic investment accounts placed with licensed financial institutions amounting of RM 8,424,000

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

The table below provides information regarding the credit risk exposure of the General Takaful fund by classifying assets according to the risk categories (contd.):

General Takaful fund (contd.)

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2020							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Debt securities	-	-	16,770	3,387	-	-	20,157
Financial assets at FVOCI:							
Malaysian government papers	78,482	-	-	-	-	-	78,482
Debt securities	194,449	293,453	615,860	30,921	-	-	1,134,683
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	886,731	-	-	-	-	886,731
Others	-	50,317	30,232	-	-	-	80,549
Takaful receivables	-	2,446	2	1,242	-	85,311	89,001
Other assets*	3,477	5,745	7,537	251	-	448	17,458
Cash and bank balances**	-	31,781	4,696	-	-	1,295	37,772
	276,408	1,270,473	675,097	35,801	-	87,054	2,344,833

* Excluding non-financial assets such as prepayments and deposits.
** Excluding petty cash.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of 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

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2021							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Debt securities	-	-	19,335	-	-	-	19,335
Financial assets at FVOCI:							
Malaysian government papers	316,697	-	-	-	-	-	316,697
Debt securities	1,038,130	851,509	1,002,554	40,474	-	-	2,932,667
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	432,962	-	-	-	-	432,962
Others	-	10,163	-	-	-	-	10,163
Financing receivables	-	-	-	-	-	148	148
Takaful receivables	-	-	-	1	-	83,740	83,741
Other assets*	16,685	9,948	12,932	267	-	6,634	46,466
Cash and bank balances**	-	1,271	10,456	-	-	40	11,767
	1,371,512	1,305,853	1,045,277	40,742	-	90,562	3,853,946

* Excluding non-financial assets such as prepayments and deposits.
** Excluding petty cash and overnight deposit in Islamic investment accounts placed with licensed financial institutions amounting of RM 8,424,000

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure (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.)

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2020							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Debt securities	-	-	16,770	3,387	-	-	20,157
Financial assets at FVOCI:							
Malaysian government papers	200,738	-	-	-	-	-	200,738
Debt securities	466,188	532,503	1,028,486	30,921	-	-	2,058,098
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	1,234,463	-	-	-	-	1,234,463
Others	-	53,485	50,546	-	-	-	104,031
Takaful receivables	-	2,446	2	1,242	-	85,311	89,001
Other assets*	7,790	8,472	11,796	251	-	15,064	43,373
Cash and bank balances**	-	34,340	4,696	-	-	1,295	40,331
	674,716	1,865,709	1,112,296	35,801	-	101,670	3,790,192

* Excluding non-financial assets such as prepayments and deposits.
** Excluding petty cash.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account

Significant increase in credit risk

The Company applies the General Approach or 'three-stage' approach which is based on the change in credit quality of financial instruments since initial recognition to assess the impairment for invesment assets. In particular, recognition of ECL is dependent on which of the three stages a particular financial instrument is assigned to. Assets move through the three stages as credit quality changes and the stages dictate how the Company measures impairment losses and applies the effective interest rate ("EIR") method with the forward looking element to compute the ECL.

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

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12-month ECL in Stage 1. Given the impairment policy, the probability of default for new instruments acquired is generally determined to be minimal, in addition to the exception rule to apply zero loss given default ratio to specified financial assets which is applicable to the Company. A newly purchased or originated financial assets will be subject to ECL upon recognition in Stage 1.

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

For a financial asset which is determined to be a credit-impaired debt security under Stage 3, the ECL calculation will be based on objective evidence of impairment.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

Shareholder's fund

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Financial assets at FVOCI				
Sovereign	505,420	17,367	-	522,787
Very low	318,392	-	-	318,392
Low	319,558	25,892	-	345,450
Total carrying amount	1,143,370	43,259	-	1,186,629
Total ECL	(65)	(171)	-	(236)
2020				
Financial assets at FVOCI				
Sovereign	375,323	18,672	-	393,995
Very low	239,050	-	-	239,050
Low	385,376	27,250	-	412,626
Total carrying amount	999,749	45,922	-	1,045,671
Total ECL	(416)	(116)	-	(532)

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

General Takaful fund

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Financial assets at FVOCI				
Sovereign	832,040	-	-	832,040
Very low	533,117	-	-	533,117
Low	599,757	57,347	-	657,104
Medium	40,474	-	-	40,474
Total carrying amount	2,005,388	57,347	-	2,062,735
Total ECL	(177)	(398)	-	(575)
2020				
Financial assets at FVOCI				
Sovereign	272,931	-	-	272,931
Very low	293,453	-	-	293,453
Low	555,736	60,124	-	615,860
Medium	30,921	-	-	30,921
Total carrying amount	1,153,041	60,124	-	1,213,165
Total ECL	(678)	(257)	-	(935)

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

Company

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Financial assets at FVOCI				
Sovereign	1,337,460	17,367	-	1,354,827
Very low	851,509	-	-	851,509
Low	919,315	83,239	-	1,002,554
Medium	40,474	-	-	40,474
Total carrying amount	3,148,758	100,606	-	3,249,364
Total ECL	(242)	(569)	-	(811)
2020				
Financial assets at FVOCI				
Sovereign	648,254	18,672	-	666,926
Very low	532,503	-	-	532,503
Low	941,112	87,374	-	1,028,486
Medium	30,921	-	-	30,921
Total carrying amount	2,152,790	106,046	-	2,258,836
Total ECL	(1,094)	(373)	-	(1,467)

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

The movements in allowance for impairment losses for financial assets at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
Shareholder's fund				
2021				
Financial assets at FVOCI				
At 1 January 2021	416	116	-	532
Writeback	(294)	-	-	(294)
Net adjustment of loss allowance	-	55	-	55
New financial assets originated at purchase	12	-	-	12
Financial assets derecognised during the financial year	(69)	-	-	(69)
Allowance for impairment losses during the financial year (Note 24)	(351)	55	-	(296)
At 31 December 2021	65	171	-	236
2020				
Financial assets at FVOCI				
At 1 January 2020	531	54	-	585
Net adjustment of loss allowance	1,027	-	-	1,027
New financial assets originated at purchase	62	116	-	178
Financial assets derecognised during the financial year	(1,204)	(54)	-	(1,258)
Allowance for impairment losses during the financial year (Note 24)	(115)	62	-	(53)
At 31 December 2020	416	116	-	532

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

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

Overall, the total allowance for impairment loss of financial assets at FVOCI for the Shareholder's fund decreased by RM296,000 due to the following:

a) 12-month ECL (Stage 1) - decrease of RM351,000 for the fund, mainly due to:
   - Financial assets at FVOCI that were derecognised; and
   - Partially offset by writeback of financial assets at FVOCI.

b) Lifetime ECL Not Credit-Impaired (Stage 2) – increase of RM55,000 for the fund, mainly due to:
   - Additional ECL recognised due to deterioration in credit quality.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
General Takaful fund				
2021				
Financial assets at FVOCI				
At 1 January 2021	678	257	-	935
Writeback	(492)	-	-	(492)
Net adjustment of loss allowance	-	141	-	141
New financial assets originated at purchase	52	-	-	52
Financial assets derecognised during the financial year	(61)	-	-	(61)
Allowance for impairment losses during the financial year (Note 24)	(501)	141	-	(360)
At 31 December 2021	177	398	-	575
2020				
Financial assets at FVOCI				
At 1 January 2020	1,018	5	-	1,023
Net adjustment of loss allowance	1	(1)	-	-
New financial assets originated at purchase	678	257	-	935
Financial assets derecognised during the financial year	(1,019)	(4)	-	(1,023)
Allowance for impairment losses during the financial year (Note 24)	(340)	252	-	(88)
At 31 December 2020	678	257	-	935

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

The following explains the changes in the gross carrying amount of financial assets at FVOCI during the financial year which have contributed to the changes in the allowance for impairment loss on financial assets at FVOCI for the General Takaful fund.

Overall, the total allowance for impairment loss on financial assets at FVOCI for the General Takaful fund decreased by RM360,000 due to the following:

a) 12-month ECL (Stage 1) - decrease of RM501,000 for the fund, mainly due to:
   - Financial assets at FVOCI that were derecognised; and
   - Partially offset by writeback of financial assets at FVOCI.
b) Lifetime ECL Not Credit-Impaired (Stage 2) – increase of RM141,000 for the fund, mainly due to:
   - Additional ECL recognised due to deterioration in credit quality.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
Company				
2021				
Financial assets at FVOCI				
At 1 January 2021	1,094	373	-	1,467
Writeback	(786)	-	-	(786)
Net adjustment of loss allowance	-	196	-	196
New financial assets originated at purchase	64	-	-	64
Financial assets derecognised during the financial year	(130)	-	-	(130)
Allowance for impairment losses during the financial year (Note 24)	(852)	196	-	(656)
At 31 December 2021	242	569	-	811
2020				
Financial assets at FVOCI				
At 1 January 2020	1,549	59	-	1,608
Net adjustment of loss allowance	1,028	(1)	-	1,027
New financial assets originated at purchase	740	373	-	1,113
Financial assets derecognised during the financial year	(2,223)	(58)	-	(2,281)
Allowance for impairment losses during the financial year (Note 24)	(455)	314	-	(141)
At 31 December 2020	1,094	373	-	1,467

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

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

Overall, the total allowance for impairment loss on financial assets at FVOCI for the Company decreased by RM656,000 due to the following:

a) 12-month ECL (Stage 1) - decrease of RM852,000 for the fund, mainly due to:
   - Financial assets at FVOCI that were derecognised; and
   - Partially offset by writeback of financial assets at FVOCI.
b) Lifetime ECL Not Credit-Impaired (Stage 2) – increase of RM196,000 for the fund, mainly due to:
   - Additional ECL recognised due to deterioration in credit quality.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - Reconciliation of allowance account

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

Movements in gross carrying value and allowances for impairment losses recognised for not credit impaired and credit impaired other financial assets are as follows:

	<-----Not credit-impaired----->		<--------Credit-impaired-------->		<----------Total---------->	
	Financing receivables RM'000	Other assets* RM'000	Financing receivables RM'000	Other assets* RM'000	Financing receivables RM'000 (Note 6)	Other assets* RM'000
Shareholder's fund						
Gross carrying amount						
At 1 January 2020	-	95,122	252	2,576	252	97,698
Increase/(Decrease)	-	44,000	(252)	2,360	(252)	46,360
At 31 December 2020	-	139,122	-	4,936	-	144,058
Increase	148	31,125	-	455	148	31,580
At 31 December 2021	148	170,247	-	5,391	148	175,638
Lifetime ECL						
At 1 January 2020	-	564	-	841	-	1,405
Increase/(Decrease)	-	190	-	(154)	-	36
At 31 December 2020	-	754	-	687	-	1,441
Decrease	-	(706)	-	(88)	-	(794)
At 31 December 2021	-	48	-	599	-	647

* Excluding non-financial assets such as prepayments and deposits.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

The Company applied the Simplified Approach where the ECL is measured at initial recognition of other 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. (contd.)

Movements in gross carrying value and allowances for impairment losses recognised for not credit impaired and credit impaired other financial assets are as follows: (contd.)

	<----------Not credit-impaired---------->			<----------Credit-impaired---------->			<----------Total---------->		
	Financing receivables RM'000	Takaful receivables RM'000	Other assets* RM'000	Financing receivables RM'000	Takaful receivables RM'000	Other assets* RM'000	Financing receivables RM'000 (Note 6)	Takaful receivables RM'000 (Note 8)	Other assets* RM'000
General Takaful fund									
Gross carrying amount									
At 1 January 2020	-	68,230	21,858	3,331	24,596	-	3,331	92,826	21,858
(Decrease)/Increase	-	(2,034)	(4,400)	(3,331)	8,325	-	(3,331)	6,291	(4,400)
At 31 December 2020	-	66,196	17,458	-	32,921	-	-	99,117	17,458
(Decrease)/Increase	-	(10,795)	12,077	-	(1,207)	-	-	(12,002)	12,077
At 31 December 2021	-	55,401	29,535	-	31,714	-	-	87,115	29,535
Lifetime ECL									
At 1 January 2020	-	2,446	-	3,331	7,317	-	3,331	9,763	-
Increase/(Decrease)	-	401	-	(3,331)	(48)	-	(3,331)	353	-
At 31 December 2020	-	2,847	-	-	7,269	-	-	10,116	-
Decrease	-	(2,766)	-	-	(3,976)	-	-	(6,742)	-
At 31 December 2021	-	81	-	-	3,293	-	-	3,374	-

* Excluding non-financial assets such as prepayments and deposits.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

The Company applied the Simplified Approach where the ECL is measured at initial recognition of other 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. (contd.)

Movements in gross carrying value and allowances for impairment losses recognised for not credit impaired and credit impaired other financial assets are as follows: (contd.)

	<----------Not credit-impaired---------->			<----------Credit-impaired---------->			<----------Total---------->		
	Financing receivables RM'000	**Takaful receivables RM'000**	**Other assets* RM'000**	**Financing receivables RM'000**	**Takaful receivables RM'000**	**Other assets* RM'000**	**Financing receivables RM'000 (Note 6)**	**Takaful receivables RM'000 (Note 8)**	**Other assets* RM'000**
Company									
Gross carrying amount									
At 1 January 2020	-	68,230	35,209	3,583	24,596	-	3,583	92,826	35,209
(Decrease)/Increase	-	(2,034)	8,164	(3,583)	8,325	-	(3,583)	6,291	8,164
At 31 December 2020	-	66,196	43,373	-	32,921	-	-	99,117	43,373
Increase/(Decrease)	148	(10,795)	3,461	-	(1,207)	-	148	(12,002)	3,461
At 31 December 2021	148	55,401	46,834	-	31,714	-	148	87,115	46,834
Lifetime ECL									
At 1 January 2020	-	2,446	362	3,331	7,317	-	3,331	9,763	362
Increase/(Decrease)	-	401	10	(3,331)	(48)	-	(3,331)	353	10
At 31 December 2020	-	2,847	372	-	7,269	-	-	10,116	372
Decrease	-	(2,766)	(5)	-	(3,976)	-	-	(6,742)	(5)
At 31 December 2021	-	81	367	-	3,293	-	-	3,374	367

* Excluding non-financial assets such as prepayments and deposits.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

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

	Other assets RM'000 (Note 9)	Total RM'000
Shareholder's fund		
2021		
At 1 January 2021	1,441	1,441
Write-back of allowance for impairment losses during the financial year (Note 24)	(794)	(794)
At 31 December 2021	647	647
2020		
At 1 January 2020	1,405	1,405
Allowance for impairment losses during the financial year (Note 24)	36	36
At 31 December 2020	1,441	1,441

	Financing receivables RM'000 (Note 6)	Takaful receivables RM'000 (Note 8)	Total RM'000
General Takaful fund			
2021			
At 1 January 2021	-	10,116	10,116
Write-back of allowance for impairment losses during the financial year (Note 24)	-	(6,742)	(6,742)
At 31 December 2021	-	3,374	3,374

	Financing receivables RM'000 (Note 6)	Takaful receivables RM'000 (Note 8)	Total RM'000
2020			
At 1 January 2020	3,331	9,763	13,094
(Write-back of)/allowance for impairment losses during the financial year (Note 24)	(3,331)	353	(2,978)
At 31 December 2020	-	10,116	10,116

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

Movements in allowance for impairment losses for other financial assets are as follows: (contd.)

	Financing receivables RM'000 (Note 6)	Takaful receivables RM'000 (Note 8)	Other assets RM'000 (Note 9)	Total RM'000
Company				
2021				
At 1 January 2021	-	10,116	372	10,488
Write-back of allowance for impairment losses during the financial year (Note 24)	-	(6,742)	(5)	(6,747)
At 31 December 2021	-	3,374	367	3,741

	Financing receivables RM'000 (Note 6)	Takaful receivables RM'000 (Note 8)	Other assets RM'000 (Note 9)	Total RM'000
2020				
At 1 January 2020	3,331	9,763	362	13,456
(Write-back of)/allowance for impairment losses during the financial year (Note 24)	(3,331)	353	10	(2,968)
At 31 December 2020	-	10,116	372	10,488

Financial Effects of Collateral Held

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

Type of financing receivables	Types of collateral
Secured staff financing	Charges over residential properties and vehicles
Corporate financing	Charges over properties, lands being financed and bank guarantees

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial Effects of Collateral Held (contd.)

The financial effects of collateral, which represents the quantification of the extent to which collateral and other credit enhancement mitigate credit risk, held for financing receivables is 5.4% at 31 December 2021 (2020 : Nil).The financing receivables amounted to RM148,000 as at 31 December 2021 (2020 : Nil).

(ii) Liquidity Risk

Liquidity Risk is the risk of an adverse impact to the Company's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its financial obligations in a timely manner.

The objective of Liquidity Risk management is to have sufficient availability of cash to meet policyholders' liabilities, such as surrenders, withdrawal, claims and maturity benefits, and financial obligations to other contract holders without endangering the business financials due to constraints on liquidating assets.

The Company measures and manages Liquidity Risk following the philosophy and principles below:

(a) The Risk Management and Investment Management Departments actively monitor the cash flows associated and derived from assets and liabilities of the Company through the ALCO platform;

(b) The Investment Management Department ensures that reasonable liquidity is maintained for the assets held at all times; and

(c) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management to impending problems in a timely manner.

Maturity Profiles

The following table summarises the Maturity Profile of the financial and takaful assets and financial 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 contribution liabilities.

Contribution liabilities, the retakaful's share of contribution liabilities and expense liabilities relating to general takaful have been excluded from the analysis as there are no contractual obligations to make or receive payments on those liabilities.

37. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Shareholder's fund						
2021						
Financial assets:						
FVOCI	1,192,690	102,383	448,608	1,386,772	6,061	1,943,824
AC	162,880	162,965	-	-	-	162,965
FVTPL	106,286	-	-	-	106,286	106,286
Financing receivables	148	37	130	-	-	167
Other assets*	174,991	174,991	-	-	-	174,991
Cash and bank balances	1,271	-	-	-	1,271	1,271
Total assets	1,638,266	440,376	448,738	1,386,772	113,618	2,389,504
Expense liabilities	157,167	121,106	36,061	-	-	157,167
Other liabilities	101,675	101,675	-	-	-	101,675
Total liabilities	258,842	222,781	36,061	-	-	258,842
2020						
Financial assets:						
FVOCI	1,045,671	133,311	375,559	1,022,925	-	1,531,795
AC	371,214	372,041	-	-	-	372,041
FVTPL	31,836	-	-	-	31,836	31,836
Other assets*	142,617	142,617	-	-	-	142,617
Cash and bank balances	2,559	-	-	-	2,559	2,559
Total assets	1,593,897	647,969	375,559	1,022,925	34,395	2,080,848
Expense liabilities	139,797	81,613	58,184	-	-	139,797
Other liabilities	81,534	81,534	-	-	-	81,534
Total liabilities	221,331	163,147	58,184	-	-	221,331

* Excluding non-financial assets such as prepayments and deposits.

Other non-financial assets and liabilities of the Shareholder's fund are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

37. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
General Takaful fund						
2021						
Financial assets:						
FVOCI	2,068,249	201,991	722,868	2,392,789	5,514	3,323,162
AC	280,245	280,550	-	-	-	280,550
FVTPL	154,355	1,038	18,919	3,095	135,020	158,072
Retakaful assets*	835,717	728,230	107,378	109	-	835,717
Takaful receivables	83,741	83,741	-	-	-	83,741
Other assets***	29,535	29,535	-	-	-	29,535
Cash and bank balances****	2,072	-	-	-	2,072	2,072
Total assets	3,453,914	1,325,085	849,165	2,395,993	142,606	4,712,849
Participants' fund**	216,360	216,360	-	-	-	216,360
Takaful certificate liabilities*	1,865,645	1,457,801	405,865	1,980	-	1,865,646
Takaful payables	130,078	130,078	-	-	-	130,078
Other liabilities	521,145	521,145	-	-	-	521,145
Total liabilities	2,733,228	2,325,384	405,865	1,980	-	2,733,229

* Excluding contribution liabilities and retakaful operators' share of contribution liabilities.
** Excluding FVOCI reserve.
*** Excluding non-financial assets such as prepayments and deposits.
**** Excluding petty cash.

Other non-financial assets and liabilities of the General Takaful fund are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

37. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
General Takaful fund						
2020						
Financial assets:						
FVOCI	1,213,165	185,650	525,557	987,398	-	1,698,605
AC	967,280	970,209	-	-	-	970,209
FVTPL	48,346	1,038	19,766	3,286	28,190	52,280
Retakaful assets*	283,809	254,258	29,539	12	-	283,809
Takaful receivables	89,001	89,001	-	-	-	89,001
Other assets***	17,458	17,458	-	-	-	17,458
Cash and bank balances****	37,778	-	-	-	37,778	37,778
Total assets	2,656,837	1,517,614	574,862	990,696	65,968	3,149,140
Participants' fund**	197,961	197,961	-	-	-	197,961
Takaful certificate liabilities*	1,215,033	845,672	367,369	1,992	-	1,215,033
Takaful payables	145,538	145,538	-	-	-	145,538
Other liabilities	397,595	397,595	-	-	-	397,595
Total liabilities	1,956,127	1,586,766	367,369	1,992	-	1,956,127

* Excluding contribution liabilities and retakaful operators' share of contribution liabilities.
** Excluding FVOCI reserve.
*** Excluding non-financial assets such as prepayments and deposits.
**** Excluding petty cash.

Other non-financial assets and liabilities of the General Takaful fund are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

37. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Company						
2021						
Financial assets:						
FVOCI	3,260,939	304,374	1,171,476	3,779,561	11,575	5,266,986
AC	443,125	443,515	-	-	-	443,515
FVTPL	260,641	1,038	18,919	3,095	241,306	264,358
Retakaful assets*	835,717	728,230	107,378	109	-	835,717
Takaful receivables	83,741	83,741	-	-	-	83,741
Other assets***	46,466	46,466	-	-	-	46,466
Cash and bank balances	3,343	-	-	-	3,343	3,343
Total assets	4,933,972	1,607,364	1,297,773	3,782,765	256,224	6,944,126
Participants' fund**	216,360	216,360	-	-	-	216,360
Takaful certificate liabilities*	1,865,645	1,457,801	405,865	1,980	-	1,865,646
Expense liabilities	157,167	121,106	36,061	-	-	157,167
Takaful payables	130,078	130,078	-	-	-	130,078
Other liabilities	464,480	464,480	-	-	-	464,480
Total liabilities	2,833,730	2,389,825	441,926	1,980	-	2,833,731

* Excluding contribution liabilities and retakaful operators' share of contribution liabilities.
** Excluding FVOCI reserve.
*** Excluding non-financial assets such as prepayments and deposits.
**** Excluding petty cash.

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

37. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Company (contd.)						
2020						
Financial assets:						
FVOCI	2,258,836	318,961	901,116	2,010,323	-	3,230,400
AC	1,338,494	1,342,250	-	-	-	1,342,250
FVTPL	80,182	1,038	19,766	3,286	60,026	84,116
Retakaful assets*	283,809	254,258	29,539	12	-	283,809
Takaful receivables	89,001	89,001	-	-	-	89,001
Other assets***	43,373	43,373	-	-	-	43,373
Cash and bank balances	40,337	-	-	-	40,337	40,337
Total assets	4,134,032	2,048,881	950,421	2,013,621	100,363	5,113,286
Participants' fund**	197,961	197,961	-	-	-	197,961
Takaful certificate liabilities*	1,215,033	845,672	367,369	1,992	-	1,215,033
Expense liabilities	139,797	81,613	58,184	-	-	139,797
Takaful payables	145,538	145,538	-	-	-	145,538
Other liabilities	361,358	361,358	-	-	-	361,358
Total liabilities	2,059,687	1,632,142	425,553	1,992	-	2,059,687

* Excluding contribution liabilities and retakaful operators' share of contribution liabilities.
** Excluding FVOCI reserves.
*** Excluding non-financial assets such as prepayments and deposits.
**** Excluding petty cash.

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

37. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market Risk is the risk of loss or of adverse changes in the Company's financial situation resulting, directly or indirectly, from fluctuations or volatility of market prices of financial instruments.

Market Risk comprises mainly of these three (3) types of risk:

(a) Currency Risk;
(b) Profit Rate Risk; and
(c) Equity Price Risk.

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

(a) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policies and risk appetite after taking cognisance of regulatory requirements in respect of the maintenance of assets and solvency.

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

(c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company's exposure to Market Risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds.

(a) Currency Risk

Currency Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar, Hong Kong Dollar, Brunei Dollar and US Dollar.

37. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(a) Currency 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 Islamic Financial Services Act 2013, and hence, primarily denominated in the same currency (the local "RM") as its takaful 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 concentration of foreign currency risk.

(b) Profit Rate Risk

Profit Rate Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

Profit Rate Risks arise from exposures to profit rate related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Company.

The Company measures and manages Profit Rate Risk mainly based on the following three philosophies and principles, as below:

(a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;

(b) Investment Management Department actively aim to match the asset duration with the liability duration, without compromising credit quality;

(c) The Risk Management uses Key Risk Indicators ("KRI") to alert the management of any impending problems in a timely manner; and

(d) Risk Management Department monitors the asset duration in accordance with the limits set, as well as the duration gap to the liability duration.

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

37. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Profit Rate Risk (contd.)

		2021	
	Changes in variables	**Impact on carrying value RM'000**	**Impact on profit/equity* RM'000**
		<--------(Decrease)/Increase-------->	
Shareholder's fund			
Financial Assets at FVOCI	+100 basis points	(111,958)	(85,088)
	-100 basis points	111,958	85,088
Financial Assets at AC	+100 basis points	(42)	(32)
	-100 basis points	42	32

* Impact on Shareholders' fund profit/equity is net of corporate tax of 24%

	Changes in variables	**Impact on carrying value RM'000**	**Impact on participants' fund* RM'000**
		<--------(Decrease)/Increase-------->	
General Takaful fund			
Financial Assets at FVTPL	+100 basis points	(766)	(582)
	-100 basis points	766	582
Financial Assets at FVOCI	+100 basis points	(188,557)	(143,303)
	-100 basis points	188,557	143,303
Financial Assets at AC	+100 basis points	(144)	(110)
	-100 basis points	144	110

* Impact on participants' fund is net of corporate tax of 24%

	Changes in variables	**Impact on carrying value RM'000**	**Impact on profit/equity* RM'000**
		<--------(Decrease)/Increase-------->	
Company			
Financial Assets at FVTPL	+100 basis points	(766)	(262)
	-100 basis points	766	262
Financial Assets at FVOCI	+100 basis points	(300,515)	(228,391)
	-100 basis points	300,515	228,391
Financial Assets at AC	+100 basis points	(186)	(81)
	-100 basis points	186	81

* Impact on Company's profit/equity is net of corporate tax of 24%

37. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Profit Rate Risk (contd.)

		2020	
	Changes in variables	**Impact on carrying value RM'000**	**Impact on profit/equity* RM'000**
		<--------(Decrease)/Increase-------->	
Shareholder's fund			
Financial Assets at FVOCI	+100 basis points	(88,452)	(67,224)
	-100 basis points	88,452	67,224
Financial Assets at AC	+100 basis points	(423)	(322)
	-100 basis points	423	322

* Impact on Shareholders' fund profit/equity is net of corporate tax of 24%

	Changes in variables	**Impact on carrying value RM'000**	**Impact on participants' fund* RM'000**
		<--------(Decrease)/Increase-------->	
General Takaful fund			
Financial Assets at FVTPL	+100 basis points	(954)	(725)
	-100 basis points	954	725
Financial Assets at FVOCI	+100 basis points	(88,718)	(67,426)
	-100 basis points	88,718	67,426
Financial Assets at AC	+100 basis points	(1,508)	(1,146)
	-100 basis points	1,508	1,146

* Impact on participants' fund is net of corporate tax of 24%

	Changes in variables	**Impact on carrying value RM'000**	**Impact on profit/equity* RM'000**
		<--------(Decrease)/Increase-------->	
Company			
Financial Assets at FVTPL	+100 basis points	(954)	(326)
	-100 basis points	954	326
Financial Assets at FVOCI	+100 basis points	(177,171)	(134,650)
	-100 basis points	177,171	134,650
Financial Assets at AC	+100 basis points	(1,931)	(837)
	-100 basis points	1,931	837

* Impact on Company's profit/equity is net of corporate tax of 24%

37. 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 would fluctuate because of changes in its market prices whether those changes are caused by factors specific to the individual equity instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's Equity Price Risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in equities' market prices.

The Company's risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, and market, having regard 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 analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

Market Index		**2021**			
	Change in market indices	**Impact on carrying value RM'000**	**Impact on other comprehensive income RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
		<----------Increase/(Decrease)---------->			
Shareholder's fund	+10%	11,234	606	10,628	8,538
	-10%	(11,234)	(606)	(10,628)	(8,538)

* Impact on Shareholders' fund profit/equity is net of corporate tax of 24%

	Change in market indices	**Impact on carrying value RM'000**	**Impact on other comprehensive income RM'000**	**Impact on surplus before tax RM'000**	**Impact on participants' fund* RM'000**
		<----------Increase/(Decrease)---------->			
General Takaful fund	+10%	14,053	551	13,502	10,681
	-10%	(14,053)	(551)	(13,502)	(10,681)

* Impact on participants' fund is net of corporate tax of 24%

	Change in market indices	**Impact on carrying value RM'000**	**Impact on other comprehensive income RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
		<----------Increase/(Decrease)---------->			
Company	+10%	25,287	1,157	16,704	13,575
	-10%	(25,287)	(1,157)	(16,704)	(13,575)

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

37. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk (contd.)

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

Market Index (contd.)

		2020			
	Change in market indices	**Impact on carrying value RM'000**	**Impact on other comprehensive income RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
		<----------Increase/(Decrease)---------->			
Shareholder's fund	+10%	3,184	-	3,184	2,419
	-10%	(3,184)	-	(3,184)	(2,419)

* Impact on Shareholders' fund profit/equity is net of tax of 24%

	Change in market indices	**Impact on carrying value RM'000**	**Impact on other comprehensive income RM'000**	**Impact on surplus before tax RM'000**	**Impact on participants' fund* RM'000**
		<----------Increase/(Decrease)---------->			
General Takaful fund	+10%	2,819	-	2,819	2,142
	-10%	(2,819)	-	(2,819)	(2,142)

* Impact on participants' fund is net of corporate tax of 24%

	Change in market indices	**Impact on carrying value RM'000**	**Impact on other comprehensive income RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
		<----------Increase/(Decrease)---------->			
Company	+10%	6,003	-	4,452	3,384
	-10%	(6,003)	-	(4,452)	(3,384)

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

(iv) Concentration Risk

Concentration Risk refers to the risk associated with the potential losses associated with a particular single or group of counterparties that are substantial enough to threaten the financial condition of the Company and its core operations (causing material adverse impact to the earnings, capital or total assets).

Concentration Risk relates to non-diversified portfolios and arises due to excessive exposure to single company or an aggregate of exposures to a number of positively correlated companies for example within one sector or region.

The Company's risk policy requires it to manage such risks by setting and monitoring diversification plans and limits on investments in each country, sector, ratings, market and issuer, having regard also to such limits stipulated by BNM.

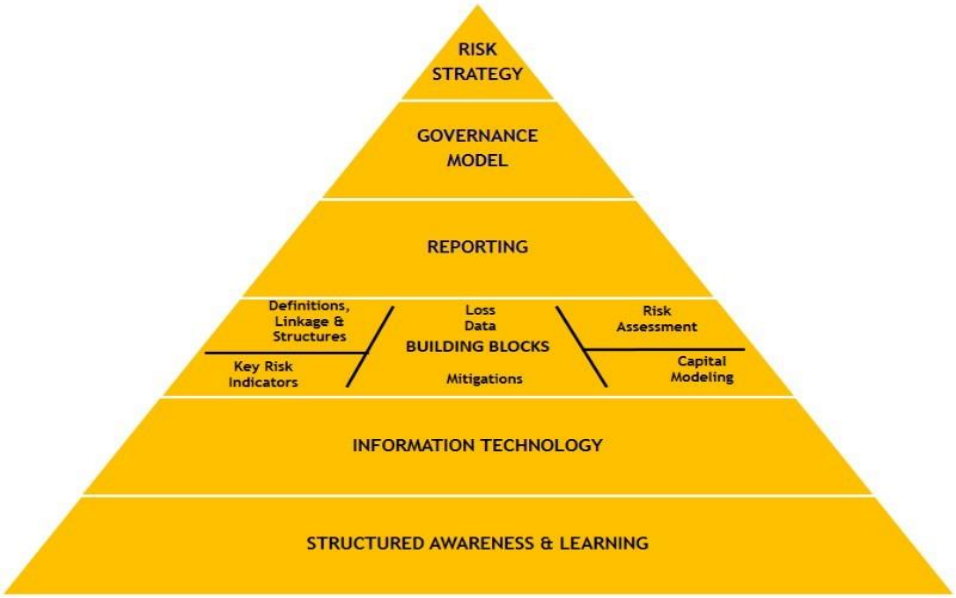
The Company complied with BNM stipulated limits during the financial year and had no significant concentration risk.

38. OPERATIONAL RISK

Operational Risk Management ("ORM") is the discipline of systematically identifying the causes of failures in the organisation's day-to-day operations, assessing the risk of loss and taking the appropriate action to minimise the impact of such loss.

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

The methodology and components adopted in Operational Risk are summarised in the diagram below.



The continuous review and monitoring of the risks and the control effectiveness are vital for an effective Operational Risk management. Hence, specific tools and methodologies to identify, assess, measure, control, monitor and report the Operational Risks that affect Company are established. Those include among other things: Risk and Control Self-assessment, Key Risk Indicators, Incident Management & Data Collection, Information Technology and Cyber Risk related assessment through awareness and learning programme.

Operational Risk Taxonomy

(i) Internal Fraud

Losses due to illegal acts (explicitly prohibited by the internal policies/guidelines or external regulations/law provisions) committed by employees. It also include 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.

38. OPERATIONAL RISK (CONTD.)

Operational Risk Taxonomy (contd.)

(iii) Employment Practices and Workplace Safety

(a) Employee relations - failure to maintain positive employer-employee relationships that contributes to unsatisfactory productivity, demotivation and low morale;

(b) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees; and

(c) Diversity & discrimination - failure to provide equality during employment.

(iv) Client or Products and Business Practices

This risk covers information risk as well as conduct risk, and it is sub-divided into five risk types, namely suitability disclosure and fiduciary, improper business or market practices, product flaws, selection sponsorship and exposure, and advisory activities.

(v) Damage to Physical Assets

Damage to physical assets due to force of nature, or events which are not within due control of human. It also includes accidents and public safety that relates to failure in the provision of a safe environment from events that could endanger the safety of the general public from significant danger, injury/harm, or damage.

(vi) Business Disruption and System Failures

Failure in the provision of an effective information technology infrastructure (e.g. hardware, networks, software) to support the current and future needs of the business in an efficient, cost-effective and well controlled manner.

(vii) Execution or Delivery and Process Management

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

(viii) Information Technology Risk

Risk which impacts confidentiality, availability and integrity of information and services related to information technology as well as cyber risk that can lead to losses due to cyber-crime and cyber terrorism.

38. OPERATIONAL RISK (CONTD.)

Operational Risk Taxonomy (contd.)

(ix) People and Performance Risk

Inability to identify the suitable talent/personnel to deliver/manage and deliver/control business process/function/entity/business units, do not possess the necessary knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risk are reduced to an acceptable level.

(x) Model Risk

Risk of a model not performing the tasks or capturing the risks it was designed to capture.

(xi) Information Risk

Risk of loss of information from day-to-day operations could lead to financial risk, operational risk, reputational risk, legal risk and regulatory sanctions.

(xii) Legal Risk

Risk of incurring actual or potential loss that arises due to interalia, flawed documentation, change in regulations/laws, new judicial decisions, legal jurisdiction of our counterparties and choice of governing law that threatens the capacity to consummate important transactions, enforce contractual agreements or implement specific strategies and activities.

(xiii) Data Quality Risk

Risk of poor quality data in terms of data integrity, compliance and timeliness, thus rendering the data unreliable and unfit for its intended usage in operations, analytics and reporting needs.

39. ENTERPRISE RISK

Risk of loss or adverse impact arising from business/strategic, industry, corporate governance and systemic risk. Enterprise Risk covers external and internal factors that can impact the company's ability to meet its current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave. It can also be due to poor internal decision making and management or due to loss of reputation. Enterprise Risk will be exacerbated when there is a disruption to financial services that is caused by an impairment of all or parts of the financial system, with the potential to have serious negative consequences to the real/entire economy.

(i) Regulatory Risk

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment, legislation.

(ii) 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

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.

(iv) Sustainability Risk

The risk of failure in conducting analysis and decision making on environment (the threat of climate change and depletion of resources), social (concerns on diversity, human rights, consumer protection and animal welfare) and corporate governance (concerns on the rights and responsibilities of the management of the company, management structure, documentation) when measuring the sustainability and ethical impact of business exposures.

40. FAIR VALUES MEASUREMENTS

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

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy; and
(d) Transfers between Level 1 and Level 2 in the fair value hierarchy.

(a) Valuation principles

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

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

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

40. FAIR VALUES MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

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

- Level 1 : Active Market – Quoted price

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

- Level 2 : No Active Market – Valuation techniques using significant 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 other government bonds, less liquid equities 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.

40. FAIR VALUES MEASUREMENTS (CONTD.)

(b) Valuation techniques (contd.)

(ii) Financing receivables

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

(iii) Takaful receivables and payables

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

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Notes 2.2(iv) and Note 2.2(v). The carrying amounts and fair values of investments are disclosed in Note 5 of the financial statements.

40. FAIR VALUES MEASUREMENTS (CONTD.)

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

Shareholder's fund

	Fair value measurement using:			
	Level 1 Quoted market prices RM'000	**Level 2 Significant Observable inputs RM'000**	**Level 3 Significant Unobservable inputs RM'000**	**Total RM'000**
2021				
Assets				
Financial assets at FVTPL				
(i) Held for trading (HFT)				
Equity securities	104,682	-	-	104,682
Property trust funds	1,604	-	-	1,604
Financial assets at FVOCI				
Malaysian government papers	-	122,228	-	122,228
Debt securities	-	1,064,401	-	1,064,401
Equity securities	6,061	-	-	6,061
Total assets	**112,347**	**1,186,629**	**-**	**1,298,976**
2020				
Assets				
Financial assets at FVTPL				
(i) Held for trading (HFT)				
Equity securities	30,111	-	-	30,111
Property trust funds	1,725	-	-	1,725
Financial assets at FVOCI				
Malaysian government papers	-	122,256	-	122,256
Debt securities	-	923,415	-	923,415
Total assets	**31,836**	**1,045,671**	**-**	**1,077,507**

40. FAIR VALUES MEASUREMENTS (CONTD.)

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

General Takaful fund

	Fair value measurement using:			
	Level 1 Quoted market prices RM'000	**Level 2 Significant Observable inputs RM'000**	**Level 3 Significant Unobservable inputs RM'000**	**Total RM'000**
2021				
Assets				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	19,335	-	19,335
(ii) Held for trading (HFT)				
Equity securities	132,974	-	-	132,974
Property trust funds	2,046	-	-	2,046
Financial assets at FVOCI				
Malaysian government papers	-	194,469	-	194,469
Debt securities	-	1,868,266	-	1,868,266
Equity securities	5,514	-	-	5,514
Total assets	**140,534**	**2,082,070**	**-**	**2,222,604**
2020				
Assets				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	20,157	-	20,157
(ii) Held for trading (HFT)				
Equity securities	27,045	-	-	27,045
Property trust funds	1,144	-	-	1,144
Financial assets at FVOCI				
Malaysian government papers	-	78,482	-	78,482
Debt securities	-	1,134,683	-	1,134,683
Total assets	**28,189**	**1,233,322**	**-**	**1,261,511**

40. FAIR VALUES MEASUREMENTS (CONTD.)

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

Company

	Fair value measurement using:			
	Level 1 Quoted market prices RM'000	**Level 2 Significant Observable inputs RM'000**	**Level 3 Significant Unobservable inputs RM'000**	**Total RM'000**
2021				
Assets				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	19,335	-	19,335
(ii) Held for trading (HFT)				
Equity securities	237,656	-	-	237,656
Property trust funds	3,650	-	-	3,650
Financial assets at FVOCI				
Malaysian government papers	-	316,697	-	316,697
Debt securities	-	2,932,667	-	2,932,667
Equity securities	11,575	-	-	11,575
Total assets	**252,881**	**3,268,699**	**-**	**3,521,580**
2020				
Assets				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	20,157	-	20,157
(ii) Held for trading (HFT)				
Equity securities	57,156	-	-	57,156
Property trust funds	2,869	-	-	2,869
Financial assets at FVOCI				
Malaysian government papers	-	200,738	-	200,738
Debt securities	-	2,058,098	-	2,058,098
Total assets	**60,025**	**2,278,993**	**-**	**2,339,018**

40. FAIR VALUES MEASUREMENTS (CONTD.)

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. There were no transfers between Level 1 and Level 2 for the Company during the financial years ended 31 December 2021 and 31 December 2020.

41. REGULATORY CAPITAL REQUIREMENT

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

Company

	2021 RM'000	2020 RM'000
Eligible Tier 1 Capital		
Paid up share capital	870,000	870,000
Valuation surplus in takaful funds	216,360	197,961
Retained earnings	536,452	425,305
	1,622,812	1,493,266
Tier 2 Capital		
FVOCI reserves	(1,514)	76,414
	(1,514)	76,414
Amount deducted from capital	(58,658)	(766)
Total Capital Available	1,562,640	1,568,914

42. SIGNIFICANT EVENT

Covid-19 Impact

The prolonged Covid-19 pandemic has continued to impact the Company both in terms of business operations and investments. With the progress of the vaccination rollout, and the gradual opening up of the economy, the Company has seen an increase in sales of takaful policies and achieved a commendable growth in 2021. The Management and the Board have continued to closely monitor the situation, positioning the Company to preserve and strengthen our business operations, capital management and provide the necessary support to staff and local communities where needed. These are further explained below:-

42. SIGNIFICANT EVENT (CONT'D)

Covid-19 Impact (contd.)

A) Business Operations

The challenges to deploy resources due to limitation arising from movement restrictions have been eased since the rollout of the National Covid-19 Immunisation Plan. The Company has undertaken several initiatives to enhance its digital presence to seize business opportunities and to further reach and service its customers. Among the initiatives undertaken are the Agent On-The-Go ("AOTG") rollout and campaigns, introduction of Virtual Appointment, and expanding the functionalities and usage of the SMILE App.

Since the start of the pandemic, the Company has moved to a blend of Work from Home ("WFH") and Work on Site ("WOS") arrangement for its employees, and has deployed health, safety and security measures.

B) Investment Operations

Overall the investment climate continued to be dampened by the increased Covid-19 cases globally which dimmed the prospects of fast economic recovery. The downward trend of KLCI has dampened returns from equity investments. The Management has preserved the Company's capital by ensuring that Assets Liability Management remains intact, improving regular income streams and reducing volatility by maintaining a lower proportion of equities in the Company's investment portfolio.

C) Capital Management

The Management has continuously assessed the Company's long term solvency position under stress scenarios to ensure sustainability of its capital. The Company is able to support the capital needs in achieving its planned growth, buffering for increased volatility of tactical strategies as well as weathering the COVID-19 pandemic implications in the Malaysian economies for the next 5 years.

C) Customers and Society

The Company has continued to assist the government, communities and customers impacted by the Covid-19 pandemic. The Company contributed RM944,160 worth of medical equipment to the emergency departments of two government hospitals to help ramp up their efforts against the Covid-19 pandemic.

The Company has also distributed Safety Kits to all our walk-in customers nationwide as a gesture of appreciation for their support towards the 2021 e-Payment campaign. The e-Payment campaign was a Bank Negara initiative under the e-Payment fund framework to encourage customers to use cashless platforms in the Insurance and Takaful industry.

The management has made assessments of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the basis of a going concern.