ETIQA FAMILY TAKAFUL BERHAD

199301011506 (266243-D)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2022

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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 2022.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	RM'000
Net profit for the financial year	255,657

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

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

DIVIDENDS PAID

The amount of dividend paid by the Company since 31 December 2021 was as follows:

	RM'000
In respect of financial year ended 31 December 2021, final dividend of:	
- 69.28 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	69,280

The final dividends were declared on 12 April 2022 and paid on 20 April 2022.

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

The ESGP is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017 and was implemented on 14 December 2018 for a period of seven (7) years from the effective date. The scheme was administered by the ESGP Committee since its implementation in December 2018 until the said Committee was dissolved and its roles and responsibilities were taken over by the Nomination and Remuneration Committee of the Board ("NRC") with effect from 1 February 2021. Since then, the scheme is administered by the NRC. The scheme was awarded to the participating Maybank Group employees who fulfil the eligibility criteria.

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

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

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

During the financial year ended 31 December 2022, a total of 28,000 ESGP Shares under the Second Grant had been vested to a selected group of eligible employees. The remaining grants have not been vested as at 31 December 2022.

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.

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DIRECTORS

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

Dato' Majid Bin Mohamad (Chairman)
Mr. Andrew King Sun Cheung (Vice Chairman)
Dato' Johan Bin Ariffin
Mr. Wong Pakshong Kat Jeong Colin Stewart
Prof. Dr. Azman Bin Mohd Noor
En. Mohd Din Bin Merican

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

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors, as disclosed in Notes 28 and 36 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INDEMNITY

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

Premium paid for D&O policy

Coverage	Premium paid
Limit of Liability - Group Policy	**2022 Gross Premium (RM'000)**
RM 250 Million	1,211

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DIRECTORS' INTERESTS

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

	Number of ordinary shares			
Ultimate Holding Company	**As at 1 January 2022**	**Issued pursuant to DRP***	**Acquired during the year**	**As at 31 December 2022**
Direct Interest:				
Dato' Johan Bin Ariffin	467,658	8,753	33,000	509,411
*DRP = Dividend Reinvestment Plan				
Indirect Interest:				
Wong Pakshong Kat Jeong Colin Stewart[1]	34,253	-	-	34,253
En. Mohd Din Bin Merican[1]	2,119	-	-	2,119

[1] Shares in Maybank held by spouse.

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

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance as disclosed from pages 7 to 24.

FINANCIAL HOLDING COMPANY

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

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

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

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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 its takaful certificate liabilities in accordance with the prescribed valuation methods specified in Part B of the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") issued by BNM.

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONTD.)

(f) In the opinion of the Directors:

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

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

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

SIGNIFICANT EVENTS

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

SUBSEQUENT EVENTS

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

AUDITORS

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

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 February 2023.

DATO' MAJID BIN MOHAMAD

DATO' JOHAN BIN ARIFFIN

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CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

The Board of Directors ("the Board") of Etiqa Family Takaful Berhad ("the Company"), a wholly-owned subsidiary of Maybank Ageas Holdings Berhad, the immediate holding company ("MAHB") and its subsidiaries (collectively referred to as "the Group"), acknowledges the importance of a robust and sound Corporate Governance ("CG") Framework in promoting integrity and transparency throughout the Group. Amidst an increasing challenging operating environment and the impact of the COVID-19 pandemic, 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 based on the following statutory provisions, best practices and policies:

(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 made pursuant to Paragraph 22 of the BNM CG Policy.

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

(a) Board Composition

As at 31 December 2022, the Board consisted of six (6) Directors, comprising of:-

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

The composition of the Board meets the requirement of having a majority of independent directors and common directors remain in the minority as set out in the BNM CG Policy. None of the INED had exceeded their respective nine-year tenure pursuant to the Maybank Group's Policy on Tenure of Directorship which limits the tenure of an INED to a cumulative period of nine (9) years. Dato' Majid Bin Mohamad, an INED, is the Chairman of the Board 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 decision-making process. The Company also embraces the proposition that having a diverse Board would have a positive, value-added impact on the Company. In this regard, the Board considers diversity from a number of different aspects, including gender, age, cultural and educational background, nationality, professional experience, skills, knowledge and length of service.

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

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

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

Profile of Directors

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorships within the Group
Dato' Majid Bin Mohamad Independent Non-Executive Director Chairman 68 years of age Malaysian	Banking & Insurance	• Director of Maybank Ageas Holdings Berhad • Chairman of Etiqa General 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)*

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors (contd.)

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorships within the Group
Mr. Andrew King Sun Cheung Non-Independent Non-Executive Director Vice-Chairman 64 years of age Canadian	Insurance	Nil
Dato' Johan Bin Ariffin Independent Non-Executive Director 63 years of age Malaysian	Property Development & Banking	• Director of Maybank Ageas Holdings Berhad • Chairman of Etiqa Insurance Pte Ltd *(incorporated in Singapore)*
Mr. Wong Pakshong Kat Jeong Colin Stewart Independent Non-Executive Director 63 years of age Singaporean	Insurance	• Director of Etiqa Life Insurance Berhad • Director of Etiqa Insurance Pte Ltd *(Incorporated in Singapore)*
Prof. Dr. Azman Bin Mohd Noor Independent Non-Executive Director 49 years of age Malaysian	Islamic Finance	Nil
En. Mohd Din Bin Merican Independent Non-Executive Director 61 years of age Malaysian	Insurance	Nil

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors (contd.)

Detailed profile of each Director is available on the Group's corporate website (www.etiqa.com.my). Directors' interests in shares and share options in the ultimate holding company, Malayan Banking Berhad ("Maybank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2022 ("FYE 2022").

(b) Roles and Responsibilities of the Board

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

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

(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 ("IFSA"), the Board is assisted by:

(v) Shariah Committee.

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

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

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

The NRC also establishes a formal and transparent procedure for the nomination and appointment of Directors, CEO, Shariah Committee members[1], Senior Officers[2] and Company Secretary of the Group.

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

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

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.)

In addition, the NRC is also responsible to implement a formal and transparent procedure for developing a remuneration policy for Directors, CEO, Shariah Committee members[1] and Senior Officers[2] of the Group, and also to ensure compensation is competitive and consistent with the Group's culture, objectives and strategy as well as the industry standards.

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

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

[2] The word 'Senior Officers' shall refer to Senior Officers of MAHB and its subsidiaries which includes the following: (i) Senior Management members (including direct reports to the Group CEO, Insurance & Takaful); (ii) Chief Financial Officer; (iii) Chief Risk Officer; (iv) Chief Compliance Officer/ Head Compliance; (v) Chief Internal Audit; and (vi) Appointed Actuary. As defined in Para. 5.2 of the Fit Proper criteria Policy Document, or such revisions by Bank Negara Malaysia ("BNM") from time to time.

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

Members of the NRC	Designation	Number of NRC Meetings attended	%
Puan Fauziah Binti Hisham *(Chairperson)*	INED[1]	5/5	100
Dato' Johan Bin Ariffin	INED[2]	4/4	100
Datuk Mohd Najib Bin Abdullah	INED[3]	9/9	100
Dato' Majid Bin Mohamad	INED	9/9	100
Ms. Daniela Adaggi	NINED[4]	9/9	100

[1] Appointed as Chairperson of the NRC w.e.f. 1 March 2022, and INED of MAHB.

[2] Ceased as Chairman of the NRC w.e.f. 1 March 2022. INED of MAHB, Chairman of Etiqa Insurance Pte Ltd (incorporated in Singapore), wholly-owned subsidiary of MAHB.

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

[4] NINED of Etiqa General 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.)

(ii) Audit Committee of the Board

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

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

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

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

Members of the ACB	Designation	Number of ACB Meetings attended	%
Puan Norazilla Binti Md Tahir *(Chairperson)*	INED[1]	9/9	100
Mr. Gary Lee Crist	NINED[2]	9/9	100
Mr. Koh Heng Kong	INED[3]	6/6	100
Cik Serina Binti Abdul Samad	INED[4]	9/9	100
Prof. Dr. Azman Bin Mohd Noor	INED	9/9	100
Mr. Wong Shu Yoon	INED[5]	3/3	100

[1] INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of MAHB.

[2] NINED of MAHB.

[3] Resigned as INED of Etiqa General Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB upon the expiry of his 9-years tenure on 22 September 2022, and ipso facto, ceased as a member of the ACB w.e.f. 22 September 2022.

[4] INED of Etiqa General Insurance Berhad, a wholly-owned subsidiary of MAHB.

[5] Appointed as a member of the ACB and INED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB w.e.f. 23 September 2022. Appointed as INED of Etiqa Offshore Insurance (L) Ltd and Etiqa Life International (L) Ltd (incorporated in F.T. Labuan), wholly-owned subsidiaries of MAHB w.e.f. 15 February 2023.

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 is chaired by an INED.

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

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

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

Members of the RMC	Designation	Number of RMC Meetings attended	%
En. Mohd Din Bin Merican *(Chairman)*	INED[1]	9/9	100
Mr. Koh Heng Kong	INED[2]	6/6	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	9/9	100
Mr. Antonio Cano	NINED[3]	8/9	89
En. Mohamad Shukor Bin Ibrahim	INED[4]	9/9	100
Prof. Dr. Rusni Binti Hassan	INED[5]	7/9	78
Mr. Tan Kwang Kherng	INED[6]	3/3	100

[1] Redesignated as Chairman of the RMC w.e.f. 23 September 2022.

[2] Resigned as INED of Etiqa General Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB upon the expiry of his 9-years tenure on 22 September 2022, and ipso facto ceased as the Chairman of the RMC w.e.f. 22 September 2022.

[3] NINED OF MAHB.

[4] INED of Etiqa General Insurance Berhad, a wholly-owned subsidiary of MAHB.

[5] INED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.

[6] Appointed as a member of the RMC and INED of Etiqa General Insurance Berhad, a wholly-owned subsidiary of MAHB w.e.f. 23 September 2022.

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 is chaired by an Executive Director ("ED").

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

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 held during the financial year are as follows:

Members of the IC	Designation	Number of IC Meetings attended	%
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican *(Chairman)*	ED[1]	4/4	100
Mr. Philippe Pol Arthur Latour	NINED[2]	3/4	75
Datuk Mohd Najib Bin Abdullah	INED[3]	4/4	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	4/4	100

[1] ED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.

[2] NINED of Etiqa Life Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB.

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

(v) Shariah Committee

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(v) Shariah Committee (contd.)

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

Members of the SC	Designation	Number of SC Meetings attended	%
Prof. Dr. Aznan Bin Hasan	Chairman	12/12	100
Prof. Dr. Rusni Binti Hassan	INED[1]	12/12	100
Prof. Dr. Abdul Rahim Bin Abdul Rahman	Member	12/12	100
Prof. Dato' Dr. Mohd Azmi Bin Omar	Member	12/12	100
Prof. Dr. Azman Bin Mohd Noor	INED	12/12	100
Sahibus Samahah Dr. Mohamad Sabri Bin Haron	Member[2]	12/12	100

[1] INED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.
[2] Appointed as member of the SC w.e.f. 1 January 2022.

(d) Directors' Training

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

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) (ii) Training Attended by Directors

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

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

Training attended by Directors	DM[1]	ACKS[2]	DJ[3]	WPC[4]	AMN[5]	MDM[6]
A. In-house Training						
1. Etiqa: Directors' Training Programme Module 3 – Compliance: Compliance Function Overview, Governing Compliance Risk, and Compliance topics		√	√	√	√	√
2. Etiqa: Directors' Training Programme Module 2 – ESG: - Introduction to Climate Governance by Datin Seri Sunita Mei-Lin Rajakumar, Climate Governance Malaysia	√		√	√		√
3. Etiqa: Directors' Training Programme Module 2 – ESG: - Building A Wellbeing Economy - Lessons from Bhutan & Gross National Happiness ("GNH") by Dr Julia Kim, GNH Centre Bhutan	√	√	√		√	√
4. Etiqa: Directors' Training Program Module 3 – Investment : Liability Driven Divestment, Asset Liability Management, and Research & Portfolio Management	√	√	√	√	√	
5. Etiqa: Directors' Training Program Module 2 – Cybersecurity: Cyber Defense Capabilities, Recent & Emerging Threat Landscape and Cyber Risk		√		√	√	√
6. Etiqa: Directors' Training Program on Module 3 : Refresher for IFRS17, Performance Reporting Outlook and Actuarial topic		√		√	√	√
7. Etiqa: Directors' Training Program Module 3 – Risk Management : Risk Categories, Risk Management Tools and Techniques, Risk Identification, Risk Measurement and Assessments, Risk Governance and Oversight		√			√	√
8. Etiqa: Shariah Management & Surau Al-Insaf : Forum Kemerdekaan 2022 – Kemerdekaan yang Lestari					√	
9. Etiqa : EIPL Directors' Training: Cybersecurity			√			
10. Etiqa : Board Risk Workshop - Etiqa Risk Landscape 2022			√			√
11. Etiqa: EIPL Directors' Training: Anti-Fraud / Anti-Bribery & Corruption / Whistleblowing, Anti-Money Laundering / Counter Financing of Terrorism / Sanctions			√			
12. Etiqa: Takaful Boards Engagement with Etiqa Group Shariah Committee - Shariah Compliance Culture	√	√	√	√	√	√
13. Etiqa: Takaful Boards Engagement : Unlocking the Unique Corporate Value Proposition of Takaful, Ta'awun and Tabarru' – The Roles of Takaful Board Members	√				√	
14. Etiqa: Directors' Training Program on Module 3 - From "Idea" to "Launch", Product Development Journey		√			√	√
15. Etiqa: Takaful Strategic Engagement Session 2022: "Takaful At Crossroads: The Way Forward" by YBhg. Tan Sri Muhammad Ibrahim, Former Governor of Bank Negara Malaysia	√				√	√
16. Etiqa: Shariah Management & Association of Shariah Advisors in Islamic Finance ("ASAS") : Hajah Discussion Paper of Bank Negara Malaysia ("BNM")					√	
17. Etiqa: Shariah Management, Corporate Actuarial & Corporate Accounting: Refresher Session on IFRS 17					√	
18. Etiqa: Shariah Management, Corporate Actuarial & Corporate Accounting: Workshop on Takaful Products Pricing					√	
19. Etiqa Academy: Product Knowledge: Etiqa Flood Recovery Solutions					√	
20. Etiqa Academy: TripCare 360 / TripCare 360 Takaful					√	
21. Etiqa Academy: Shariah Underwriting Guidelines in General Business					√	
22. Etiqa Academy: Sales Builder Series; Personal Accident Products (CAPS, DPPA, CCPA / TCCPA & Flexi PA / Takaful Flexi PA)					√	
23. Maybank Investment Bank: Invest ASEAN 2022: ASEAN Framing A Future	√		√			
24. Maybank/ Messrs Ernst & Young: Sustainability Update and Climate Risk Training Session: Maybank's Sustainability Agenda, & How Financial Institutions Can Support Climate Transition?	√	√	√	√	√	
25. Maybank Group Risk: Annual Board Risk Workshop – Navigating Execution Challenges in a Rapidly Changing World		√				√
26. Maybank Investment Bank : Diversity, Equity & Inclusion (DEI) - Conversation on Investibility: Why are the big investors looking into your Board?	√				√	
27. Ageas: Seminar with Taiping Group – Regulatory Capital – The New Transitional Currency – Sharing on Capital Management topic		√				
28. Ageas: Risk Management Seminar - Risk Management by Formula 1, Inflation Risk and link with Monetary Policy, Issuing of government bond, C-ROSS Phase II Introduction		√				
29. Ageas: Ageas Partnership Days 2022			√	√		
B. External Training						
1. Asia School of Business ("ASB"): Talk on Values as a Source of Competitive Advantage					√	
2. ASB & MIT Sloan: Talk on Building the Islamic Finance Industry's Future					√	
3. BNM & FIDE Forum : MyFintech Week 2022 - Masterclasses			√			
4. BNM : Conference on BNM Annual Report 2021	√					
5. BNM : FIDE Forum Dialogue – Climate Risk Management and Scenario Risk Analysis	√					

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by Directors	DM[1]	ACKS[2]	DJ[3]	WPC[4]	AMN[5]	MDM[6]
6. FIDE Forum: The Emerging Trends, Threats And Risks To The Financial Services Industry – Managing Global Risk, Investment And Payment System	√		√			
7. FIDE Forum: Metafinance – The Next Frontier of the Global Economy	√					
8. PIDM-FIDE Forum: Recovery and Resolution Planning Sharing Session	√					
9. INCEIF: Muzakarah Cendiakawan Syariah Nusantara Ke-16					√	
10. Institute of Islamic Banking and Finance (IIBF) : 10th ASEAN International Conference on Islamic Finance (AICIF) Special Address on Topic – Islamic Social Finance for Economics Sustainability	√					
11. Institute of Corporate Directors Malaysia ("ICDM"): International Directors Summit 2022: The B Factor – [Bold + Brave] Boards		√				
12. Tableau Software: Fireside Chat – The Strategic Value of Data in Accelerating Growth	√					
13. Permodalan Nasional Berhad ("PNB") : PNB Integrity Talk 2022 on Section 17A MACC Act Corporate Liability, Adequate Procedures and ISO 37001 ABMS			√			
14. PNB : PNB Knowledge Forum 2022 – Sustainable Investing ESG At The Forefront			√			√
15. PNB : PNB Knowledge Forum 2022 – Tall Buildings & Living In The Space Age: The Enigma & Convergence Of Science And Art			√			
16. PNB Research Institute Sdn Bhd: PNB Knowledge Forum (PKF) III 2022: Sustainability and the Way Forward - Creating Value in the Net Zero Transition			√			
17. PNB Research Institute Sdn Bhd: PNB Knowledge Forum (PKF) III 2022: Decarbonised Economy - Accelerating the Net Zero Transition						√
18. Joint Committee on Climate Change (JC3): JC3 Upskilling Sustainability Training Series - Measuring Portfolio Alignment to Climate Scenarios and Climate Transition Stress Testing (Day 1)			√			
19. Joint Committee on Climate Change (JC3): JC3 Upskilling Sustainability Training Series - Measuring Portfolio Alignment to Climate Scenarios and Climate Transition Stress Testing (Day 2)			√			
20. Singapore Actuarial Society: Singapore Actuarial Conference 2022				√		
21. Singapore Actuarial Society: How Actuaries Make an Impact in Banking				√		
22. Institute and Faculty of Actuaries : Mental Health in Insurance				√		
23. Institute and Faculty of Actuaries : IFRS17: Practical Considerations & Business Implications for Non-Life (re)insurers				√		
24. Institute and Faculty of Actuaries : IFRS17: Practical Considerations & Business Implications for Life (re)insurers				√		
25. Institute and Faculty of Actuaries : Beyond actuarial analysis: Towards a systematic way of approaching risk				√		
26. Institute of Banking and Finance (Singapore) : Python and Data Science for Finance				√		
27. Center of Research in Econo-finance and Actuarial sciences on Risk / ESSEC Business School : The Risk Management Approach to Macro-Prudential Policy				√		
28. ICLIF : Building the Islamic Finance Industry's Future: Creating Role Model Economies, Inclusive Institutions and Impact-Driven Investment				√		
29. Emnes Event: Islamic Fintech Leaders' Summit					√	
30. ASAS : Principles of Economics CSA Program					√	

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(3) INTERNAL CONTROL FRAMEWORK

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

(4) REMUNERATION - QUALITATIVE DISCLOSURES

a) Board Performance

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

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

The remuneration package of NEDs consists of the following:

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

b) Senior Management Appointment and Performance

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES

a) 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

*The amount of RM60,000 is borne by the Company and its related parties.
^The amount of RM50,000 is borne by the Company and its related parties.

b) Disclosure of Directors' and CEO's Remuneration

The details of Directors' and CEO's remuneration for FYE 2022 are disclosed in Notes 27(b) and 28 to the Company's Financial Statements.

c) Remuneration Policy in respect of Officers of the Company

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

Key elements	Purpose
Fixed Pay	Attract and retain talent by providing competitive pay that is externally benchmarked against relevant peers and location, and internally aligned with consideration of differences in individual performance and achievements, skills-set, job scope as well as competency level.
Variable Pay	**Variable Bonus** ▪ 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

In December 2018, Maybank rolled out the Employees' Share Grant Plan ("ESGP") under the Long-Term Incentive Award to replace a previous scheme that expired in June 2018. The ESGP is valid for seven years and it serves as a long-term incentive for eligible talents and senior management.

Vesting eligibility of the ESGP is subject to fulfilment of the ESGP vesting conditions as well as upon meeting the performance criteria at the Maybank Group and individual levels. The first ESGP Award that was granted in December 2018 has vested in December 2021 whilst the second ESGP Award granted in September 2019 was vested in September 2022. The last tranche of the ESGP Award (i.e. fifth ESGP Award) under the current plan was granted in September 2022 will vest in 2025. There will be no subsequent awards under the current ESGP.

In line with the Group's remuneration strategy to drive long term sustainable goals to maximise shareholder value, a new Long-Term Incentive Plan is targeted to be rolled out in 2023 for subsequent awards in 2023 onwards. The new plan will run concurrently with the existing plan until its expiry in 2025.

Corporate Governance – Remuneration practices

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

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

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

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

Summary of financial year ended 2022 compensation outcome for those identified as Senior Officers and OMRTs:

Total value of remuneration awards for the financial year (RM'000)	Senior Officers		OMRT	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration				
Cash-based	5,521 (14 headcount)	-	-	-
Shares and share-linked instruments	-	-	-	-
Others	-	-	-	-
Variable remuneration				
Cash-based	1,393(14 headcount)		-	-
Shares and share-linked instruments	631 (73,600 units)^	Refer to note below*	-	-
Others	-	-	-	-

Notes:

*In FY2022, a total of 157,000 units of Maybank shares (for On Target performance levels) under Maybank Group Employees' Share Grant Plan (ESGP)/Cash-settled Employees' Share Grant Plan (CESGP) were awarded to 13 Senior Officers. The number of ESGP/CESGP units to be vested/paid by 2025 would be conditional upon the said employees fulfilling the vesting/payment criteria.

^A total of 138,000 units (*RM917,838) of ESGP/CESGP granted in September 2019 has vested to 12 Senior Officers (73,600 units or RM630,752) in September 2022 . ESGP value is based on the value of the Maybank Reference Shares with no entitlement to any discount and the volume weighted average market price (VWAMP) for the five (5) market days immediately preceding ESGP/CESGP vesting date at RM8.62 per unit.

The figures above exclude the Long-Term Incentive Award (combination of cash and shares) awarded in 2022 as the amount, conditional upon fulfillment of payment/vesting criteria have not taken effect.

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

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

We, Dato' Majid Bin Mohamad and Dato' Johan Bin Ariffin, being two of the Directors of Etiqa Family Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 32 to 206 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 2022 and of the results and the cash flows of the Company for the financial year 31 December 2022.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 February 2023.

DATO' MAJID BIN MOHAMAD

DATO' JOHAN BIN ARIFFIN

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

I, Chow Wai Sum, being the Officer primarily responsible for the financial management of Etiqa Family Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 206 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 27 February 2023

CHOW WAI SUM
HEAD, FINANCE

Before me,

Commissioner for Oaths

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

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

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

REPORT OF THE SHARIAH COMMITTEE

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

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

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial year ended 31 December 2022. We have also conducted our review to form an opinion pursuant to Section 30(1) of Islamic Financial Services Act 2013 ("IFSA"), as to whether the Company has complied with the principles of Shariah, Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia ("BNM"), Shariah standards issued by BNM pursuant to Section 29 of IFSA, relevant guidelines and circulars issued by BNM, Shariah rulings issued by the Shariah Advisory Council of Securities Commission (for capital market related matters), as well as Shariah resolutions resolved by us.

During the financial year of 2022, the Committee had convened 12 times and all members have satisfied the minimum attendance requirement as per Paragraph 11.4 of Shariah Governance Policy Document of BNM which stipulates that a Committee member must attend at least 75% of the Committee meetings held in each financial year.

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

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

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

As part of the initiatives towards strengthening capabilities of the Shariah Committee, a series of relevant training programmes were conducted and participated by the Committee during the financial year of 2022, among others; Shariah Governance, Strategic Leadership, Takaful Products and Services, Actuarial and Valuation, Risk Management, Investment Management and Environmental, Social and Governance ("ESG").

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 2022 that we have reviewed are in compliance with the Shariah principles;

REPORT OF THE SHARIAH COMMITTEE (CONTD.)

In our opinion (contd.):

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

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

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 2022; and

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

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

All in all, we, the members of the Shariah Committee of Etiqa Family Takaful Berhad, do hereby confirm that, in our level best, the operations of the Company for the financial year ended 31 December 2022 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.

PROFESSOR DR. AZMAN BIN MOHD NOOR

PROFESSOR DATO' DR. MOHD AZMI BIN OMAR

Kuala Lumpur, Malaysia
27 February 2023

Building a better working world

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiqa Family Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 206.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

A member firm of Ernst & Young Global Limited

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

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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Building a better working world

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

Other matters

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

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

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

Kuala Lumpur, Malaysia
27 February 2023

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		31.12.2022			31.12.2021		
	Note	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
ASSETS							
Property, plant and equipment	3	200	-	200	101	-	101
Right-of-use assets ("ROU")	4	112	-	112	280	-	280
Intangible assets	5	7,969	-	7,969	7,974	-	7,974
Investments	6	2,484,369	12,132,819	14,590,834	2,532,034	11,961,087	14,466,355
Financing receivables	7	11,201	-	11,201	12,901	-	12,901
Retakaful assets	8	-	255,590	255,590	-	207,400	207,400
Takaful receivables	9	-	142,577	142,577	-	147,950	147,950
Other assets	10	203,707	135,902	170,964	142,910	152,842	192,066
Deferred tax assets	18	113,580	13,458	127,024	132,699	-	117,021
Current tax assets	11	79,675	200	79,875	82,053	-	82,053
Cash and bank balances		1,166	58,806	59,972	2,583	56,225	58,808
Total Assets		2,901,979	12,739,352	15,446,318	2,913,535	12,525,504	15,292,909
EQUITY, LIABILITIES AND PARTICIPANTS' FUND							
Equity							
Share capital	12	100,000	-	100,000	100,000	-	100,000
Reserves	13	2,279,098	-	2,272,787	2,125,862	-	2,119,096
Total Equity		2,379,098	-	2,372,787	2,225,862	-	2,219,096
Liabilities and Participants' Fund							
Participants' fund	14	-	2,147,692	2,147,692	-	2,233,800	2,233,800
Takaful certificate liabilities	15	-	9,946,093	9,926,093	-	9,745,994	9,725,994
Derivative liabilities	16	-	-	-	-	487	487
Expense liabilities	17	390,424	-	390,424	533,451	-	533,451
Deferred tax liabilities	18	-	-	-	-	15,678	-
Takaful payables	19	2,331	46,806	49,137	5,390	24,651	30,041
Other liabilities	20	100,944	598,761	531,003	124,762	504,794	525,870
Current tax liabilities		29,182	-	29,182	24,070	100	24,170
Total Liabilities and Participants' Fund		522,881	12,739,352	13,073,531	687,673	12,525,504	13,073,813
Total Equity, Liabilities and Participants' Fund		2,901,979	12,739,352	15,446,318	2,913,535	12,525,504	15,292,909

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

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

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 Shareholder's fund RM'000	2022 Family Takaful fund RM'000	2022 Company RM'000	2021 Shareholder's fund RM'000	2021 Family Takaful fund RM'000	2021 Company RM'000
Operating revenue	21	**534,404**	**2,587,088**	**2,694,846**	**446,454**	**2,256,090**	**2,354,043**
Gross earned contributions		-	2,065,765	2,065,765	-	1,773,121	1,773,121
Earned contributions ceded to retakaful		-	(110,048)	(110,048)	-	(104,979)	(104,979)
Net earned contributions		-	1,955,717	1,955,717	-	1,668,142	1,668,142
Fee and commission income	22	426,867	492	713	348,651	1,065	1,215
Investment income, net	23	107,758	521,323	629,081	97,953	482,969	580,922
Realised losses, net	24	(3,496)	(49,040)	(52,536)	(320)	(33,028)	(33,348)
Fair value losses, net	25	(40,593)	(214,279)	(254,460)	(74,406)	(329,937)	(403,492)
Other operating (expenses)/ income, net	26	(2,746)	1,346	(1,343)	(5,801)	13,097	7,296
Other revenue		487,790	259,842	321,455	366,077	134,166	152,593
Gross benefits and claims paid		-	(1,455,245)	(1,455,245)	-	(1,280,852)	(1,280,852)
Claims ceded to retakaful operators		-	79,386	79,386	-	80,824	80,824
Gross change in certificate liabilities		-	(120,330)	(321,176)	-	(28,201)	(182,090)
Change in certificate liabilities ceded to retakaful operators		-	48,190	48,190	-	45,370	45,370
Net benefits and claims		-	(1,447,999)	(1,648,845)	-	(1,182,859)	(1,336,748)
Management expenses	27	(200,937)	(24,977)	(225,914)	(178,080)	(23,021)	(201,101)
Change in expense liabilities	17	143,027	-	143,027	38,735	-	38,735
Fee and commission expenses	30	(157,687)	(427,310)	(158,351)	(138,288)	(349,080)	(138,867)
Tax borne by the participants	31	-	17,640	17,640	-	5,564	5,564
Other expenses		(215,597)	(434,647)	(223,598)	(277,633)	(366,537)	(295,669)
Operating profit before surplus transfers		272,193	332,913	404,729	88,444	252,912	188,318
Surplus transferred to participants' fund	14	-	(200,846)	-	-	(153,889)	-
Surplus attributable to shareholder's fund		132,067	(132,067)	-	99,023	(99,023)	-
Profit before taxation and zakat		404,260	-	404,729	187,467	-	188,318
Taxation	31	(141,082)	-	(141,096)	92,982	-	92,982
Zakat		(7,976)	-	(7,976)	(10,609)	-	(10,609)
Net profit for the financial year		255,202	-	255,657	269,840	-	270,691
Basic and diluted earnings per share (sen)	32			255.66			270.69

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

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		2022			2021		
	Note	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
Net profit for the financial year		255,202	-	255,657	269,840	-	270,691
Other comprehensive loss:							
Items that may be subsequently reclassified to income statement							
Change in fair value of financial assets at Fair Value Through Other Comprehensive Income ("FVOCI"):							
- fair value changes		(41,600)	(170,726)	(212,326)	(46,146)	(139,341)	(185,487)
- transfer to profit or loss upon disposal	24	(131)	(690)	(821)	(609)	(3,714)	(4,323)
Tax effect relating to debt securities at FVOCI	18	9,146	12,129	21,275	12,091	9,505	21,596
Other comprehensive income attributable to the participants		-	159,287	159,287	-	133,550	133,550
		(32,585)	-	(32,585)	(34,664)	-	(34,664)
Items that will not be subsequently reclassified to income statement							
Change in fair value of financial assets at Fair Value Through Other Comprehensive Income ("FVOCI"):							
- fair value changes		(2,346)	(4,818)	(7,164)	(3,063)	(6,123)	(9,186)
Tax effect relating to equity securities at FVOCI	18	2,245	(348)	1,897	919	490	1,409
Other comprehensive income attributable to the participants		-	5,166	5,166	-	5,633	5,633
		(101)	-	(101)	(2,144)	-	(2,144)
Other comprehensive loss for the financial year, net of tax		(32,686)	-	(32,686)	(36,808)	-	(36,808)
Total comprehensive income for the financial year		222,516	-	222,971	233,032	-	233,883

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Attributable to Equity Holder of the Company			
			Non-Distributable	Distributable	
	Note	Share Capital RM'000	FVOCI Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 January 2022		100,000	(12,289)	2,131,385	2,219,096
Net profit for the financial year		-	-	255,657	255,657
Other comprehensive loss for the financial year		-	(32,686)	-	(32,686)
Total comprehensive (loss)/income for the financial year		-	(32,686)	255,657	222,971
Reclassification upon disposal of equity securities		-	1,618	(1,618)	-
Dividend on Ordinary Shares	33	-	-	(69,280)	(69,280)
At 31 December 2022		100,000	(43,357)	2,316,144	2,372,787
At 1 January 2021		100,000	24,519	1,860,694	1,985,213
Net profit for the financial year		-	-	270,691	270,691
Other comprehensive loss for the financial year		-	(36,808)	-	(36,808)
Total comprehensive (loss)/income for the financial year		-	(36,808)	270,691	233,883
At 31 December 2021		100,000	(12,289)	2,131,385	2,219,096

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

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	31.12.2022 RM'000	31.12.2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation and zakat:		404,729	188,318
Adjustments for:			
Tax borne by participants	31	(17,640)	(5,564)
Depreciation of property, plant and equipment	27	112	107
Amortisation of intangible assets	27	1,346	1,178
Profit on lease liabilities	27	9	20
Depreciation of right-of-use assets	27	168	194
Fair value losses on financial assets at Fair Value through Profit or Loss (FVTPL)	25	254,460	403,492
Losses on disposal of investments	24	52,540	33,337
Realised losses/(gains) on foreign exchange	26	1,888	(628)
Fair value (gains)/losses on foreign exchange	26	(344)	204
Realised (gains)/losses on intangible assets	24	(4)	11
Allowance for/(reversal of) impairment losses on investments	26	514	(676)
Allowance for/(reversal of) impairment losses on takaful receivables	26	193	(7,802)
Allowance for impairment losses on other assets	26	30	17
Allowance for/(reversal of) impairment losses on financing receivables	26	288	(1)
Takaful receivables written off	26	505	22
Profit income	23	(634,756)	(581,153)
Gross dividend/distribution income	23	(18,071)	(22,300)
Net amortisation of premiums	23	23,746	18,246
Surplus transferred to participants' fund	14	200,846	153,889
Operating cash flows before working capital changes		270,559	180,911
Changes in working capital:			
Decrease/(increase) in takaful receivables		4,675	(75)
Decrease/(increase) in other assets		18,674	(17,554)
Increase in takaful payables		19,096	6,276
Decrease in other liabilities		(1,595)	(76,336)
Decrease in expense liabilities		(143,027)	(38,735)
Decrease in financing receivables		1,412	2,111
Decrease in placements of deposits with financial institutions		555,810	1,307,325
Increase in retakaful assets		(48,190)	(45,370)
Increase in takaful certificate liabilities		120,367	27,709
Operating cash flows after working capital changes, carried forward		797,781	1,346,262

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

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	31.12.2022 RM'000	31.12.2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)			
Operating cash flows after working capital changes, brought forward		797,781	1,346,262
Profit income received		636,514	565,086
Gross dividend/distribution income received		18,711	22,796
Zakat paid		(10,086)	(9,844)
Taxation paid		(103,082)	(66,909)
Surplus paid to participants	14	(14,120)	(16,734)
Witholding tax borne by participants		(19,655)	(28,274)
Net cash flows generated from operating activities		1,306,063	1,812,383
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		2,100,212	2,839,701
Purchase of investments		(3,334,103)	(4,821,638)
Proceeds from disposal of intangible assets		10	4
Purchase of intangible assets	5	(1,347)	(3,578)
Purchase of property, plant and equipment	3	(211)	(5)
Net cash flows used in investing activities		(1,235,439)	(1,985,516)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	33	(69,280)	-
Payment of lease liabilities	4	(180)	(216)
Net cash flows used in financing activities		(69,460)	(216)
Increase/(decrease) in cash and cash equivalents		1,164	(173,349)
Cash and cash equivalents at beginning of year		58,808	232,157
Cash and cash equivalents at end of year		59,972	58,808
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		1,166	2,583
Family Takaful fund		58,806	56,225
		59,972	58,808

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

1. CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 February 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation of the financial statements

(a) Statement of compliance

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

The Company has adopted those amendments to MFRSs effective for the annual periods beginning on or after 1 January 2022 as disclosed in Note 2.3.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(a) Statement of compliance (contd.)

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

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

Takaful operation and its funds

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

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

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

(b) Basis of measurement

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

(a) Family Takaful certificate liabilities

These are provided in Note 2.2(xii). The note presents a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amounts of the family takaful liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 39 of the financial statements.

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

2.2 Summary of significant accounting policies

(i) Property, plant and equipment and depreciation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

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

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

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

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

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

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

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

(ii) Leases

(a) Classification

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Leases (contd.)

(a) Classification (contd.)

If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent remeasurement of the contract on the basis of their relative stand-alone selling prices. The Company combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

(b) Recognition and initial measurement

(1) The Company as lessee

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

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

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

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

Premises	2 to 5 years

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

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

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

(ii) Lease liabilities

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

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

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

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

(iii) Leases with variable lease payments

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Leases (contd.)

(c) Lease modifications

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

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

(iii) Intangible assets

Intangible assets include software development costs, 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 amortised as these assets are not available for use.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Intangible assets (contd.)

(a) Software development costs

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

(b) Computer software and licences

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

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

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

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

(c) Amortisation period

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

	Useful lives
Computer software and licences	10 years

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets

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

(a) Initial and subsequent measurement

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

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

(i) Business model assessment

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

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

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

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

- the risks that effect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(i) Business model assessment (contd.)

The Company and the Takaful fund do not assess the business model on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as (contd.):

- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the expected frequency, value and timing of sales are also important aspects of the Company's assessment.

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

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

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

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

(iii) Classification of financial assets

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

(i) Financial assets at FVTPL

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets (contd.)

(ii) Financial assets at FVOCI

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

a) Financial assets at FVOCI (debt instruments)

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

b) Financial assets at FVOCI (equity instruments)

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

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

(b) Derecognition of financial assets

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

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

(c) Write off of financial assets

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

The amount written off for bad debts in the financial statements of the Company are expensed to profit or loss as disclosed in Note 26.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) Fair value of financial assets

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

For financial assets in both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in unquoted equity instruments that do not have quoted market prices in an active market, the fair values are measured based on the net asset method by referencing to the annual financial 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. Over-the-counter derivatives comprise foreign exchange forward contracts, currency swap contracts and options. Over-the-counter derivatives are revalued at each reporting date, based on valuations provided by the respective counter parties in accordance with market conventions.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment

(a) Financial assets

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

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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment (contd.)

(a) Financial assets (contd.)

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

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

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

(ii) Forward-looking information and ECL measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment (contd.)

(a) Financial assets (contd.)

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

Financing receivables

The ECL on the loan portfolio (other than Policy/Automated Policy Loan ("APL")) of the Company is computed using PD, LGD and EAD. The Company measuring the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant, and collectively assess for other financial assets.The policy/APL loans are not expected to incur loss as any shortfall will be deducted from the cash surrender value.

Takaful receivables

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

Financial assets at FVOCI and AC

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment (contd.)

(a) Financial assets (contd.)

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

Financial assets at FVOCI and AC (contd.)

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

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

(b) Non-financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(b) Non-financial assets (contd.)

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

(vii) Retakaful assets

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Takaful receivables

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

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

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

(ix) Cash and cash equivalents

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

The Company 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. Dividend on ordinary shares is 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 or both financial and takaful risk.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xi) Product classification (contd.)

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 covered event) adversely affects the participants. As a general guideline, the Company and the Takaful fund define whether significant takaful risk has been accepted by comparing benefits paid or payable on the occurrence of an insured event against benefits paid or payable if the covered event does not occur. If the ratio of the former exceeds the latter by 5% or more, the takaful underwriting risk accepted is deemed to be significant.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xi) Product classification (contd.)

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

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

(xii) Family Takaful certificate liabilities

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xii) Family Takaful certificate liabilities (contd.)

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

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

(xiii) Financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Company and the Takaful fund become parties to the contractual provisions of the financial instrument.

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

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

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 (i.e. the present value of the cash flows under the new loan (including any fees paid) has a variance of 10% or more as compared to the present value of the remaining cash flows of the existing loan), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(xiv) Expense liabilities

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiv) Expense liabilities (contd.)

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

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

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

(a) Provision for unearned wakalah fees

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

(b) Unexpired expense reserves

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

(xv) Measurement and impairment of Qard

In the event where the assets of the Takaful fund are insufficient to meet the liabilities, the Shareholder's fund is required to rectify the deficit of the Takaful fund via a Qard, which is a profit free 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xv) Measurement and impairment of Qard (contd.)

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

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

(xvi) Offsetting of financial assets and financial liabilities

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

(xvii) Contribution income

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xviii) Benefits expenses

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

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

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

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

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

(xix) Commission expenses and acquisition costs

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xx) Revenue recognition

Revenue from contracts with customers

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

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

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

Other revenue

(a) Profit income

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

(b) Dividend income

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

(c) Rental income

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

(d) Fund management fees

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xx) Revenue recognition (contd.)

(e) Management fees

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

(f) Wakalah fees

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

(xxi) Employee benefits

(a) Short-term benefits

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

(b) Long-term employee benefits

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

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

(c) Defined contribution plan

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxi) Employee benefits (contd.)

(d) Share-based compensation

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

The ESGP Shares is awarded to the eligible Executive Directors and employees of participating 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.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxi) Employee benefits (contd.)

(d) Share-based compensation (contd.)

Details of share options granted under ESGP and CESGP as disclosed in Note 36.

(xxii) Foreign currencies

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions and balances

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxiii) Income tax

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

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

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

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

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

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

(xxiv) Zakat

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

(xxv) Provisions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxv) Provisions (contd.)

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

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

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

(xxvi) Contingent assets and contingent liabilities

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

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

(xxvii) Segment Reporting

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxvii) Segment Reporting (contd.)

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

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

2.3 New and amended standards and interpretations

On 1 January 2022, the Company adopted the following Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2022:

	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 Combinations* (Amendments to MFRS 3) *Reference to the Conceptual Framework*	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020:	
MFRS 1 *First-time Adoption of MFRSs*	1 January 2022
MFRS 9 *Financial Instruments*	1 January 2022
MFRS 141 *Agriculture*	1 January 2022

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

2.4 Standards and Amendments to Standards issued but not yet effective

The following are Standards and Amendments 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:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Amendments to Standards issued but not yet effective (contd.)

Description	Effective for annual periods beginning on or after
MFRS 17 *Insurance Contracts*	1 January 2023
(Amendments to MFRS 17) *Initial Application of* MFRS 17 and MFRS 9 - *Comparative Information*	1 January 2023
MFRS 101 *Presentation of Financial Statements*	
(Amendments 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
MFRS 16 *Leases*	
(Amendments to MFRS 16) *Lease Liability in a Sale and Leaseback*	1 January 2024
MFRS 101 *Presentation of Financial Statements*	
(Amendments to MFRS 101) *Non-current Liabilities with Covenants*	1 January 2024

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

MFRS 17 *Insurance Contracts*

MFRS 17 *Insurance Contracts* replaces MFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023. The Company will be applying MFRS 17 for the first time in the upcoming financial year ending 31 December 2023. Accordingly, it will restate comparative information for the financial year ended 31 December 2022, including the opening balance as at 1 January 2022, by applying the transition requirements of MFRS 17.

(i) Changes to classification and measurement

The adoption of MFRS 17 will not change the classification of the Company's Takaful certificates.

MFRS 17 establishes specific principles for the recognition and measurement of Takaful certificates issued and retakaful certificates held by the Company and these have been addressed by the Company during the implementation period of the standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Amendments to Standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* (contd.)

(i) Changes to classification and measurement (contd.)

The Company has developed policies and approved technical positions that will address the following key principles of MFRS 17:

- Identify takaful certificates as those under which the Company accepts significant takaful risk from another party (the participant) by agreeing to compensate the participants if a specified uncertain future event (the insured event) adversely affects the participant;

- Separate specified embedded derivatives, distinct investment components and distinct non-takaful goods or services from takaful certificates and accounts for them in accordance with other applicable MFRS or IFRS;

- Separate the Takaful and retakaful certificates into groups it will recognise and measure;

- Recognise and measure groups of Takaful certificates at a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information plus an amount representing the unearned profit in the group of certificates (the contractual service margin or "CSM");

- Recognise profit from a group of Takaful certificates over each period the Company provides takaful coverage, as the Company is released from risk. If a group of certificates is expected to be onerous (i.e. loss making) over the remaining coverage period, the Company will recognise the loss immediately; and

- Recognise an asset for Takaful acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of Takaful certificates is recognised. Such an asset is derecognised when the Takaful acquisition cash flows are included in the measurement of the related group of Takaful certificates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Amendments to Standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* (contd.)

(i) Changes to classification and measurement (contd.)

During the implementation period of MFRS 17, the Company has determined that its Takaful certificates issued and retakaful certificates held are eligible for the measurement models below:

a) General Measurement Model ("GMM")
This is the default measurement model for Takaful certificates valued using fulfilment cash flows (the present value of expected future cash flows, plus a risk adjustment) offset by the CSM which represents the unearned profit which the Company will recognise as it provides services under the certificates.

b) Premium Allocation Approach ("PAA")
This model will be applied for certificates which have certificate boundaries (i.e. coverage periods) of less than 1 year as well as for certificates with certificate boundaries of more than 1 year but which are able to pass the PAA eligibility test.

c) Variable Fee Approach ("VFA")
This model will be applied for certificates with direct participation features wherein payments on investment returns to participants are based on contractual terms which substantially vary with the underlying items.

The Company will be applying both the PAA or GMM models for all retakaful certificates held, depending on the specific certificate boundaries for each retakaful certificate.

(ii) Changes to presentation and disclosure

The financial statements of the Company under MFRS 17 will continue to disclose the statements of financial position and profit or loss by funds and for the Company. For presentation purposes, the Company will aggregate Takaful and retakaful certificates held and these will be presented separately in the statement of financial position as follows:

- Portfolios of Takaful certificates issued;
- Portfolios of Takaful certificates held;
- Portfolios of retakaful certificates held that are assets; and
- Portfolios of retakaful certificates held that are liabilities.

The portfolios of certificates are as established at initial recognition and is in accordance with the requirements of MFRS 17.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Amendments to Standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* (contd.)

(ii) Changes to presentation and disclosure (contd.)

Groups of Takaful certificates issued include any assets for Takaful acquisition cash flows.

The presentation of the statement of profit or loss and other comprehensive income will change significantly upon the adoption of MFRS 17, with clear delineation of underwriting and investment results. There will no longer be items such as gross, net or earned contributions or net claims incurred shown on the statement of profit or loss.

Instead, the statement of profit or loss will reflect the following items from the financial year ending 31 December 2023, together with a restated statement of profit or loss under MFRS 17 for the year ended 31 December 2022:

- Takaful revenue
- Takaful service expenses
- Takaful service results
- Takaful finance income or expenses
- Income or expenses from retakaful certificates held

MFRS 17 will also require more extensive disclosure requirements compared to MFRS 4. The Company will provide both qualitative and quantitative disclosures about Takaful certificates in three main areas:

- Explanation of the amounts recognised in the Company's financial statements arising from Takaful certificates;
- Significant judgements, and changes in those judgements, when applying MFRS 17; and
- The nature and extent of risks that arise from certificates within the scope of MFRS 17.

(iii) Transition

On the transition date of 1 January 2022, the Company has:

- Identified, recognised and measured each group of Takaful and retakaful certificates as if MFRS 17 had always applied (unless impracticable), using the full retrospective approach;
- Identified, recognised and measured assets for Takaful acquisition cash flows as if MFRS 17 had always applied;
- Derecognised any existing balances that would not exist had MFRS 17 always applied; and
- Recognised any resulting net difference in equity.

SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Amendments to Standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* (contd.)

(iii) Transition (contd.)

Where the Full Retrospective Approach ("FRA") has been determined to be impracticable to apply during the implementation period, due to constraints on data or other relevant inputs, the Company has applied the Modified Retrospective Approach ("MRA") and Fair Value Approach ("FVA"). These are described in further detail below.

(a) Full retrospective approach ("FRA")

The determination of whether it is impracticable to adopt the FRA for group of certificates as at the transition date was made after considering the cost or effort required to collect the required information or create information where the required data is unavailable (either due to system migrations in the past, data retention policies, and changes in requirements introduced by MFRS 17) and if hindsight is needed to determine the estimates at prior periods. At this juncture, the Company has ascertained that it will apply the FRA to all portfolios of Takaful certificates that are effective from 1 January 2022.

(b) Modified retrospective approach ("MRA")

The MRA is applied based on reasonable and supportable information available without undue cost or effort to the Company. Certain modifications will be applied to the extent the FRA is not possible, but still with the objective to achieve the closest possible outcome to the FRA application. The Company has determined that the MRA will be applied to certain takaful certificate portfolios which are effective from 1 January 2018.

(c) Fair value approach ("FVA")

Under the FVA, 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 will be recognised in retained earnings at the transition date). The Company is using the FVA for certain Takaful certificate portolios which are still in force at the transition date and which have effective dates prior to 31 December 2017.

SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Amendments to Standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* (contd.)

(iii) Transition (contd.)

Amendment to MFRS 9 as a result of MFRS 17 implementation

The Company has adopted MFRS 9 from the financial year ended 31 December 2018. In doing so, it has applied the overlay approach, which allows the Company to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may have arisen due to the adoption of MFRS 17 at a later date on 1 January 2023. As MFRS 17 allows an election for the effect of changes in discount rates to be recognised through profit or loss or through other comprehensive income, the Company is currently in the midst of finalising its reclassification for eligible financial assets to match the movement of its takaful certificate liabilities.

Anticipated impacts of adopting MFRS 17 to the Company

The impacts of adopting MFRS 17 to opening balances as at 1 January 2022 and the comparatives as at and for the year ended 31 December 2022 are currently being finalised after having considered all technical requirements, the relevance of the measurement approaches and transition considerations, amongst others during the implementation period.

MFRS 17 will provide enhanced disclosures to enable readers to understand Takaful certificates issued by the Company, including a clearer delineation of how the Company has performed in both underwriting and investments activities. The definition of revenue and related profit recognition patterns will change significantly, although the overall profitability of takaful certificates should continue to be intact as the fundamentals of the certificates itself have not changed.

At this juncture, the Company expects that there will not be any significant impacts to the capital requirements upon adoption of MFRS 17. The Company has conducted an impact study on the capital requirements based on the Quantitative Impact Study ("QIS"), which was performed in accordance with the Valuation Exposure Draft ("ED") issued by Bank Negara Malaysia, which applies an approach that is consistent with MFRS 17. It is also understood that the regulators will keep the current valuation guidelines and risk-based capital requirements at least for the next few years. Nevertheless, the results of the QIS indicates that the Company is expected to have adequate capital to deal with unexpected losses within the boundaries anticipated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Amendments to Standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* (contd.)

(iii) Transition (contd.)

Anticipated impacts of adopting MFRS 17 to the Company (contd.)

There are no significant impacts expected on pricing and product strategies at this juncture. The Company will continue to monitor this matter.

It is also expected that there will be no significant impacts to the business, financial strength, claims paying ability, or dividend paying capacity of the Company. Accordingly, it is anticipated that at this juncture, there will not be any significant changes to the business strategies of the Company. The Company will continue to monitor this matter.

For credit business accounted under MFRS 4, revenue is recognised upfront upon inception. This results in future profits being capitalised at certificate inception. Under MFRS 17, profit will be recognise over the certificate duration in a relatively stable manner. This difference in profit recognition will have the most pronounced impact to the Company's credit business unit. It is expected that overall profit of the Company may decrease as compared to MFRS 4 as a result of profits being earned over the duration of the contract instead of being capitalised upfront.The average duration of credit Takaful certificates issued by the Company is approximately 30 years.

The Company is currently finalising the implementation of MFRS 17 and will be fully compliant with the requirements of the Standard by 31 December 2023.

3. PROPERTY, PLANT AND EQUIPMENT

Shareholder's fund

2022	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2022	4,032	447	323	4,802
Additions	161	50	-	211
Write-off	(204)	(131)	-	(335)
At 31 December 2022	3,989	366	323	4,678
Accumulated Depreciation				
At 1 January 2022	3,941	437	323	4,701
Depreciation charge for the financial year (Note 27)	103	9	-	112
Write-off	(204)	(131)	-	(335)
At 31 December 2022	3,840	315	323	4,478
Net Book Value at 31 December 2022	149	51	-	200
2021				
Cost				
At 1 January 2021	4,162	487	323	4,972
Additions	-	5	-	5
Write-off	(130)	(45)	-	(175)
At 31 December 2021	4,032	447	323	4,802
Accumulated Depreciation				
At 1 January 2021	3,970	476	323	4,769
Depreciation charge for the financial year (Note 27)	101	6	-	107
Write-off	(130)	(45)	-	(175)
At 31 December 2021	3,941	437	323	4,701
Net Book Value at 31 December 2021	91	10	-	101

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Family Takaful fund

	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
2022/2021			
Cost			
At 1 January/31 December	33	5	38
Accumulated Depreciation			
At 1 January/31 December	33	5	38
Net Book Value at 1 January/31 December	-	-	-

Company

	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
2022				
Cost				
At 1 January 2022	4,065	452	323	4,840
Additions	161	50	-	211
Write-off	(204)	(131)	-	(335)
At 31 December 2022	4,022	371	323	4,716
Accumulated Depreciation				
At 1 January 2022	3,974	442	323	4,739
Depreciation charge for the financial year (Note 27)	103	9	-	112
Write-off	(204)	(131)	-	(335)
At 31 December 2022	3,873	320	323	4,516
Net Book Value at 31 December 2022	149	51	-	200

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company (contd.)

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

4. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

Shareholder's fund/Company

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

	2022 RM'000	2021 RM'000
Right-of-use assets - Premises		
Cost		
At 1 January	812	932
Contract modifications	-	(28)
Contract termination	-	(92)
At 31 December	812	812
Accumulated Depreciation		
At 1 January	532	414
Depreciation charge for the financial year (Note 27)	168	194
Contract termination	-	(76)
At 31 December	700	532
Net Book Value at 31 December	112	280

The movement of lease liabilities is disclosed as follows:

	2022 RM'000	2021 RM'000
Lease liabilities		
At 1 January	266	513
Accretion of profit (Note 27)	9	20
Contract modifications	-	(28)
Contract termination	-	(23)
Settlement	(180)	(216)
At 31 December (Note 20)	95	266
Lease liabilities by remaining maturity:		
Less than 12 months	95	151
More than 12 months	-	115
Total	95	266

5. INTANGIBLE ASSETS

Shareholder's fund

2022	**Computer software and licences RM'000**	**Software development costs RM'000**	**Total RM'000**
Cost			
At 1 January 2022	18,559	305	18,864
Additions	1,084	263	1,347
Disposals	(111)	-	(111)
Reclassification	262	(262)	-
At 31 December 2022	19,794	306	20,100
Accumulated amortisation and impairment losses			
At 1 January 2022	10,890	-	10,890
Amortisation charge for the financial year (Note 27)	1,346	-	1,346
Disposals	(105)	-	(105)
At 31 December 2022	12,131	-	12,131
Net Book Value at 31 December 2022	7,663	306	7,969
2021			
Cost			
At 1 January 2021	15,077	280	15,357
Additions	3,413	165	3,578
Disposals	(71)	-	(71)
Reclassification	140	(140)	-
At 31 December 2021	18,559	305	18,864
Accumulated amortisation and impairment losses			
At 1 January 2021	9,768	-	9,768
Amortisation charge for the financial year (Note 27)	1,178	-	1,178
Disposals	(56)	-	(56)
At 31 December 2021	10,890	-	10,890
Net Book Value at 31 December 2021	7,669	305	7,974

5. INTANGIBLE ASSETS (CONTD.)

Family Takaful fund

	Computer software and licences RM'000
2022/2021	
Cost	
At 1 January/31 December	9,020
Accumulated amortisation	
At 1 January/31 December	9,020
Net Book Value at 1 January/31 December	-

Company

2022	Computer software and licences RM'000	Software development costs RM'000	Total RM'000
Cost			
At 1 January 2022	27,579	305	27,884
Additions	1,084	263	1,347
Disposals	(111)	-	(111)
Reclassification	262	(262)	-
At 31 December 2022	28,814	306	29,120
Accumulated amortisation			
At 1 January 2022	19,910	-	19,910
Amortisation charge for the financial year (Note 27)	1,346	-	1,346
Disposals	(105)	-	(105)
At 31 December 2022	21,151	-	21,151
Net Book Value at 31 December 2022	7,663	306	7,969

5. INTANGIBLE ASSETS (CONTD.)

Company (contd.)

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

6. INVESTMENTS

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Malaysian government papers	136,384	438,493	574,877
Equity securities	58,916	464,448	523,364
Debt securities	2,123,847	10,158,317	12,282,164
Unit and property trust funds	-	35,878	35,878
Investment-linked units - seed money	26,354	-	-
Deposits with financial institutions	138,868	1,035,683	1,174,551
	2,484,369	12,132,819	14,590,834
2021			
Malaysian government papers	119,907	428,321	548,228
Equity securities	57,380	500,924	558,304
Debt securities	2,039,127	9,582,718	11,621,845
Unit and property trust funds	365	7,252	7,617
Investment-linked units - seed money	26,766	-	-
Deposits with financial institutions	288,489	1,441,872	1,730,361
	2,532,034	11,961,087	14,466,355

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

2022			
FVTPL			
- Designated upon initial recognition	777,576	5,340,175	6,117,751
- HFT	58,376	586,489	618,511
FVOCI	1,509,549	5,170,472	6,680,021
AC	138,868	1,035,683	1,174,551
	2,484,369	12,132,819	14,590,834
2021			
FVTPL			
- Designated upon initial recognition	939,959	5,414,688	6,354,647
- HFT	73,415	600,860	647,509
FVOCI	1,230,171	4,503,667	5,733,838
AC	288,489	1,441,872	1,730,361
	2,532,034	11,961,087	14,466,355

6. INVESTMENTS (CONTD.)

The following investments will mature after 12 months:

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
FVTPL			
- Designated upon initial recognition	777,576	5,150,863	5,928,439
- HFT	-	139,280	139,280
FVOCI	1,474,553	5,039,697	6,514,250
	2,252,129	10,329,840	12,581,969
2021			
FVTPL			
- Designated upon initial recognition	924,799	5,243,739	6,168,538
- HFT	-	112,667	112,667
FVOCI	1,219,075	4,410,727	5,629,802
	2,143,874	9,767,133	11,911,007

(i) FVTPL

- Designated upon initial recognition

2022			
At fair value:			
Malaysian government papers	-	187,973	187,973
Debt securities:			
Unquoted in Malaysia	777,576	5,152,202	5,929,778
Total financial assets designated as FVTPL upon initial recognition	777,576	5,340,175	6,117,751
2021			
At fair value:			
Malaysian government papers	-	123,453	123,453
Debt securities:			
Unquoted in Malaysia	939,959	5,291,235	6,231,194
Total financial assets designated as FVTPL upon initial recognition	939,959	5,414,688	6,354,647

6. INVESTMENTS (CONTD.)

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
(i) FVTPL (contd.)			
- Held For Trading			
2022			
At fair value:			
Malaysian government papers	-	5,459	5,459
Equity securities:			
Quoted in Malaysia	22,219	386,410	408,629
Quoted outside Malaysia	9,803	23,618	33,421
Debt securities:			
Unquoted in Malaysia	-	135,124	135,124
Unit and property trust funds:			
Quoted in Malaysia	-	3,543	3,543
Quoted outside Malaysia	-	32,335	32,335
Investment-linked units - seed money	26,354	-	-
Total HFT financial assets	58,376	586,489	618,511
2021			
At fair value:			
Malaysian government papers	-	1,507	1,507
Equity securities:			
Quoted in Malaysia	38,909	454,339	493,248
Quoted outside Malaysia	7,375	18,062	25,437
Debt securities:			
Unquoted in Malaysia	-	113,482	113,482
Unit and property trust funds:			
Quoted in Malaysia	365	7,252	7,617
Quoted outside Malaysia	-	6,218	6,218
Investment-linked units - seed money	26,766	-	-
Total HFT financial assets	73,415	600,860	647,509
(ii) FVOCI			
2022			
At fair value:			
Malaysian government papers	136,384	245,061	381,445
Debt securities:			
Unquoted in Malaysia	1,346,271	4,870,991	6,217,262
Equity securities:			
Quoted in Malaysia	26,894	54,420	81,314
Total FVOCI financial assets	1,509,549	5,170,472	6,680,021

6. INVESTMENTS (CONTD.)

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
(ii) FVOCI (contd.)			
2021			
At fair value:			
Malaysian government papers	119,907	303,361	423,268
Debt securities:			
Unquoted in Malaysia	1,099,169	4,178,002	5,277,171
Equity securities:			
Unquoted in Malaysia	11,095	22,304	33,399
Total FVOCI financial assets	1,230,171	4,503,667	5,733,838

During the financial year, the Company has disposed selected equity securities from its portfolio of FVOCI financial assets as the securities no longer aligned with the long term investment strategies of the Company as high dividend yielding stocks. The cumulative losses recognised on disposal of these securities amounted to RM13,751,000.

(iii) AC

2022			
Deposits and placements with financial institutions			
Islamic investment accounts with:			
Licensed financial institutions	103,868	712,674	816,542
Other licensed financial institutions	35,000	323,009	358,009
Total AC financial assets	138,868	1,035,683	1,174,551
2021			
Deposits and placements with financial institutions			
Islamic investment accounts with:			
Licensed financial institutions	286,067	1,207,454	1,493,521
Other licensed financial institutions	2,422	234,418	236,840
Total AC financial assets	288,489	1,441,872	1,730,361

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

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 43.

7. FINANCING RECEIVABLES

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Secured:			
Staff loans	11,145	-	11,145
Non-staff loans	2,180	16	2,196
	13,325	16	13,341
Unsecured non-staff loans	14	-	14
Allowance for impairment losses (Note 40)	(2,138)	(16)	(2,154)
	11,201	-	11,201
Receivable after 12 months	8,925	-	8,925
2021			
Secured:			
Staff loans	12,906	-	12,906
Non-staff loans	1,831	16	1,847
	14,737	16	14,753
Unsecured non-staff loans	14	-	14
Allowance for impairment losses (Note 40)	(1,850)	(16)	(1,866)
	12,901	-	12,901
Receivable after 12 months	10,591	-	10,591

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

The weighted average effective profit rate during the financial year was 3.24% (2021: 3.40%) per annum.

8. RETAKAFUL ASSETS

Family Takaful fund/Company	2022 RM'000	2021 RM'000
Retakaful operators' share of takaful certificate liabilities (Note 15):		
Claims liabilities	59,691	34,183
Actuarial liabilities	195,899	173,217
Total retakaful assets	255,590	207,400

9. TAKAFUL RECEIVABLES

Family Takaful fund/Company	2022 RM'000	2021 RM'000
Due contributions including agents/brokers, cedants and co-takaful balances	133,603	137,470
Due from retakaful operators	10,987	12,300
	144,590	149,770
Allowance for impairment losses (Note 40)	(2,013)	(1,820)
	142,577	147,950

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

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 19)	Net amount in the Statement of Financial Position RM'000
2022			
Due from retakaful operators	98,041	(87,054)	10,987
2021			
Due from retakaful operators	70,173	(57,873)	12,300

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

10. OTHER ASSETS

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Sundry receivables, deposits and prepayments	9,374	768	10,142
Allowance for impairment losses (Note 40)	(2,520)	(507)	(3,027)
	6,854	261	7,115
Income and profit due and accrued	27,507	131,993	159,500
Surplus receivable from Family Takaful fund** (Note 20)	132,067	-	-
Amount due from other related company* (Note 37(ii))	42	-	42
Amount due from Family Takaful fund*/** (Note 20)	36,578	-	-
Amount due from stockbrokers	659	3,648	4,307
	196,853	135,641	163,849
Total other assets	203,707	135,902	170,964
2021			
Sundry receivables, deposits and prepayments	6,585	614	7,199
Allowance for impairment losses (Note 40)	(2,490)	(507)	(2,997)
	4,095	107	4,202
Income and profit due and accrued	27,835	129,267	157,102
Surplus receivable from Family Takaful fund** (Note 20)	99,023	-	-
Amount due from other related company* (Note 37(ii))	4,942	-	4,942
Amount due from Family Takaful fund*/** (Note 20)	4,663	-	-
Amount due from stockbrokers	2,352	23,468	25,820
	138,815	152,735	187,864
Total other assets	142,910	152,842	192,066

* Amounts due from other related company and Family Takaful fund (other than wakalah fee receivable) are non-trade in nature, unsecured, not subject to any profit elements and are repayable in the short-term.

10. OTHER ASSETS (CONTD.)

** Surplus receivable and amounts due from Family Takaful fund (wakalah fee receivable) were eliminated to arrive at the Company level balances. These balances are trade in nature, unsecured, not subject to any profit elements and are repayable in accordance with the terms of the takaful certificates.

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

11. CURRENT TAX ASSETS

	Shareholder's fund RM'000 (a) and (b)	Family Takaful fund RM'000	Company RM'000
2022			
At 1 January 2022	82,053	-	82,053
Additions during the year:			
YA 2022	-	200	200
YA 2020 (offset YA2022 instalment)	(2,378)	-	(2,378)
At 31 December 2022	79,675	200	79,875
2021			
At 1 January 2021	63,042	20,416	83,458
Additions during the year:			
YA 2016	380	-	380
YA 2020	2,378		2,378
Reversal of YA 2013	16,253	(20,416)	(4,163)
At 31 December 2021	82,053	-	82,053

As of 31 December 2022, the Inland Revenue Board of Malaysia (“IRBM”) has raised additional assessments on the Company for Years of Assessment (“YA”) 2008 to 2016, totalling RM79,675,000.

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

11. CURRENT TAX ASSETS (CONTD.)

The specific issues raised and corresponding additional tax assessments issued are as summarised below:

(a) For YA2008 to YA2013, the additional assessments, amounting to RM75,695,975, mainly related to the deductibility of commission expenses incurred by the Shareholder's fund ("SHF") in connection with business of the then General Takaful fund ("GTF").

In respect to the Company's appeal, SCIT and High Court had rejected the Company's appeal on 19 February 2021 and 14 September 2022. The Company will appeal to the Court of Appeal and the case management is scheduled on 16 March 2023.

(b) For YA2014 to YA2016, the additional assessments, amounting to RM3,979,238, mainly related to deeming surplus earned on retakaful ceded and processing fee income for the Family Takaful fund's business as incidental income of the Company under Section 60AA(13) of the Income Tax Act, 1967.

Based on the Ministry of Finance ("MOF")'s letter dated 25 February 2022, the MOF has agreed that the retakaful discount/experience refund is an amount received directly in relation to the retakaful ceded under the Family Fund. In view of the above, the retakaful discount/experience refund should not be regarded as other income under Section 60AA(13) of the ITA and hence is not subject to tax. The MOF has deemed that these issues have been resolved.

The IRBM's letter dated 28 September 2022 has agreed that the profit commission income and processing fee should not be regarded as income items subject to tax pursuant to Section 60AA(13) and hence is not subject to tax. A Notice of Reduced Assessment ("JR") was issued for YA 2016 dated 22 November 2022 was issued to the Company and it will utilise the amount to set off against the YA2023 tax instalments.

The Company will continue to pursue settlement on additional taxes paid on the profit commission income earned on retakaful ceded for YA2014 and YA2015 of RM3,119,617 scheduled on 2 March 2023 and 10 April 2023.

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

12. SHARE CAPITAL

Shareholder's fund/Company	**No. of shares '000**	**Amount RM'000**
Issued and fully paid:		
Ordinary shares		
2022/2021		
At 1 January/31 December	100,000	100,000

13. RESERVES

Shareholder's fund/Company	Note	2022 RM'000	2021 RM'000
Non-distributable:			
FVOCI reserve	(i)	(43,357)	(12,289)
Distributable:			
Retained profits	(ii)	2,316,144	2,131,385
Total reserves		2,272,787	2,119,096

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

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

14. PARTICIPANTS' FUND

Family Takaful fund/Company	Note	2022 RM'000	2021 RM'000
Accumulated surplus	(i)	2,041,732	1,966,443
Surplus attributable to the participants	(ii)	216,280	222,391
FVOCI reserve	(iii)	(110,320)	44,966
		2,147,692	2,233,800

(i) Accumulated surplus

At 1 January	1,966,443	1,912,737
Surplus arising during the financial year	200,846	153,889
Surplus attributable to the participants during the financial year (Note(ii))	(73,621)	(87,366)
Reclassification upon disposal of equity securities from FVOCI reserve (Note(iii))	(9,167)	-
Surplus paid to the participants during the financial year	(14,120)	(16,734)
Withholding tax borne by the participants	(28,649)	3,917
At 31 December	2,041,732	1,966,443

(ii) Surplus attributable to the participants

At 1 January	222,391	336,526
Surplus attributable to the participants during the financial year (Note(i))	73,621	87,366
Transfer to takaful certificate liabilities (Note 15(ii))	(79,732)	(201,501)
At 31 December	216,280	222,391

14. PARTICIPANTS' FUND (CONTD.)

Family Takaful fund/Company	2022 RM'000	2021 RM'000
(iii) FVOCI reserve		
At 1 January	44,966	184,149
Fair value changes	(175,544)	(145,464)
Realised gain transferred to income statement (Note 24)	(690)	(3,714)
Reclassification upon disposal of equity securities to accumulated surplus (Note(i))	9,167	-
Deferred tax on fair value changes (Note 18)	11,781	9,995
At 31 December	(110,320)	44,966

15. TAKAFUL CERTIFICATE LIABILITIES

Family Takaful fund/Company	Gross RM'000	Retakaful assets RM'000 (Note 8)	Net RM'000
2022			
Family Takaful fund	9,946,093	(255,590)	9,690,503
Less: Seed money elimination	(20,000)	-	(20,000)
Company	9,926,093	(255,590)	9,670,503
2021			
Family Takaful fund	9,745,994	(207,400)	9,538,594
Less: Seed money elimination	(20,000)	-	(20,000)
Company	9,725,994	(207,400)	9,518,594

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

	Gross RM'000	Retakaful assets RM'000 (Note 8)	Net RM'000
2022			
Claims liabilities (Note (ii))	232,687	(59,691)	172,996
Actuarial liabilities (Note (ii))	9,401,494	(195,899)	9,205,595
NAV attributable to the unit holders (Note (ii))	311,912	-	311,912
	9,946,093	(255,590)	9,690,503
2021			
Claims liabilities (Note (ii))	218,182	(34,183)	183,999
Actuarial liabilities (Note (ii))	9,266,771	(173,217)	9,093,554
NAV attributable to the unit holders (Note (ii))	261,041	-	261,041
	9,745,994	(207,400)	9,538,594

15. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

Family Takaful fund/Company (contd.)

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

2022	Claims Liabilities RM'000	Actuarial Liabilities RM'000	NAV Attributable to the Unit holders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000 (Note 8)	Net Liabilities RM'000
At 1 January 2022	218,182	9,266,771	261,041	9,745,994	(207,400)	9,538,594
Net earned contributions	-	-	143,476	143,476	-	143,476
Other revenue	-	-	8,863	8,863	-	8,863
Claims intimated during the financial year	1,391,484	-	-	1,391,484	(104,894)	1,286,590
Claims paid during the financial year	(1,376,979)	-	(78,266)	(1,455,245)	79,386	(1,375,859)
Other expenses	-	-	(24,464)	(24,464)	-	(24,464)
Taxation	-	-	1,262	1,262	-	1,262
Increase in certificate reserves	-	55,023	-	55,023	(22,682)	32,341
Clawback of prior year's surplus	-	(32)	-	(32)	-	(32)
Transfer from participants' fund (Note 14(ii))	-	79,732	-	79,732	-	79,732
At 31 December 2022	232,687	9,401,494	311,912	9,946,093	(255,590)	9,690,503

15. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

Family Takaful fund/Company (contd.)

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

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

16. DERIVATIVE LIABILITIES

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

	<----------2022---------->			<----------2021 ---------->		
	Principal/ Notional Amount RM'000	**Asset RM'000 (A)**	**Liability RM'000 (B)**	**Principal/ Notional Amount RM'000**	**Asset RM'000 (A)**	**Liability RM'000 (B)**
Hedging derivative:						
Forward foreign exchange contract	-	-	-	20,533	-	487
Total derivative		-	-		-	487

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

Hedging derivative:

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

17. EXPENSE LIABILITIES

Shareholder's fund/Company	2022 RM'000	2021 RM'000
At 1 January	533,451	572,186
Movement in UER	(143,027)	(38,735)
At 31 December	390,424	533,451

18. DEFERRED TAXATION

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
At 1 January 2022	132,699	(15,678)	117,021
Recognised in:			
Income statement (Note 31)	(30,510)	-	(30,524)
Tax borne by the participants (Note 31)	-	17,355	17,355
Other comprehensive income/ participants' fund	11,391	11,781	23,172
At 31 December 2022	113,580	13,458	127,024
2021			
At 1 January 2021	(34,162)	(51,654)	(85,816)
Recognised in:			
Income statement (Note 31)	153,851	-	153,851
Tax borne by the participants (Note 31)	-	25,981	25,981
Other comprehensive income/ participants' fund	13,010	9,995	23,005
At 31 December 2021	132,699	(15,678)	117,021

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

Accordingly, the Company has applied a weighted average rate of 30% on the timing differences as at 31 December 2021 so as to derive the net deferred tax liabilities for the year then ended. For the year ended 31 December 2022, deferred tax has been estimated at the prevailing corporate tax rate of 24%.

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

18. DEFERRED TAXATION (CONTD.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax assets of the Shareholder's fund shown in the statement of financial position has been determined after appropriate offsetting as follows:

Shareholder's fund	**2022 RM'000**	**2021 RM'000**
Deferred tax assets	115,121	146,816
Deferred tax liabilities	(1,541)	(14,117)
	113,580	132,699

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

	Lease liabilities RM'000	**Expense liabilities RM'000**	**Accelerated capital allowance RM'000**	**Provision for bonus RM'000**	**FVOCI reserve RM'000**	**Impairment of FVOCI financial assets RM'000**	**Net amortisation of premiums on investments RM'000**	**Others RM'000**	**Unrealised currency exchange RM'000**	**Total RM'000**
2022										
At 1 January 2022	18	131,269	2,422	3,887	5,268	83	3,869	-	-	146,816
Recognised in:										
Income statement	(4)	(37,567)	(462)	(3,283)	(2,966)	16	10	1,132	38	(43,086)
Other comprehensive income	-	-	-	-	11,391	-	-	-	-	11,391
At 31 December 2022	14	93,702	1,960	604	13,693	99	3,879	1,132	38	115,121
2021										
At 1 January 2021	-	-	-	-	-	88	2,633	-	-	2,721
Recognised in:										
Income statement	18	131,269	2,422	3,887	-	(5)	1,236	-	-	138,827
Other comprehensive income	-	-	-	-	5,268	-	-	-	-	5,268
At 31 December 2021	18	131,269	2,422	3,887	5,268	83	3,869	-	-	146,816

18. DEFERRED TAXATION (CONTD.)

Shareholder's fund (contd.)

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

(ii) Deferred tax liabilities

	FVOCI reserve RM'000	Fair value adjustment RM'000	Unrealised currency exchange RM'000	Total RM'000
2022				
At 1 January 2022	-	(14,104)	(13)	(14,117)
Recognised in:				
Income statement	-	12,563	13	12,576
At 31 December 2022	-	(1,541)	-	(1,541)
2021				
At 1 January 2021	(7,742)	(29,141)	-	(36,883)
Recognised in:				
Income statement	-	15,037	(13)	15,024
Other comprehensive income	7,742	-	-	7,742
At 31 December 2021	-	(14,104)	(13)	(14,117)

18. DEFERRED TAXATION (CONTD.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax assets/(liabilities) of the Family Takaful fund shown in the statement of financial position has been determined after appropriate offsetting as follows:

Family Takaful fund	**2022 RM'000**	**2021 RM'000**
Deferred tax assets	13,729	4,150
Deferred tax liabilities	(271)	(19,828)
	13,458	(15,678)

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

(i) Deferred tax assets

	FVOCI reserve RM'000	**Unrealised currency exchange RM'000**	**Impairment of FVOCI financial assets RM'000**	**Net Amortisation of premiums on investments RM'000**	**Total RM'000**
2022					
At 1 January 2022	-	-	69	4,081	4,150
Recognised in:					
Tax borne by the participants	-	31	29	724	784
Participants' fund	8,795	-	-	-	8,795
At 31 December 2022	8,795	31	98	4,805	13,729
2021					
At 1 January 2021	-	-	109	3,638	3,747
Recognised in:					
Tax borne by the participants	-	-	(40)	443	403
At 31 December 2021	-	-	69	4,081	4,150

18. DEFERRED TAXATION (CONTD.)

Family Takaful fund (contd.)

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

(ii) Deferred tax liabilities

	FVOCI reserve RM'000	Fair value adjustment RM'000	Unrealised currency exchange RM'000	Total RM'000
2022				
At 1 January 2022	(2,986)	(16,834)	(8)	(19,828)
Recognised in:				
Tax borne by the participants	-	16,563	8	16,571
Participants' fund	2,986	-	-	2,986
At 31 December 2022	-	(271)	-	(271)
2021				
At 1 January 2021	(12,981)	(42,420)	-	(55,401)
Recognised in:				
Tax borne by the participants	-	25,586	(8)	25,578
Participants' fund	9,995	-	-	9,995
At 31 December 2021	(2,986)	(16,834)	(8)	(19,828)

18. DEFERRED TAXATION (CONTD.)

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

Company	**2022 RM'000**	**2021 RM'000**
Deferred tax assets	128,836	150,966
Deferred tax liabilities	(1,812)	(33,945)
	127,024	117,021

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

	Lease liabilities RM'000	**Expense liabilities RM'000**	**Accelerated capital allowance RM'000**	**Provision for bonus RM'000**	**FVOCI reserve RM'000**	**Impairment of FVOCI financial assets RM'000**	**Net amortisation of premiums on investments RM'000**	**Others RM'000**	**Unrealised currency exchange RM'000**	**Total RM'000**
2022										
At 1 January 2022	18	131,269	2,422	3,887	5,268	152	7,950	-	-	150,966
Recognised in:										
Income statement	(4)	(37,567)	(462)	(3,283)	(2,966)	16	10	1,118	38	(43,100)
Tax borne by the participants	-	-	-	-	-	29	724	-	31	784
Other comprehensive income	-	-	-	-	11,391	-	-	-	-	11,391
Participants' fund	-	-	-	-	8,795	-	-	-	-	8,795
At 31 December 2022	14	93,702	1,960	604	22,488	197	8,684	1,118	69	128,836
2021										
At 1 January 2021	-	-	-	-	-	197	6,271	-	-	6,468
Recognised in:										
Income statement	18	131,269	2,422	3,887	-	(5)	1,236	-	-	138,827
Tax borne by the participants	-	-	-	-	-	(40)	443	-	-	403
Other comprehensive income	-	-	-	-	5,268	-	-	-	-	5,268
At 31 December 2021	18	131,269	2,422	3,887	5,268	152	7,950	-	-	150,966

18. DEFERRED TAXATION (CONTD.)

Company (contd.)

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

(ii) Deferred tax liabilities

	FVOCI reserve RM'000	Fair value adjustment RM'000	Unrealised currency exchange RM'000	Total RM'000
2022				
At 1 January 2022	(2,986)	(30,938)	(21)	(33,945)
Recognised in:				
Income statement	-	12,563	13	12,576
Tax borne by the participants	-	16,563	8	16,571
Participants' fund	2,986	-	-	2,986
At 31 December 2022	-	(1,812)	-	(1,812)
2021				
At 1 January 2021	(20,723)	(71,561)	-	(92,284)
Recognised in:				
Income statement	-	15,037	(13)	15,024
Tax borne by the participants	-	25,586	(8)	25,578
Other comprehensive income	7,742	-	-	7,742
Participants' fund	9,995	-	-	9,995
At 31 December 2021	(2,986)	(30,938)	(21)	(33,945)

19. TAKAFUL PAYABLES

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Amounts due to agents and intermediaries	2,331	25,812	28,143
Amounts due to retakaful operators	-	20,994	20,994
	2,331	46,806	49,137
2021			
Amounts due to agents and intermediaries	5,390	20,567	25,957
Amounts due to retakaful operators	-	4,084	4,084
	5,390	24,651	30,041

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

Family Takaful fund	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 9)	Net amount in the Statement of Financial Position RM'000
2022			
Amounts due to retakaful operators	108,048	(87,054)	20,994
2021			
Amounts due to retakaful operators	61,957	(57,873)	4,084

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

20. OTHER LIABILITIES

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Contribution deposits	-	59,210	59,210
Lease liabilities (Note 4)	95	-	95
Provision for restoration/dismantling costs	76	-	76
Amount due to Shareholder's fund*/** (Note 10)	-	36,635	-
Unclaimed monies	-	153,631	153,631
Service tax payable	-	10,646	10,646
Surplus payable to the Participants' Investment fund	-	4,387	4,387
Surplus payable to Shareholder's fund** (Note 10)	-	132,067	-
Surplus payable to the participants	-	5,191	5,191
Withholding tax payable	-	20,316	20,316
Amount due to related companies* (Note 37(ii)):			
- ultimate holding company	8,672	-	8,672
- immediate and penultimate holding company	1,228	-	1,228
- other related companies	3,321	230	3,551
Zakat payable	11,216	-	11,216
Provisions for expenses	32,289	-	32,289
Sundry payables and accrued liabilities	44,047	176,448	220,495
Total other liabilities	100,944	598,761	531,003

20. OTHER LIABILITIES (CONTD.)

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2021			
Contribution deposits	-	53,689	53,689
Lease liabilities (Note 4)	266	-	266
Provision for restoration/dismantling costs	75	-	75
Amount due to Shareholder's fund*/** (Note 10)	-	4,663	-
Amount due to stockbrokers	80	187	267
Unclaimed monies	-	174,555	174,555
Service tax payable	-	11,407	11,407
Surplus payable to the Participants' Investment fund	-	4,387	4,387
Surplus payable to the participants	-	5,191	5,191
Surplus payable to Shareholder's fund** (Note 10)	-	99,023	-
Witholding tax payable	-	11,307	11,307
Amount due to related companies* (Note 37(ii)):			
- ultimate holding company	6,760	-	6,760
- immediate and penultimate holding company	3,148	-	3,148
- other related companies	6,044	221	6,265
Zakat payable	13,326	-	13,326
Provisions for expenses	30,216	-	30,216
Sundry payables and accrued liabilities	64,847	140,164	205,011
Total other liabilities	124,762	504,794	525,870

* Amounts due to ultimate holding company, penultimate holding company, immediate holding company, other related companies and Shareholder's fund (other than wakalah fees payable) are non-trade in nature, unsecured, not subject to any profit elements and are repayable in the short term.

** Surplus payable and amounts due to Shareholder's fund (wakalah fee payable) were eliminated to arrive at the Company level balances. These balances are trade in nature, unsecured, not subject to any profit elements and are repayable in accordance with the terms of the takaful certificates.

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

21. OPERATING REVENUE

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Gross contributions	-	2,065,765	2,065,765
Wakalah fees (Notes 22 and 30)	426,646	-	-
Investment income (Note 23)	107,758	521,323	629,081
	534,404	2,587,088	2,694,846
2021			
Gross contributions	-	1,773,121	1,773,121
Wakalah fees (Notes 22 and 30)	348,501	-	-
Investment income (Note 23)	97,953	482,969	580,922
	446,454	2,256,090	2,354,043

22. FEE AND COMMISSION INCOME

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Wakalah fee income (Notes 21 and 30)	426,646	-	-
Profit commission	-	492	492
Others	221	-	221
Total fee and commission income	426,867	492	713
2021			
Wakalah fee income (Notes 21 and 30)	348,501	-	-
Profit commission	-	1,065	1,065
Others	150	-	150
Total fee and commission income	348,651	1,065	1,215

23. INVESTMENT INCOME, NET

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Profit income	44,602	266,843	311,445
- HFT			
Profit income	-	5,891	5,891
Dividend income:			
Equity securities			
Quoted in Malaysia	820	11,702	12,522
Quoted outside Malaysia	149	363	512
Unit and property trust funds	1	251	252
Financial assets at FVOCI:			
Profit income	63,402	232,483	295,885
Dividend income:			
Equity securities			
Quoted in Malaysia	1,469	3,316	4,785
Financial assets at AC:			
Profit income	3,072	22,587	25,659
Profit income from financing receivables	223	-	223
Rental income, net	54	-	54
Net amortisation of premiums	(5,205)	(18,541)	(23,746)
Investment related expenses	(829)	(3,572)	(4,401)
Total investment income, net	107,758	521,323	629,081

23. INVESTMENT INCOME, NET (CONTD.)

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

24. REALISED LOSSES, NET

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Intangible assets	4	-	4
Financial assets at FVTPL:			
(i) Designated upon initial recognition			
Malaysian government papers	-	829	829
Debt securities	2,564	316	2,880
	2,564	1,145	3,709
(ii) HFT			
Malaysian government papers	-	306	306
Equity securities	(6,213)	(50,918)	(57,131)
Debt securities	-	(201)	(201)
Unit and property trust funds	18	(62)	(44)
	(6,195)	(50,875)	(57,070)
Financial assets at FVOCI:			
Malaysian government papers	164	458	622
Debt securities	(33)	232	199
	131	690	821
Total realised losses, net	(3,496)	(49,040)	(52,536)

24. REALISED LOSSES, NET (CONTD.)

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

25. FAIR VALUE LOSSES, NET

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Financial assets at FVTPL:			
- Designated upon initial recognition	(39,896)	(203,532)	(243,428)
- HFT	(697)	(10,747)	(11,032)
Total fair value losses, net	(40,593)	(214,279)	(254,460)
2021			
Financial assets at FVTPL:			
- Designated upon initial recognition	(72,645)	(300,072)	(372,717)
- HFT	(1,761)	(29,865)	(30,775)
Total fair value losses, net	(74,406)	(329,937)	(403,492)

26. OTHER OPERATING (EXPENSES)/INCOME, NET

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Other income			
Surrender charges	210	-	210
Unrealised gain on foreign exchange	-	486	486
Sundry income	2,272	24,100	26,372
Bad debt recovery on financing receivables	3	-	3
	2,485	24,586	27,071
Other expenses			
Allowance for impairment losses on (Note 40(i)):			
- Financing receivables	(288)	-	(288)
- Investments	(134)	(380)	(514)
- Takaful receivables	-	(193)	(193)
- Other assets	(87)	-	(30)
Unrealised loss on foreign exchange	(142)	-	(142)
Realised loss on foreign exchange	(287)	(1,601)	(1,888)
Takaful receivables written off	-	(505)	(505)
Sundry expenditure	(4,293)	(20,561)	(24,854)
	(5,231)	(23,240)	(28,414)
Total other operating (expenses) /income, net	(2,746)	1,346	(1,343)

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

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2021			
Other income			
Surrender charges	75	-	75
Reversal of impairment losses on (Note 40(i)):			
- Financing receivables	1	-	1
- Investments	89	587	676
- Takaful receivables	-	7,802	7,802
Gain on foreign exchange			
- Unrealised	21	-	21
- Realised	161	467	628
Sundry income	1,172	23,756	24,928
	1,519	32,612	34,131
Other expenses			
Allowance for impairment losses on other assets (Note 40(i))	(17)	-	(17)
Unrealised loss on foreign exchange	-	(225)	(225)
Takaful receivables written off	-	(22)	(22)
Sundry expenditure	(4,050)	(19,268)	(23,318)
Pandemic medical costs	(3,253)	-	(3,253)
	(7,320)	(19,515)	(26,835)
Total other operating (expenses) /income, net	(5,801)	13,097	7,296

27. MANAGEMENT EXPENSES

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Employee benefits expenses (Note (a))	81,254	16,659	97,913
Directors' fees and remuneration (Note 28)	917	-	917
Shariah Committee's fees and remuneration (Note 29)	336	-	336
Auditors' remuneration:			
- statutory audits	478	-	478
- regulatory-related services	15	15	30
Depreciation of property, plant and equipment (Note 3)	112	-	112
Depreciation of ROU assets (Note 4)	168	-	168
Profit on lease liabilities (Note 4)	9	-	9
Amortisation of intangible assets (Note 5)	1,346	-	1,346
Bank and financing charges	3,771	3	3,774
Electronic data processing expenses	6,837	1,323	8,160
Entertainment expenses	141	-	141
Legal fees	209	-	209
Information technology outsourcing	10,167	1,975	12,142
Office facilities expenses	223	153	376
Other management fees	3,161	678	3,839
Postage and stamp duties	1,476	34	1,510
Printing and stationery	1,417	40	1,457
Professional fees	736	198	934
Promotional and marketing costs	55,612	10	55,622
Rental of offices/premises	4,688	1,046	5,734
Training expenses	932	138	1,070
Travelling expenses	566	51	617
Utilities, assessment and maintenance	6,028	882	6,910
Contract staff services	1,733	578	2,311
Subscription, licenses and levy	5,506	171	5,677
Other expenses	13,099	1,023	14,122
Total management expenses	200,937	24,977	225,914

27. MANAGEMENT EXPENSES (CONTD.)

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2021			
Employee benefits expenses (Note (a))	82,332	16,374	98,706
Directors' fees and remuneration (Note 28)	899	-	899
Shariah Committee's fees and remuneration (Note 29)	264	-	264
Auditors' remuneration:			
- statutory audits	415	-	415
- regulatory-related services	14	14	28
- other assurance services	66	-	66
Depreciation of property, plant and equipment (Note 3)	107	-	107
Depreciation of ROU assets (Note 4)	194	-	194
Profit on lease liabilities (Note 4)	20	-	20
Amortisation of intangible assets (Note 5)	1,178	-	1,178
Bank and financing charges	3,910	3	3,913
Electronic data processing expenses	5,726	1,112	6,838
Entertainment expenses	76	3	79
Legal fees	260	-	260
Information technology outsourcing	7,056	1,370	8,426
Office facilities expenses	663	183	846
Other management fees	184	5	189
Postage and stamp duties	1,074	36	1,110
Printing and stationery	507	101	608
Professional fees	563	177	740
Promotional and marketing costs	46,343	-	46,343
Rental of offices/premises	5,436	1,139	6,575
Training expenses	851	70	921
Travelling expenses	120	17	137
Utilities, assessment and maintenance	6,054	637	6,691
Contract staff services	1,672	508	2,180
Subscription, licenses and levy	3,597	316	3,913
Other expenses	8,499	956	9,455
Total management expenses	178,080	23,021	201,101

27. MANAGEMENT EXPENSES (CONTD.)

(a) Employee benefits expenses	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Wages, salaries and bonus	62,127	12,766	74,893
EPF	9,668	2,011	11,679
SOCSO	507	81	588
Share based compensation	1,479	417	1,896
Other benefits	7,473	1,384	8,857
	81,254	16,659	97,913
2021			
Wages, salaries and bonus	63,319	12,641	75,960
EPF	9,882	1,841	11,723
SOCSO	460	73	533
Share based compensation	2,209	584	2,793
Other benefits	6,462	1,235	7,697
	82,332	16,374	98,706

Included in employee benefits expense is CEO's remuneration of RM1,510,000 (2021: RM1,301,000) as further disclosed in Note 27(b).

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

Shareholder's fund/Company	2022 RM'000	2021 RM'000
Salaries	817	721
Bonus	300	240
Contribution to EPF	186	161
Share based compensation	126	114
Other emoluments	81	65
	1,510	1,301

28. DIRECTORS' FEES AND REMUNERATION

Shareholder's fund/Company	**2022 RM'000**	**2021 RM'000**
Non-executive directors:		
Fees	780	765
Other emoluments	137	134
Total directors' fees and remuneration	917	899

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

	Fees RM'000	**Other Emoluments RM'000**	**Total RM'000**
2022			
Non-executive directors:			
Dato' Majid Bin Mohamad (Chairman)	180	29	209
Dato' Johan Bin Ariffin	120	18	138
Mr. Wong Pakshong Kat Jeong Colin Stewart	120	20	140
Mr. Andrew King Sun Cheung	120	20	140
Prof. Dr. Azman Bin Mohd Noor	120	23	143
En. Mohd Din Bin Merican	120	27	147
	780	137	917

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

29. SHARIAH COMMITTEE'S FEES AND REMUNERATION

	2022 RM'000	2021 RM'000
Shareholder's fund/Company		
Fees	175	158
Other emoluments	161	106
	336	264

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

	Fees RM'000	Other Emoluments RM'000	Total RM'000
2022			
Shariah committee:			
Prof Dr. Aznan bin Hasan (Chairman)	35	28	63
Prof Dr. Rusni binti Hassan	28	27	55
Prof Dr. Abdul Rahim bin Abdul Rahman	28	27	55
Prof Dato' Dr. Mohd Azmi bin Omar	28	27	55
Prof Dr. Azman Mohd Noor	28	26	54
Sahibus Samahah Dr. Mohamad Sabri Haron (Appointed w.e.f 1 January 2022)	28	26	54
	175	161	336

	Fees RM'000	Other Emoluments RM'000	Total RM'000
2021			
Shariah committee:			
Assoc Prof Dr. Aznan Bin Hasan (Chairman)	35	20	55
Dr. Sarip Bin Adul (Resigned w.e.f 31 May 2021)	11	6	17
Prof Dr. Rusni Binti Hassan	28	20	48
Prof Dr. Abdul Rahim Bin Abdul Rahman	28	20	48
Prof Dato' Dr. Mohd Azmi Bin Omar	28	20	48
Assoc Prof Dr. Azman Bin Mohd Noor	28	20	48
	158	106	264

30. FEE AND COMMISSION EXPENSES

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Commission expenses	157,687	664	158,351
Wakalah fee expenses (Notes 21 and 22)	-	426,646	-
	157,687	427,310	158,351
2021			
Commission expenses	138,288	579	138,867
Wakalah fee expenses (Notes 21 and 22)	-	348,501	-
	138,288	349,080	138,867

31. TAXATION

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2022 and 31 December 2021 are as follows:

2022	Shareholder's fund RM'000	Company RM'000
Income Statement		
Income tax:		
Tax expense for the financial year	112,258	112,258
Over provision of taxation in prior years	(1,686)	(1,686)
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 18)	30,510	30,524
Income tax expense recognised in Income Statement	141,082	141,096

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

31. TAXATION (CONTD.)

Reconciliation between tax expense and accounting profit

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

2022	Shareholder's fund RM'000	Company RM'000
Profit before taxation and zakat	404,260	404,729
Taxation at Malaysian statutory tax rate of 24%	97,022	97,135
Income not subject to tax	(3,382)	(3,382)
Expenses not deductible for tax purposes	24,676	24,577
Effect of zakat deduction and approved donation	(427)	(427)
Effect of Prosperity Tax	24,879	24,879
Over provision of taxation in prior years	(1,686)	(1,686)
Tax expense for the financial year	141,082	141,096

Shareholder's fund/Company	2021 RM'000
Profit before taxation and zakat	188,318
Taxation at Malaysian statutory tax rate of 24%	45,196
Income not subject to tax	(94,740)
Expenses not deductible for tax purposes	109,155
Effect of zakat deduction and approved donation	(864)
Effect of weighted average tax rate on deferred tax	(1,435)
Effect of changes in tax legislation	(133,710)
Over provision of taxation in prior years	(16,584)
Tax credit for the financial year	(92,982)

Domestic income tax for the Shareholder's fund is calculated on the estimated assessable profit for the financial year at the Malaysian statutory tax rate of 24% for chargeable income up to RM100 million and at 33% for chargeable income above RM100 million (2021: 24% of chargeable income).

31. TAXATION (CONTD.)

Tax borne by the participants

Family Takaful fund/Company	2022 RM'000	2021 RM'000
Income Statement		
Income tax:		
Tax expense for the financial year	(215)	85
(Over)/Under provision of taxation in prior year	(70)	20,332
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 18)	(17,355)	(25,981)
Tax borne by participants recognised in Income Statement	(17,640)	(5,564)

The income tax for the Family Takaful fund is calculated at the statutory rate of 8% (2021: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

Statement of Comprehensive Income

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Deferred taxation:			
Fair value changes on financial assets at FVOCI			
- debt securities	(9,146)	(12,129)	(21,275)
- equity securities	(2,245)	348	(1,897)
	(11,391)	(11,781)	(23,172)
2021			
Deferred taxation:			
Fair value changes on financial assets at FVOCI			
- debt securities	(12,091)	(9,505)	(21,596)
- equity securities	(919)	(490)	(1,409)
	(13,010)	(9,995)	(23,005)

32. EARNINGS PER SHARE

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

	2022	2021
Profit attributable to ordinary shareholder (RM'000)	255,657	270,691
Weighted average number of ordinary shares in issue (units '000)	100,000	100,000
Basic and diluted earnings per share (sen)	255.66	270.69

33. DIVIDENDS

	2022 RM'000	2021 RM'000
Recognised during the financial year		
Final dividend in respect of financial year ended 31 December 2021		
- 69.28 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	69,280	-

34. OTHER COMMITMENTS AND CONTINGENCIES

Shareholder's fund	2022 RM'000	2021 RM'000
Approved and contracted for:		
Intangible assets	446	-

35. SEGMENTAL INFORMATION ON CASH FLOW

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Net cash flows generated from/(used in):			
Operating activities	265,484	1,040,579	1,306,063
Investing activities	(197,441)	(1,037,998)	(1,235,439)
Financing activities	(69,460)	-	(69,460)
	(1,417)	2,581	1,164
Net (decrease)/increase in cash and cash equivalents:			
At 1 January 2022	2,583	56,225	58,808
At 31 December 2022	1,166	58,806	59,972
	(1,417)	2,581	1,164
2021			
Net cash flows generated from/(used in):			
Operating activities	309,457	1,502,926	1,812,383
Investing activities	(345,551)	(1,639,965)	(1,985,516)
Financing activities	(216)	-	(216)
	(36,310)	(137,039)	(173,349)
Net decrease in cash and cash equivalents:			
At 1 January 2021	38,893	193,264	232,157
At 31 December 2021	2,583	56,225	58,808
	(36,310)	(137,039)	(173,349)

36. SHARE-BASED COMPENSATION

ESGP and CESGP

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

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

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

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

Other principal features of the ESGP are as follows:

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

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

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

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

37. SIGNIFICANT RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the directors and the Chief Executive Officer of the Company.

The Company has related party relationships with its holding companies, fellow subsidiary companies, key management personnel and the subsidiaries and associates of a company with significant influence over its shareholders.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Company are as follows:

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

Income/(expenses):	**Shareholder's fund RM'000**	**Family Takaful fund RM'000**	**Company RM'000**
2022			
Ultimate holding company:			
Gross contribution income	-	7,939	7,939
Other income	817	-	817
Commission and fee expenses	(7,661)	-	(7,661)
Bank charges	(473)	(3)	(476)
ESGP	(1,308)	-	(1,308)
Claims paid	-	(7,045)	(7,045)
Immediate and penultimate holding companies:			
Gross contribution income	-	332	332
Shared services costs	(19,564)	(87)	(19,651)
Remuneration of a seconded employee	(106)	-	(106)
Other expenses	(277)	-	(277)
Dividend paid	(69,280)	-	(69,280)

37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

Income/(expenses)(contd.):	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022 (contd.)			
Fellow subsidiaries within the MAHB Group:			
Gross contribution income	-	715	715
Rental income	54	-	54
Rental expenses	(5,190)	-	(5,190)
Shared services costs	(31,073)	-	(31,073)
Fellow subsidiaries within the EIHSB Group:			
Gross contribution income	-	10	10
Shared services costs	(197)	-	(197)
Other related companies within the Maybank Group:			
Gross contribution income	-	7,373	7,373
Profit income	2,977	11,871	14,848
Other income	39	-	39
Information technology outsourcing	(10,167)	(1,975)	(12,142)
Commission and fee expenses	(64,855)	-	(64,855)
Investment expenses	(696)	(2,962)	(3,658)
Claims paid	-	(446)	(446)
Companies with significant influence over the Maybank Group:			
Gross contribution income	-	10,311	10,311
Claims paid	-	(2,646)	(2,646)
2021			
Ultimate holding company:			
Gross contribution income	-	8,597	8,597
Other income	488	-	488
Commission and fee expenses	(6,788)	-	(6,788)
Bank charges	(548)	(2)	(550)
ESGP	(1,521)	-	(1,521)
Claims paid	-	(3,298)	(3,298)

37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
Income/(expenses)(contd.):			
2021 (contd.)			
Immediate and penultimate holding companies:			
Gross contribution income	-	325	325
Shared services costs	(25,968)	(5)	(25,973)
Claims paid	-	(1,238)	(1,238)
Remuneration of a seconded employee	(158)	-	(158)
Other expenses	(229)	-	(229)
Fellow subsidiaries within the MAHB Group:			
Gross contribution income	-	695	695
Rental income	54	-	54
Rental expenses	(5,610)	-	(5,610)
Claims paid	-	(513)	(513)
Shared services costs	(29,294)	-	(29,294)
Fellow subsidiaries within the EIHSB Group:			
Gross contribution income	-	7	7
Shared services costs	(36)	-	(36)
Consultation fee	(18)	-	(18)
Other related companies within the Maybank Group:			
Gross contribution income	-	5,638	5,638
Profit income	4,118	17,425	21,543
Other income	23	-	23
Information technology outsourcing	(7,056)	(1,370)	(8,426)
Commission and fee expenses	(42,835)	-	(42,835)
Investment expenses	(632)	(2,771)	(3,403)
Claims paid	-	(1,082)	(1,082)
Companies with significant influence over the Maybank Group:			
Gross contribution income	-	10,795	10,795
Claims paid	-	(1,830)	(1,830)

37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Ultimate holding company:			
Bank balances	1,166	48,374	49,540
Outstanding contributions	-	22	22
Claim liabilities	-	(10)	(10)
Sundry payables and accrued liabilities	(21,969)	-	(21,969)
Amount due to ultimate holding company (Note 20)	(8,672)	-	(8,672)
Immediate and penultimate holding companies:			
Claim liabilities	-	(419)	(419)
Amount due to penultimate holding company (Note 20)	(1,228)	-	(1,228)
Fellow subsidiaries within the MAHB Group:			
Amount due from other related companies (Note 10)	42	-	42
Amount due to other related companies (Note 20)	(3,168)	-	(3,168)
Fellow subsidiaries within the EIHSB Group:			
Amount due to other related companies (Note 20)	(97)	-	(97)

37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022 (contd.)			
Other related companies within the Maybank Group:			
Income due and accrued	188	862	1,050
Fixed and call deposits	100,508	365,431	465,939
Outstanding contributions	-	(23)	(23)
Sundry receivables, deposits and prepayments	3,271	-	3,271
Sundry payables and accrued liabilities	(2,287)	-	(2,287)
Amount due to other related companies (Note 20)	(56)	(230)	(286)
Companies with significant influence over the Maybank Group:			
Outstanding contributions	-	17,119	17,119
2021			
Ultimate holding company:			
Bank balances	2,583	46,424	49,007
Outstanding contributions	-	68	68
Claim liabilities	-	(990)	(990)
Sundry payables and accrued liabilities	(40,303)	-	(40,303)
Amount due to ultimate holding company (Note 20)	(6,760)	-	(6,760)
Immediate holding company:			
Amount due to immediate holding company (Note 20)	(3,148)	-	(3,148)

37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2021 (contd.)			
Fellow subsidiaries within the MAHB Group:			
Outstanding contributions	-	1	1
Amount due from other related companies (Note 10)	4,942	-	4,942
Amount due to other related companies (Note 20)	(5,954)	-	(5,954)
Fellow subsidiaries within the EIHSB Group:			
Amount due to other related companies (Note 20)	(36)	-	(36)
Other related companies within the Maybank Group:			
Income due and accrued	379	1,559	1,938
Fixed and call deposits	275,334	787,474	1,062,808
Outstanding contributions	-	23	23
Derivatives	-	(487)	(487)
Sundry receivables, deposits and prepayments	6,337	-	6,337
Sundry payables and accrued liabilities	(1,312)	-	(1,312)
Amount due to other related companies (Note 20)	(54)	(221)	(275)
Companies with significant influence over the Maybank Group:			
Outstanding contributions	-	8,649	8,649

Trade and investments related balances with related companies are subject to normal trade terms. The terms for non-trade balances with related companies are as disclosed in Notes 10 and 20.

37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(iii) Key management personnel compensation

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

	2022 RM'000	2021 RM'000
Short-term employee benefits		
Fees	780	765
Salaries, allowances and bonuses	1,162	1,006
Contribution to EPF and pension scheme	186	161
Share based compensation	126	114
Other emoluments	173	153
	2,427	2,199

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

Award date	2022 Units '000	2021 Units '000
At 1 January	453	292
Awarded	61	161
At 31 December	514	453

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

38. ENTERPRISE RISK MANAGEMENT FRAMEWORK

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

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



The overall risk management process is viewed in a structured and disciplined approach to align strategies, policies, processes, technology and knowledge with the purpose of evaluating and managing the uncertainties the organisation faces as it creates value.

38. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Principles

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

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

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

Risk Culture

At the heart or foundation of the ERM structure is the risk culture. It is a vital component in strengthening risk governance and forms a fundamental tenet of strong risk management. Risk culture serves as the foundation upon which a strong enterprise wide risk management structure is built.

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

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

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

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

38. 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

The establishment of the 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 and Senior Management to communicate, understand and assess the types and levels of risks that they are willing to accept in pursuit of its business objectives.

Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic as well as responsive to changing business and market conditions. The articulation of the risk appetite is done through a set of Risk Appetite Statements, which include a comprehensive view of material risks selected on the basis of having more strategic focus on the risks that will significantly impact our capital, liquidity, asset quality, profitability and ultimately MAHB Group’s strategic objectives and reputation. This forms the link in which risk limits and controls are set to manage risk exposures arising from business activities. An effective risk appetite can also act as a powerful reinforcement to a strong risk culture.

Adequate Capital

Capital Management is the key element for ensuring that MAHB and its subsidiaries has adequate capital to meet its capital requirements on an on-going basis, fulfilling the regulatory requirements on Internal Capital Adequacy Assessment Processes ("ICAAP") that all Takaful Operators must operate at capital levels above the Individual Target Capital Level ("ITCL") at all times, which means that in the event that the ITCL is breached, MAHB and its subsidiaries must have an actionable plan to restore the capital level within a reasonable timeframe.

38. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Response

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

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

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

Governance and Risk Oversight

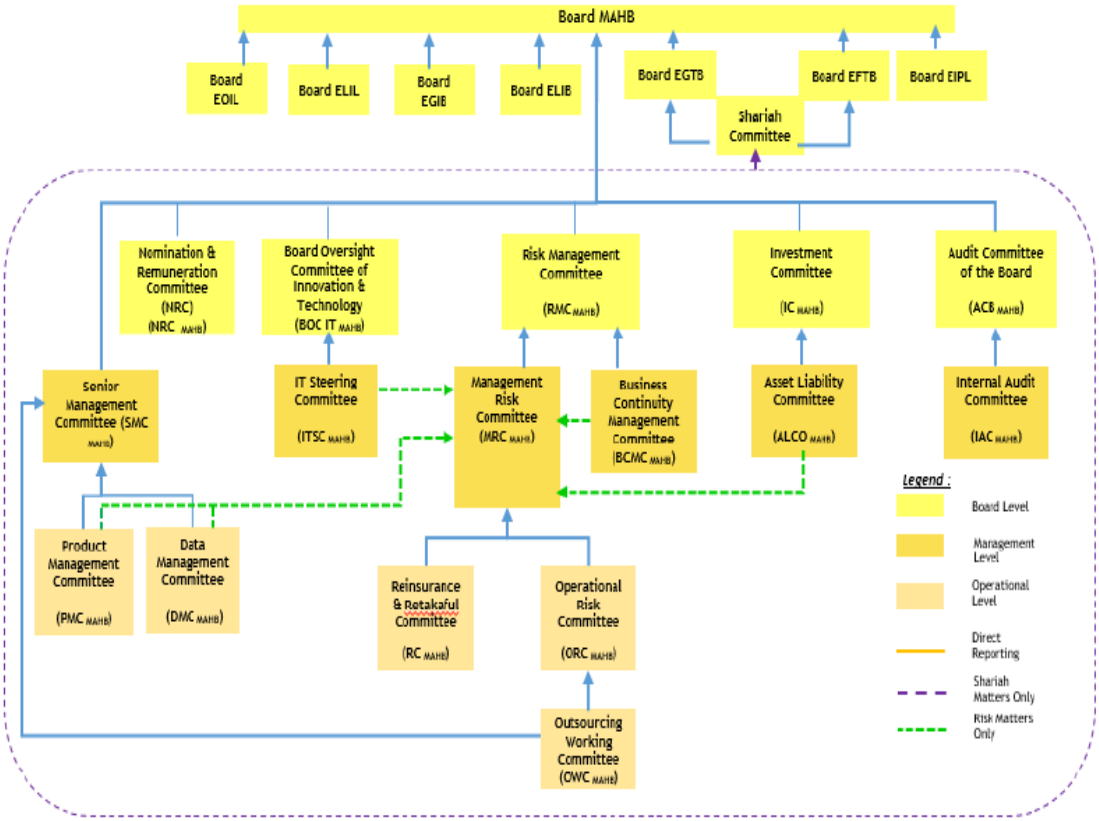
A governance structure should be clear, effective as well as robust and includes the role of the Board, Risk Committees and Senior Management with well defined, transparent and consistent lines of responsibility.

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

The risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the risk governance bodies in the risk management function. The roles and responsibilities of each committee in risk governance are clarified in their Terms of Reference.

38. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)



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

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

In general, the role of the 1st line involves the execution of activities and ownership of risk, while the 2nd line is responsible for establishing policies and risk structure. The 3rd line is responsible for providing independent risk assurance.

While the 3 lines of defence reside within the internal realm, the overall risk governance structure is strengthened by the external line (e.g. service providers, agents, customers, regulators, etc.) which forms part of the overall risk governance ecosystem. The external line complements the internal model by virtue of the relationship it has with MAHB Group and the role it partakes within that relationship.

38. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)

MAHB Board

The MAHB Board, together with the respective Etiqa Entity's Boards, have the final responsibility for all business activities, including risk management. The Boards are the ultimate decision-making body for MAHB Group. The Boards have delegated specific matters to sub-committees, such as risk matters to the Risk Management Committee ("RMC"), audit matters to the Audit Committee of the Board ("ACB"), and investment matters to the Investment Committee ("IC").

Board Oversight Committee of Innovation and Technology ("BOC IT") is responsible to review the innovations enabled by technology; Financial and Operational Excellence ("FOX") opportunities enabled by technology; critical/significant innovation and technology projects, initiatives and opportunities; operational and regulatory related activities; and ensure all IT initiatives are adquately funded and resourced.

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

Senior Management Committee ("SMC")

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

Management Risk Committee ("MRC")

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

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, such as following the Risk Appetite and Asset Liability Management ("ALM") constraints.

Information Technology Steering Committee ("ITSC")

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

38. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)

Internal Audit Committee ("IAC")

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

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

Operational Risk Committee ("ORC")

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

Product Management Committee ("PMC")

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

Data Management Committee ("DMC")

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

Reinsurance & Retakaful Committee ("RC")

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

Outsourcing Working Committee ("OWC")

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

38. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)

Fire Committee ("FC")

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

Motor Committee ("MC")

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

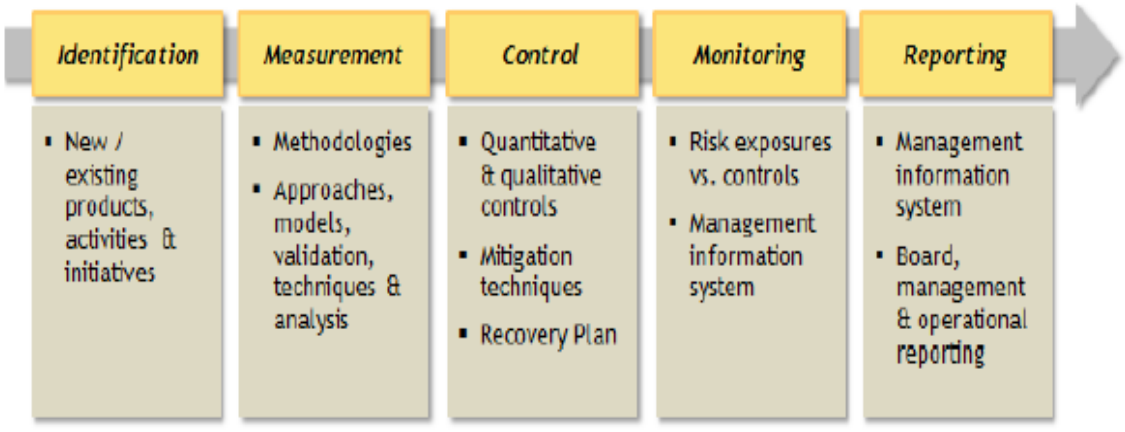
Business Continuity Management Committee ("BCMC")

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

Risk Management Practices and Processes

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

The five (5) main stages of the risk management process whichform a continuous cycle are depicted below:



38. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Stress Test

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

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

Resource and System Insfrastructure

Any good risk management infrastructure requires a highly robust management information system as well as adequate resources as these are the foundation and enabler to an effective risk management practice and process. Hence, MAHB Group should equip itself with the necessary resources, infrastructure and support to perform its roles efficiently.

Resources

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

The personnel within risk management should possess the requisite skills, qualifications, experience and competencies compatible with the nature, scale and complexity of business activities.

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these lines in all facets of risk taking activities.

System Infrastructure

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

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

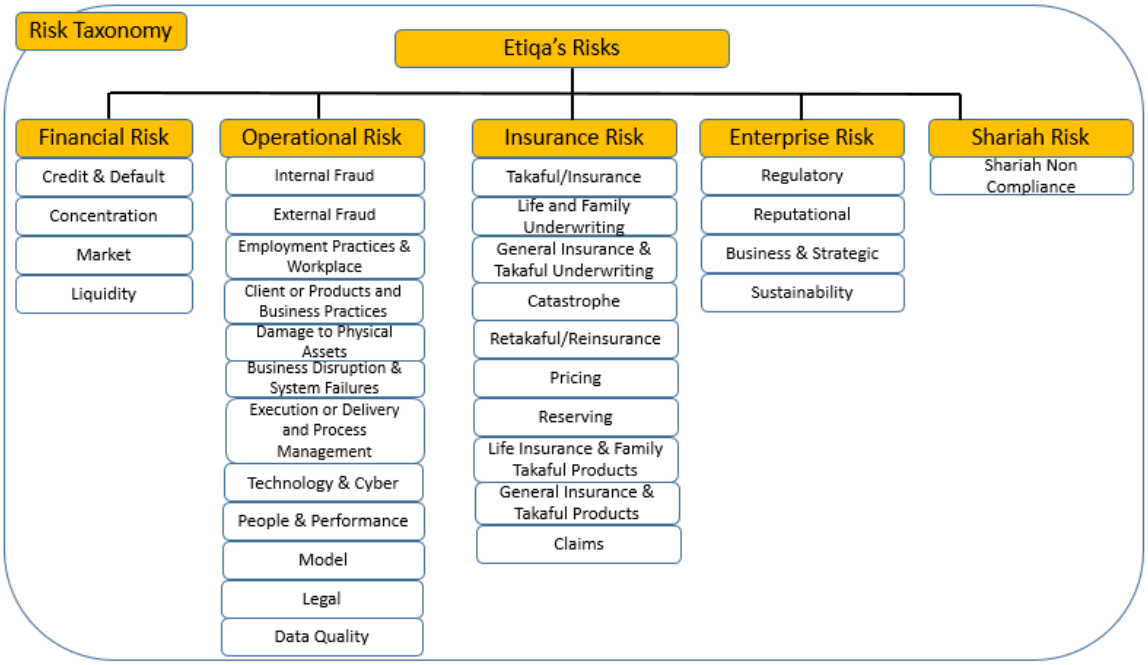
In addition, effective measures and systems should be in place to facilitate the generation and exchange of information within Group. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

38. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy

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

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



39. TAKAFUL RISK

Takaful risk is the risk of loss or of adverse change arising from the underwritten takaful business. This can be due to adverse deviation in portfolio experience as well as underlying assumptions/expectation on which product, pricing, underwriting, claims, reserving and retakaful have been made.

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

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

(i) Family Takaful Underwriting Risk

Family Takaful Underwriting Risk reflects the adverse changes in the level, trend or volatility of mortality, longevity, disability/morbidity, lapse/persistency and expense experience that is different from the expectation/best estimate assumptions, either from pricing or reserving, therefore affecting the profitability of the company’s portfolio.

(ii) Pricing Risk

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

(iii) Retakaful Risk

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

(iv) Family Takaful Products Risk

Risk of loss or adverse impact arising from the development of new and existing products. All product-related risks include investment risk, pricing risk, business risk, retakaful risk, solvency risk, underwriting risk, fraud risk, misselling risk and Shariah non-compliance risk and an assessment of system readiness and ESG related.

39. TAKAFUL RISK (CONTD.)

(v) Reserving Risk

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

(vi) Catastrophe Risk

Catastrophe Risk is the risk of loss or adverse changes in the value of Takaful liabilities due to over-exposures to extreme or exceptional events (e.g. pandemic outbreaks, flood, etc.), which can cause an accumulated loss or a single large loss. Catastrophe Risks could arise from Family Takaful business.

(vii) Claims Risk

Risk of loss or adverse impact arising from the claims management process which is expected to affect client satisfaction and company's reputation.

(a) Family Takaful fund

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

	2022			2021		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Endowment	2,377,031	-	2,377,031	2,494,563	-	2,494,563
Mortgage	5,346,676	(195,899)	5,150,777	5,108,465	(173,217)	4,935,248
Term assurance	17,157	-	17,157	30,937	-	30,937
Annuity	679,206	-	679,206	731,091	-	731,091
Others	981,424	-	981,424	901,715	-	901,715
	9,401,494	(195,899)	9,205,595	9,266,771	(173,217)	9,093,554

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

39. TAKAFUL RISK (CONTD.)

(a) Family Takaful fund (contd.)

(i) Key assumptions and methodology (contd.)

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

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

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

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

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

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

39. TAKAFUL RISK (CONTD.)

(a) Family Takaful fund (contd.)

(ii) Sensitivity analysis

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

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

	% change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities** RM'000	Impact on profit before tax and zakat RM'000	Impact on participants' funds # RM'000
		<---------- Increase ---------->		<---------- Decrease ---------->	
2022					
Discount rate	-1%	533,421	511,934	(102,620)	(102,620)
Mortality and morbidity rates	+/- 10% (adverse)	421,336	304,735	(102,766)	(102,766)
Lapse and surrender rates	+/- 10% (adverse)	55,702	58,692	(28,309)	(28,309)
Expenses	+10%	15,074	15,074	(7,312)	(7,312)

There is no tax impact on the participants' funds as the Family Takaful fund is taxed only on investment income.
** The impact on gross and net liabilities results in an opposite impact to profit before tax and equity.

39. TAKAFUL RISK (CONTD.)

(a) Family Takaful fund (contd.)

(ii) Sensitivity analysis (contd.)

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

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

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

There is no tax impact on the participants' funds as the Family Takaful fund is taxed only on investment income.
** The impact on gross and net liabilities results in an opposite impact to profit before tax and equity.

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

40. FINANCIAL RISKS

(i) Credit & Default Risk

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

Credit 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 assets of these instruments. Changes in the level or in the volatility of spreads as a result of changes in the underlying credit quality define the risk of investment default.

Credit Risk arises when a counterparty is no longer able to pay its contractual obligations. Key areas of credit risk include counterparty risk, country risk, concentration risk, settlement risk and issuer risk. The Group's exposure to credit risk arises mainly from assets (fixed income and equities) and reinsurance.

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

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

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

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

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure

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

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2022			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Malaysian government papers	-	187,973	187,973
Unquoted debt securities in Malaysia	777,576	5,152,202	5,929,778
- HFT			
Malaysian government papers	-	5,459	5,459
Unquoted debt securities in Malaysia	-	135,124	135,124
Investment-linked units	26,354	-	-
Financial assets at FVOCI:			
Malaysian government papers	136,384	245,061	381,445
Unquoted debt securities in Malaysia	1,346,271	4,870,991	6,217,262
Financial assets at AC:			
Islamic investment accounts with :			
Licensed financial institutions	103,868	712,674	816,542
Others	35,000	323,009	358,009
Financing receivables	11,201	-	11,201
Takaful receivables	-	142,577	142,577
Other assets*	202,299	135,902	169,556
Cash and bank balances**	1,166	58,806	59,972
	2,640,119	11,969,778	14,414,898

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure (contd.)

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

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit quality of financial assets

The four (4) risk categories as set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Company's financial investments. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

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

Risk categories are as described below:

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

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

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

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

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

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

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

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating

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

Shareholder's fund

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2022							
Financial assets at FVTPL:							
- Designated upon initial recognition							
Unquoted debt securities in Malaysia	203,973	200,634	372,969	-	-	-	777,576
- Held for trading							
Investment-linked units	-	-	-	-	-	26,354	26,354
Financial assets at FVOCI:							
Malaysian government papers	136,384	-	-	-	-	-	136,384
Unquoted debt securities in Malaysia	291,394	547,106	507,771	-	-	-	1,346,271

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Shareholder's fund (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2022 (contd.)							
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	100,508	3,360	-	-	-	103,868
Others	-	35,000	-	-	-	-	35,000
Financing receivables	-	-	-	-	-	11,201	11,201
Other assets*	8,356	8,371	10,476	-	-	175,096	202,299
Cash and bank balances**	-	1,166	-	-	-	-	1,166
	640,107	892,785	894,576	-	-	212,651	2,640,119

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Family Takaful fund

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2022							
Financial assets at FVTPL:							
- Designated upon initial recognition							
Malaysian government papers	187,973	-	-	-	-	-	187,973
Unquoted debt securities in Malaysia	1,720,004	1,311,673	2,065,783	54,742	-	-	5,152,202
- Held for trading							
Malaysian government papers	5,459	-	-	-	-	-	5,459
Unquoted debt securities in Malaysia	9,521	58,266	62,962	4,375	-	-	135,124
Financial assets at FVOCI:							
Malaysian government papers	245,061	-	-	-	-	-	245,061
Unquoted debt securities in Malaysia	1,857,352	1,788,127	1,166,323	59,189	-	-	4,870,991

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Family Takaful fund (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2022 (contd.)							
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	560,844	151,830	-	-	-	712,674
Others	-	231,690	91,319	-	-	-	323,009
Takaful receivables	-	-	-	-	-	142,577	142,577
Other assets*	48,056	37,626	44,070	855	-	5,295	135,902
Cash and bank balances**	-	53,931	3,851	1,024	-	-	58,806
	4,073,426	4,042,157	3,586,138	120,185	-	147,872	11,969,778

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Company

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2022							
Financial assets at FVTPL:							
- Designated upon initial recognition							
Malaysian government papers	187,973	-	-	-	-	-	187,973
Unquoted debt securities in Malaysia	1,923,977	1,512,307	2,438,752	54,742	-	-	5,929,778
- Held for trading							
Malaysian government papers	5,459	-	-	-	-	-	5,459
Unquoted debt securities in Malaysia	9,521	58,266	62,962	4,375	-	-	135,124
Financial assets at FVOCI:							
Malaysian government papers	381,445	-	-	-	-	-	381,445
Unquoted debt securities in Malaysia	2,148,746	2,335,233	1,674,094	59,189	-	-	6,217,262

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Company (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2022 (contd.)							
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	661,352	155,190	-	-	-	816,542
Others	-	266,690	91,319	-	-	-	358,009
Financing receivables	-	-	-	-	-	11,201	11,201
Takaful receivables	-	-	-	-	-	142,577	142,577
Other assets*	56,412	45,997	54,546	855	-	180,391	169,556
Cash and bank balances**	-	55,097	3,851	1,024	-	-	59,972
	4,713,533	4,934,942	4,480,714	120,185	-	334,169	14,414,898

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Shareholder's fund

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Shareholder's fund (contd.)

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

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Family Takaful fund

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Family Takaful fund (contd.)

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

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Company

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Company (contd.)

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

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

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account

Significant increase in credit risk

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

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

Expected credit loss

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

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company is required to estimate the probability of default occurring in the 12 month after the reporting date and in each subsequent year throughout the expected lives of the financial instruments. The lifetime ECL allowance measured for the Company during the year were mainly in respect of debt securities classified as Watchlist ("WL") or which have been downgraded as at the reporting date.

The determination of whether a financial asset is credit-impaired debt security under Stage 3, the ECL calculation will be based on objective evidence of impairment.

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

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

Shareholder's fund	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL RM'000	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
2022				
Financial assets at FVOCI				
Sovereign	427,778	-	-	427,778
Very low	547,106	-	-	547,106
Low	461,964	45,807	-	507,771
Total carrying amount	1,436,848	45,807	-	1,482,655
Total ECL	(90)	(320)	-	(410)
2021				
Financial assets at FVOCI				
Sovereign	421,297	1,158	-	422,455
Very low	399,610	-	-	399,610
Low	370,858	26,153	-	397,011
Total carrying amount	1,191,765	27,311	-	1,219,076
Total ECL	(63)	(213)	-	(276)

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

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

Family Takaful fund	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2022				
Financial assets at FVOCI				
Sovereign	2,102,413	-	-	2,102,413
Very low	1,788,127	-	-	1,788,127
Low	943,619	222,704	-	1,166,323
Medium	59,189	-	-	59,189
Total carrying amount	4,893,348	222,704	-	5,116,052
Total ECL	(244)	(1,151)	-	(1,395)
2021				
Financial assets at FVOCI				
Sovereign	1,909,942	133,150	-	2,043,092
Very low	1,412,006	-	-	1,412,006
Low	868,555	97,501	-	966,056
Medium	60,209	-	-	60,209
Total carrying amount	4,250,712	230,651	-	4,481,363
Total ECL	(288)	(727)	-	(1,015)

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

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

Company	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2022				
Financial assets at FVOCI				
Sovereign	2,530,191	-	-	2,530,191
Very low	2,335,233	-	-	2,335,233
Low	1,405,583	268,511	-	1,674,094
Medium	59,189	-	-	59,189
Total carrying amount	6,330,196	268,511	-	6,598,707
Total ECL	(334)	(1,471)	-	(1,805)
2021				
Financial assets at FVOCI				
Sovereign	2,331,239	134,308	-	2,465,547
Very low	1,811,616	-	-	1,811,616
Low	1,239,413	123,654	-	1,363,067
Medium	60,209	-	-	60,209
Total carrying amount	5,442,477	257,962	-	5,700,439
Total ECL	(351)	(940)	-	(1,291)

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

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

Shareholder's fund	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL RM'000	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
2022				
Financial assets at FVOCI				
At 1 January 2022	64	212	-	276
Net adjustment of loss allowance	3	40	-	43
New financial assets originated or purchased	25	68	-	93
Financial assets that have been derecognised	(2)	-	-	(2)
Allowance for impairment loss (Note 26)	26	108	-	134
At 31 December 2022	90	320	-	410
2021				
Financial assets at FVOCI				
At 1 January 2021	247	118	-	365
Net adjustment of loss allowance	(208)	94	-	(114)
New financial assets originated or purchased	33	-	-	33
Financial assets that have been derecognised	(8)	-	-	(8)
(Reversal of)/allowance for impairment loss (Note 26)	(183)	94	-	(89)
At 31 December 2021	64	212	-	276

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

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

Family Takaful fund	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL RM'000	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
2022				
Financial assets at FVOCI				
At 1 January 2022	287	728	-	1,015
Net adjustment of loss allowance	(79)	115	-	36
New financial assets originated or purchased	53	299	-	352
Financial assets that have been derecognised	(8)	-	-	(8)
Changes due to change in credit risk	(10)	10	-	-
(Reversal of)/allowance for impairment loss (Note 26)	(44)	424	-	380
At 31 December 2022	243	1,152	-	1,395
2021				
Financial assets at FVOCI				
At 1 January 2021	1,170	432	-	1,602
Net adjustment of loss allowance	(923)	296	-	(627)
New financial assets originated or purchased	107	-	-	107
Financial assets that have been derecognised	(67)	-	-	(67)
(Reversal of)/allowance for impairment loss (Note 26)	(883)	296	-	(587)
At 31 December 2021	287	728	-	1,015

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

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

Company	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2022				
Financial assets at FVOCI				
At 1 January 2022	351	940	-	1,291
Net adjustment of loss allowance	(76)	155	-	79
New financial assets originated or purchased	79	366	-	445
Financial assets that have been derecognised	(10)	-	-	(10)
Changes due to change in credit risk	(10)	10	-	-
(Reversal of)/allowance for impairment loss (Note 26)	(17)	531	-	514
At 31 December 2022	334	1,471	-	1,805
2021				
Financial assets at FVOCI				
At 1 January 2021	1,417	550	-	1,967
Net adjustment of loss allowance	(1,131)	390	-	(741)
New financial assets originated or purchased	140	-	-	140
Financial assets that have been derecognised	(75)	-	-	(75)
(Reversal of)/allowance for impairment loss (Note 26)	(1,066)	390	-	(676)
At 31 December 2021	351	940	-	1,291

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - reconciliation of allowance account

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

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

Shareholder's fund

	Not Credit Impaired		Credit Impaired		Total	
	Financing receivables RM'000	Other assets* RM'000	Financing receivables RM'000	Other assets* RM'000	Financing receivables RM'000 (Note 7)	Other assets* RM'000
Gross carrying amount						
At 1 January 2021	15,017	181,583	1,845	5,962	16,862	187,545
Decrease	(2,111)	(40,986)	-	(1,630)	(2,111)	(42,616)
At 31 December 2021	12,906	140,597	1,845	4,332	14,751	144,929
(Decrease)/increase	(1,667)	59,753	255	194	(1,412)	59,947
At 31 December 2022	11,239	200,350	2,100	4,526	13,339	204,876
Lifetime ECL						
At 1 January 2021	5	-	1,846	2,473	1,851	2,473
(Decrease)/increase	-	-	(1)	17	(1)	17
At 31 December 2021	5	-	1,845	2,490	1,850	2,490
Increase	33	34	255	53	288	87
At 31 December 2022	38	34	2,100	2,543	2,138	2,577

* Other assets is net of prepayments and deposits.

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

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

Family Takaful fund

	Not Credit Impaired			Credit Impaired			Total		
	Financing receivables RM'000	Takaful receivables RM'000	Other assets* RM'000	Financing receivables RM'000	Takaful receivables RM'000	Other assets* RM'000	Financing receivables RM'000 (Note 7)	Takaful receivables RM'000 (Note 9)	Other assets* RM'000
Gross carrying amount									
At 1 January 2021	-	122,322	118,430	16	27,395	507	16	149,717	118,937
(Decrease)/increase	-	(21,038)	34,412	-	21,091	-	-	53	34,412
At 31 December 2021	-	101,284	152,842	16	48,486	507	16	149,770	153,349
Increase/(decrease)	-	3,117	(16,940)	-	(8,297)	-	-	(5,180)	(16,940)
At 31 December 2022	-	104,401	135,902	16	40,189	507	16	144,590	136,409
Lifetime ECL									
At 1 January 2021	-	870	-	16	8,752	507	16	9,622	507
Decrease	-	(207)	-	-	(7,595)	-	-	(7,802)	-
At 31 December 2021	-	663	-	16	1,157	507	16	1,820	507
Increase	-	105	-	-	88	-	-	193	-
At 31 December 2022	-	768	-	16	1,245	507	16	2,013	507

* Other assets is net of prepayments and deposits.

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

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

Company

	Not Credit Impaired			Credit Impaired			Total		
	Financing receivables RM'000	Takaful receivables RM'000	Other assets* RM'000	Financing receivables RM'000	Takaful receivables RM'000	Other assets* RM'000	Financing receivables RM'000 (Note 7)	Takaful receivables RM'000 (Note 9)	Other assets* RM'000
Gross carrying amount									
At 1 January 2021	15,017	122,322	154,696	1,861	27,395	6,469	16,878	149,717	161,165
(Decrease)/increase	(2,111)	(21,038)	35,057	-	21,091	(1,630)	(2,111)	53	33,427
At 31 December 2021	12,906	101,284	189,753	1,861	48,486	4,839	14,767	149,770	194,592
(Decrease)/increase	(1,667)	3,117	(19,554)	255	(8,297)	(2,455)	(1,412)	(5,180)	(22,009)
At 31 December 2022	11,239	104,401	170,199	2,116	40,189	2,384	13,355	144,590	172,583
Lifetime ECL									
At 1 January 2021	5	870	-	1,862	8,752	2,980	1,867	9,622	2,980
(Decrease)/increase	-	(207)	-	(1)	(7,595)	17	(1)	(7,802)	17
At 31 December 2021	5	663	-	1,861	1,157	2,997	1,866	1,820	2,997
Increase	33	105	34	255	88	53	288	193	30
At 31 December 2022	38	768	34	2,116	1,245	3,050	2,154	2,013	3,027

* Other assets is net of prepayments and deposits.

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - reconciliation of allowance account

Movements in the allowance for impairment losses for the Shareholder fund's other financial assets are as follows:

Shareholder's fund

	Financing receivables RM'000 (Note 7)	Other assets RM'000 (Note 10)	Total RM'000
2022			
At 1 January 2022	1,850	2,490	4,340
Net adjustment of loss allowance (Note 26)	288	87	375
At 31 December 2022	2,138	2,577	4,715
2021			
At 1 January 2021	1,851	2,473	4,324
Net adjustment of loss allowance (Note 26)	(1)	17	16
At 31 December 2021	1,850	2,490	4,340

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

Movements in the allowance for impairment losses for the Family Takaful fund's other financial assets are as follows:

Family Takaful fund

	Financing receivables RM'000 (Note 7)	Takaful receivables RM'000 (Note 9)	Other assets RM'000 (Note 10)	Total RM'000
2022				
At 1 January 2022	16	1,820	507	2,343
Net adjustment of loss allowance (Note 26)	-	193	-	193
At 31 December 2022	16	2,013	507	2,536
2021				
At 1 January 2021	16	9,622	507	10,145
Net adjustment of loss allowance (Note 26)	-	(7,802)	-	(7,802)
At 31 December 2021	16	1,820	507	2,343

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

Movements in allowance for impairment losses for the Company's other financial assets are as follows:

Company

	Financing receivables RM'000 (Note 7)	Takaful receivables RM'000 (Note 9)	Other assets RM'000 (Note 10)	Total RM'000
2022				
At 1 January 2022	1,866	1,820	2,997	6,683
Net adjustment of loss allowance (Note 26)	288	193	30	511
At 31 December 2022	2,154	2,013	3,027	7,194
2021				
At 1 January 2021	1,867	9,622	2,980	14,469
Net adjustment of loss allowance (Note 26)	(1)	(7,802)	17	(7,786)
At 31 December 2021	1,866	1,820	2,997	6,683

40. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial effect of collateral held

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

Type of financing receivables	Types of collateral
Secured staff/non-staff financing	Charges over residential properties and motor vehicles

Shareholder's fund

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigates credit risk, held for financing receivables is 100% as at 31 December 2022 (2021: 100%). Secured financing receivables amounting to RM11,201,000 as at 31 December 2022 (2021: RM12,901,000)

(ii) Liquidity Risk

Liquidity Risk is the risk of an adverse impact to the firm's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet obligations. Generally, there are two types of liquidity risks, 1) funding liquidity risk and 2) market liquidity risk.

Funding liquidity risk is the risk that the company will not be able to meet both expected and unexpected current and future cash flow and collateral needs effectively without affecting either daily operations or the financial condition of the firm.

Market liquidity risk is the risk that the company cannot easily offset or eliminate the position at market price because of inadequate market depth or market disruption.

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

40. FINANCIAL RISKS (CONTD.)

(ii) Liquidity risk (contd.)

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

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

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

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

Maturity Profiles

The following table summarises the maturity profile of the financial and takaful assets and liabilities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable. For takaful certificates liabilities and retakaful assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised takaful liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

40. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Shareholder's fund

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2022						
Financial assets at:						
FVTPL	835,952	40,160	450,065	686,823	58,377	1,235,425
FVOCI	1,509,549	76,986	743,948	1,439,569	26,894	2,287,397
AC	138,868	139,025	-	-	-	139,025
Financing receivables	11,201	261	5,616	7,230	-	13,107
Other assets*	202,299	202,299	-	-	-	202,299
Cash and bank balances**	1,166	-	-	-	1,166	1,166
Total assets	2,699,035	458,731	1,199,629	2,133,622	86,437	3,878,419
Expense liabilities	390,424	43,531	83,312	431,377	-	558,220
Takaful payables	2,331	2,331	-	-	-	2,331
Other liabilities	100,944	100,969	-	-	-	100,969
Total liabilities	493,699	146,831	83,312	431,377	-	661,520

* 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).

40. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Shareholder's fund (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2021						
Financial assets at:						
FVTPL	1,013,374	61,362	413,949	936,224	73,416	1,484,951
FVOCI	1,230,171	54,771	457,898	1,397,643	11,095	1,921,407
AC	288,489	288,745	-	-	-	288,745
Financing receivables	12,901	772	6,027	8,414	-	15,213
Other assets*	142,910	142,910	-	-	-	142,910
Cash and bank balances**	2,583	-	-	-	2,583	2,583
Total assets	2,690,428	548,560	877,874	2,342,281	87,094	3,855,809
Expense liabilities	533,451	54,229	124,754	579,763	-	758,746
Takaful payables	5,390	5,390	-	-	-	5,390
Other liabilities	124,762	124,676	120	-	-	124,796
Total liabilities	663,603	184,295	124,874	579,763	-	888,932

* Excluding non-financial assets such as prepayments 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).

40. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Family Takaful fund

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2022						
Financial assets at:						
FVTPL	5,926,664	463,293	2,833,410	5,195,581	445,907	8,938,191
FVOCI	5,170,472	322,199	1,945,733	6,332,650	54,420	8,655,002
AC	1,035,683	1,038,737	-	-	-	1,038,737
Retakaful assets	255,590	73,771	54,343	244,958	-	373,072
Takaful receivables	142,577	138,463	4,114	-	-	142,577
Other assets*	135,902	135,902	-	-	-	135,902
Cash and bank balances**	58,806	-	-	-	58,806	58,806
Total assets	12,725,694	2,172,365	4,837,600	11,773,189	559,133	19,342,287
Participants' fund	2,147,692	105,960	-	2,041,732	-	2,147,692
Takaful certificate liabilities	9,946,093	5,501,427	1,649,993	6,122,199	-	13,273,619
Takaful payables	46,806	46,806	-	-	-	46,806
Other liabilities	598,761	598,761	-	-	-	598,761
Total liabilities	12,739,352	6,252,954	1,649,993	8,163,931	-	16,066,878

* 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).

40. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Family Takaful fund (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2021						
Financial assets at:						
FVTPL	6,015,548	446,310	2,512,964	5,508,773	485,872	8,953,919
FVOCI	4,503,667	274,539	1,527,190	5,685,409	22,304	7,509,442
AC	1,441,872	1,444,555	-	-	-	1,444,555
Retakaful assets	207,400	47,104	47,006	204,588	-	298,698
Takaful receivables	147,950	141,426	6,524	-	-	147,950
Other assets*	152,842	152,842	-	-	-	152,842
Cash and bank balances**	56,225	-	-	-	56,225	56,225
Total assets	12,525,504	2,506,776	4,093,684	11,398,770	564,401	18,563,631
Participants' fund	2,233,800	267,357	-	1,966,443	-	2,233,800
Takaful certificate liabilities	9,745,994	5,413,876	1,682,907	4,808,151	-	11,904,934
Derivative liabilities	487	487	-	-	-	487
Takaful payables	24,651	24,651	-	-	-	24,651
Other liabilities	504,794	504,794	-	-	-	504,794
Total liabilities	12,509,726	6,211,165	1,682,907	6,774,594	-	14,668,666

* 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).

40. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Company

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2022						
Financial assets at:						
FVTPL	6,762,616	503,453	3,283,475	5,882,404	504,284	10,173,616
FVOCI	6,680,021	399,185	2,689,681	7,772,219	81,314	10,942,399
AC	1,174,551	1,177,762	-	-	-	1,177,762
Retakaful assets	255,590	73,771	54,343	244,958	-	373,072
Takaful receivables	142,577	138,463	4,114	-	-	142,577
Financing receivables	11,201	261	5,616	7,230	-	13,107
Other assets*	169,556	169,556	-	-	-	169,556
Cash and bank balances**	59,972	-	-	-	59,972	59,972
Total assets	15,256,084	2,462,451	6,037,229	13,906,811	645,570	23,052,061
Participants' fund	2,147,692	105,960	-	2,041,732	-	2,147,692
Takaful certificate liabilities	9,946,093	5,501,427	1,649,993	6,122,199	-	13,273,619
Expense liabilities	390,424	43,531	83,312	431,377	-	558,220
Takaful payables	49,137	49,137	-	-	-	49,137
Other liabilities	531,003	531,028	-	-	-	531,028
Total liabilities	13,064,349	6,231,083	1,733,305	8,595,308	-	16,559,696

* 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).

40. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Company

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2021						
Financial assets at:						
FVTPL	7,028,922	507,672	2,926,913	6,444,997	559,288	10,438,870
FVOCI	5,733,838	329,310	1,985,088	7,083,052	33,399	9,430,849
AC	1,730,361	1,733,300	-	-	-	1,733,300
Retakaful assets	207,400	47,104	47,006	204,588	-	298,698
Takaful receivables	147,950	141,426	6,524	-	-	147,950
Financing receivables	12,901	772	6,027	8,414	-	15,213
Other assets*	192,066	192,066	-	-	-	192,066
Cash and bank balances**	58,808	-	-	-	58,808	58,808
Total assets	15,112,246	2,951,650	4,971,558	13,741,051	651,495	22,315,754
Participants' fund	2,233,800	267,357	-	1,966,443	-	2,233,800
Takaful certificate liabilities	9,745,994	5,413,876	1,682,907	4,808,151	-	11,904,934
Derivative liabilities	487	487	-	-	-	487
Expense liabilities	533,451	54,229	124,754	579,763	-	758,746
Takaful payables	30,041	30,041	-	-	-	30,041
Other liabilities	525,870	525,784	120	-	-	525,904
Total liabilities	13,069,643	6,291,774	1,807,781	7,354,357	-	15,453,912

* 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).

40. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market Risk is the risk of losses on financial investments caused by adverse price movements.

There are four primary sources of risk that affect the overall market:

(a) Foreign Exchange Risk;
(b) Interest/Profit Rates Risk (including the credit spread risk);
(c) Equity Price Risk; and
(d) Property Risk.

The Company has three main key features with respect to of its market risk management practices and policies:

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

(b) Compliance to policies are monitored; exposures and breaches are reported as soon as practicable.

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

The Company also issues investment-linked investment certificates for a number of products. For investment-linked business, the participants bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company's exposure to Market Risk for this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analysis disclosed for each component of Market Risk in the following pages do not include analysis on the impact such risks on the investment-linked funds.

40. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(a) Foreign Exchange Risk

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

The Company's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to US Dollar and Australian Dollar.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the IFSA 2013, and hence, primarily denominated in the same currency (the local RM) as its takaful and investment certificate liabilities.

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

(b) Profit Rate Risk

Profit Rate Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

Profit Rate Risks arise from exposures to profit rate related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Company.

The Company measures and manages Profit Rate Risk mainly based on the following four philosophies and principles:

(a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;

(b) Investment Management Department actively to match the asset duration with the liability duration, without compromising quality;

(c) The Risk Management uses Key Risk Indicators ("KRI") to alert the management of any impending problems in a timely manner; and

(d) Risk Management Department monitors the asset duration in accordance with the limits set, as well as the duration gap to the liability duration.

40. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Profit Rate Risk (contd.)

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

		2022		2021	
Shareholder's Fund	**Changes in profit rate**	**Impact on carrying value RM'000**	**Impact on profit/ equity* RM'000**	**Impact on carrying value RM'000**	**Impact on profit/ equity* RM'000**
		(Decrease)/increase		**(Decrease)/increase**	
Financial Assets at FVTPL	+100bps	(56,935)	(43,270)	(76,058)	(57,804)
	-100bps	56,935	43,270	76,058	57,804
Financial Assets at FVOCI	+100bps	(112,764)	(85,701)	(108,155)	(82,198)
	-100bps	112,764	85,701	108,155	82,198
Financial Assets at AC	+100bps	(40)	(31)	(126)	(96)
	-100bps	40	31	126	96

* Impact on Shareholder's Fund Profit/Equity is stated net of tax of 24%

		2022		2021	
Family Takaful Fund	**Changes in profit rate**	**Impact on carrying value RM'000**	**Impact on Participants' Fund* RM'000**	**Impact on carrying value RM'000**	**Impact on Participants' Fund* RM'000**
		(Decrease)/increase		**(Decrease)/increase**	
Financial Assets at FVTPL	+100bps	(406,289)	(373,786)	(445,153)	(409,541)
	-100bps	406,289	373,786	445,153	409,541
Financial Assets at FVOCI	+100bps	(471,977)	(434,219)	(446,505)	(410,784)
	-100bps	471,977	434,219	446,505	410,784
Financial Assets at AC	+100bps	(719)	(662)	(1,217)	(1,119)
	-100bps	719	662	1,217	1,119

* Impact on Participants' Fund is stated net of tax of 8%

40. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Profit Rate Risk (contd.)

Company	Changes in profit rate	2022 Impact on carrying value RM'000 (Decrease)/increase	2022 Impact on profit/ equity* RM'000 (Decrease)/increase	2021 Impact on carrying value RM'000 (Decrease)/increase	2021 Impact on profit/ equity* RM'000 (Decrease)/increase
Financial Assets at FVTPL	+100bps	(463,224)	(168,824)	(521,210)	(165,296)
	-100bps	463,224	168,824	521,210	165,296
Financial Assets at FVOCI	+100bps	(584,741)	(425,409)	(554,660)	(405,220)
	-100bps	584,741	425,409	554,660	405,220
Financial Assets at AC	+100bps	(760)	(272)	(1,343)	(393)
	-100bps	760	272	1,343	393

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

(c) Equity Price Risk

Equity Price Risk is the risk that the fair value of an equity instrument would fluctuate because of changes in its market prices whether those changes are caused by factors specific to the individual equity instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company’s Equity Price Risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in equities' market prices.

The Company’s risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, and market, having regards to also such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may occur over time.

40. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk (contd.)

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

Shareholder's Fund	Change in market indices	Impact on carrying value RM'000	Impact on OCI RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		Increase/(Decrease)		Increase/(Decrease)	
2022	+10%	5,891	2,689	3,202	4,477
	-10%	(5,891)	(2,689)	(3,202)	(4,477)
2021	+10%	5,775	1,110	4,665	4,389
	-10%	(5,775)	(1,110)	(4,665)	(4,389)

* Impact on Shareholder's Fund Equity is stated net of tax of 24%

Family Takaful Fund	Change in market indices	Impact on carrying value RM'000	Impact on OCI RM'000	Impact on profit before tax RM'000	Impact on Participants' Fund* RM'000
		Increase/(Decrease)		Increase/(Decrease)	
2022	+10%	35,669	5,442	30,227	32,815
	-10%	(35,669)	(5,442)	(30,227)	(32,815)
2021	+10%	39,167	2,230	36,937	36,034
	-10%	(39,167)	(2,230)	(36,937)	(36,034)

* Impact on Participants' Fund is stated net of tax of 8%

Company	Change in market indices	Impact on carrying value RM'000	Impact on OCI RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		Increase/(Decrease)		Increase/(Decrease)	
2022	+10%	41,560	8,131	11,348	14,087
	-10%	(41,560)	(8,131)	(11,348)	(14,087)
2021	+10%	44,942	3,340	13,595	12,334
	-10%	(44,942)	(3,340)	(13,595)	(12,334)

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

40. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(d) Property Risk

Property risk is the possibility of financial loss occurring as the result of owing a real estate investment. Property risk might arise from such things as liability, legal issues, partner problems that can force a sale, fire or theft, loss of rental income and purchasing property with an imperfect title.

(iv) Concentration Risk

Concentration risk as its name suggests, is the risk of concentration in any type of market risk, liquidity risk and credit risk. Risk concentration can materialize from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment/sector.

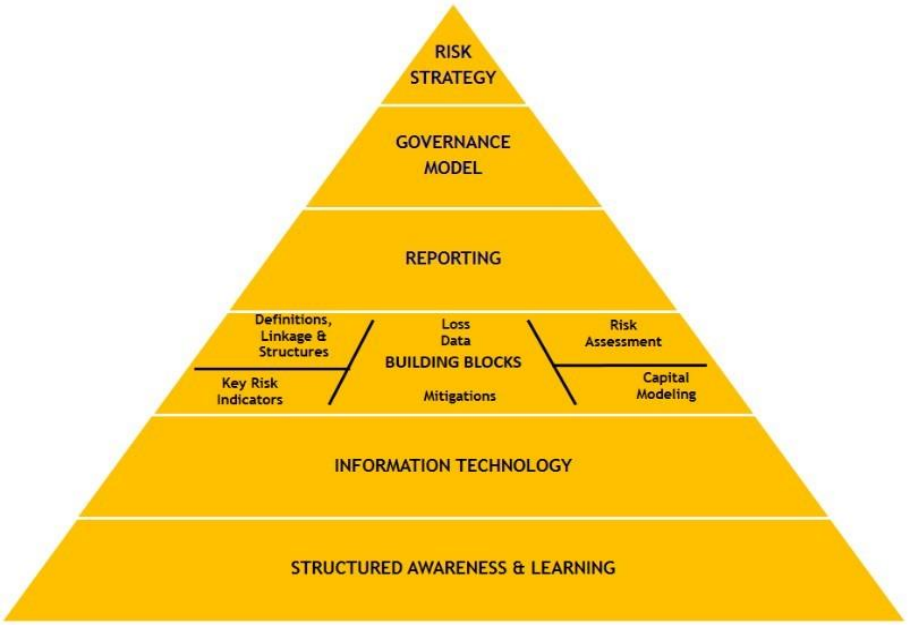
The Company's quantitative controls to manage concentration risk is through diversification. A minimum level of diversification is realised by observing the single counterparty limits. The single counterparty exposure limit represents maximum concentration of a particular counterparty. The limit exists for each asset class as well as across all investment assets, retakaful and derivative counterparty.

41. OPERATIONAL RISKS

Operational Risk Management is a discipline of systematically identifying the causes of failures in the organisation's day-to-day operations, assessing the risk of loss and taking the appropriate action to minimise the impact of such loss.

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk management methodology is comprised of the components summarised in diagram below.



The nature and extent of operational risk can shift quickly in response to changes in people, organisational structure, processes, systems, products, customers or business environments. Hence, continuous review and monitoring of the risks and the control effectiveness is vital for an effective operational risk management.

To facilitate this process, specific tools and methodologies to identify, assess & measure, control, monitor and report the operational risks that affect the Company are established.

Operational Risk Taxonomy

(i) Internal Fraud

Losses due to illegal acts (explicitly prohibited by the internal policies/guidelines or external regulations/law provisions) committed by employees. It also includes fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation.

41. OPERATIONAL RISKS (CONTD.)

Operational Risk Taxonomy (contd.)

(ii) External Fraud

Losses due to fraudulent activities/theft perpetrated by third party against the company/organisation. External Fraud could arise from system security risk, i.e. failure to provide a secure system platform or an activity/incident that can and will threaten the integrity of a system, which will in turn affect the reliability and privacy of data.

(iii) Employment Practices and Workplace Safety

(a) Employee relations - failure to maintain positive employer-employee relationships that contributes to unsatisfactory productivity, demotivation and low morale;

(b) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees;

(c) Diversity & discrimination - failure to provide equality during employment.

(iv) Client or Products and Business Practices

In general, this risk category covers information risk as well as conduct risk, and it is sub-divided into five risk types, namely suitability disclosure and fiduciary, improper business or market practices, product flaws, selection sponsorship and exposure, and advisory activities.

(v) Damage to Physical Assets

Damage to physical assets due to force of nature, or events which are not within due control of human. It also includes accidents and public safety that relates to failure in the provision of a safe environment from events that could endanger the safety of the general public from significant danger, injury/harm, or damage.

(vi) Business Disruption and System Failures

Failure in the provision of an effective information technology infrastructure (e.g. hardware, networks, software) to support the current and future needs of the business in an efficient, cost-effective and well controlled manner.

41. OPERATIONAL RISKS (CONTD.)

Operational Risk Taxonomy (contd.)

(vii) Execution or Delivery and Process Management

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

Note: all risk types have an element of compliance risk (i.e. inability to comply with existing regulation, such as conduct risk). Regulatory Risk under Enterprise Risk is linked with Changing Regulations and the risk they represent to sustainability of the current Business Model.

(viii) Technology and Cyber Risk

Risk which impacts confidentiality, availability and integrity of information and services related to information technology. This includes risks that customers or the business units may suffer on service disruptions or may incur losses arising from system defects such as failures, faults, incompleteness in computer operations, information security breach, cyber-attacks, illegal or unauthorized use of computer systems or data breach via computer systems that was perpetrated either by internal staff and vendors or external parties. Besides, Cyber Risk that can lead to losses due to cyber-crime and cyber terrorism is included. The consequences are potential breach of customers' data/information and reputational impact.

(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.

Failure or gap that leads to disruptions in the workplace that detract the business from necessary & smooth business operations.

(x) Model Risk

Risk of a model not performing the tasks or capture the risks it was designed to. Excessive reliance on models would aggravate model risk, as there could be potential limitations and uncertainties to the models/systems (including the underlying assumptions) employed that the Management/Board should be informed and unaware of, which could impair the accuracy of risk estimates.

41. OPERATIONAL RISKS (CONTD.)

Operational Risk Taxonomy (contd.)

(xi) Legal Risk

Risk of incurring actual or potential loss that arises due to inter alia, 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.

(xii) 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.

Shariah Non-compliance Risk

Shariah Non-compliance Risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which an Islamic financial institution may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia, standards on Shariah matters issued by Bank Negara Malaysia pursuant to section 29(1) of Islamic Financial Services Act 2013 or decisions or advice of the Shariah committee.

The end-to-end Shariah Compliant governance is executed through four (4) Lines of Defence that cater both pre-execution and post-execution matters. These are being managed by Business Unit (1st Line), Shariah Research & Advisory (2nd Line), Shariah Review & Shariah Risk Management function (3rd Line), and Shariah Audit (4th Line).

42. 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.

42. ENTERPRISE RISK (CONTD.)

(i) Regulatory Risk

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment, legislation.

Changing regulations (local and foreign countries in which MAHB Group has operations) threaten the competitive position and the capacity to efficiently conduct business. This can result in increased competitive pressures and significantly affect the ability to efficiently conduct business.

(ii) Business & 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.

Reputational risk can have severe impact on overall value either directly, by causing an increase in lapses, or indirectly through the inability of future value generation as a result of not being able to attract and keep new customers, distribution partners and staff.

(iv) Sustainability Risk

The risk of loss arising from the failure to address environmental, social and corporate governance concerns, thus adversely impacting the sustainability of business operations or the value of assets and liabilities.

43. FAIR VALUES MEASUREMENTS

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

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy; and
(d) Transfers between Level 1 and Level 2 in the fair value hierarchy.

(a) Valuation principles

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

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

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

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

- Level 1: Active Market – Quoted price

  Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on an exchange.

43. FAIR VALUES MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

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

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

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

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

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

  Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

(b) Valuation techniques

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

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

(ii) Financing receivables

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

(iii) Takaful receivables and payables

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

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Notes 2.2(iv) and Note 2.2(v). The carrying amounts and fair values of investments are disclosed in Note 6 to the financial statements.

43. FAIR VALUES MEASUREMENTS (CONTD.)

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

Shareholder's fund

	Fair value measurement using:		
	Level 1 Quoted price in active markets RM'000	**Level 2 Significant observable inputs RM'000**	**Total RM'000**
2022			
Financial assets at FVTPL			
(i) Designated upon initial recognition			
Debt securities	-	777,576	777,576
(ii) HFT			
Equity securities	32,022	-	32,022
Investment-linked units	26,354	-	26,354
Financial assets at FVOCI			
Equity securities	26,894	-	26,894
Malaysian government papers	-	136,384	136,384
Debt securities	-	1,346,271	1,346,271
Total assets	85,270	2,260,231	2,345,501
2021			
Financial assets at FVTPL			
(i) Designated upon initial recognition			
Debt securities	-	939,959	939,959
(ii) HFT			
Equity securities	46,284	-	46,284
Unit and property trust funds	365	-	365
Investment-linked units	26,766	-	26,766
Financial assets at FVOCI			
Equity securities	11,095	-	11,095
Malaysian government papers	-	119,907	119,907
Debt securities	-	1,099,169	1,099,169
Total assets	84,510	2,159,035	2,243,545
Liabilities			
Derivative liabilities	-	487	487
Total liabilities	-	487	487

43. FAIR VALUES MEASUREMENTS (CONTD.)

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

Family Takaful fund

	Fair value measurement using:		
	Level 1 Quoted price in active markets RM'000	**Level 2 Significant observable inputs RM'000**	**Total RM'000**
2022			
Financial assets at FVTPL			
(i) Designated upon initial recognition			
Malaysian government papers	-	187,973	187,973
Debt securities	-	5,152,202	5,152,202
(ii) HFT			
Equity securities	410,028	-	410,028
Malaysian government papers	-	5,459	5,459
Debt securities	-	135,124	135,124
Unit and property trust funds	35,878	-	35,878
Financial assets at FVOCI			
Equity securities	54,420	-	54,420
Malaysian government papers	-	245,061	245,061
Debt securities	-	4,870,991	4,870,991
	500,326	10,596,810	11,097,136

43. FAIR VALUES MEASUREMENTS (CONTD.)

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

Family Takaful fund (contd.)

	Fair value measurement using:		
	Level 1 Quoted price in active markets RM'000	**Level 2 Significant observable inputs RM'000**	**Total RM'000**
2021			
Financial assets at FVTPL			
(i) Designated upon initial recognition			
Malaysian government papers	-	123,453	123,453
Debt securities	-	5,291,235	5,291,235
(ii) HFT			
Malaysian government papers	472,401	-	472,401
Debt securities	-	1,507	1,507
Equity securities	-	113,482	113,482
Unit and property trust funds	13,470	-	13,470
Financial assets at FVOCI			
Equity securities	22,304	-	22,304
Malaysian government papers	-	303,361	303,361
Debt securities	-	4,178,002	4,178,002
	508,175	10,011,040	10,519,215

43. FAIR VALUES MEASUREMENTS (CONTD.)

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

Company

	Fair value measurement using:		
	Level 1 Quoted price in active markets RM'000	**Level 2 Significant observable inputs RM'000**	**Total RM'000**
2022			
Financial assets at FVTPL			
(i) Designated upon initial recognition			
Malaysian government papers	-	187,973	187,973
Debt securities	-	5,929,778	5,929,778
(ii) HFT			
Equity securities	442,050	-	442,050
Malaysian government papers	-	5,459	5,459
Debt securities	-	135,124	135,124
Unit and property trust funds	35,878	-	35,878
Financial assets at FVOCI			
Equity securities	81,314	-	81,314
Malaysian government papers	-	381,445	381,445
Debt securities	-	6,217,262	6,217,262
	559,242	12,857,041	13,416,283

43. FAIR VALUES MEASUREMENTS (CONTD.)

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

Company (contd.)

	Fair value measurement using:		
	Level 1 Quoted price in active markets RM'000	**Level 2 Significant observable inputs RM'000**	**Total RM'000**
2021			
Financial assets at FVTPL			
(i) Designated upon initial recognition			
Malaysian government papers	-	123,453	123,453
Debt securities	-	6,231,194	6,231,194
(ii) HFT			
Equity securities	518,685	-	518,685
Malaysian government papers	-	1,507	1,507
Debt securities	-	113,482	113,482
Unit and property trust funds	13,835	-	13,835
Financial assets at FVOCI			
Equity securities	33,399	-	33,399
Malaysian government papers	-	423,268	423,268
Debt securities	-	5,277,171	5,277,171
	565,919	12,170,075	12,735,994

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. There were no transfers between Level 1 and Level 2 for the Company during the financial years ended 31 December 2022 and 31 December 2021.

44. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2022 and 31 December 2021, as prescribed under the RBCT Framework, is provided below:

Company

	2022 RM'000	2021 RM'000
Eligible Tier 1 Capital		
Paid up share capital	100,000	100,000
Valuation surplus in takaful funds	2,050,899	1,966,443
Retained earnings	2,322,455	2,138,151
	4,473,354	4,204,594
Tier 2 Capital		
FVOCI reserve	(162,843)	32,677
	(162,843)	32,677
Amount deducted from capital	(134,095)	(140,899)
Total Capital Available	4,196,227	4,096,372