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

Directors' Report and Audited Financial Statements
31 December 2023

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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 2023.

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	**2023**	**2022 (Restated)**
	RM'000	**RM'000**
Net profit for the financial year	290,208	106,663

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, other than those arising from the adoption of MFRS 17 *Insurance Contracts*, as disclosed in Note 2.5.

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2022 was as follows:

	RM'000
In respect of financial year ended 31 December 2022, final dividend of:	
- 175.66 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	175,660

The final dividends were declared on 20 April 2023 and paid on 2 May 2023.

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

The existing ESGP ("ESGP2018") is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017 and was implemented on 14 December 2018 for a period of seven (7) years from the effective date. A total of five (5) awards have been made under the ESGP2018 from 2018 to 2022. Three (3) out of the five (5) awards made have been vested to eligible employees in 2021 to 2023 whilst balance of the two (2) awards will vest in 2024 and 2025 respectively. The last tranche of the ESGP Award (i.e. fifth ESGP Award) under the existing plan was made in September 2022 and will vest in 2025. Starting from 2023, there will be no additional new awards to be issued to staff under the ESGP2018.

As continuation of the existing employees' share grant plan, the shareholders at Extraordinary General Meeting ("EGM") held on 3 May 2023 has approved for the establishment of a new ESGP plan ("ESGP2023"). This plan will run concurrently with ESGP2018 until its expiration. The ESGP2023 was implemented on 20 September 2023 for eligible talents and senior management. The features of the ESGP2023 are similar to the ESGP2018 with the exception being the plan period i.e. 10 years vs ESGP2018 of 7 years. The first award under the ESGP2023 was made in September 2023 will vest in 2026 subject to fulfilment of the ESGP vesting conditions as well as meeting the performance criteria at the Maybank Group and individual levels.

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

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

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

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

The maximum number of ordinary shares in 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 ESGP schemes.

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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) *(resigned w.e.f. 1.11.2023)*
Mr. Ajay Kumar Garg (Vice Chairman) *(appointed w.e.f. 1.11.2023)*
Dato' Johan Bin Ariffin *(resigned w.e.f. 31.8.2023)*
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 shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The directors' benefits are as follows:

	RM'000
Fees	740
Other emoluments	152
	892

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.

Indemnity given to or insurance effected for any directors during the year is RM1.25 million (2022: RM1.21 million).

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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 2023**	**Issued pursuant to DRP***	**Acquired during the year**	**As at 31 December 2023**
Direct Interest:				
Dato' Johan Bin Ariffin	509,411	-	-	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 25.

FINANCIAL HOLDING COMPANY

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

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

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

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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

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

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

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

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

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

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

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

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

(f) In the opinion of the Directors:

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

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

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OTHER STATUTORY INFORMATION (CONTD.)

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

SIGNIFICANT EVENTS

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

SUBSEQUENT EVENTS

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

AUDITORS

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

Auditors' remuneration is as follows:

	RM'000
Ernst & Young PLT	2,245

Signed on behalf of the Board in accordance with a resolution of the Directors dated 18 APR 2024

DATO' MAJID BIN MOHAMAD

PROFESSOR DR. AZMAN BIN MOHD NOOR

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 2023, the Board consists of five (5) Directors, comprising of:-

(i) One (1) Non-Independent Non-Executive Directors (“NINED”);and
(ii) Four (4) Independent Non-Executive Directors (“INED”).

The composition of the Board meets the requirement of having a majority of independent directors and common directors remain in the minority as set out in the BNM CG Policy. None of the INED had exceeded their respective nine-year tenure pursuant to the MAHB Group’s Policy on Tenure of Directorship which limits the tenure of an INED to a cumulative period of nine (9) years. Dato’ Majid Bin Mohamad, an INED, is the Chairman of the Board 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.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

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

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

Members of the Board	Designation	Number of Board Meetings attended	%
Dato' Majid Bin Mohamad *(Chairman)*	INED	10/10	100
Mr. Ajay Kumar Garg *(Vice Chairman)*	NINED[1]	1/2	50
Mr. Andrew King Sun Cheung *(Vice Chairman)*	NINED[2]	8/8	100
Dato' Johan Bin Ariffin	INED[3]	7/7	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	10/10	100
Prof. Dr. Azman Bin Mohd Noor	INED	10/10	100
En. Mohd Din Bin Merican	INED	10/10	100

[1] *Appointed as Vice Chairman and NINED of the Company w.e.f. 1 November 2023.*

[2] *Resigned as Vice Chairman and NINED of the Company w.e.f. 1 November 2023.*

[3] *Resigned as an INED of the Company and MAHB upon the expiry of his 9-years tenure w.e.f. 31 August 2023.*

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorships within the Group
Dato' Majid Bin Mohamad Independent Non-Executive Director Chairman 69 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)*
Mr. Ajay Kumar Garg Non-Independent Non-Executive Director Vice-Chairman 43 years of age Dutch	Insurance	Nil
Mr. Wong Pakshong Kat Jeong Colin Stewart Independent Non-Executive Director 64 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 50 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 (“MBB” or “Maybank”) are disclosed in the Directors’ Report that accompanies the Company’s financial statements for the financial year ended 31 December 2023 (“FYE 2023”).

(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.

(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 Officers ("CEOs"), 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, CEOs, 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, CEOs, 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 MAHB Group's Policy on Directors' Independence. 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.

(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 framework for Directors, CEOs, Shariah Committee members[1],Senior Officers[2] and Other Material Risk Takers of the Group, and also to ensure compensation is competitive and consistent with the Group's culture, objectives and strategy as well as the industry standards.

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

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

[2] *The word 'Senior Officers' shall refer to Senior Officers of MAHB Group which includes the following: (i) Senior Management Committee and Senior Management Team members (including Principal Officer of Labuan entities); (ii) Direct reports to the CEOs, (where relevant); (iii) Chief Compliance Officer; (iv) Chief Internal Auditor; and (v) Appointed Actuary, as defined in Paragraph 5.2 of the Fit and Proper Criteria Policy Document, or such revisions by 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]	9/9	100
Datuk Mohd Najib Bin Abdullah	INED[2]	9/9	100
Dato' Majid Bin Mohamad	INED	9/9	100
Ms. Daniela Adaggi	NINED[3]	9/9	100

[1] *INED of MAHB.*

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

[3] *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, access 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	%
Mr. Wong Shu Yoon *(Interim Chairman)*	INED[1]	9/9	100
Puan Norazilla Binti Md Tahir	INED[2]	4/4	100
Mr. Gary Lee Crist	NINED[3]	8/9	89
Cik Serina Binti Abdul Samad	INED[4]	9/9	100
Prof. Dr. Azman Bin Mohd Noor	INED	9/9	100

[1] *Appointed as an Interim Chairman of the ACB w.e.f. 1 May 2023 and an INED of Etiqa General Takaful Berhad, Etiqa Offshore Insurance (L) Ltd and Etiqa Life International (L) Ltd (incorporated in F.T. Labuan), wholly-owned subsidiaries of MAHB.*

[2] *Resigned as an INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of MAHB, and ipso facto, ceased as Chairperson of the ACB w.e.f. 1 May 2023.*

[3] *NINED of MAHB.*

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

(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	8/8	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	8/8	100
Mr. Emmanuel Gerard C. Van Grimbergen	NINED[1]	N/A	N/A
Mr. Antonio Cano	NINED[2]	8/8	100
En. Mohamad Shukor Bin Ibrahim	INED[3]	8/8	100
Prof. Dr. Rusni Binti Hassan	INED[4]	7/8	88
Mr. Tan Kwang Kherng	INED[5]	8/8	100

[1] *Appointed as NINED of MAHB and a member of the RMC w.e.f. 1 January 2024.*

[2] *Resigned as NINED of MAHB and ceased as a member of the RMC w.e.f. 1 January 2024.*

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

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

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

(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 Wahiduddin Merican *(Chairman)*	ED[1]	5/5	100
Mr. Philippe Pol Arthur Latour	NINED[2]	3/4	75
Datuk Mohd Najib Bin Abdullah	INED[3]	5/5	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	5/5	100
Mr. Ajay Kumar Garg	NINED[4]	0/1	-

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

[2] *Resigned as a NINED of Etiqa Life Insurance Berhad and Etiqa General Takaful Berhad, wholly-subsidiaries of MAHB and ipso facto, ceased as a member of the IC w.e.f. 1 November 2023.*

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

[4] *Appointed as a member of the IC w.e.f. 1 November 2023*

(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. Azman Bin Mohd Noor	Chairman and INED	13/13	100
Prof. Dr. Aznan Bin Hasan	Member	13/13	100
Prof. Dr. Rusni Binti Hassan	INED[1]	13/13	100
Prof. Dr. Abdul Rahim Bin Abdul Abdul Rahman	Member	13/13	100
Prof. Emeritus Dato' Dr. Mohd Azmi Bin Omar	Member	13/13	100
Sahibus Samahah Dato' Dr Mohamad Sabri Bin Haron	Member	12/13	92

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

(d) Directors' Training

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(i) Induction Programme

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

(ii) Training Attended 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]	WPC[2]	AG[3]	AMN[4]	MDM[5]
A. In-house Training					
1. Etiqa Takaful Strategic Engagement Session 2023 - "From Poverty to Prosperity: Malaysia's Fascinating Story" by Tan Sri Nor Mohamed Yakcop	√			√	√
2. Etiqa: Capital Management Training by Mr Ajay Garg, Ageas Group Director Capital Management, Treasury & FCG	√	√		√	√
3. Etiqa: Director's Training Program Module 3 on Risk Management by Madam Luisa Evaristo, Chief Risk Officer, MAHB		√		√	√
4. Etiqa: Director's Training Program Module 2 on ESG Approaches in Reinsurance Market by Swiss Re Malaysia, Swiss Re Asia Pte. Ltd. and Aon Reinsurance Malaysia Limited	√	√		√	√
5. Etiqa: Directors' Training Program Module 2 on ESG : Sustainability Transition – Innovation as Change Drivers by Dr. Khoh Soo Beng and Institute of Corporate Directors Malaysia (ICDM)	√			√	√
6. Etiqa: Directors' Training Program Module 2 on Cybersecurity Management : Cyber Security in Generative AI by Ms Chelsea Kiew Siao May, Chief Information Security Officer of MAHB	√	√		√	√
7. Etiqa: Directors' Training Program Module 3 on Compliance: Anti-Bribery & Corruption Practices in Malaysia by Y.M. Tunku Farik Bin Tunku Ismail from Messrs. Azim, Tunku Farik & Wong & Guardians of Finance: Navigating AMLA 2001 for Insurers and Takaful by Encik Bahari Yeow Tien Hong from Messrs. Rosli Dahlan Saravana Partnership	√	√		√	√
8. Etiqa: Directors' Training Program Module 2 on ESG as a Value Driver for Financial Institutions: Understanding Impact of Climate Change' by Ms. Phang Oy Cheng, KPMG	√	√	√		
9. Etiqa: Directors' Training Program Module 2 on Digital Transformation/Innovation: Unlock The Growth Potential of Insurance by Boston Consulting Group ("BCG")	√	√	√		
10. Etiqa: Etiqa Risk Landscape Workshop for MAHB FY2023				√	
11. Maybank: Agile Thinking Training by BCG		√			
12. Ageas Academy: Leadership for Growth (for CFO team objectives)			√		
13. Etiqa : MAHB Group Directors' Onboarding Session			√		
B. External Training					
1. 2023 Leadership For Enterprise Sustainability Asia by Asia School of Business		√			

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) <u>Training Attended (contd.)</u>

Training attended by Directors	DM[1]	WPC[2]	AG[3]	AMN[4]	MDM[5]
2. Pandemic Risk Lesson Learned Working Party by International Actuarial Association		√			
3. IBF Masterclass with Vertical Institute: Digital Marketing Frameworks for the Financial Services Industry by Institute of Banking and Finance		√			
4. Creating Transformative Change in your Organisation by Institute and Faculty of Actuaries		√			
5. Machine Learning & Experience analysis by Institute and Faculty of Actuaries		√			
6. "How will IFRS 17 Impact the Actuarial Industry Post Implementation?" by Institute and Faculty of Actuaries		√			
7. IFRS 17 Disclosures by Institute and Faculty of Actuaries		√			
8. Singapore Actuarial Conference by Singapore Actuarial Society		√			
9. Professional Skills Training by Institute and Faculty of Actuaries		√			
10. Demystifying Enterprise Risk Management by Institute and Faculty of Actuaries		√			
11. Detecting Money laundering in International Financial Centres by Institute of Banking and Finance		√			
12. Al-Zarqa Theory in Elimination of Gharar in Commercial Insurance by Derasat Qatar, Inceif, IIBF and Bank Rakyat				√	
13. Nadwah of Shariah Advisers in Islamic Capital Market 2023 by Securities Commission				√	
14. Talk on Zakat and Waqf: The Egyptian Experience by Sheikh Dr Ali Jum'ah				√	
15. Leveraging Islamic Finance for Sustainable Development by IIBF CEO Talk Series				√	
16. Exploring the potential of using zakat funds to provide microfinance to zakat recipients: A Shariah Analysis by Prof Dr Aznan Hasan				√	
17. Takaful Model: Experiences in Gulf Countries, Malaysia, Pakistan and Sudan by Derasat Qatar, Inceif, IIBF and Bank Rakyat				√	
18. Muamalat (Islamic Transaction laws) Intensive Course based on Shafie School (5 days course in Arabic) by Bank Rakyat				√	
19. Exploring the Environmental and Social Dimensions of ESG: Navigating Sustainability in Changing World by Dr Wan Amir Shafiq Ab Nasir				√	
20. Training on Corrporate Governance for Government Linked Companies Board of Directors by En Muhammad Zukhairi bin Muhammad Salehuddin				√	
21. Investment in shares, bitcoins and digital asset: Concept, application and Shariah Compliance by Elzar Shariah Solution and Advisory				√	
22. Islamic Preference Share by Elzar Shariah Solution and Advisory				√	
23. Course on Shariah Compliance Stock Screening Method by Elzar Shariah Solution and Advisory				√	
24. Suku: Concept, Application, Valuation and Pricing by Elzar Shariah Solution and Advisory				√	
25. Navigating the Path of Product Innovation in Islamic Finance by Derasat Qatar, Inceif, IIBF and Bank Rakyat				√	

1 DM - Dato' Majid Bin Mohamad
2 WPC - Mr. Wong Pakshong Kat Jeong Colin Stewart
3 AG - Mr. Ajay Kumar Garg
4 AMN – Prof. Dr. Azman Bin Mohd Noor
5 MDM – En. Mohd Din Bin Merican

(3) INTERNAL CONTROL FRAMEWORK

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

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.

(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 Etiqa General Takaful Berhad.*
^The amount of RM50,000 is borne by the Company and Etiqa General Takaful Berhad.

b) Disclosure of Directors' and CEO's Remuneration

The details of Directors' and CEO's remuneration for FYE 2023 are disclosed in Notes 29(b) and 30 to the Company's Financial Statements.

c) Remuneration Policy in respect of Officers of the Company

Maybank Group's total rewards management remains core to our remuneration approach and practices and is strongly aligned with our business and people strategies to deliver long-term sustainable returns to our shareholders, customers and other stakeholders. It is a strategic human capital sustainability component of the integrated Talent Management Framework, which enables differentiated rewards for talent retention and attraction by providing the right remuneration, benefits and career development/progression opportunities at the right time for our people to achieve personal and professional aspirations. At the same time, it ensures we are positioned to increase staff engagement, drive positive outcomes and deliver exponential business results responsibly.

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

This upholds our M25+ purposes to be “a values-driven platform, powered by a bionic workforce that humanises financial services”. By focusing on the right compensation, benefits and development support, we inspire our employees to achieve their personal and professional aspirations which, in turn, improves employee productivity and

Our Total Rewards Framework is firmly anchored in the principles of pay for performance and affordability, ensuring that our talented workforce is rewarded in a manner that is equitable, reasonable and in line with relevant indices within each respective country. Simultaneously, we strive to maintain competitiveness against our peers and competitors in the market, while embracing the importance of differentiation to contribute positively to diversity, balance and overall relevance.

We continue to accelerate our Environmental, Social and Governance (ESG) and sustainability commitments by incorporating ESG in various aspects of our total rewards management through proper governance, performance measurement standards and prudent risk management considerations. Governed by sound principles, our remuneration policies and practices are reviewed periodically to ensure alignment with regulatory requirements and to reinforce a high-performance culture.

Components of remuneration

A well-rounded Total Rewards Framework is adopted which encompasses three integral pillars: total compensation, benefits & well-being, and development & career opportunities.

i) Total Compensation

The Compensation Policy ensures that our employees are paid in line with prevailing market standards. Our differentiated compensation levels are kept competitive through annual salary reviews, variable bonuses and long-term incentive plans (for eligible senior management and above) to retain, motivate and reward our talents.

Our holistic approach to total compensation is structured around two core elements: fixed pay and variable pay, the latter consisting of variable bonuses and long-term incentive awards. This dynamic framework is designed to reflect targeted pay mix levels, intricately calibrated to align with the long-term performance goals and objectives of the organisation while simultaneously motivating and rewarding our employees in a manner that befits their outstanding efforts and achievements.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Components of remuneration (contd.)

i) Total Compensation (contd.)

<table>
<tr><th rowspan="2">Fixed Pay</th><th colspan="2">Variable Pay</th></tr>
<tr><th>Variable Bonus</th><th>Long-Term Incentive Award</th></tr>
<tr><td rowspan="2">• Attract and retain talents by providing competitive and equitable pay.
• Reviewed annually using a holistic approach through internal and external benchmarking against relevant peers/locations, taking into consideration market dynamics, differences in individual responsibilities, functions/roles, performance level, skillsets as well as competency level.</td><td>• Reinforce a pay-for-performance culture and adherence to Maybank Group's Core Values, TIGER.
• Variable cash award design that is aligned with the risk management and long-term performance goals of the Group through our deferral and clawback policies.
• Based on the overall performance of the Group, business/corporate function and individual.
• Premised on the Balanced Scorecard (BSC) approach (comprising financial and non-financial KPIs) that is tailored to drive desired behaviours and performance levels in creating long-term shareholder value.</td><td>• A significant component of senior management's total compensation with the intent to drive sustainable, longer-term risk management and to meet the Group's M25 strategy.</td></tr>
<tr><td colspan="2">Deferral Policy: Any variable bonus in excess of certain thresholds will be deferred over a period of time. A deferred variable bonus will lapse immediately upon termination of employment (including resignation) except in the event of ill health, disability, redundancy, retirement or death.

Clawback Provision: The Board has the right to make adjustments or clawbacks to any variable bonus or long-term incentive award if deemed appropriate based on risk management issues, financial misstatement, fraud, gross negligence or wilful misconduct.</td></tr>
</table>

ii) Benefits & Well-being

Employee benefits are integral to our total rewards management, dovetailing seamlessly with our commitment to ESG values and our M25+ strategic objectives. The comprehensive benefits programme is designed to offer financial security, healthcare coverage, paid time off, employee loans at preferential rates, and other perks and benefits that facilitate work-life balance. We regularly review these offerings, ensuring they remain competitive and aligned with industry standards amid the ever-evolving business landscape.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Components of remuneration (contd.)

ii) Benefits & Well-being (contd.)

Our approach is holistic, intertwining sustainability principles with the well-being of our employees. This is to cater to our employees' physical, mental and emotional well-being, as well as their financial, social and career needs, underscoring our dedication to fostering a supportive and well-rounded work environment.

iii) Development & Career Opportunities

In line with our commitment to fostering a robust learning culture, we continue to deploy best-in-class learning and development programmes that are flexible and tailored to nurture our employees across all levels. These programmes are designed to offer flexibility and customisation, ensuring that they remain relevant for the long term, enhance our competitive edge, and promote sustained growth.

Long-Term Incentive Plan ("LTIP")

Employees' Share Grant Plan ("ESGP")

The existing ESGP was rolled out in December 2018 and will expire in 2025. A total of five awards have been made under the existing ESGP from 2018 to 2022. Three out of these five awards have been vested to eligible employees in 2021 to 2023 while the two remaining awards will vest in 2024 and 2025 respectively. The last (i.e. fifth) tranche of the ESGP Award under the existing plan was made in September 2022 and will vest in 2025. Starting from 2023, no additional awards will be issued to our staff under the existing ESGP.

To maintain our commitment to rewarding sustainable performance and ensure the continuity of our LTIP from 2023 onwards, we introduced a new scheme on 20 September 2023 for eligible talents and senior management. The new ESGP is valid for 10 years and will expire in 2033. The first award under the new ESGP, made in September 2023, will vest in 2026 subject to fulfilment of the vesting conditions as well as the performance criteria at the Maybank Group and individual levels.

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Governance & Controls – Remuneration Practices

We maintain strong corporate governance practices with remuneration policies and practices that comply with all statutory and regulatory requirements, and are strengthened by sound risk management and controls, ensuring remuneration practices are carried out responsibly.

The Group has strong internal governance on the performance and remuneration of control functions which are measured and assessed independently of the business units to avoid any conflict of interest. The remuneration of employees in control functions is predominantly fixed to reflect the nature of their responsibilities. Annual reviews of their compensation are benchmarked internally and against the market to ensure they are competitive.

Based on sound performance management principles, our key performance indicators ("KPIs") and objective & key results ("OKR") continue to focus on outcomes and are aligned with our business plans. Each of the senior officers carries risk, governance and compliance goals in his/her individual scorecards which are cascaded accordingly. The right KPI and OKR setting continues to shape our organisational culture while driving risk and compliance agendas effectively. Inputs from control functions and board committees are incorporated into the respective functional areas and individual performance results.

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

The remuneration of senior officers and OMRTs are reviewed annually and submitted to the Nomination and Remuneration Committee for recommendation to the Board for approval.

The remuneration of senior officers and OMRTs in FY2023 are summarised in the table below:

Total value of remuneration awards for the financial year (RM'000)	Senior Officers^		OMRT	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration				
Cash-based	5,887 (13 headcount)	-	-	-
Shares and share-linked instruments	-	-	-	-
Others	-	-	-	-
Variable remuneration				
Cash-based	1,280 (13 headcount)	-	-	-
Shares and share-linked instruments	575 (11 headcount)^	Refer to note below*	-	-
Others	-	-	-	-
Definition	Senior Officers are defined as Chief Executive Officer (CEO); Direct Reports to the CEO; Chief Compliance Officer and Appointed Actuary.		OMRTs are defined as employees who can materially commit or control significant amounts of a financial institution's resources or whose actions are likely to have a significant impact on its risk profile or those among the most highly remunerated officers.	

Notes:

** In FY2023, a total of 220,000 units of Maybank shares (based on On Target performance levels) under Maybank Group ESGP were awarded to 12 senior officers. The number of ESGP/CESGP units to be vested/paid by 2026 would be conditional upon the said employees fulfilling the vesting/payment criteria.*

^ A total of 65,000 units of ESGP/CESGP granted in September 2020 have vested to 11 Senior Officers in September 2023. ESGP values are based on statutory guidelines for taxable gains calculation and CESGP value is based on volume weighted average market price (VWAMP) for the five market days immediately preceding the CESGP vesting date.

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

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

We, Dato' Majid Bin Mohamad and Professor Dr. Azman Bin Mohd Noor, being two of the Directors of Etiqa Family Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 33 to 231 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 2023 and of the results and the cash flows of the Company for the financial year 31 December 2023.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 18 APR 2024

DATO' MAJID BIN MOHAMAD

PROFESSOR DR. AZMAN BIN MOHD NOOR

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

I, Chow Wai Sum, being the Officer primarily responsible for the financial management of Etiqa Family Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 231 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 18 APR 2024

CHOW WAI SUM
HEAD, FINANCE

Before me,

PESURUHJAYA SUMPAH
No. PJS: W 904
ROSLI BIN SAAD
1.2.2022 - 31.12.2024
MALAYSIA

Commissioner for Oaths

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

ETIQA FAMILY TAKAFUL BERHAD
199301011506 (266243-D)
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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 Emeritus Dato' Dr. Mohd Azmi Bin Omar, being two of the members of the Shariah Committee of Etiqa Family Takaful Berhad, do hereby report on behalf of the Committee that to the best of our knowledge and belief:

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial year ended 31 December 2023. 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 2023, the Committee had convened 13 times and all members have satisfied the minimum attendance requirement as per Paragraph 11.4 of Shariah Governance Policy Document of BNM which stipulates that a Committee member must attend at least 75% of the Committee meetings held in each financial year.

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

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

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

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 2023, 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 2023 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, the Shariah non-compliant events and disposal of any earnings from prohibited sources/means by the Company during financial year 2023 had been channeled for charitable causes; 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 2023 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 EMERITUS DATO' DR. MOHD AZMI BIN OMAR

Kuala Lumpur, Malaysia

18 APR 2024

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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 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended, and notes to the financial statements, including material accounting policy information, as set out on pages 33 to 231.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 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.

Independent auditors' report to the member of
Etiqa Family Takaful Berhad
199301011506 (266243-D)
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Information Other than the Financial Statements and Auditors' Report Thereon (contd.)

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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Independent auditors' report to the member of
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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.

EY
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
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 02937/09/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
18 April 2024

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

		31.12.2023		31.12.2022 (Restated)		1.1.2022 (Restated)	
	Note	Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000	Company RM'000
ASSETS							
Property, plant and equipment	3	-	228	-	200	-	101
Right-of-use assets ("ROU")	4	-	713	-	112	-	280
Intangible assets	5	-	11,012	-	7,969	-	7,974
Investments	6	13,170,584	15,683,519	12,132,819	14,590,834	11,961,087	14,466,355
Financing receivables	8	-	10,193	-	11,201	-	12,901
Retakaful certificate assets	9	279,772	279,772	280,558	280,558	257,782	257,782
Other assets	11	172,338	214,217	136,311	170,874	152,819	192,044
Deferred tax assets	15	-	26,224	13,458	59,832	-	3,073
Current tax assets	12	-	79,295	-	79,675	-	82,053
Cash and bank balances		23,200	23,681	58,806	59,972	56,225	58,808
Total Assets		13,645,894	16,328,854	12,621,952	15,261,227	12,427,913	15,081,371
EQUITY AND LIABILITIES							
Equity							
Share capital	13	-	100,000	-	100,000	-	100,000
Reserves	14	-	2,648,135	-	2,485,558	-	2,480,861
Total Equity		-	2,748,135	-	2,585,558	-	2,580,861
Liabilities							
Takaful certificate liabilities	10	13,348,392	13,197,036	12,276,907	12,210,833	12,064,957	12,007,768
Derivative liabilities		-	-	-	-	487	487
Deferred tax liabilities	15	25,809	-	-	-	15,678	-
Other liabilities	16	271,693	367,856	345,045	435,654	346,791	468,185
Current tax liabilities		-	15,827	-	29,182	-	24,070
Total Liabilities		13,645,894	13,580,719	12,621,952	12,675,669	12,427,913	12,500,510
Total Equity and Liabilities		13,645,894	16,328,854	12,621,952	15,261,227	12,427,913	15,081,371

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

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

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		2023		2022 (Restated)	
	Note	Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000	Company RM'000
Takaful revenue	17	1,466,066	1,491,527	1,341,110	1,337,281
Takaful service expenses	18	(1,719,128)	(1,396,610)	(1,563,243)	(1,430,918)
Takaful service result before retakaful certificates held		**(253,062)**	**94,917**	**(222,133)**	**(93,637)**
Allocation of retakaful contributions	19	(73,762)	(73,762)	(75,004)	(75,004)
Amount recoverable from retakaful operators for incurred claims	19	70,409	70,409	92,110	92,110
Net (expenses)/income from retakaful certificates held		**(3,353)**	**(3,353)**	**17,106**	**17,106**
Takaful service result		**(256,415)**	**91,564**	**(205,027)**	**(76,531)**
Profit revenue from financial assets not measured at Fair Value through Profit or Loss ("FVTPL")	20	287,056	359,378	255,129	321,822
Net fair value gains/(losses) on financial assets measured at FVTPL	21	248,380	278,448	(264,009)	(307,821)
Net fair value (losses)/gains on derecognition of financial assets measured at Fair Value through Other Comprehensive Income ("FVOCI")	22	(448)	(3)	690	821
Other investment income	23	277,092	313,407	266,250	307,312
Net impairment loss on financial assets	24	(658)	(936)	(380)	(514)
Net foreign exchange income/(expenses)	25	990	1,007	(1,115)	(1,544)
Net investment income		**812,412**	**951,301**	**256,565**	**320,076**
Finance expenses from takaful certificates issued	26	(539,962)	(649,954)	(49,021)	(27,758)
Finance income/(expenses) from retakaful certificates held	27	3,353	3,353	(17,106)	(17,106)
Net takaful financial result		**(536,609)**	**(646,601)**	**(66,127)**	**(44,864)**
Other income	28	5,405	6,465	501	2,328
Other expenses	29	(4,330)	(9,775)	(3,267)	(9,385)
Other income/(expenses), net		**1,075**	**(3,310)**	**(2,766)**	**(7,057)**
Profit before taxation and zakat attributable to participants		20,463	392,954	(17,355)	191,624
Tax (expenses)/credit attributable to participants	32	(20,463)	(20,463)	17,355	17,355
Profit before taxation and zakat		-	372,491	-	208,979
Taxation	33	-	(69,804)	-	(94,340)
Zakat		-	(12,479)	-	(7,976)
Net profit for the financial year		-	290,208	-	106,663
Basic and diluted earnings per share (sen)	34		290.21		106.66

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 2023

	Note	2023		2022 (Restated)	
		Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund RM'000	Company RM'000
Net profit for the financial year		-	290,208	-	106,663
Other comprehensive gains/(losses):					
Items that may be subsequently reclassified to income statements:					
Net fair value gains/(losses) on investments in debt securities measured at FVOCI		249,498	310,831	(170,726)	(212,326)
Net fair value gains/(losses) on derecognition of financial assets measured at FVOCI	22	448	3	(690)	(821)
Fair value adjustment on FVOCI financial assets backing participants' funds		(231,663)	(231,663)	159,287	159,287
Tax effect relating to these items	15	(18,283)	(32,897)	12,129	21,275
		-	46,274	-	(32,585)
Items that will not be subsequently reclassified to income statements:					
Change in fair value of equity securities at FVOCI		6,515	8,825	(4,818)	(7,164)
Fair value adjustment on FVOCI financial assets backing participants' funds		(5,994)	(5,994)	5,166	5,166
Tax effect relating to these items	15	(521)	(1,076)	(348)	1,897
		-	1,755	-	(101)
Other comprehensive income/(loss) for the financial year, net of tax		-	48,029	-	(32,686)
Total comprehensive income for the financial year attributable to equity holder of the Company		-	338,237	-	73,977

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 2023

		Attributable to Equity Holder of the Company				
			Non-Distributable		Distributable	
	Note	Share Capital RM'000	FVOCI Reserve RM'000	Takaful Finance Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 January 2023						
as previously stated		100,000	(43,357)	-	2,316,144	2,372,787
Effects of adopting MFRS 17	2.5(a)	-	(110,320)	110,320	212,771	212,771
At 1 January 2023, as restated		**100,000**	**(153,677)**	**110,320**	**2,528,915**	**2,585,558**
Net profit for the financial year		-	-	-	290,208	290,208
Other comprehensive income/(loss) for the financial year		-	285,686	(237,657)	-	48,029
Total comprehensive income/(loss) for the financial year		-	285,686	(237,657)	290,208	338,237
Reclassification upon disposal of equity securities		-	(12)	5	7	-
Dividend on Ordinary Shares	35	-	-	-	(175,660)	(175,660)
At 31 December 2023		100,000	131,997	(127,332)	2,643,470	2,748,135
At 1 January 2022						
as previously stated		100,000	(12,289)	-	2,131,385	2,219,096
Effects of adopting MFRS 17	2.5(a)	-	44,966	(44,966)	361,765	361,765
At 1 January 2022, as restated		**100,000**	**32,677**	**(44,966)**	**2,493,150**	**2,580,861**
Net profit for the financial year		-	-	-	106,663	106,663
Other comprehensive (loss)/income for the financial year		-	(197,139)	164,453	-	(32,686)
Total comprehensive (loss)/income for the financial year		-	(197,139)	164,453	106,663	73,977
Reclassification upon disposal of equity securities		-	10,785	(9,167)	(1,618)	-
Dividend on Ordinary Shares	35	-	-	-	(69,280)	(69,280)
At 31 December 2022		100,000	(153,677)	110,320	2,528,915	2,585,558

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

ETIQA FAMILY TAKAFUL BERHAD
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Company	
		2023	**2022 (Restated)**
	Note	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation and zakat		372,491	208,979
Adjustments for:			
Amortisation of intangible assets	29	1,514	1,346
Net amortisation of premiums	23	25,072	23,746
Depreciation of property, plant and equipment	29	73	112
Depreciation of right-of-use assets	29	174	168
Profit on lease liabilities	29	9	9
Fair value (gains)/losses on investments	21,22	(310,142)	253,639
(Gains)/losses on disposal of:			
- intangible assets	28	(1)	(4)
- investments	21	31,697	53,361
Profit income	20, 23	(671,283)	(634,809)
Dividend income	23	(26,574)	(18,071)
(Reversal of)/allowance for impairment losses on:			
- investments	24	936	514
- retakaful certificate assets	42	(34)	82
- other assets	28	(40)	30
- financing receivables	28	(294)	288
Takaful contributions written off		-	485
Losses/(gains) on foreign exchange:			
- realised	25	1,172	1,888
- unrealised	25	(2,179)	(344)
Tax expense/(credit) attributable to participants	32	20,463	(17,355)
Operating cash flows before working capital changes		(556,946)	(125,936)
Changes in working capital:			
(Increase)/decrease in:			
- deposits with financial institutions		19,335	555,810
- financing receivables		1,302	1,412
- other assets		(74,382)	18,736
- retakaful certificate assets		820	(22,858)
- takaful certificate liabilities		748,546	367,033
- other liabilities		(49,804)	(10,594)
Operating cash flows after working capital changes, carried forward		88,871	783,603

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

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 (Restated) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)			
Operating cash flows after working capital changes, brought forward		88,871	783,603
Profit income received		702,020	636,572
Gross dividend income received		26,917	18,711
Zakat paid		(9,803)	(10,086)
Taxation paid		(103,610)	(103,082)
Witholding tax paid		(21,264)	(19,655)
Net cash flows generated from operating activities	37	683,131	1,306,063
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of:			
- intangible assets		-	10
- investments		1,443,923	2,100,212
Purchase of:			
- intangible assets	5	(4,557)	(1,347)
- property, plant and equipment	3	(101)	(211)
- investments		(1,982,840)	(3,334,103)
Net cash flows used in investing activities	37	(543,575)	(1,235,439)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	35	(175,660)	(69,280)
Payment of lease liabilities	4	(187)	(180)
Net cash flows used in financing activities	37	(175,847)	(69,460)
(Decrease)/increase in cash and cash equivalents	37	(36,291)	1,164
Cash and cash equivalents at beginning of year	37	59,972	58,808
Cash and cash equivalents at end of year	37	23,681	59,972
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		481	1,166
Family takaful fund		23,200	58,806
		23,681	59,972

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 18 April 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation and presentation of the financial statements

(a) Statement of compliance

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

The accounting policies and presentation adopted by the Company for the financial statements are consistent with those used in the financial year ended 31 December 2022 except for those disclosed in Note 2.3.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

(a) Statement of compliance (contd.)

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

Takaful operations and its funds

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRS 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

i) Estimates of future cash flows

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

i) Estimates of future cash flows (contd.)

The following assumptions were used when estimating future cash flows:

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

ii) Discount rates

The Company determines risk-free discount rates using the observed yield curves of government securities. The derivation of the illiquidity premium leverage the volatility adjustment bases in accordance with the BNM's discounting approach, with calibration made to reference the portfolio of the Company's Takaful and shareholder's funds. The yield curve will be interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real profit rates and inflation expectations. Although the ultimate forward rate will be subject to revision, it is expected to be updated only upon significant changes in the long-term expectations being observed.

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

	Portfolio duration									
	1 year		3 year		5 year		10 year		15 year	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Takaful certificates issued	3.32% - 3.67%	3.26% - 3.52%	3.51% - 3.86%	3.79% - 4.05%	3.64% - 3.99%	3.90% - 4.16%	3.81% - 4.16%	4.17% - 4.43%	4.01% - 4.36%	4.31% - 4.57%
Retakaful certificates held	3.66%	3.51%	3.85%	4.04%	3.98%	4.15%	4.15%	4.42%	4.35%	4.56%

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

iii) Risk adjustments for non-financial risks

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

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

iv) Contractual service margin

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

iv) Contractual service margin (contd.)

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

v) Takaful and retakaful certificates

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

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

2.2 Summary of material accounting policy information

(i) Property, plant and equipment and depreciation

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

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

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

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

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

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

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

(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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

(1) The Company as lessee (contd.)

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

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

Premises	2 to 5 years

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)(b).

(ii) Lease liabilities

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

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

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

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

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

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

(iii) Leases with variable lease payments

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ii) Leases (contd.)

(c) Lease modifications

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

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

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

(iii) Intangible assets

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Intangible assets (contd.)

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

(a) Software development costs

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

(b) Computer software and licences

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

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

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

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

(c) Amortisation period

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

	Useful lives
Computer software and licences	10 years

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iv) Financial assets

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

(a) Initial and subsequent measurement

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

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

(i) Business model assessment

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

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

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

- how the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that 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;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the expected frequency, value and timing of sales are also important aspects of the Company's assessment.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iv) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(i) Business model assessment (contd.)

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

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

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iv) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets

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

(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.

(ii) Financial assets at FVOCI

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iv) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets (contd.)

(ii) Financial assets at FVOCI (contd.)

a) 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) 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.

(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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iv) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets (contd.)

(ii) Financial assets at AC (contd.)

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

(b) Derecognition of financial assets

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

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

(c) Write off of financial assets

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Fair value of financial assets

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

For financial assets in both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published prices. 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, fair values are determined based on over-the-counter quotes at the reporting date. These are based on market observable inputs such as benchmark market rates of profit, reported trades and broker-dealer quotes available for these investments.

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vi) Impairment

(a) Financial assets

The Company 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. The ECL model also applies to certificate assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases.*

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vi) Impairment (contd.)

(a) Financial assets (contd.)

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

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

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

(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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vi) Impairment (contd.)

(a) Financial assets (contd.)

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

Financing receivables

The ECL on the financing portfolio 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.

Financial assets at FVOCI and AC

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vi) Impairment (contd.)

(b) Non-financial assets

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

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

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

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

(vii) Financial liabilities

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vii) Financial liabilities (contd.)

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

The Company's other financial liabilities include other payables.

Other payables

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

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

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (i.e. the present value of the cash flows under the new 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.

(viii) Takaful and retakaful certificates classification

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

Takaful certificates (contd.)

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

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

Once a certificate has been classified as a Takaful certificates, it remains an 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 an 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 represents the contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

Takaful certificates (contd.)

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

Retakaful certificates

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

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

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

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

(ix) Takaful and retakaful certificates accounting treatment

(a) Separating components from Takaful and retakaful certificates

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

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

Some term Family Takaful certificates issued by the Company include a surrender option under which the surrender value is paid to the participant on maturity or earlier lapse of the certificates. These surrender options have been assessed to meet the definition of a non-distinct investment component in MFRS 17. MFRS 17 defines investment components as the amounts that a Takaful certificate requires a Takaful Operator to repay to a participant in all circumstances, regardsless of whether a covered event occurs. Investment components which are highly interrelated with the Takaful certificate of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are recorded outside of profit or loss. The surrender options are considered non distinct investment components as the Company is unable to measure the value of the surrender option component separately from the Family Takaful portion of the certificate.

(b) Level of aggregation

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(b) Level of aggregation (contd.)

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

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

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

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

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

The retakaful certificates held portfolios are divided into:

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

(c) Recognition

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(c) Recognition (contd.)

The Company recognises a group of retakaful certificates held at:

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(d) Onerous groups of certificates

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

The Company looks at facts and circumstances to identify if groups of certificates are onerous based on:
- Pricing information
- Results of similar certificates it has recognised
- Environmental factors, e.g., a change in market experience or regulations

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

(e) Certificate boundary

The Company includes in the measurement of a group of Takaful certificates all the future cash flows within the boundary of each certificate in the group. Cash flows are within the boundary of an Takaful certificate if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the participant to pay the contributions, or in which the Company has a substantive obligation to provide the participant with services. A substantive obligation to provide services ends when:
- The Company has the practical ability to reassess the risks of the particular participant and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
  (i) The Company has the practical ability to reassess the risks of the portfolio of takaful certificates that contain the certificate and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(e) Certificate boundary (contd.)

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

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

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

(f) Measurement - Takaful certificates

<u>Certificates measured under Premium Allocation approach ("PAA")</u>
<u>Initial measurement</u>

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

- The coverage period of each certificate in the group is one year or less, including coverage arising from all contributions within the certificate boundary (Note2.2(ix)(e)).

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

- The Company shall assume that no certificates in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise; and

- While the Company can further subdivide groups of certificates if this is consistent with internal management and reporting purposes, this policy does not require any further subdivision.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(f) Measurement - Takaful certificates (contd.)

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

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

Subsequent measurement

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(f) Measurement - Takaful certificates (contd.)

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

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

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

Certificates not measured under PAA
Initial measurement

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

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

The VFA measures a group of Takaful certificates as the total of:
- Fulfilment cash flows
- A Contractual Service Margin ("CSM") represents the unearned profit as the Company will recognise as it provides service under the Takaful certificates in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(f) Measurement - Takaful certificates (contd.)

Certificates not measured under PAA (contd.)
Initial measurement (contd.)

Variable fee approach ("VFA") (contd.)

When estimating future cash flows, the Company includes all cash flows that are within the certificate boundary including:

- Contribution and related cash flows.
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims.
  - (i) Payments to participants resulting from embedded surrender value options.
  - (ii) An allocation of Takaful acquisition cash flows attributable to the portfolio to which the certificate belongs.
- Claims handling costs.
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries.
- An allocation of fixed and variable overheads directly attributable to fulfilling Takaful certificates.
- Transaction-based taxes

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing certificates based on information obtained, including:

- Information about claims already reported by participants.
- Other information about the known or estimated characteristics of the Takaful certificates.
- Historical data about the Company's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions.
- Current pricing information, when available.

The measurement of fulfilment cash flows-includes Takaful acquisition cash flows which are allocated as a portion of contribution to profit or loss (through Takaful revenue) over the period of the certificates in a systematic and rational way on the basis of the passage of time. The Company does not elect to accrete profit on Takaful acquisition cash flows to be allocated to profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(f) Measurement - Takaful certificates (contd.)

Certificates not measured under PAA (contd.)
Initial measurement (contd.)

Variable fee approach ("VFA") (contd.)

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

A Takaful certificate with direct participation features is defined by the Company as one which, at inception, meets the following criteria:
- the contractual terms specify that the participants participate in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the participant an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the participant to vary with the change in fair value of the underlying items.

The Company uses judgement to assess whether the amounts expected to be paid to the participants constitute a substantial share of the fair value returns on the underlying items.

Takaful certificate with direct participation features are viewed as creating an obligation to pay participants an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the Company's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from participant account values based on the fair value of underlying assets and specified in the certificates with participants) less the FCF that do not vary based on the returns on underlying items.

Direct participating certificates issued by the Company are certificates with direct participation features where the Company holds the pool of underlying assets and accounts for these groups of certificates under the VFA.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(f) Measurement - Takaful certificates (contd.)

Certificates not measured under PAA (contd.)
Subsequent measurement

Variable fee approach ("VFA")

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(f) Measurement - Takaful certificates (contd.)

Certificates not measured under PAA (contd.)
Subsequent measurement (contd.)

Variable fee approach ("VFA")

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(g) Measurement - Retakaful certificates

Initial measurement

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

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

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

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

Subsequent measurement

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(h) Takaful receivables and payables

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

i) Liability for remaining coverage - Takaful receivables

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

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

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

ii) Liability for remaining coverage - Takaful payables

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(i) Takaful certificates – modification and derecognition

The Company derecognises Takaful certificates when:

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

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

(j) Qard

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

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

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

(k) Family Takaful underwriting results

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(l) Takaful acquisition cash flows

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

The Company uses a systematic and rational method to allocate:

(a) Takaful acquisition cash flows that are directly attributable to a group of Takaful certificates:
  - to that group; and
  - to groups that include Takaful certificates that are expected to arise from the renewals of the Takaful certificates in that group.

(b) Takaful acquisition cash flows directly attributable to a portfolio of Takaful certificates that are not directly attributable to a group of certificates, to groups in the portfolio.

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(l) Takaful acquisition cash flows (contd.)

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

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

(m) Presentation

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

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

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

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

(i) Takaful revenue

Certificates measured under PAA

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(m) Presentation (contd.)

(i) Takaful revenue (contd.)

Certificates measured under PAA (contd.)

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

Certificates not measured under PAA

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

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

- Takaful service expenses, excluding any amounts relating to the risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- Amounts related to tax that are specifically chargeable to the participants.
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The CSM release
- Amount related to Takaful acquisition cash flows.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(m) Presentation (contd.)

(ii) Loss components

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

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

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

(iii) Net income or expense from retakaful certificates held

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(m) Presentation (contd.)

(iv) Takaful finance income and expenses

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

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

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

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

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

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

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

The Company disaggregates Takaful finance income or expenses on Takaful certificates issued between profit or loss and other comprehensive income. The impact of changes in market profit rates on the value of the Family Takaful and related retakaful assets and liabilities are reflected in other comprehensive income in order to minimise accounting mismatches between the accounting for financial assets and Takaful assets and liabilities. The Company's financial assets backing the Takaful issued portfolios are predominantly measured at amortised cost or FVOCI. Finance income and expenses on the Company's issued retakaful certificates is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(m) Presentation (contd.)

(iv) Takaful finance income and expenses (contd.)

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

(x) Revenue recognition

<u>Revenue from contracts with customers</u>

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).

<u>Other revenue</u>

(a) Profit income

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

(b) Dividend income

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Revenue recognition (contd.)

(c) Rental income

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

(xi) Employee benefits

(a) Short-term benefits

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

(b) Long-term employee benefits

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

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

(c) Defined contribution plan

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Employee benefits (contd.)

(d) Share-based compensation

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

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

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

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

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

The total fair value of CESGP 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Employee benefits (contd.)

(d) Share-based compensation

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

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

Details of share options granted under ESGP and CESGP as disclosed in Note 38.

(xii) Foreign currencies

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions and balances

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xii) Foreign currencies

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

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

(xiii) Zakat

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

(xiv) Segment reporting

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.3 New and amended standards and interpretations

On 1 January 2023, the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2023:

	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	
(Amendment to MFRS 101) *Classification of Liabilities as Current or Non-current*	1 January 2023
(Amendments to MFRS 101) *Disclosure of Accounting Policies*	1 January 2023
MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	
(Amendments to MFRS 108) *Definition of Accounting Estimates*	1 January 2023
MFRS 112 Income Taxes	
(Amendments to MFRS 112) *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
(Amendments to MFRS 112) *International Tax Reform—Pillar Two Model Rules*	1 January 2023

The effects arising from the adoption of the new MFRS and amendments to MFRSs are as disclosed in Note 2.5.

2.4 Standards and Amendments to Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

Description	Effective for annual periods beginning on or after
MFRS 7 *Financial Instruments: Disclosures*	
(Amendments to MFRS 107 and MFRS 7) *Supplier Finance Arrangements*	1 January 2024
MFRS 107 *Statement of Cash Flows*	
(Amendments to MFRS 107 and MFRS 7) *Supplier Finance Arrangements*	1 January 2024
MFRS 121 *The Effects of Changes in Foreign Exchange Rates*	
(Amendments to MFRS 121) *Lack of Exchangeability*	1 January 2025

The adoption of the above pronouncements are not expected to have a significant impact on the Company.

2.5 Changes in accounting policies and disclosure

MFRS 17 *Insurance Contracts*

MFRS 17 *Insurance Contracts* replaced MFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023. The Company restated 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.

The nature of the changes in accounting policies can be summarised, as follows:

(i) Changes to classification and measurement

The adoption of MFRS 17 did 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.

The key principles of MFRS 17 are that the Company:

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

MFRS 17 *Insurance Contracts* (contd.)

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

The key principles of MFRS 17 are that the Company: (contd.)

- 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"), if relevant;

- 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.

The Company's classification and measurement of takaful and retakaful certificates are explained in Note 2.3.

(ii) Changes to presentation and disclosure

For presentation purposes, the Company have aggregated Takaful certificates issued and retakaful certificates held and presented these separately in the statement of financial position as follows:

- Portfolios of Takaful certificates issued that are assets;
- Portfolios of Takaful certificates issued that are liabilities;
- 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

MFRS 17 *Insurance Contracts* (contd.)

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

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

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

Instead, the income statement have reflected the following items for the financial year ending 31 December 2023, together with a restated income statement 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

The Company provides disaggregated qualitative and quantitative information in the notes to the financial statements about:
- Amounts recognised in the Company's financial statements arising from Takaful and retakaful certificates; and
- Significant judgements, and changes in those judgements, when applying 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 thereon in equity.

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 is described in further detail below.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

MFRS 17 *Insurance Contracts* (contd.)

(iii) Transition (contd.)

(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 was unavailable (either due to system migrations in the past, data retention policies, and changes in requirements introduced by MFRS 17) and if hindsight was needed to determine the estimates at prior periods. The Company has ascertained that Takaful certificates underwritten effective from 1 January 2022 will apply the FRA transition approach.

(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.

(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 has ascertained the Takaful certificate portfolios to which the Company will apply the transition approaches above.

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, the Company has also applied the overlay approach, which allows it to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from the adoption of MFRS 17. As MFRS 17 allows an election for the effect of changes in discount rates to be recognised through profit or loss ("FVTPL") or through other comprehensive income ("FVOCI"), the Company has performed the necessary reclassification for the eligible financial assets to match against the Takaful certificate liabilities.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

Financial effects arising from the adoption of MFRS 17 *Insurance Contracts*

The impacts of adopting MFRS 17 on 1 January 2023, with a transition date of 1 January 2022 are as shown below.

The comparative figures have been restated to conform with current year's presentation in accordance with MFRS 17 *Insurance Contracts.* The effects of the adjustments to assets, liabilities and equity on the statements of financial position of the Family Takaful Fund and Company as at 1 January 2022 and 31 December 2022 and on the components of profit or loss for the year ended 31 December 2022 are presented below:

(a) Statements of financial position as at 1 January 2022

Family Takaful Fund	As previously stated at 1 January 2022 RM'000	Reclassification/ Derecognition of MFRS 4 assets and liabilities RM'000	Remeasurement effects under MFRS 17 RM'000	Tax effect RM'000	As restated at 1 January 2022 RM'000
Assets:					
Retakaful certificate assets	207,400	(207,400)	257,782	-	257,782
Takaful receivables	147,950	(147,950)	-	-	-
Other assets	152,842	(23)	-	-	152,819
Equities:					
Takaful finance reserve	-	-	(44,966)	-	(44,966)
FVOCI reserves	-	-	44,966	-	44,966
Liabilities:					
Takaful certificate liabilities	11,979,794	(11,979,794)	12,064,957	-	12,064,957
Takaful payables	24,651	(24,651)	-	-	-
Other liabilities	504,794	(158,003)	-	-	346,791

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

Financial effects arising from the adoption of MFRS 17 *Insurance Contracts* (contd.)

(a) Statements of financial position as at 1 January 2022 (contd.)

Company	As previously stated at 1 January 2022 RM'000	Reclassification/ Derecognition of MFRS 4 assets and liabilities RM'000	Remeasurement effects under MFRS 17 RM'000	Tax effect RM'000	As restated at 1 January 2022 RM'000
Assets:					
Retakaful certificate assets	207,400	(207,400)	257,782	-	257,782
Takaful receivables	147,950	(147,950)	-	-	-
Other assets	192,066	(22)	-	-	192,044
Deferred tax assets	117,021	(131,269)	-	17,321	3,073
Equities:					
Reserves	2,119,096	402,182	(57,738)	17,321	2,480,861
Liabilities:					
Takaful certificate liabilities	11,959,794	(11,959,794)	12,007,768	-	12,007,768
Expense liabilities	533,451	(533,451)	-	-	-
Takaful payables	30,041	(30,041)	-	-	-
Other liabilities	525,870	(57,685)	-	-	468,185

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

Financial effects arising from the adoption of MFRS 17 *Insurance Contracts* (contd.)

(b) Statements of financial position as at 31 December 2022

Family Takaful Fund	**As previously stated at 31 December 2022 RM'000**	**Reclassification/ Derecognition of MFRS 4 assets and liabilities RM'000**	**Remeasurement effects under MFRS 17 RM'000**	**Tax effect RM'000**	**As restated at 31 December 2022 RM'000**
Assets:					
Retakaful certificate assets	255,590	(255,590)	280,558	-	280,558
Takaful receivables	142,577	(142,577)	-	-	-
Other assets	135,902	409	-	-	136,311
Current tax assets	200	(200)	-	-	-
Equities:					
Takaful finance reserve	-	-	110,320	-	110,320
FVOCI reserve	-	-	(110,320)	-	(110,320)
Liabilities:					
Takaful certificate liabilities	12,093,785	(12,093,785)	12,276,907	-	12,276,907
Takaful payables	46,806	(46,806)	-	-	-
Other liabilities	598,761	(253,716)	-	-	345,045

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

Financial effects arising from the adoption of MFRS 17 *Insurance Contracts* (contd.)

(b) Statements of financial position as at 31 December 2022 (contd.)

Company	As previously stated at 31 December 2022 RM'000	Reclassification/ Derecognition of MFRS 4 assets and liabilities RM'000	Remeasurement effects under MFRS 17 RM'000	Tax effect RM'000	As restated at 31 December 2022 RM'000
Assets:					
Retakaful certificate assets	255,590	(255,590)	280,558	-	280,558
Takaful receivables	142,577	(142,577)	-	-	-
Other assets	170,964	(90)	-	-	170,874
Deferred tax assets	127,024	(93,702)	-	26,510	59,832
Current tax assets	79,875	(200)	-	-	79,675
Equities:					
Reserves	2,272,787	296,722	(110,461)	26,510	2,485,558
Liabilities:					
Takaful certificate liabilities	12,073,785	(12,073,785)	12,210,833	-	12,210,833
Expense liabilities	390,424	(390,424)	-	-	-
Takaful payables	49,137	(49,137)	-	-	-
Other liabilities	531,003	(95,349)	-	-	435,654

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

Financial effects arising from the adoption of MFRS 17 *Insurance Contracts* (contd.)

(c) Financial impacts from adoption of MFRS 17

The following table shows the nature of the measurement adjustments made to the statement of financial position:

Nature of the measurement adjustments	Description
Reclassification/ Derecognition of MFRS 4 assets and liabilities	The items include: a) Takaful receivables, Takaful payables, retakaful assets, Takaful certificate liabilities and other payables were derecognised on transition and have been remeasured within Takaful certificate asset and liabilities, retakaful certificate asset and liabilities. b) Under MFRS 4, unallocated surplus, asset revaluation reserves and fair value reserves of participants' funds of RM2.1 million were reported within Takaful certificate liabilities. Under MFRS 17, these balances are reported as part of the restricted equity of the Company.
Remeasurement effects under MFRS 17	<u>a) Transition CSM</u> CSM is a component of the Takaful certificate liabilities and represents the future unearned profit associated with Takaful certificate which will be released to profit or loss over the Takaful coverage period. <u>b) Fulfilment Cash Flows</u> The measurement of the Takaful certificate assets/liabilities under MFRS17 is based on groups of Takaful certificates and includes liabilities for fulfilling the contractual obligations associated with the Takaful certificate, such as contributions, expenses, and Takaful benefits and claims. These are recorded within the fulfilment cash flows component of the Takaful certificate liabilities, together with the risk adjustment.
Tax effect	Deferred tax are reported, where appropriate, to account for the temporary differences between the MFRS 17 accounting balances and the associated tax bases.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

Financial effects arising from the adoption of MFRS 17 *Insurance Contracts* (contd.)

(d) Income statement for the financial year ended 31 December 2022

Company	As previously stated for the year ended 31 December 2022 RM'000	Classification and measurement* RM'000	As restated for the year ended 31 December 2022 RM'000
Profit before taxation and zakat	404,729	(195,750)	208,979
Net profit for the financial year	255,657	(148,994)	106,663
Other comprehensive loss for the year, net of tax	(32,686)	-	(32,686)

** These impacts arise due to the derecognition of MFRS 4 assets and liabilities and recognition of MFRS 17 assets and liabilities.*

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

3. PROPERTY, PLANT AND EQUIPMENT

Family Takaful fund

2023/2022	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
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

2023	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2023	4,022	371	323	4,716
Additions	101	-	-	101
Write-off	-	(215)	-	(215)
At 31 December 2023	4,123	156	323	4,602
Accumulated Depreciation				
At 1 January 2023	3,873	320	323	4,516
Depreciation charge for the financial year (Note 29)	57	16	-	73
Write-off	-	(215)	-	(215)
At 31 December 2023	3,930	121	323	4,374
Net Book Value at 31 December 2023	193	35	-	228

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company

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	4,065	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 29)	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

4. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

Company

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

	2023 RM'000	2022 RM'000
Right-of-use assets - Premises		
Cost		
At 1 January	812	812
Contract renewal	775	-
At 31 December	1,587	812
Accumulated Depreciation		
At 1 January	700	532
Depreciation charge for the financial year (Note 29)	174	168
At 31 December	874	700
Net Book Value at 31 December	713	112

The movement of lease liabilities is disclosed as follows:

	2023 RM'000	2022 RM'000
Lease liabilities		
At 1 January	95	266
Accretion of profit (Note 29)	9	9
Contract renewal	775	-
Settlement	(187)	(180)
At 31 December	692	95
Lease liabilities by remaining maturity:		
Less than 12 months	123	95
More than 12 months	569	-
Total	692	95

5. INTANGIBLE ASSETS

Family Takaful fund

2023/2022	**Computer software and licences RM'000**
Cost	
At 1 January/31 December	9,020
Accumulated amortisation and impairment losses	
At 1 January/31 December	9,020
Net Book Value at 1 January/31 December	-

Company

2023	**Computer software and licences RM'000**	**Software development costs RM'000**	**Total RM'000**
Cost			
At 1 January 2023	28,814	306	29,120
Additions	3,007	1,550	4,557
Reclassification	1,744	(1,744)	-
At 31 December 2023	33,565	112	33,677
Accumulated amortisation			
At 1 January 2023	21,151	-	21,151
Amortisation charge for the financial year (Note 29)	1,514	-	1,514
At 31 December 2023	22,665	-	22,665
Net Book Value at 31 December 2023	10,900	112	11,012

5. INTANGIBLE ASSETS (CONTD.)

Company (contd.)

	Computer software and licences RM'000	Software development costs RM'000	Total RM'000
2022			
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 29)	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

6. INVESTMENTS

	Family Takaful fund RM'000	Company RM'000
2023		
Malaysian government papers	655,925	798,123
Equity securities	576,089	640,005
Debt securities	10,718,839	12,894,690
Unit and property trust funds	98,800	98,800
Structured products (Note 7)	96,685	96,685
Deposits with financial institutions	1,024,246	1,155,216
	13,170,584	15,683,519
2022		
Malaysian government papers	438,493	574,877
Equity securities	464,448	523,364
Debt securities	10,158,317	12,282,164
Unit and property trust funds	35,878	35,878
Deposits with financial institutions	1,035,683	1,174,551
	12,132,819	14,590,834

6. INVESTMENTS (CONTD.)

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

2023	**Family Takaful fund RM'000**	**Company RM'000**
Fair value through profit or loss ("FVTPL"):		
- Designated upon initial recognition	5,769,402	6,540,659
- Held for trading ("HFT")	781,873	813,803
Fair value through other comprehensive income ("FVOCI")	5,595,063	7,173,841
Amortised cost ("AC")	1,024,246	1,155,216
	13,170,584	15,683,519
2022		
Fair value through profit or loss ("FVTPL"):		
- Designated upon initial recognition	5,340,175	6,117,751
- Held for trading ("HFT")	586,489	618,511
Fair value through other comprehensive income ("FVOCI")	5,170,472	6,680,021
Amortised cost ("AC")	1,035,683	1,174,551
	12,132,819	14,590,834

The following investments will mature after 12 months:

	Family Takaful fund RM'000	**Company RM'000**
2023		
FVTPL		
- Designated upon initial recognition	5,508,444	6,279,700
- HFT	217,732	217,732
FVOCI	5,438,542	6,980,341
	11,164,718	13,477,773
2022		
FVTPL		
- Designated upon initial recognition	5,150,863	5,928,439
- HFT	139,280	139,280
FVOCI	5,039,697	6,514,250
	10,329,840	12,581,969

6. INVESTMENTS (CONTD.)

	Family Takaful fund RM'000	Company RM'000
(i) FVTPL		
- Designated upon initial recognition		
2023		
At fair value:		
Malaysian government papers	167,120	167,120
Debt securities:		
Unquoted in Malaysia	5,505,597	6,276,854
Structured products	96,685	96,685
Total financial assets designated as FVTPL upon initial recognition	5,769,402	6,540,659
2022		
At fair value:		
Malaysian government papers	187,973	187,973
Debt securities:		
Unquoted in Malaysia	5,152,202	5,929,778
Total financial assets designated as FVTPL upon initial recognition	5,340,175	6,117,751
- HFT		
2023		
At fair value:		
Malaysian government papers	53,792	53,792
Equity securities:		
Quoted in Malaysia	440,426	462,069
Quoted outside Malaysia	24,915	35,202
Debt securities:		
Unquoted in Malaysia	163,940	163,940
Unit and property trust funds:		
Quoted outside Malaysia	98,800	98,800
Total HFT financial assets	781,873	813,803

6. INVESTMENTS (CONTD.)

	Family Takaful fund RM'000	Company RM'000
(i) FVTPL		
- HFT		
2022		
At fair value:		
Malaysian government papers	5,459	5,459
Equity securities:		
Quoted in Malaysia	386,410	408,629
Quoted outside Malaysia	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
Total HFT financial assets	586,489	618,511

(ii) FVOCI

	Family Takaful fund RM'000	Company RM'000
2023		
At fair value:		
Malaysian government papers	435,013	577,211
Equity securities:		
Quoted in Malaysia	110,748	142,734
Debt securities:		
Unquoted in Malaysia	5,049,302	6,453,896
Total FVOCI financial assets	5,595,063	7,173,841
2022		
At fair value:		
Malaysian government papers	245,061	381,445
Equity securities:		
Quoted in Malaysia	54,420	81,314
Debt securities:		
Unquoted in Malaysia	4,870,991	6,217,262
Total FVOCI financial assets	5,170,472	6,680,021

During the financial year, the Company has disposed equity securities from the FVOCI financial assets as the equity securities no longer aligned with the long-term investment strategy as a high dividend yield stocks. The realised gains on disposal of these securities amounted to RM14,986 (2022: (RM13,751,290)).

6. INVESTMENTS (CONTD.)

(iii) AC

	Family Takaful fund RM'000	Company RM'000
2023		
Deposits and placements with financial institutions		
Islamic investment accounts with:		
Licensed financial institutions	714,609	827,025
Other licensed financial institutions	309,637	328,191
Total AC financial assets	1,024,246	1,155,216
2022		
Deposits and placements with financial institutions		
Islamic investment accounts with:		
Licensed financial institutions	712,674	816,542
Other licensed financial institutions	323,009	358,009
Total AC financial assets	1,035,683	1,174,551

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

Fair Value of Financial Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 45.

7. STRUCTURED PRODUCTS

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

	2023		2022	
	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000 (Note 6)	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000
Financial assets at FVTPL				
Structured deposits	100,000	96,685	-	-
	100,000	96,685	-	-

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

8. FINANCING RECEIVABLES

	Company RM'000
2023	
Secured:	
Staff loans	9,954
Non-staff loans	2,085
	12,039
Unsecured non-staff loans	14
Allowance for impairment losses (Note 42)	(1,860)
	10,193
Receivable after 12 months	7,116

8. FINANCING RECEIVABLES (CONTD.)

	Family Takaful fund RM'000	Company RM'000
2022		
Secured:		
Staff loans	-	11,145
Non-staff loans	16	2,196
	16	13,341
Unsecured non-staff loans	-	14
Allowance for impairment losses (Note 42)	(16)	(2,154)
	-	11,201
Receivable after 12 months	-	8,925

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 3.15% (2022: 3.24%) per annum.

9. RETAKAFUL CERTIFICATE ASSETS

a. Composition of retakaful certificates

The breakdown of groups of retakaful certificates held that are in an asset position and those in a liability position is set out in the table below:

	2023			2022 (Restated)		
	Assets RM'000	Liabilities RM'000	Net RM'000	Assets RM'000	Liabilities RM'000	Net RM'000
Family Takaful Fund/Company						
Retakaful certificates held	279,772	-	279,772	280,558	-	280,558

The Family Takaful Fund/Company disaggregates information to provide disclosures in respect of family takaful retakaful certificates held. This is disaggregation has been determined based on how the Family Takaful Fund/Company is managed.

9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

b. Analysis by remaining coverage and amounts recoverable on incurred claims

The roll-forward of net assets and liabilities for retakaful certificates held showing assets for remaining coverage ("ARC") and amounts recoverable on incurred claims ("AIC") arising from business ceded to retakaful operators is disclosed in the table below:

2023	**Note**	**Assets for remaining coverage RM'000**	**AIC for certificates not measured under PAA RM'000**	**AIC for certificates measured under PAA: Present value of future cash flows RM'000**	**AIC for certificates measured under PAA: Risk adjustment for non-financial risks RM'000**	**Total RM'000**
Family Takaful Fund/Company						
Retakaful certificate assets as at 1 January		96,408	171,179	12,551	420	280,558
Allocation of retakaful contributions:						
Amounts relating to the changes in assets for remaining coverage		(73,762)	-	-	-	(73,762)
Amounts recoverable from retakaful operators:						
Amounts recoverable for incurred claims and other expenses		-	87,583	18,092	-	105,675
Changes to amounts recoverable for incurred claims		-	(37,878)	2,613	(1)	(35,266)
Net (expenses)/income from retakaful certificates held	19	(73,762)	49,705	20,705	(1)	(3,353)
Finance income/(expenses) from retakaful certificates held	27	3,713	(361)	-	-	3,352
Effect of changes in non-performance risk	27	-	-	1	-	1
Total amount recognised in income statement		(70,049)	49,344	20,706	(1)	-
Cash flows						
Contributions paid net of ceding commission		114,096	-	-	-	114,096
Recoveries from retakaful		-	(72,773)	(24,361)	-	(97,134)
Total cash flows		114,096	(72,773)	(24,361)	-	16,962
Other movements	(i)	-	(20,560)	2,812	-	(17,748)
Net balance as at end of the year		140,455	127,190	11,708	419	279,772
Represented by:						
Retakaful certificate assets as at 31 December		140,455	127,190	11,708	419	279,772

9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

b. Analysis by remaining coverage and amounts recoverable on incurred claims (contd.)

The roll-forward of net assets and liabilities for retakaful certificates held showing assets for remaining coverage ("ARC") and amounts recoverable on incurred claims ("AIC") arising from business ceded to retakaful operators is disclosed in the table below: (contd.)

2022 (Restated)

	Note	Assets for remaining coverage RM'000	AIC for certificates not measured under PAA RM'000	AIC for certificates measured under PAA: Present value of future cash flows RM'000	AIC for certificates measured under PAA: Risk adjustment for non-financial risks RM'000	Total RM'000
Family Takaful Fund/Company						
Retakaful certificate assets as at 1 January		124,561	108,786	24,061	374	257,782
Allocation of retakaful contributions:						
Amounts relating to the changes in assets for remaining coverage		(75,004)	-	-	-	(75,004)
Amounts recoverable from retakaful operators:						
Amounts recoverable for incurred claims and other expenses		-	41,171	27,054	-	68,225
Changes to amounts recoverable for incurred claims		-	25,508	(1,669)	46	23,885
Net (expenses)/income from retakaful certificates held	19	(75,004)	66,679	25,385	46	17,106
Finance expenses from retakaful certificates held	27	(17,106)	-	-	-	(17,106)
Total amount recognised in income statement		(92,110)	66,679	25,385	46	-
Cash flows						
Contributions paid net of ceding commission		63,957	-	-	-	63,957
Recoveries from retakaful		-	(23,487)	(29,680)	-	(53,167)
Total cash flows		63,957	(23,487)	(29,680)	-	10,790
Other movements	(i)	-	19,201	(7,215)	-	11,986
Net balance as at end of the year		96,408	171,179	12,551	420	280,558
Represented by:						
Retakaful certificate assets as at 31 December		96,408	171,179	12,551	420	280,558

Note:

(i) Other movements relates to movement of retakaful unallocated surplus during the financial year.

9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

c. Analysis showing estimates of present value of future cash flows and risk adjustment for retakaful certificates held

The table below presents a roll-forward of the net asset or liability for retakaful certificates held (that are not measured under the premium allocation approach) showing estimates of the present value of future cash flows and risk adjustment.

2023	**Note**	**Estimate of the present value of future cash flows RM'000**	**Risk adjustment for non-financial risks RM'000**	**Total RM'000**
Family Takaful Fund/Company				
Retakaful certificate assets as at 1 January		277,139	-	277,139
Changes that relate to current services				
Experience adjustments		20,041	-	20,041
Changes that relate to past services				
Adjustment to liabilities for incurred claims		(24,824)	1,430	(23,394)
Takaful service results		(4,783)	1,430	(3,353)
Finance income from retakaful certificates held		3,353	-	3,353
Total amount recognised in income statement		(1,430)	1,430	-
Cash flows				
Contributions paid net of ceding commission		91,055	-	91,055
Recoveries from retakaful		(72,773)	-	(72,773)
Total cash flows		18,282	-	18,282
Other movements	(i)	(20,560)	-	(20,560)
Retakaful certificate assets as at 31 December		273,431	1,430	274,861

9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

c. Analysis showing estimates of present value of future cash flows and risk adjustment for retakaful certificates held (contd.)

The table below presents a roll-forward of the net asset or liability for retakaful certificates held (that are not measured under the premium allocation approach) showing estimates of the present value of future cash flows and risk adjustment. (contd.)

2022 (Restated)	**Note**	**Estimate of the present value of future cash flows RM'000**	**Risk adjustment for non-financial risks RM'000**	**Total RM'000**
Family Takaful Fund/Company				
Retakaful certificate assets as at 1 January		250,049	-	250,049
Changes that relate to current services				
Experience adjustments		(8,402)	-	(8,402)
Changes that relate to past services				
Adjustment to liabilities for incurred claims		25,508	-	25,508
Takaful service results		17,106	-	17,106
Finance expenses from retakaful certificates held		(17,106)	-	(17,106)
Total amount recognised in income statement		-	-	-
Cash flows				
Contributions paid net of ceding commission		31,376	-	31,376
Recoveries from retakaful		(23,487)	-	(23,487)
Total cash flows		7,889	-	7,889
Other movements	(i)	19,201	-	19,201
Retakaful certificate assets as at 31 December		277,139	-	277,139

Note:

(i) Other movements relates to movement of retakaful unallocated surplus during the financial year.

9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

d. Impact of certificates recognised in the year (The component of new business/initial recognition)

The components of new business for portfolios of retakaful certificates held during the year is disclosed in the table below:

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Certificates purchased		
Estimates of the present value of future cash outflows	187,742	158,936
Estimates of the present value of future cash inflows	(187,742)	(158,936)
Cost of retroactive cover on retakaful certificate assets held	-	-

10. TAKAFUL CERTIFICATE LIABILITIES

a. Composition of takaful certificates

The breakdown of groups of takaful certificates issued that are in an asset position and those in a liability position is set out in the table below:

	31.12.2023			31.12.2022 (Restated)		
	Assets RM'000	Liabilities RM'000	Net RM'000	Assets RM'000	Liabilities RM'000	Net RM'000
Family Takaful Fund						
Takaful certificates issued	-	13,348,392	13,348,392	-	12,276,907	12,276,907
Company						
Takaful certificates issued	-	13,197,036	13,197,036	-	12,210,833	12,210,833

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

b. Analysis by liability for remaining coverage and the liability for incurred claims

The overview of movements for takaful certificate liabilities and assets, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is presented in the table below:

2023

	Note	LRC		LIC for certificates measured under the PAA		
		Excluding loss component RM'000	LIC for certificates not measured under the PAA RM'000	Present value of future cash flow RM'000	Risk adjustment for non-financial risks RM'000	Total RM'000
Family Takaful Fund						
Takaful certificate liabilities as at 1 January		9,322,609	2,722,260	196,759	35,279	12,276,907
Takaful Revenue	17	(1,466,066)	-	-	-	(1,466,066)
Certificates under modified retrospective approach		(361,139)	-	-	-	(361,139)
Certificates under fair value approach		(539,156)	-	-	-	(539,156)
Certificates under full retrospective approach and new certificates issued during the year		(565,771)	-	-	-	(565,771)
Takaful service expenses	18	155,779	1,206,333	348,524	8,492	1,719,128
Incurred claims and other takaful service expenses		-	1,173,929	449,999	-	1,623,928
Amortisation of takaful acquisition cash flows		155,779	-	-	-	155,779
Changes that relates to past services - adjustment to LIC		-	32,404	(101,475)	8,492	(60,579)
Investment components		(737,189)	737,189	-	-	-
Takaful Service Result		(2,047,476)	1,943,522	348,524	8,492	253,062
Finance expenses from takaful certificates issued	26	513,992	777	24,371	822	539,962
Total amount recognised in profit or loss		(1,533,484)	1,944,299	372,895	9,314	793,024
Cash Flows						
Contributions received	(i)	2,266,181	-	-	-	2,266,181
Claims and other takaful service expenses paid		-	(1,396,799)	(379,707)	-	(1,776,506)
Takaful acquisition cash flows		(368,063)	-	-	-	(368,063)
Total cash flows		1,898,118	(1,396,799)	(379,707)	-	121,612
Other movements	(ii)	236,077	47,372	(72,002)	-	211,447
Transfer to other liabilities	16/(iii)	-	(45,955)	(8,643)	-	(54,598)
Net balance as at end of the year		9,923,320	3,271,177	109,302	44,593	13,348,392
Represented by:						
Takaful certificate liabilities as at 31 December		9,923,320	3,271,177	109,302	44,593	13,348,392

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

b. Analysis by liability for remaining coverage and the liability for incurred claims (contd.)

The overview of movements for takaful certificates liabilitie and assets, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is presented in the table below: (contd.)

2023

		LRC			LIC for certificates measured under the PAA		
Company	**Note**	**Excluding loss component RM'000**	**Loss component RM'000**	**LIC for certificates not measured under the PAA RM'000**	**Present value of future cash flow RM'000**	**Risk adjustment for non-financial risks RM'000**	**Total RM'000**
Takaful certificate liabilities as at 1 January		9,254,689	1,202	2,722,938	196,725	35,279	12,210,833
Takaful Revenue	17	(1,491,527)	-	-	-	-	(1,491,527)
Certificates under modified retrospective approach		(396,482)	-	-	-	-	(396,482)
Certificates under fair value approach		(546,558)	-	-	-	-	(546,558)
Certificates under full retrospective approach and new certificates issued during the year		(548,487)	-	-	-	-	(548,487)
Takaful service expenses	18	79,484	4,926	937,219	366,489	8,492	1,396,610
Incurred claims and other takaful service expenses		-	-	904,816	467,963	-	1,372,779
Amortisation of takaful acquisition cash flows		79,190	-	-	-	-	79,190
Changes that relates to past services - adjustment to LIC		-	-	32,403	(101,474)	8,492	(60,579)
Losses and reversal of losses on onerous certificates		294	4,926	-	-	-	5,220
Investment components		(737,189)	-	737,189	-	-	-
Takaful Service Result		(2,149,232)	4,926	1,674,408	366,489	8,492	(94,917)
Finance expenses from takaful certificates issued	26	623,982	-	779	24,371	822	649,954
Total amount recognised in profit or loss		(1,525,250)	4,926	1,675,187	390,860	9,314	555,037
Cash Flows							
Contributions received	(i)	2,565,372	-	-	-	-	2,565,372
Claims and other takaful service expenses paid		-	-	(1,305,331)	(404,183)	-	(1,709,514)
Takaful acquisition cash flows		(581,541)	-	-	-	-	(581,541)
Total cash flows		1,983,831	-	(1,305,331)	(404,183)	-	274,317
Other movements	(ii)	52,203	-	224,729	(65,485)	-	211,447
Transfer to other liabilities	16/(iii)	-	-	(45,955)	(8,643)	-	(54,598)
Net balance as at end of the year		9,765,473	6,128	3,271,568	109,274	44,593	13,197,036
Represented by:							
Takaful certificate liabilities as at 31 December		9,765,473	6,128	3,271,568	109,274	44,593	13,197,036

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

b. Analysis by liability for remaining coverage and the liability for incurred claims (contd.)

The overview of movements for takaful certificate liabilities and assets, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is presented in the table below: (contd.)

2022 (Restated)

	Note	LRC		LIC for certificates measured under the PAA		
		Excluding loss component RM'000	LIC for certificates not measured under the PAA RM'000	Present value of future cash flow RM'000	Risk adjustment for non-financial risks RM'000	Total RM'000
Family Takaful Fund						
Takaful certificate liabilities as at 1 January		9,503,032	2,375,815	171,740	14,370	12,064,957
Takaful Revenue	17	(1,341,110)	-	-	-	(1,341,110)
Certificates under modified retrospective approach		(411,644)	-	-	-	(411,644)
Certificates under fair value approach		(525,245)	-	-	-	(525,245)
Certificates under full retrospective approach and new certificates issued during the year		(404,221)	-	-	-	(404,221)
Takaful service expenses	18	126,150	1,079,389	337,022	20,682	1,563,243
Incurred claims and other takaful service expenses		-	1,038,078	312,816	-	1,350,894
Amortisation of takaful acquisition cash flows		126,150	-	-	-	126,150
Changes that relates to past services - adjustment to LIC		-	41,311	24,206	20,682	86,199
Investment components		(560,802)	560,802	-	-	-
Takaful Service Result		(1,775,762)	1,640,191	337,022	20,682	222,133
Finance expenses from takaful certificates issued	26	42,818	173	5,803	227	49,021
Total amount recognised in profit or loss		(1,732,944)	1,640,364	342,825	20,909	271,154
Cash Flows						
Contributions Received	(i)	2,021,165	-	-	-	2,021,165
Claims and other takaful service expenses paid		-	(1,178,601)	(353,174)	-	(1,531,775)
Takaful acquisition cash flows		(331,551)	-	-	-	(331,551)
Total cash flows		1,689,614	(1,178,601)	(353,174)	-	157,839
Other movements	(ii)	(137,093)	(62,050)	36,634	-	(162,509)
Transfer to other liabilities	16/(iii)	-	(53,268)	(1,266)	-	(54,534)
Net balance as at end of the year		9,322,609	2,722,260	196,759	35,279	12,276,907
Represented by:						
Takaful certificate liabilities as at 31 December		9,322,609	2,722,260	196,759	35,279	12,276,907

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

b. Analysis by liability for remaining coverage and the liability for incurred claims (contd.)

The overview of movements for takaful certificate liabilities and assets, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is presented in the table below: (contd.)

2022 (Restated)

	Note	LRC			LIC for certificates measured under the PAA		
		Excluding loss component RM'000	Loss component RM'000	LIC for certificates not measured under the PAA RM'000	Present value of future cash flow RM'000	Risk adjustment for non-financial risks RM'000	Total RM'000
Company							
Takaful certificate liabilities as at 1 January		9,539,931	840	2,280,884	171,743	14,370	12,007,768
Takaful Revenue	17	(1,337,281)	-	-	-	-	(1,337,281)
Certificates under modified retrospective approach		(396,181)	-	-	-	-	(396,181)
Certificates under fair value approach		(526,205)	-	-	-	-	(526,205)
Certificates under full retrospective approach and new certificates issued during the year		(414,895)	-	-	-	-	(414,895)
Takaful service expenses	18	94,573	220	936,738	378,705	20,682	1,430,918
Incurred claims and other takaful service expenses		-	-	895,427	354,499	-	1,249,926
Amortisation of takaful acquisition cash flows		94,573	-	-	-	-	94,573
Changes that relates to past services - adjustment to LIC		-	-	41,311	24,206	20,682	86,199
Losses and reversal of losses on onerous certificates		-	220	-	-	-	220
Investment components		(560,944)	142	560,802	-	-	-
Takaful service result		(1,803,652)	362	1,497,540	378,705	20,682	93,637
Finance expenses from takaful certificates issued	26	21,556	-	172	5,803	227	27,758
Total amount recognised in profit or loss		(1,782,096)	362	1,497,712	384,508	20,909	121,395
Cash Flows							
Contributions received	(i)	2,009,277	-	-	-	-	2,009,277
Claims and other takaful service expenses paid		-	-	(800,263)	(394,894)	-	(1,195,157)
Takaful acquisition cash flows		(515,407)	-	-	-	-	(515,407)
Total cash flows		1,493,870	-	(800,263)	(394,894)	-	298,713
Other movements	(ii)	2,984	-	(202,127)	36,634	-	(162,509)
Transfer to other liabilities	16/(iii)	-	-	(53,268)	(1,266)	-	(54,534)
Net balance as at end of the year		9,254,689	1,202	2,722,938	196,725	35,279	12,210,833
Represented by:							
Takaful certificate liabilities as at 31 December		9,254,689	1,202	2,722,938	196,725	35,279	12,210,833

Notes:

(i) The refunds of contributions have been included in this line.

(ii) Other movements comprises of FVOCI reserve and unallocated surplus movement during the financial year.

(iii) Included within the 'Transfer to other liabilities' are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of contribution in the course of collection and witholding tax on amount payables.

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

c. Analysis by measurement components of takaful certificate liabilities balances

<u>Takaful certificates Issued (contd.)</u>

The table below presents a roll-forward of the net asset or liability for takaful certificates issued (that are not measured under the premium allocation approach), showing estimates of the present value of future cash flows and risk adjustment.

2023	**Note**	**Estimates of the present value of future cash flows RM'000**	**Risk adjustment for non-financial risks RM'000**	**Total RM'000**
Family Takaful Fund				
Takaful certificate liabilities as at 1 January		12,082,225	419	12,082,644
Changes that relate to current services		111,696	-	111,696
Experience adjustments		111,696	-	111,696
Changes that relate to past services		131,346	7,648	138,994
Adjustments to liabilities for incurred claims		131,346	7,648	138,994
Takaful service result		243,042	7,648	250,690
Finance expenses/(income) from takaful certificates issued		514,782	(13)	514,769
Total amount recognised in profit or loss		757,824	7,635	765,459
Cash Flows				
Contributions received		1,834,313	-	1,834,313
Claims and other expenses paid		(1,396,799)	-	(1,396,799)
Takaful acquisition cash flows		(319,683)	-	(319,683)
Total cash flows		117,831	-	117,831
Other movements		283,446	-	283,446
Transfer to other liabilities	(i)	(45,953)	-	(45,953)
Takaful certificate liabilities as at 31 December		13,195,373	8,054	13,203,427

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

c. Analysis by measurement components of takaful certificate liabilities balances (contd.)

Takaful certificate Issued (contd.)

The table below presents a roll-forward of the net asset or liability for takaful certificates issued (that are not measured under the premium allocation approach), showing estimates of the present value of future cash flows, risk adjustment and CSM.

2023	Note	Estimates of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000	Total RM'000
Company					
Takaful certificate liabilities as at 1 January		10,300,708	564,740	1,159,864	12,025,312
Changes that relate to current services		(27,440)	(55,549)	(127,431)	(210,420)
CSM recognised for services provided		-	-	(127,431)	(127,431)
Change in the risk adjustment for non-financial risks for risk expired		-	(55,549)	-	(55,549)
Experience adjustments		(27,440)	-	-	(27,440)
Changes that relate to future services		(369,808)	57,695	312,113	-
Certifcates initially recognised in the year	10 (e)	(362,960)	146,982	215,978	-
Changes in estimate that adjust the CSM		(6,848)	(89,287)	96,135	-
Changes that relate to past services		131,346	7,648	-	138,994
Adjustments to liabilities for incurred claims		131,346	7,648	-	138,994
Takaful service result		(265,902)	9,794	184,682	(71,426)
Finance expenses/(income) from takaful certificates issued		624,773	(13)	-	624,760
Total amount recognised in income statement		358,871	9,781	184,682	553,334
Cash Flows					
Contributions received		2,096,780	-	-	2,096,780
Claims and other expenses paid		(1,173,264)	-	-	(1,173,264)
Takaful acquisition cash flows		(640,303)	-	-	(640,303)
Total cash flows		283,213	-	-	283,213
Other movements		283,446	-	-	283,446
Transfer to other liabilities	(i)	(45,953)	-	-	(45,953)
Takaful certificate liabilities as at 31 December		11,180,285	574,521	1,344,546	13,099,352

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

c. Analysis by measurement components of takaful certificate liabilities balances (contd.)

Takaful certificate Issued (contd.)

The table below presents a roll-forward of the net asset or liability for takaful certificates issued (that are not measured under the premium allocation approach), showing estimates of the present value of future cash flows and risk adjustment. (contd.)

2022 (Restated)	Note	Estimates of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Total RM'000
Family Takaful Fund				
Takaful certificate liabilities as at 1 January		11,949,055	56	11,949,111
Changes that relate to current services		51,374	-	51,374
Experience adjustments		51,374	-	51,374
Changes that relate to past services		171,491	374	171,865
Adjustments to liabilities for incurred claims		171,491	374	171,865
Takaful service result		222,865	374	223,239
Finance expenses/(income) from takaful certificates issued		43,001	(11)	42,990
Total amount recognised in income statement		265,866	363	266,229
Cash Flows				
Contributions received		1,590,481	-	1,590,481
Claims and other expenses paid		(1,178,601)	-	(1,178,601)
Takaful acquisition cash flows		(292,168)	-	(292,168)
Total cash flows		119,712	-	119,712
Other movements		(199,141)	-	(199,141)
Transfer to other liabilities	(i)	(53,267)	-	(53,267)
Takaful certificate liabilities as at 31 December		12,082,225	419	12,082,644

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

c. Analysis by measurement components of takaful certificate liabilities balances (contd.)

Takaful certificate Issued (contd.)

The table below presents a roll-forward of the net asset or liability for takaful certificates issued (that are not measured under the premium allocation approach), showing estimates of the present value of future cash flows, risk adjustment and CSM. (contd.)

2022 (Restated)	Note	Estimates of the present value of future cash flows RM'000	Risk adjustment for non-financial risks RM'000	Contractual service margin (CSM) RM'000	Total RM'000
Company					
Takaful certificate liabilities as at 1 January		10,240,881	456,788	1,194,204	11,891,873
Changes that relate to current services		46,447	(36,320)	(126,786)	(116,659)
CSM recognised for services provided		-	-	(126,786)	(126,786)
Change in the risk adjustment for non-financial risks for risk expired		-	(36,320)	-	(36,320)
Experience adjustments		46,447	-	-	46,447
Changes that relate to future services		(236,356)	143,910	92,446	-
Certificates initially recognised in the year	10 (e)	(296,926)	78,161	218,765	-
Changes in estimate that adjust the CSM		60,570	65,749	(126,319)	-
Changes that relate to past services		171,491	373	-	171,864
Adjustments to liabilities for incurred claims		171,491	373	-	171,864
Takaful service result		(18,418)	107,963	(34,340)	55,205
Finance (income)/ expenses from takaful certificates issued		21,739	(11)	-	21,728
Total amount recognised in income statement		3,321	107,952	(34,340)	76,933
Cash Flows					
Contributions received		1,578,595	-	-	1,578,595
Claims and other expenses paid		(800,763)	-	-	(800,763)
Takaful acquisition cash flows		(468,420)	-	-	(468,420)
Total cash flows		309,412	-	-	309,412
Other movements		(199,639)	-	-	(199,639)
Transfer to other liabilities	(i)	(53,267)	-	-	(53,267)
Takaful certificate liabilities as at 31 December		10,300,708	564,740	1,159,864	12,025,312

Notes:

(i) Included within the 'Transfer to other liabilities' are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of contribution in the course of collection and witholding tax on amount payables.

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

d. Impact on current year of the transition approaches adopted to establish CSM

The impact on the current year, arising because of the transition approaches adopted to establish CSMs for takaful certificates issued for the Company is disclosed in the table below:

2023	New certificates and certificates measured under the full retrospective approach at transition RM'000	Certificates measured under the modified retrospective approach at transition RM'000	Certificates measured under the fair value approach at transition RM'000	Total RM'000
Company				
CSM as at beginning of the year	211,519	644,848	303,497	1,159,864
Changes that relate to current services	(30,540)	(53,596)	(43,295)	(127,431)
CSM recognised in the income statement for services provided	(30,540)	(53,596)	(43,295)	(127,431)
Changes that relate to the future services	263,269	6,652	42,192	312,113
Certificates initially recognised in the year	213,561	-	2,417	215,978
Changes in estimates that adjust the CSM	49,708	6,652	39,775	96,135
Takaful service result	232,729	(46,944)	(1,103)	184,682
Total amount recognised in income statement	232,729	(46,944)	(1,103)	184,682
CSM as at the end of the year	444,248	597,904	302,394	1,344,546

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

d. Impact on current year of the transition approaches adopted to establish CSM (contd.)

The impact on the current year, arising because of the transition approaches adopted to establish CSMs for takaful certificates of the Company is disclosed in the table below: (contd.)

2022 (Restated)

Company	New certificates and certificates measured under the full retrospective approach at transition RM'000	Certificates measured under the modified retrospective approach at transition RM'000	Certificates measured under the fair value approach at transition RM'000	Total RM'000
CSM as at beginning of the year	-	781,156	413,048	1,194,204
Changes that relate to current services	(10,674)	(61,981)	(54,131)	(126,786)
CSM recognised in the income statement for services provided	(10,674)	(61,981)	(54,131)	(126,786)
Change in the risk adjustment for non-financial risk for the risk expired	-	-	-	-
Changes that relate to the future services	222,193	(74,327)	(55,420)	92,446
Certificates initially recognised in the year	211,082	3,427	4,256	218,765
Changes in estimates that adjust the CSM	11,111	(77,754)	(59,676)	(126,319)
Takaful service result	211,519	(136,308)	(109,551)	(34,340)
Total amount recognised in income statement	211,519	(136,308)	(109,551)	(34,340)
CSM as at the end of the year	211,519	644,848	303,497	1,159,864

10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

e. Impact of certificates recognised in the year (Component of new business/initial recognition)

The components of new business for takaful certificates issued is disclosed in the table below:

	Certificates issued Non-onerous / Total	
2023	**Family Takaful Fund RM'000**	**Company RM'000**
Takaful certificate liabilities		
Estimates of present value of future cash inflows	(2,841,865)	(1,918,313)
Estimate of present value of future cash outflows:	2,841,865	1,555,353
Benefits payable and other expenses	2,517,808	1,332,406
Takaful acquisition cash flows	324,057	222,947
Risk adjustment for non-financial risks	-	146,982
CSM	-	215,978
Losses on onerous contracts at initial recognition	-	-
2022 (Restated)		
Takaful certificate liabilities		
Estimates of present value of future cash inflows	(2,166,698)	(1,565,391)
Estimate of present value of future cash outflows:	2,166,698	1,268,465
Benefits payable and other expenses	1,889,822	1,076,422
Takaful acquisition cash flows	276,876	192,043
Risk adjustment for non-financial risks	-	78,161
CSM	-	218,765
Losses on onerous contracts at initial recognition	-	-

f. Expected release of CSM

The disclosure of when the CSM is expected to be released to income statement in future years is presented below:

	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	5 - 10 years RM'000	More than 10 years RM'000	Total RM'000
31.12.2023								
Takaful certificates issued	127,677	118,192	106,231	95,447	85,779	319,719	491,501	1,344,546
31.12.2022 (Restated)								
Takaful certificates issued	115,750	103,310	92,726	83,032	74,351	273,974	416,721	1,159,864

11. OTHER ASSETS

	Family Takaful fund RM'000	Company RM'000
2023		
Sundry receivables, deposits and prepayments	10,177	23,557
Allowance for impairment losses (Note 42)	(507)	(2,987)
	9,670	20,570
Income and profit due and accrued	160,562	190,581
Amount due from other related company* (Note 39(ii))	-	170
Amount due from stockbrokers	2,106	2,896
	162,668	193,647
Total other assets	172,338	214,217
2022 (Restated)		
Sundry receivables, deposits and prepayments	1,177	10,052
Allowance for impairment losses (Note 42)	(507)	(3,027)
	670	7,025
Income and profit due and accrued	131,993	159,500
Amount due from other related company* (Note 39(ii))	-	42
Amount due from stockbrokers	3,648	4,307
	135,641	163,849
Total other assets	136,311	170,874

* Amount due from other related company is non-trade in nature, unsecured, not subject to any profit elements and is repayable in the short-term.

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

12. CURRENT TAX ASSETS

Company

	RM'000
2023	
At 1 January 2023	79,675
Reversal during the year:	
YA 2016 (offset YA2023 installment)	(380)
At 31 December 2023	79,295
2022 (Restated)	
At 1 January 2022	82,053
Reversal during the year:	
YA 2020 (offset YA2022 installment)	(2,378)
At 31 December 2022	79,675

The Inland Revenue Board of Malaysia ("IRBM") had in previous financial years, raised additional assessments to the Company for Years of Assessment ("YA") 2008 to 2015, totalling RM79,294,509.

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

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

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

In respect to the Company's appeal, SCIT and High Court had rejected the Company's appeal on 19 February 2021 and 14 September 2022. The case is scheduled to be heard at the Court of Appeal on 18 July 2024.

(b) For YA2014 to YA2015, the additional assessments, amounting to RM3,598,534, mainly related to deeming surplus earned on retakaful ceded and processing fee income for the Family Takaful fund's business as incidental income of the Company under Section 60AA(13) of the Income Tax Act, 1967.

12. CURRENT TAX ASSETS (CONTD.)

The specific issues raised and corresponding additional tax assessments issued are as summarised below (contd.):

(b) Based on the Ministry of Finance ("MOF")'s letter dated 25 February 2022, the MOF has agreed that the retakaful discount/experience refund is an amount received directly in relation to the retakaful ceded under the Family Takaful Fund. In view of the above, the retakaful discount/experience refund should not be regarded as other income under Section 60AA(13) of the ITA and hence is not subject to tax. The MOF has deemed that these issues have been resolved. The same letter was copied to Malaysian Takaful Association ("MTA"). The court fixed the matter for mention on 8 May 2024 to update the settlement status by IRBM.

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.

13. SHARE CAPITAL

Company	No. of shares '000	Amount RM'000
Issued and fully paid:		
Ordinary shares		
2023		
At 1 January/31 December	100,000	100,000
2022		
At 1 January/31 December	100,000	100,000

14. RESERVES

Company	Note	2023 RM'000	2022 (Restated) RM'000
Non-distributable:			
FVOCI reserve	(i)	4,665	(43,357)
Distributable:			
Retained profits	(ii)	2,643,470	2,528,915
Total reserves		2,648,135	2,485,558

(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.

15. DEFERRED TAXATION

	Family Takaful fund RM'000	Company RM'000
2023		
At 1 January, as previously stated	13,458	33,322
Effect of adopting MFRS 17	-	26,510
At 1 January, as restated	13,458	59,832
Recognised in:		
Income statement		
Taxation (Note 33)	-	20,828
Tax expenses attributable to participants (Note 32)	(20,463)	(20,463)
Other comprehensive income	(18,804)	(33,973)
At 31 December 2023	(25,809)	26,224
2022 (Restated)		
At 1 January, as previously stated	(15,678)	117,021
Effect of adopting MFRS 17		
Reversal of deferred tax on expense liabilities	-	(131,269)
Deferred tax on MFRS 17 takaful certificate liabilities	-	17,321
At 1 January, as restated	(15,678)	3,073
Recognised in:		
Income statement		
Taxation (Note 33)	-	16,232
Tax credit attributable to participants (Note 32)	17,355	17,355
Other comprehensive income	11,781	23,172
At 31 December 2022 (Restated)	13,458	59,832

15. DEFERRED TAXATION (CONTD.)

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

Family Takaful fund	**2023 RM'000**	**2022 RM'000**
Deferred tax assets	5,784	13,729
Deferred tax liabilities	(31,593)	(271)
	(25,809)	13,458

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

(i) Deferred tax assets

	FVOCI reserve RM'000	**Net Amortisation of premiums on investments RM'000**	**Impairment of FVOCI financial assets RM'000**	**Unrealised currency exchange RM'000**	**Total RM'000**
2023					
At 1 January	8,795	4,805	98	31	13,729
Recognised in:					
Income statement					
Tax credit/(expenses) attributable to participants	-	833	48	(31)	850
Other comprehensive income	(8,795)	-	-	-	(8,795)
At 31 December	-	5,638	146	-	5,784
2022					
At 1 January	-	4,081	69	-	4,150
Recognised in:					
Income statement					
Tax credit attributable to participants	-	724	29	31	784
Other comprehensive income	8,795	-	-	-	8,795
At 31 December	8,795	4,805	98	31	13,729

15. DEFERRED TAXATION (CONTD.)

Family Takaful fund (contd.)

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

(ii) Deferred tax liabilities

	FVOCI reserve RM'000	Fair value adjustment RM'000	Unrealised currency exchange RM'000	Total RM'000
2023				
At 1 January	-	(271)	-	(271)
Recognised in:				
Income statement				
Tax expenses attributable to participants	-	(21,307)	(6)	(21,313)
Other comprehensive income	(10,009)	-	-	(10,009)
At 31 December	(10,009)	(21,578)	(6)	(31,593)
2022				
At 1 January	(2,986)	(16,834)	(8)	(19,828)
Recognised in:				
Income statement				
Tax credit attributable to participants	-	16,563	8	16,571
Other comprehensive income	2,986	-	-	2,986
At 31 December	-	(271)	-	(271)

15. DEFERRED TAXATION (CONTD.)

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

Company	2023 RM'000	2022 (Restated) RM'000
Deferred tax assets	69,347	61,644
Deferred tax liabilities	(43,123)	(1,812)
	26,224	59,832

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	Others 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	Takaful certificate liabilities RM'000	Unrealised currency exchange RM'000	Total RM'000
2023										
At 1 January, as restated	14	1,118	1,960	604	22,488	197	8,684	-	69	35,134
Effect of adopting MFRS17	-	-	-	-	-	-	-	26,510	-	26,510
At 1 January, as restated	14	1,118	1,960	604	22,488	197	8,684	26,510	69	61,644
Recognised in:										
Income statement										
Taxation	(1)	(76)	737	2,928	-	67	1,169	24,555	(46)	29,333
Tax credit/(expenses) attributable to participants	-	-	-	-	-	48	833	-	(23)	858
Other comprehensive income	-	-	-	-	(22,488)	-	-	-	-	(22,488)
At 31 December	13	1,042	2,697	3,532	-	312	10,686	51,065	-	69,347

15. DEFERRED TAXATION (CONTD.)

Company (contd.)

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

(i) Deferred tax assets (contd.)

	Lease liabilities RM'000	Expense liabilities RM'000	Others 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	Takaful certificate liabilities RM'000	Unrealised currency exchange RM'000	Total RM'000
2022 (Restated)											
At 1 January, as restated	18	131,269	-	2,422	3,887	5,268	152	7,950	-	-	150,966
Effect of adopting MFRS17:											
Reversal of deferred tax of expense liabilities	-	(131,269)	-	-	-	-	-	-	-	-	(131,269)
Deferred tax on MFRS 17 takaful certificate liabilities	-	-	-	-	-	-	-	-	17,321	-	17,321
At 1 January, as restated	18	-	-	2,422	3,887	5,268	152	7,950	17,321	-	37,018
Recognised in:											
Income statement											
Taxation	(4)	-	1,118	(462)	(3,283)	(2,966)	16	10	9,189	38	3,656
Tax credit attributable to participants	-	-	-	-	-	-	29	724	-	31	784
Other comprehensive income	-	-	-	-	-	20,186	-	-	-	-	20,186
At 31 December, as restated	14	-	1,118	1,960	604	22,488	197	8,684	26,510	69	61,644

15. DEFERRED TAXATION (CONTD.)

Company (contd.)

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

(ii) Deferred tax liabilities

	FVOCI reserve RM'000	Fair value adjustment RM'000	Unrealised currency exchange RM'000	Total RM'000
2023				
At 1 January	-	(1,812)	-	(1,812)
Recognised in:				
Income statement				
Taxation	-	(8,505)	-	(8,505)
Tax expenses attributable to participants	-	(21,307)	(14)	(21,321)
Other comprehensive income	(11,485)	-	-	(11,485)
At 31 December	(11,485)	(31,624)	(14)	(43,123)
2022 (Restated)				
At 1 January	(2,986)	(30,938)	(21)	(33,945)
Recognised in:				
Income statement				
Taxation	-	12,563	13	12,576
Tax credit attributable to participants	-	16,563	8	16,571
Other comprehensive income	2,986	-	-	2,986
At 31 December	-	(1,812)	-	(1,812)

16. OTHER LIABILITIES

	Family Takaful fund RM'000	Company RM'000
2023		
Proposal deposits	9,992	9,992
Lease liabilities (Note 4)	-	692
Provision for restoration/dismantling costs	-	76
Amount due to Shareholder's fund*	21,191	-
Unclaimed monies	105,805	105,827
Service tax payable	9,522	9,522
Amount due to related companies* (Note 39(ii)):		
- ultimate holding company	-	9,993
- immediate and penultimate holding company	-	2,483
- other related companies	249	2,167
Amount due to stockbrokers	1,656	1,664
Zakat payable	-	14,039
Provision for expenses	-	38,766
Sundry payables and accrued liabilities	68,680	118,037
Other components of takaful certificate liabilities (Note 10(b))	54,598	54,598
Total other liabilities	271,693	367,856
2022 (Restated)		
Proposal deposits	7,715	7,715
Lease liabilities (Note 4)	-	95
Provision for restoration/dismantling costs	-	75
Amount due to Shareholder's fund*	12,027	-
Unclaimed monies	153,631	153,631
Service tax payable	10,646	10,646
Amount due to related companies* (Note 39(ii)):		
- ultimate holding company	-	8,672
- immediate and penultimate holding company	-	1,228
- other related companies	230	3,551
Zakat payable	-	11,216
Provision for expenses	-	32,289
Sundry payables and accrued liabilities	106,262	152,002
Other components of takaful certificate liabilities (Note 10(b))	54,534	54,534
Total other liabilities	345,045	435,654

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

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.

17. TAKAFUL REVENUE

The table below presents an analysis of the total takaful revenue recognised in the financial year:

	2023		2022 (Restated)	
	Family Takaful Fund	**Company**	**Family Takaful Fund**	**Company**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Certificates not measured under the PAA				
Amounts relating to changes in the liability for remaining coverage				
- Expected claims and takaful service expenses incurred in the year	955,641	779,490	856,151	719,145
- Change in the risk adjustment for non-financial risks	-	55,549	-	36,320
- Amount of CSM recognised in profit or loss	-	127,431	-	126,786
Amounts relating to recovery of takaful acquisition cash flows	101,277	67,238	80,661	50,732
Experience adjustments	-	52,569	-	-
	1,056,918	1,082,277	936,812	932,983
Takaful revenue from certificates measured under the PAA	409,148	409,250	404,298	404,298
Total Takaful Revenue	1,466,066	1,491,527	1,341,110	1,337,281

18. TAKAFUL SERVICE EXPENSES

The table below presents an analysis of the total takaful service expenses recognised in the financial year:

		2023		**2022 (Restated)**	
		Family Takaful Fund	**Company**	**Family Takaful Fund**	**Company**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Incurred claims and other directly attributable expenses		1,000,992	1,134,572	1,052,937	1,162,184
Incurred wakalah fees	(i)	95,344	-	78,148	-
Incurred surplus to Shareholder's Fund		289,385	-	132,067	-
Incurred surplus to participants		238,207	238,207	87,742	87,742
Amortisation of acquisition cash flows		155,779	79,190	126,150	94,573
Losses on onerous contracts and reversal of losses on onerous contracts		-	5,220	-	220
Changes to liabilities for incurred claims		(60,579)	(60,579)	86,199	86,199
Total takaful service expenses		1,719,128	1,396,610	1,563,243	1,430,918

Notes:
(i) The wakalah fees paid to the Shareholder's Fund during the financial year is RM143,725,000 (2022: RM117,542,000).

19. NET (EXPENSES)/INCOME FROM RETAKAFUL CERTIFICATES HELD

The analysis of the net (expenses)/income from retakaful certificates held recognised in the financial year is as disclosed in the table below:

<u>Family Takaful fund/Company</u>	Note	2023 RM'000	2022 (Restated) RM'000
Amounts relating to the changes in the assets for remaining coverage			
Expected recovery for takaful service expenses incurred in the financial year		(53,058)	(49,573)
Net cost recognised in profit or loss		(20,704)	(25,431)
Allocation of retakaful contributions		(73,762)	(75,004)
Amounts recoverable for incurred claims and other expenses			
Amounts recoverable for claims and other expenses incurred in the year		87,567	79,797
Incurred unallocated surplus		18,108	(11,572)
Changes in amounts recoverable arising from changes in liability for incurred claims		(35,266)	23,885
Amounts recoverable from retakaful operators		70,409	92,110
Net (expense)/income from retakaful ceritificates held	9(b)	(3,353)	17,106

20. PROFIT REVENUE FROM FINANCIAL ASSETS NOT MEASURED AT FVTPL

	Family Takaful Fund RM'000	Company RM'000
2023		
Profit income		
(i) Financial Assets at FVOCI		
- Malaysian government papers	10,395	15,989
- Debt securities	235,119	297,757
(ii) Financial Assets at AC		
- Deposits with financial institutions	41,462	45,235
(iii) Financing receivables	-	317
(iv) Other profit income	80	80
Total profit revenue from financial assets not measured at FVTPL	287,056	359,378
2022 (Restated)		
Profit income		
(i) Financial Assets at FVOCI		
- Malaysian government papers	12,579	18,212
- Debt securities	219,905	277,673
(ii) Financial Assets at AC		
- Deposits with financial institutions	22,588	25,657
(iii) Financing receivables	-	223
(iv) Other profit income	57	57
Total profit revenue from financial assets not measured at FVTPL	255,129	321,822

21. NET FAIR VALUE GAINS/(LOSSES) ON FINANCIAL ASSETS MEASURED AT FVTPL

	Family Takaful Fund RM'000	Company RM'000
2023		
Realised losses on disposal on investments	(28,572)	(31,697)
Fair value gains/(losses) on investments:		
- Malaysian government papers	11,862	11,862
- Equity securities	46,312	48,867
- Debt securities	205,186	235,824
- Unit and property trust funds	16,907	16,907
- Structured products	(3,315)	(3,315)
Total net fair value gains on investments	276,952	310,145
Total net fair value gains on financial assets measured at FVTPL	248,380	278,448
2022 (Restated)		
Realised losses on disposal on investments	(49,730)	(53,361)
Fair value gains/(losses) on investments:		
- Malaysian government papers	(2,849)	(2,849)
- Equity securities	(2,825)	(3,077)
- Debt securities	(203,978)	(243,875)
- Unit and property trust funds	(5,114)	(5,146)
- Derivatives	487	487
Total net fair value losses on investments	(214,279)	(254,460)
Total net fair value losses on financial assets measured at FVTPL	(264,009)	(307,821)

22. NET FAIR VALUE GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FVOCI

	Family Takaful Fund RM'000	Company RM'000
2023		
Financial assets at FVOCI		
- Malaysian government papers	948	1,388
- Debt securities	(1,396)	(1,391)
Total net fair value losses on derecognition of financial assets measured at FVOCI	(448)	(3)
2022 (Restated)		
Financial assets at FVOCI		
- Malaysian government papers	458	622
- Debt securities	232	199
Total net fair value gains on derecognition of financial assets measured at FVOCI	690	821

23. OTHER INVESTMENT INCOME

	Family Takaful Fund RM'000	Company RM'000
2023		
Dividend/distribution income:		
Equity securities	22,542	26,574
Profit income from financial assets measured at FVTPL	277,667	316,563
Rental income, net	-	29
Net amortisation of premiums	(19,311)	(25,072)
Investment related expenses, net	(3,806)	(4,687)
Total other investment income	277,092	313,407
2022 (Restated)		
Dividend/distribution income:		
Equity securities	15,632	18,071
Profit income from financial assets measured at FVTPL	272,734	317,336
Rental income, net	-	54
Net amortisation of premiums	(18,541)	(23,746)
Investment related expenses, net	(3,575)	(4,403)
Total other investment income	266,250	307,312

24. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	Family Takaful Fund RM'000	Company RM'000
2023		
Impairment losses on:		
- Investments	(658)	(936)
Total impairment loss on financial assets	(658)	(936)
2022 (Restated)		
Impairment losses on:		
- Investments	(380)	(514)
Total impairment loss on financial assets	(380)	(514)

25. NET FOREIGN EXCHANGE INCOME/(EXPENSES)

	Family Takaful Fund RM'000	Company RM'000
2023		
Net realised losses	(1,095)	(1,172)
Net unrealised gains	2,085	2,179
	990	1,007
2022 (Restated)		
Net realised losses	(1,601)	(1,888)
Net unrealised gains	486	344
	(1,115)	(1,544)

26. FINANCE INCOME/(EXPENSES) FROM TAKAFUL CERTIFICATES ISSUED

	2023		2022 (Restated)	
	Family Takaful Fund	Company	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000
Takaful finance (expenses)/income from takaful certificates issued				
Changes in fair value of underlying assets of Family takaful fund	(190,099)	(300,091)	196,888	217,636
Profit accreted to takaful certificates using current financial assumptions	(3,316)	(3,316)	(1,308)	(1,308)
Profit accreted to takaful certificates using locked-in rates	(346,551)	(346,551)	(244,649)	(244,134)
Effect of changes in profit rates and other financial assumptions	4	4	48	48
Takaful finance expenses from takaful certificates issued	(539,962)	(649,954)	(49,021)	(27,758)
Represented by:				
Amount recognised in profit or loss	(539,962)	(649,954)	(49,021)	(27,758)

27. FINANCE INCOME/(EXPENSES) FROM RETAKAFUL CERTIFICATES HELD

	2023		2022 (Restated)	
	Family Takaful Fund	Company	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000
Takaful finance income/(expenses) from retakaful certificates held				
Profit accreted to retakaful certificates using locked-in rates	7,807	7,807	4,907	4,907
Effect of changes in profit rates and other financial assumptions	(4,455)	(4,455)	(22,013)	(22,013)
Changes in non-performance risk of retakaful operators	1	1	-	-
Takaful finance income/(expenses) from retakaful certificates held	3,353	3,353	(17,106)	(17,106)
Represented by:				
Amount recognised in profit or loss	3,353	3,353	(17,106)	(17,106)

28. OTHER INCOME

	Family Takaful Fund RM'000	Company RM'000
2023		
Realised gains on disposal of intangible assets	-	1
Reversal of impairment losses on:		
- financing receivables	16	294
- other assets	-	40
Sundry income	5,389	6,130
Total other income	5,405	6,465
2022 (Restated)		
Realised gains on disposal of intangible assets	-	4
Bad debt recovery on financing receivables	-	3
Sundry income	501	2,321
Total other income	501	2,328

29. EXPENSES

An analysis of the expenses incurred by the Family Takaful Fund during the year is as showed in the table below:

Family Takaful Fund

	2023				2022 (Restated)			
	Expenses attributed to takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000	Expenses attributed to takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000
Commission	-	644	-	644	-	665	-	665
Employee benefits expense (a)	-	17,386	-	17,386	-	16,659	-	16,659
Auditors' remuneration:								
- regulatory related services	-	20	-	20	-	15	-	15
Bank and financing charges	-	29	-	29	-	3	-	3
Other management fees	-	886	-	886	-	678	-	678
Professional fees	-	71	-	71	-	198	-	198
Rental of offices/premises	-	1,020	-	1,020	-	1,046	-	1,046
Office facilities expenses	-	127	-	127	-	153	-	153
Electronic data processing expenses	-	1,351	-	1,351	-	1,323	-	1,323
Information technology outsourcing	-	1,475	-	1,475	-	1,975	-	1,975
Postage and stamp duties	-	75	-	75	-	34	-	34
Printing and stationery	-	98	-	98	-	40	-	40
Promotional and marketing costs	-	5	-	5	-	10	-	10
Training expenses	-	181	-	181	-	138	-	138
Utilities, assessment and maintenance	-	976	-	976	-	882	-	882
Carried forward	-	23,700	-	23,700	-	23,154	-	23,154

29. EXPENSES (CONTD.)

An analysis of the expenses incurred by the Family Takaful Fund during the year is as showed in the table below: (contd.)

Family Takaful Fund (Contd.)

	2023				2022 (Restated)			
	Expenses attributed to takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000	Expenses attributed to takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000
Brought forward	-	23,700	-	23,700	-	23,154	-	23,154
Travelling expenses	-	43	-	43	-	51	-	51
Licence, subscriptions and levies	-	76	-	76	-	171	-	171
Contract staff services	-	231	-	231	-	578	-	578
Others	-	1,311	-	1,311	-	1,022	-	1,022
Total	-	25,361	-	25,361	-	24,976	-	24,976
Other operating expenses								
Sundry expenditure	-	-	4,330	4,330	-	-	3,267	3,267
Total	-	-	4,330	4,330	-	-	3,267	3,267
Total expenses	-	26,005	4,330	30,335	-	25,641	3,267	28,908

	2023 RM'000	2022 (Restated) RM'000
Represented by:		
Takaful service expenses	26,005	25,641
Other expenses	4,330	3,267
	30,335	28,908

Table above shows the total expenses incurred by Family Takaful Fund during the year. Takaful service expenses inlcude acquisition and maintenance expenses which are directly attributable to group of takaful certificates. Takaful acquisition cash flow is subjected to amortisation in accordance to Note2.1(d)(i).

29. EXPENSES (CONTD.)

An analysis of the expenses incurred by the Company during the year is as showed in the table below:

Company

	2023				2022 (Restated)			
	Expenses attributed to takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000	Expenses attributed to takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000
Commission	91,354	45,070	-	136,424	90,692	32,244	-	122,936
Employee benefits expense (a)	42,228	76,936	3,595	122,759	29,939	65,185	2,789	97,913
Directors' fees and remuneration (Note 30)	-	-	892	892	-	-	917	917
Shariah committee's remuneration (Note 31)	-	344	-	344	-	-	336	336
Auditors' remuneration:								
- statutory audits	-	2,024	-	2,024	-	478	-	478
- regulatory related services	-	157	-	157	-	30	-	30
- other services	-	64	-	64	-	-	-	-
Amortisation of intangible assets (Note 5)	-	1,514	-	1,514	-	1,346	-	1,346
Bank and financing charges	-	3,754	-	3,754	-	3,774	-	3,774
Depreciation of property, plant and equipment (Note 3)	-	73	-	73	-	112	-	112
Right-of-use expenses:								
-Depreciation (Note 4)	-	174	-	174	-	168	-	168
-Lease liabilities profit (Note 4)	-	9	-	9	-	9	-	9
Other management fees	85	4,282	4	4,371	129	3,523	-	3,652
Professional fees	-	338	-	338	-	934	-	934
Rental of offices/premises	2,115	3,873	51	6,039	1,564	4,150	21	5,735
Office facilities expenses	-	841	-	841	-	376	-	376
Electronic data processing expenses	493	7,657	-	8,150	531	7,629	-	8,160
Information technology outsourcing	2,795	8,384	-	11,179	2,422	9,720	-	12,142
Postage and stamp duties	360	824	20	1,204	283	1,222	5	1,510
Carried forward	48,076	111,248	4,562	163,886	34,868	98,656	4,068	137,592

29. EXPENSES (CONTD.)

An analysis of the expenses incurred by the Company during the year is as showed in the table below: (contd.)

Company (Contd.)

	2023				2022 (Restated)			
	Expenses attributed to takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000	Expenses attributed to takaful acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000
Brought forward	48,076	111,248	4,562	163,886	34,868	98,656	4,068	137,592
Printing and stationery	-	260	-	260	-	1,457	-	1,457
Promotional and marketing costs	60,825	5	807	61,637	55,442	(899)	1,079	55,622
Training expenses	415	1,915	2	2,332	278	790	2	1,070
Utilities, assessment and maintenance	1,241	5,351	5	6,597	1,188	5,719	2	6,909
Entertainment	-	-	229	229	-	-	141	141
Travelling expenses	660	369	29	1,058	321	239	57	617
Legal fees	-	68	-	68	-	209	-	209
Licence, subscriptions and levies	-	5,852	-	5,852	-	5,677	-	5,677
Contract staff services	416	1,739	3	2,158	282	1,994	34	2,310
Others	4,418	10,150	732	15,300	4,243	9,306	573	14,122
Total	116,051	136,957	6,369	259,377	96,622	123,148	5,956	225,726
<u>Other operating expenses</u>								
Allowance for impairment losses on :								
- financing receivables	-	-	-	-	-	-	288	288
- others	-	-	-	-	-	-	30	30
Sundry expenditure	-	-	3,406	3,406	-	-	3,111	3,111
Total	-	-	3,406	3,406	-	-	3,429	3,429
Total expenses	207,405	182,027	9,775	399,207	187,314	155,392	9,385	352,091

29. EXPENSES (CONTD.)

	2023	2022 (Restated)
	RM'000	RM'000
Represented by:		
Takaful service expenses	389,432	342,706
Other expenses	9,775	9,385
	399,207	352,091

Table above shows the total expenses incurred by the Company during the year. Takaful service expenses inlcude acquisition and maintenance expenses which are directly attributable to group of takaful certificates. Takaful acquisition cash flow is subjected to amortisation in accordance to Note2.1(d)(i).

29. EXPENSES (CONTD.)

(a) Employee Benefits Expense:

	Family Takaful Fund RM'000	Company RM'000
2023		
Wages, salaries and bonuses	13,875	95,011
Employees Provident Fund ("EPF")	2,164	14,732
Social Security Contributioons ("SOCSO")	66	691
Employees' Share Grant Plan ("ESGP")	98	1,573
Other benefits	1,182	10,752
	17,385	122,759
2022		
Wages, salaries and bonuses	12,766	74,893
EPF	2,011	11,679
SOCSO	81	588
ESGP	417	1,896
Other benefits	1,384	8,857
	16,659	97,913

Included in Employer Benefits Expense is CEO's remuneration amounting to RM1,644,000 (2022:RM1,510,000) as disclosed in Note 29(b) below.

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

Company	2023 RM'000	2022 RM'000
Salary	885	817
Bonus	350	300
EPF	205	186
ESGP	124	126
Other emoluments	80	81
	1,644	1,510

30. DIRECTORS' FEES AND REMUNERATION

	2023 RM'000	**2022 RM'000**
Family Takaful Fund/Company		
Non-executive directors:		
Fees	740	780
Other emoluments	152	137
	892	917

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

	Fees RM'000	**Other emoluments RM'000**	**Total RM'000**
2023			
Non-executive directors:			
Dato' Majid Bin Mohamad (Chairman)	180	33	213
Mr. Ajay Kumar Garg*	20	2	22
Mr. Andrew King Sun Cheung	100	18	118
Dato' Johan Bin Ariffin	80	16	96
Mr. Wong Pakshong Kat Jeong Colin Stewart	120	22	142
Prof. Dr. Azman Bin Mohd Noor	120	27	147
En. Mohd Din Bin Merican	120	34	154
	740	152	892
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

* The directors' fees and other emoluments for nominees of Ageas Insurance International N.V ("Ageas") are remitted directly to Ageas.

31. SHARIAH COMMITTEE'S REMUNERATION

	2023 RM'000	2022 RM'000
Family Takaful Fund/Company		
Fees	173	175
Other emoluments	171	161
	344	336

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

	Fees RM'000	Other emoluments RM'000	Total RM'000
2023			
Shariah committee:			
Prof Dr. Azman Mohd Noor (Chairman)	33	28	61
Prof Dr. Aznan bin Hasan	29	30	59
Prof Datin Dr. Rusni binti Hassan	28	29	57
Prof Dr. Abdul Rahim bin Abdul Rahman	28	29	57
Prof Dato' Dr. Mohd Azmi bin Omar	28	29	57
Sahibus Samahah Dato' Dr. Mohamad Sabri Haron	27	26	53
	173	171	344
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 Dato Dr. Mohamad Sabri Haron (Appointed w.e.f 1 January 2022)	28	26	54
	175	161	336

32. TAX (EXPENSES)/CREDIT ATTRIBUTABLE TO PARTICIPANTS

	2023 RM'000	2022 RM'000
Family Takaful fund/Company		
Deferred taxation:		
Relating to origination and reversal of temporary differences	(20,463)	17,355
	(20,463)	17,355

Taxation of family takaful business

The income tax for the Family Takaful fund is calculated based on the statutory rate of 8% (2022: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

33. TAXATION

The major components of income tax expense for the years ended 31 December 2023 and 31 December 2022 are as follows:

	2023 RM'000	2022 (Restated) RM'000
Company		
Income Statement		
Income tax:		
Tax expense for the financial year	93,742	112,258
Overprovision of taxation in prior financial years	(3,110)	(1,686)
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 15)	(20,828)	(16,232)
	69,804	94,340

33. TAXATION (CONTD.)

	2023 RM'000	2022 (Restated) RM'000
Statement of Comprehensive Income:		
Family Takaful fund		
Deferred income tax related to other comprehensive income:		
Fair value changes on financial assets at FVOCI		
- debt securities	18,283	(12,129)
- equity securities	521	348
	18,804	(11,781)
Company		
Deferred income tax related to other comprehensive income:		
Fair value changes on financial assets at FVOCI		
- debt securities	32,897	(21,275)
- equity securities	1,076	(1,897)
	33,973	(23,172)

Reconciliation between tax expense and accounting profit

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

Company	2023 RM'000	2022 (Restated) RM'000
Profit before taxation and zakat	372,491	208,979
Taxation at Malaysian statutory tax rate of 24%	89,398	50,155
Income not subject to tax	(81,829)	(62,324)
Expenses not deductible for tax purposes	65,345	83,743
Effect of zakat deduction and approved donation	-	(427)
Effect of Prosperity Tax	-	24,879
Over provision of taxation in prior years	(3,110)	(1,686)
Tax expense for the financial year	69,804	94,340

34. EARNINGS PER SHARE

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

	2023	2022 (Restated)
Profit attributable to ordinary shareholder (RM'000)	290,208	106,663
Weighted average number of ordinary shares in issue (units '000)	100,000	100,000
Basic and diluted earnings per share (sen)	290.21	106.66

There were no potential dilutive effects on the ordinary shares during and at the end of the financial year. There have been no other transactions involving ordinary shares between the reporting date and the date of these financial statements.

35. DIVIDENDS

	2023 RM'000	2022 RM'000
Recognised during the financial year		
Final dividend in respect of financial year ended 31 December 2022 - 175.66 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	175,660	-
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

36. OTHER COMMITMENTS AND CONTINGENCIES

Company	2023 RM'000	2022 RM'000
Approved and contracted for:		
Intangible assets	-	446

37. SEGMENTAL INFORMATION ON CASH FLOWS

	Family Takaful Fund RM'000	Company RM'000
2023		
Net cash flows generated from/(used in):		
Operating activities	528,187	683,131
Investing activities	(563,793)	(543,575)
Financing activities	-	(175,847)
Net decrease in cash and cash equivalents:	(35,606)	(36,291)
At 1 January 2023	58,806	59,972
At 31 December 2023	23,200	23,681
2022 (Restated)		
Net cash flows generated from/(used in):		
Operating activities	1,040,578	1,306,063
Investing activities	(1,037,997)	(1,235,439)
Financing activities	-	(69,460)
Net increase in cash and cash equivalents:	2,581	1,164
At 1 January 2022	56,225	58,808
At 31 December 2022	58,806	59,972

38. SHARE-BASED COMPENSATION

ESGP and CESGP

The existing ESGP (“ESGP2018”) is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017 and was implemented on 14 December 2018 for a period of seven (7) years from the effective date. A total of five (5) awards have been made under the ESGP2018 from 2018 to 2022. Three (3) out of the five (5) awards made have been vested to eligible employees in 2021 to 2023 whilst balance of the two (2) awards will vest in 2024 and 2025 respectively. The last tranche of the ESGP Award (i.e. fifth ESGP Award) under the existing plan was made in September 2022 and will vest in 2025. Starting from 2023, there will be no additional new awards to be issued to staff under the ESGP2018.

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

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

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

Other principal features of the ESGP are as follows:

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

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

38. SHARE-BASED COMPENSATION (CONTD.)

Other principal features of the ESGP are as follows (contd.):

(iii) The existing ESGP (“ESGP2018”) is valid for a period of seven (7) years from the effective date. Starting from 2023, there will be no additional new awards to be issued to staff under the ESGP2018. As continuation of the existing employees’ share grant plan, a new ESGP plan (“ESGP2023”) has been established and is valid for a period of ten (10) years from the effective date. This plan will run concurrently with ESGP2018 until its expiration.

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.

39. 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):	**Family Takaful fund RM'000**	**Company RM'000**
2023		
Ultimate holding company:		
Gross contribution income	11,015	11,015
Other income	-	660
Commission and fee expenses	-	(13,821)
Bank charges	(25)	(421)
Other expenses	(287)	(904)
ESGP	-	(1,023)
Claims paid	(9,376)	(9,376)
Immediate and penultimate holding companies:		
Gross contribution income	349	349
Shared services costs	-	(18,556)
Claims paid	(638)	(638)
Remuneration of a seconded employee	-	(243)
Other expenses	-	(343)
Dividend paid	-	(175,660)

39. 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.):	Family Takaful fund RM'000	Company RM'000
2023 (contd.)		
Fellow subsidiaries within the MAHB Group:		
Gross contribution income	887	887
Rental income	-	56
Rental expenses	-	(5,365)
Claims paid	(2,056)	(2,056)
Shared services costs	-	(26,252)
Fellow subsidiaries within the EIHSB Group:		
Gross contribution income	31	31
Shared services costs	-	(357)
Other related companies within the Maybank Group:		
Gross contribution income	23,121	23,121
Profit income	19,453	21,912
Other income	-	32
Information technology outsourcing	(1,475)	(11,178)
Commission and fee expenses	-	(77,817)
Investment expenses	(2,815)	(3,472)
Claims paid	(11,479)	(11,479)
Companies with significant influence over the Maybank Group:		
Gross contribution income	12,246	12,246
Claims paid	(1,970)	(1,970)
2022		
Ultimate holding company:		
Gross contribution income	7,939	7,939
Other income	-	817
Commission and fee expenses	-	(7,661)
Bank charges	(3)	(476)
ESGP	-	(1,308)
Claims paid	(7,045)	(7,045)

39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	Family Takaful fund RM'000	Company RM'000
Income/(expenses)(contd.):		
2022 (contd.)		
Immediate and penultimate holding companies:		
Gross contribution income	332	332
Shared services costs	(87)	(19,651)
Remuneration of a seconded employee	-	(106)
Other expenses	-	(277)
Dividend paid	-	(69,280)
Fellow subsidiaries within the MAHB Group:		
Gross contribution income	715	715
Rental income	-	54
Rental expenses	-	(5,190)
Shared services costs	-	(31,073)
Fellow subsidiaries within the EIHSB Group:		
Gross contribution income	10	10
Shared services costs	-	(197)
Other related companies within the Maybank Group:		
Gross contribution income	7,373	7,373
Profit income	11,871	14,848
Other income	-	39
Information technology outsourcing	(1,975)	(12,142)
Commission and fee expenses	-	(64,855)
Investment expenses	(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)

39. 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:

	Family Takaful fund RM'000	Company RM'000
2023		
Ultimate holding company:		
Bank balances	9,244	9,725
Outstanding contributions	231	231
Claim liabilities	(2,934)	(2,934)
Sundry payables and accrued liabilities	-	(8,225)
Amount due to ultimate holding companies (Note 16)	-	(9,993)
Immediate and penultimate holding companies:		
Claim liabilities	-	-
Amount due to penultimate holding companies (Note 16)	-	(2,483)
Fellow subsidiaries within the MAHB Group:		
Amount due from other related companies (Note 11)	-	170
Amount due to other related companies (Note 16)	-	(1,777)
Fellow subsidiaries within the EIHSB Group:		
Amount due to other related companies (Note 16)	-	(83)

39. 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.):

	Family Takaful fund RM'000	Company RM'000
2023 (contd.)		
Other related companies within the Maybank Group:		
Income due and accrued	7,165	7,345
Fixed and call deposits	441,293	523,710
Outstanding contributions	911	911
Claim liabilities	(1,966)	(1,966)
Sundry receivables, deposits and prepayments	-	4,070
Sundry payables and accrued liabilities	-	(909)
Amount due to other related companies (Note 16)	(249)	(307)
Companies with significant influence over the Maybank Group:		
Outstanding contributions	539	539
2022		
Ultimate holding company:		
Bank balances	48,374	49,540
Outstanding contributions	22	22
Claim liabilities	(10)	(10)
Sundry payables and accrued liabilities	-	(21,969)
Amount due to ultimate holding companies (Note 16)	-	(8,672)
Immediate holding company:		
Claim liabilities	(419)	(419)
Amount due to immediate holding companies (Note 16)	-	(1,228)

39. 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.):

	Family Takaful fund RM'000	Company RM'000
2022 (contd.)		
Fellow subsidiaries within the MAHB Group:		
Amount due from other related companies (Note 11)	-	42
Amount due to other related companies (Note 16)	-	(3,168)
Fellow subsidiaries within the EIHSB Group:		
Amount due to other related companies (Note 16)	-	(97)
Other related companies within the Maybank Group:		
Income due and accrued	862	1,050
Fixed and call deposits	365,431	465,939
Outstanding contributions	(23)	(23)
Derivatives	-	-
Sundry receivables, deposits and prepayments	-	3,271
Sundry payables and accrued liabilities	-	(2,287)
Amount due to other related companies (Note 16)	(230)	(286)
Companies with significant influence over the Maybank Group:		
Outstanding contributions	17,119	17,119

Trade and investments related balances with related companies are subject to normal trade terms. The terms for non-trade balances with related companies are as disclosed in Notes 11 and 16.

39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(iii) Key management personnel compensation

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

	2023 RM'000	2022 RM'000
Short-term employee benefits		
Fees	740	780
Salaries, allowances and bonuses	1,280	1,162
Contribution to EPF and pension scheme	205	186
Share based compensation	124	126
Other emoluments	187	173
	2,536	2,427

Further details on the remuneration of key management personnel, being the non-executive directors of the Company are as disclosed in Notes 29 and 30 of the financial statements.

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

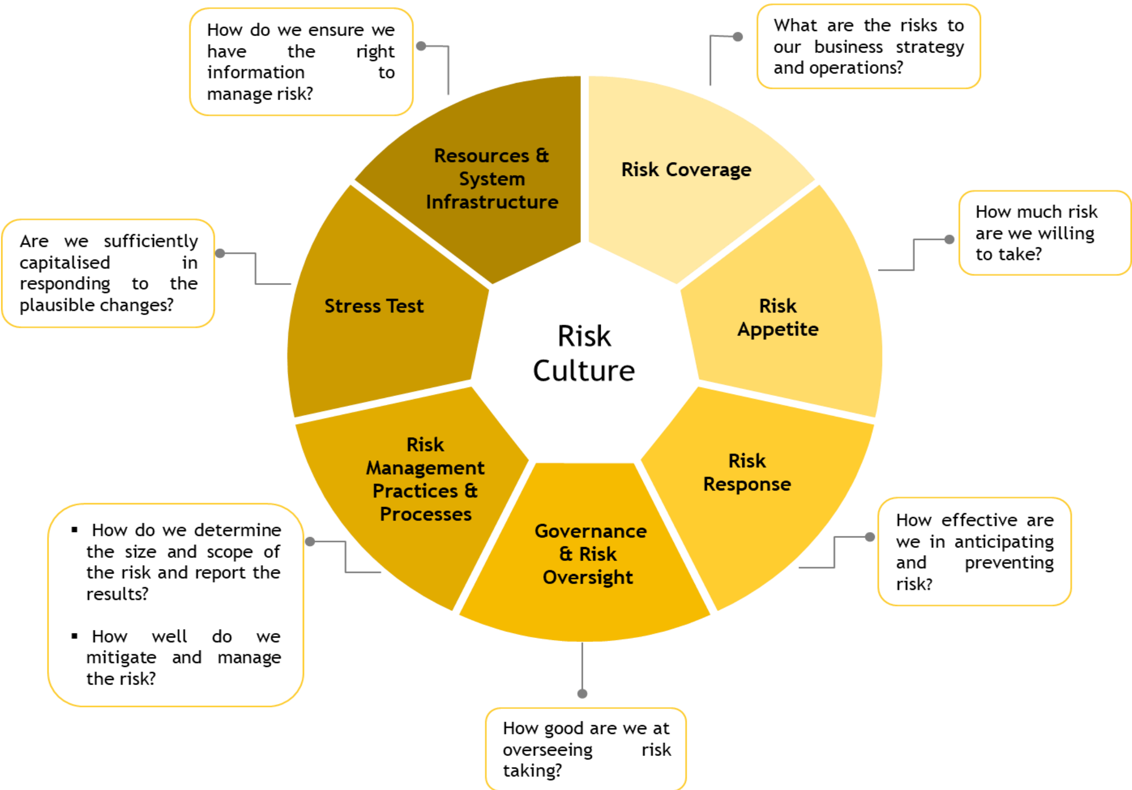
Award date	2023 Units '000	2022 Units '000
At 1 January	514	453
Awarded	45	61
At 31 December	559	514

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

40. 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.

40. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Principles

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

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

There are Risk Frameworks, Policies, Guidelines & Procedures that document the key expectations for the proper coping with each risk type the organization 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.

40. 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 the 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

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.

40. 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

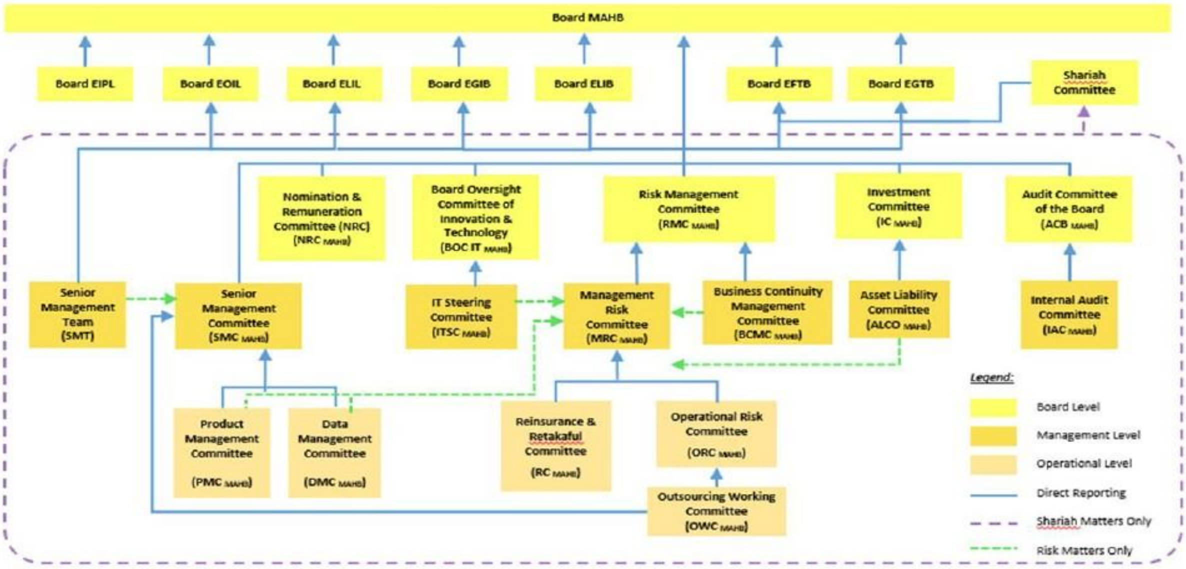
A governance structure should be clear, effective as well as robust and includes the role of the Board, Risk Committees and senior management with well defined, transparent and consistent lines of responsibilities.

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

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 respective Terms of Reference.

40. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)



Note:

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

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

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.

40. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)

MAHB Board

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

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.

40. 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 including the monitoring of the implementation, and post implementation performance of the Insurance & Takaful Products.

Data Management Committee ("DMC")

DMC serves as the advisor to SMC and MRC concerning MAHB Group-wide data management need and information risk-related topics in day-to-day activities and practices, ensuring sound governance standards through effective implementation of risk-related governing frameworks, policies & mandates set.

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/retakaful management of the Insurance policies & Takaful certificates. The scope of the RC covers General Reinsurance & / Retakaful, Inward / Outward Reinsurance/Retakaful and deliberation in relation to the arrangement for Life / Family Catastrophe protection for Life/Family Takaful.

Third Party & Outsourcing Working Committee ("TPOWC")

TPOWC is responsible to deliberate and make recommendations on overall third party and outsourcing-related topics and also to ensure sound governance through effective implementation of third party and outsourcing governing policies and procedures for all the operating Entities in Malaysia (ELIB, EGIB, EFTB, and EGTB and Labuan entities EOIL and ELIL)) including oversight function on EIPL third party and outsourcing-related matters.

40. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)

Fire Committee ("FC")

FC is responsible to verify the premium/contribution rate level is adequate and complies with BNM guidelines (aligned with Fire Pricing Policy document); Approve Fire Underwriting Guidelines in line with Company's business strategy and risk appetite; Approve pricing and re-pricing within FC's authority; To monitor the monthly performance indicators and propose corrective actions; To ensure customers are treated fairly as per item no 12 'Fair Business Practices and Adequate Disclosure' under the BNM Phase Liberalisation of Motor & Fire Tariffs policy document; On the advice of Pricing Department, report deviation from Fire Pricing Policy to MRC.

Motor Committee ("MC")

MC is responsible to verify the adequacy of premium/contribution level complying with BNM guidelines (aligned with Motor Pricing Policy document); Discuss, deliberate and approve Motor Underwriting Guidelines in line with Company's business strategy and risk appetite; Discuss, deliberate and approve pricing and re-pricing within MC's authority; To ensure customer are treated fairly as per item no 12 'Fair Business Practices and Adequate Disclosure' under the BNM Phase Liberalisation of Motor & Fire Tariffs certificate document.

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 areas within the MAHB group. It also provides centralized co-ordination of the response to, and recovery from, any incident, or situation that causes potential or significant disruption to the Group and the Company in delivering its their services to customers/certificate holders.

Risk Management Practices and Processes

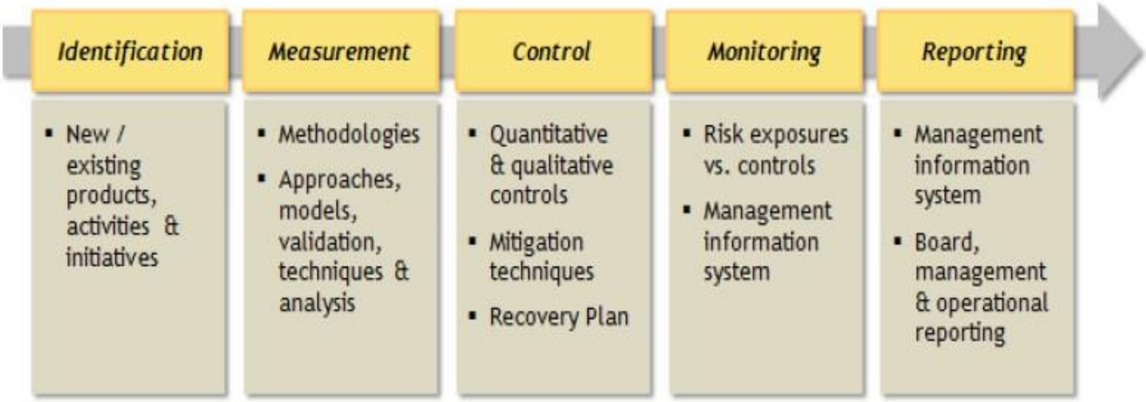
A robust process should be in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the business. The practices and processes are to be reflective of the nature, size and complexity of the various business activities.

40. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)

Risk Management Practices and Processes (contd.)

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



Stress Test

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

Stress Test 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 processes. 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.

40. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Resources (contd.)

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

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

System Infrastructure

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

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

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

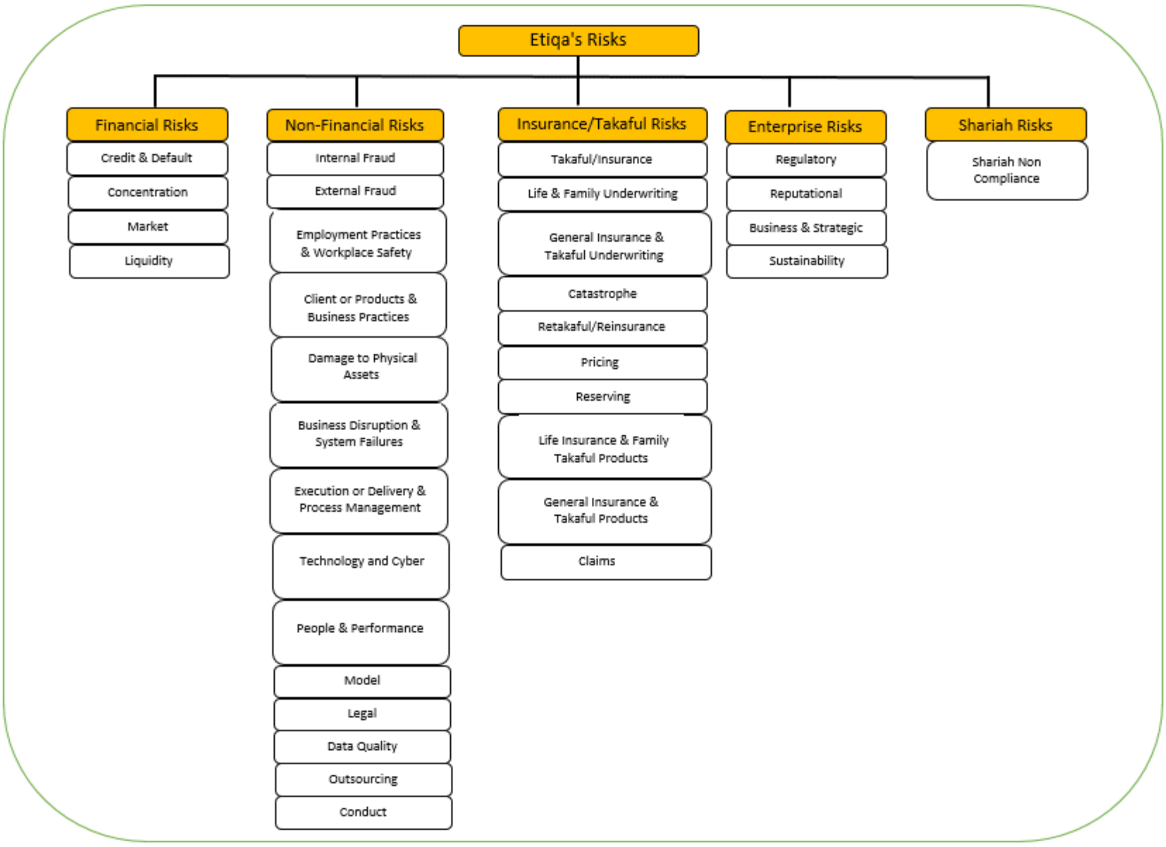
Risk Taxonomy

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

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

40. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy (contd.)



41. 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) Underwriting Risk

Underwriting Risk reflects the risk of loss or adverse impact arising from adverse changes in the actual outcome from the initial underwriting assessment/evaluation, selection, and terms set against underlying assumption/expectation derived in pricing and reserving process.

(ii) Pricing Risk

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

(iii) Retakaful Risk

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

(iv) Products Risk

Product risk relates to the risk of loss or adverse impact arising from the development of new and existing products and management of products. Product-related risks include investment risk, pricing risk, business risk, retakaful risk, financial risk, underwriting risk, operational risk, fraud risk, mis-distribution/ mis-selling risk, legal risk, compliance risk and Shariah non-compliance risk and assessment on system readiness and Environmental, Social and Governance ("ESG") related risk.

41. TAKAFUL RISK (CONTD.)

(v) Reserving Risk

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

(vi) Catastrophe Risk

Catastrophe Risk is the risk of loss or adverse changes in the value of underwritten takaful liabilities businesses due to over-exposures to extreme or exceptional events (e.g. pandemic outbreaks, flood, etc.), which can cause an accumulated loss or a single large loss.

(vii) Claims Risk

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

41. TAKAFUL RISK (CONTD.)

(a) Family Takaful Certificates

(i) The table below shows the concentration of Takaful certificate liabilities by type of certificates

	2023		2022	
	Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000	Company RM'000
Family Takaful certificates issued				
Direct :				
Credit	6,629,933	6,810,862	5,907,223	6,154,433
Non credit	3,152,732	2,732,484	3,197,668	2,726,883
Annuity	691,578	891,369	705,391	918,835
Investment Linked Takaful	528,895	464,348	337,065	289,863
Group Yearly Renewable Term	144,965	97,688	194,265	185,524
Unallocated Surplus	2,123,986	2,123,986	2,022,183	2,022,183
Others	76,303	76,299	(86,888)	(86,888)
Total direct	13,348,392	13,197,036	12,276,907	12,210,833

Family Takaful Fund/Company

	2023 RM'000	2022 RM'000
Family retakaful certificates held		
Proportional Family Takaful	264,770	264,560
Proportional Takafulink	10,091	12,579
Non-proportional Excess of Loss	4,911	3,419
Total retakaful	279,772	280,558

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.

41. TAKAFUL RISK (CONTD.)

(a) Family Takaful Certificate (contd.)

(ii) Key Assumptions

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

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

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

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

(c) Lapse and surrender rates
Lapse and surrender rates are used to determine the expected persistency of the business ie. the expectation that participants will renew their certificates etc. These rates are based on the takaful operator's historical experience of lapses and surrenders.

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

41. TAKAFUL RISK (CONTD.)

(a) Family Takaful Certificates (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 Takaful servise result before retakaful certificates held RM'000	Impact on Takaful servise result RM'000	Impact on equity before retakaful certificates held** RM'000	Impact on equity** RM'000
		<------------------------ Increase/(decrease)			--------------------------->
Company					
Family Takaful certificates issued					
2023					
Discount rate*	-1%	39	1,138	30	865
Mortality and morbidity rates	+/- 10% (adverse)	(19,249)	(13,414)	(14,629)	(10,195)
Lapse and surrender rates	+/- 10% (adverse)	(4,960)	(4,806)	(3,770)	(3,653)
Expenses	+10%	(6,177)	(6,177)	(4,694)	(4,694)

* excludes impact of fixed income financial assets.
** the impact on equity is stated after tax of 24%.

41. TAKAFUL RISK (CONTD.)

(a) Family Takaful Certificate (contd.)

(ii) Sensitivity analysis (contd.)

	Change in assumptions	Impact on Takaful servise result before retakaful certificates held RM'000	Impact on Takaful servise result RM'000	Impact on equity before retakaful certificates held** RM'000	Impact on equity** RM'000
		<------------------------ Increase/(decrease)			---------------------------->
Company					
Family Takaful certificates issued					
2022 (restated)					
Discount rate*	-1%	86	1,090	66	829
Mortality and morbidity rates	+/- 10% (adverse)	(19,958)	(14,516)	(15,168)	(11,033)
Lapse and surrender rates	+/- 10% (adverse)	(5,193)	(5,031)	(3,947)	(3,824)
Expenses	+10%	(6,474)	(6,474)	(4,920)	(4,920)

* excludes impact of fixed income financial assets.
** the impact on equity is stated after tax of 24%.

41. TAKAFUL RISK (CONTD.)

(a) Family Takaful Certificate (contd.)

(ii) Sensitivity analysis (contd.)

Changes in morbidity, mortality and lapse rates shown above include both upwards and downwards experience, depending on the specific key 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.

	Change in Assumptions	Impact on CSM before retakaful certificates held RM'000	Impact on CSM after retakaful certificates held RM'000
		<------- Increase/(decrease) --------	
Company			
2023			
Discount rate	-1%	487	14,009
Mortality and morbidity rates	+/- 10% (adverse)	(232,340)	(160,513)
Lapse and surrender rates	+/- 10% (adverse)	(48,260)	(46,361)
Expenses	+10%	(73,462)	(73,462)
2022 (Restated)			
Discount rate	-1%	970	11,737
Mortality and morbidity rates	+/- 10% (adverse)	(218,163)	(159,801)
Lapse and surrender rates	+/- 10% (adverse)	(48,371)	(46,635)
Expenses	+10%	(71,792)	(71,792)

42. 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 Company's exposure to credit risk arises mainly from assets (fixed income and equities) and retakaful.

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

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

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

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

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

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure

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

	Family Takaful fund RM'000	Company RM'000
2023		
Financial assets at FVTPL:		
- Designated upon initial recognition		
Malaysian government papers	167,120	167,120
Unquoted debt securities in Malaysia	5,505,597	6,276,854
Structured products	96,685	96,685
- HFT		
Malaysian government papers	53,792	53,792
Unquoted debt securities in Malaysia	163,940	163,940
Financial assets at FVOCI:		
Malaysian government papers	435,013	577,211
Unquoted debt securities in Malaysia	5,049,302	6,453,896
Financial assets at AC:		
Islamic investment accounts with :		
Licensed financial institutions	714,609	827,025
Others	309,637	328,191
Financing receivables	-	10,193
Retakaful certificate assets*	3,448	3,448
Other assets**	172,338	213,334
Cash and bank balances***	23,200	23,681
	12,694,681	15,195,370

* Including receivables from retakaful operators net of impairment losses.
** Excluding non-financial assets such as prepayments and deposits.
*** Excluding petty cash.

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure (contd.)

	Family Takaful fund RM'000	Company RM'000
2022 (Restated)		
Financial assets at FVTPL:		
- Designated upon initial recognition		
Malaysian government papers	187,973	187,973
Unquoted debt securities in Malaysia	5,152,202	5,929,778
- HFT		
Malaysian government papers	5,459	5,459
Unquoted debt securities in Malaysia	135,124	135,124
Financial assets at FVOCI:		
Malaysian government papers	245,061	381,445
Unquoted debt securities in Malaysia	4,870,991	6,217,262
Financial assets at AC:		
Islamic investment accounts with:		
Licensed financial institutions	712,674	816,542
Others	323,009	358,009
Financing receivables	-	11,201
Retakaful certificate assets*	10,828	10,828
Other assets**	136,311	169,466
Cash and bank balances***	58,806	59,972
	11,838,438	14,283,059

* Including receivables from retakaful operators net of impairment losses.
** Excluding non-financial assets such as prepayments and deposits.
*** Excluding petty cash.

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit quality of financial assets

The four (4) risks categories as set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Company's financial 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
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	A- to BB+	AA1 to A3
Medium	11 – 15	BB+ to B+	A3 to BB1
High	16 – 21	B+ to CCC	BB1 to C

Risk categories are as described below:

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

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

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

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

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

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

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

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

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating

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

Family Takaful fund

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2023							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Malaysian government papers	167,120	-	-	-	-	-	167,120
Unquoted debt securities in Malaysia	1,825,943	1,421,840	2,182,963	74,851	-	-	5,505,597
Structured products	-	96,685	-	-	-	-	96,685
(ii) Held-for-trading (HFT)							
Malaysian government papers	53,792	-	-	-	-	-	53,792
Unquoted debt securities in Malaysia	10,245	69,575	79,637	4,483	-	-	163,940
Financial assets at FVOCI:							
Malaysian government papers	435,013	-	-	-	-	-	435,013
Unquoted debt securities in Malaysia	1,931,710	1,838,857	1,239,103	39,632	-	-	5,049,302

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Family Takaful fund (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2023 (contd.)							
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	684,609	30,000	-	-	-	714,609
Others	-	234,226	75,411	-	-	-	309,637
Retakaful certificate assets*	-	3,448	-	-	-	-	3,448
Other assets**	49,106	62,821	45,895	847	-	13,669	172,338
Cash and bank balances***	-	11,483	10,462	1,255	-	-	23,200
	4,472,929	4,423,544	3,663,471	121,068	-	13,669	12,694,681

* Including receivables from retakaful operators net of impairment losses.
** Excluding non-financial assets such as prepayments and deposits.
*** Excluding petty cash.

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Company

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2023							
Financial assets at FVTPL:							
- Designated upon initial recognition							
Malaysian government papers	167,120	-	-	-	-	-	167,120
Unquoted debt securities in Malaysia	2,040,445	1,604,950	2,556,608	74,851	-	-	6,276,854
Structured products	-	96,685	-	-	-	-	96,685
- Held for trading							
Malaysian government papers	53,792	-	-	-	-	-	53,792
Unquoted debt securities in Malaysia	10,245	69,575	79,637	4,483	-	-	163,940
Financial assets at FVOCI:							
Malaysian government papers	577,211	-	-	-	-	-	577,211
Unquoted debt securities in Malaysia	2,199,296	2,428,713	1,786,255	39,632	-	-	6,453,896

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Company (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2023 (contd.)							
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	797,025	30,000	-	-	-	827,025
Others	-	237,730	90,411	-	-	50	328,191
Financing receivables	-	-	-	-	-	10,193	10,193
Retakaful certificate assets*	-	3,448	-	-	-	-	3,448
Other assets**	57,126	74,054	56,519	847	-	24,788	213,334
Cash and bank balances***	-	11,964	10,462	1,255	-	-	23,681
	5,105,235	5,324,144	4,609,892	121,068	-	35,031	15,195,370

* Including receivables from retakaful operators net of impairment losses.
** Excluding non-financial assets such as prepayments and deposits.
*** Excluding petty cash.

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Family Takaful fund

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2022 (Restated)							
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

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Family Takaful fund (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2022 (Restated) (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
Retakaful certificate assets*	-	10,828	-	-	-	130,832	141,660
Other assets**	48,056	37,626	44,070	855	-	5,704	136,311
Cash and bank balances***	-	53,931	3,851	1,024	-	-	58,806
	4,073,426	4,052,985	3,586,138	120,185	-	136,536	11,969,270

* Including receivables from retakaful operators net of impairment losses.
** Excluding non-financial assets such as prepayments and deposits.
*** Excluding petty cash.

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Company

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2022 (Restated) (contd.)							
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

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

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

Company (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2022 (Restated) (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
Retakaful certificate assets*	-	10,828	-	-	-	-	10,828
Other assets**	56,412	45,997	54,546	855	-	11,656	169,466
Cash and bank balances***	-	55,097	3,851	1,024	-	-	59,972
	4,713,533	4,945,770	4,480,714	120,185	-	22,857	14,283,059

* Including receivables from retakaful operators net of impairment losses.
** Excluding non-financial assets such as prepayments and deposits.
*** Excluding petty cash.

42. 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.

42. 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:

Family Takaful fund

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2023				
Financial assets at FVOCI				
Sovereign	2,366,723	-	-	2,366,723
Very low	1,838,857	-	-	1,838,857
Low	1,024,435	214,668	-	1,239,103
Medium	39,632	-	-	39,632
Total carrying amount	5,269,647	214,668	-	5,484,315
Total ECL	(850)	(1,203)	-	(2,053)

Movements in allowance for impairment losses for the Family Takaful fund's financial assets at FVOCI are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2023				
Financial assets at FVOCI				
At 1 January 2023	243	1,152	-	1,395
Net adjustment of loss allowance	578	55	-	633
New financial assets originated or purchased	39	-	-	39
Financial assets that have been derecognised	(11)	(3)	-	(14)
Changes due to change in credit risk	-	-	-	-
Allowance for impairment loss (Note 24)	606	52	-	658
At 31 December 2023	849	1,204	-	2,053

42. 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 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 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)

Movements in allowance for impairment losses for the Family Takaful fund's financial assets at FVOCI are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 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 losses (Note 24)	(44)	424	-	380
At 31 December 2022	243	1,152	-	1,395

42. 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 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2023				
Financial assets at FVOCI				
Sovereign	2,776,505	-	-	2,776,505
Very low	2,428,714	-	-	2,428,714
Low	1,523,799	262,456	-	1,786,255
Medium	39,632	-	-	39,632
Total carrying amount	6,768,650	262,456	-	7,031,106
Total ECL	(1,198)	(1,543)	-	(2,741)

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

Company

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2023				
Financial assets at FVOCI				
At 1 January 2023	334	1,471	-	1,805
Net adjustment of loss allowance	818	75	-	893
New financial assets originated or purchased	58	-	-	58
Financial assets that have been derecognised	(12)	(3)	-	(15)
Allowance for impairment loss (Note 24)	864	72	-	936
At 31 December 2023	1,198	1,543	-	2,741

42. 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 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 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)

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

Company

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 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 losses(Note 24)	(17)	531	-	514
At 31 December 2022	334	1,471	-	1,805

ETIQA FAMILY TAKAFUL BERHAD
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(Incorporated in Malaysia)

42. 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 historical data or also known as the roll rate approach. Estimation of credit losses will use a provision matrix where takaful and retakaful receivables are grouped based on different sales channels and different retakaful arrangements respectively with forward looking elements being applied to it.

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

Family Takaful fund

	Not Credit Impaired			Credit Impaired			Total		
	Financing receivables RM'000	Retakaful certificate assets* RM'000	Other assets** RM'000	Financing receivables RM'000	Retakaful certificate assets* RM'000	Other assets** RM'000	Financing receivables RM'000 (Note 8)	Retakaful certificate assets* RM'000	Other assets** RM'000 (Note 11)
Gross carrying amount									
At 1 January 2022 (Restated)	-	12,204	152,819	16	96	507	16	12,300	153,326
Increase/(decrease)	-	(1,906)	(16,508)	-	593	-	-	(1,313)	(16,508)
At 31 December 2022 (Restated)	-	10,298	136,311	16	689	507	16	10,987	136,818
(Decrease)/increase	-	(7,454)	36,027	(16)	40	-	(16)	(7,414)	36,027
At 31 December 2023	-	2,844	172,338	-	729	507	-	3,573	172,845
Lifetime ECL									
At 1 January 2022 (Restated)	-	-	-	16	77	507	16	77	507
Increase	-	-	-	-	82	-	-	82	-
Increase/(decrease)	-	-	-	16	159	507	16	159	507
(Decrease)/increase	-	2	-	(16)	(36)	-	(16)	(34)	-
At 31 December 2023	-	2	-	-	123	507	-	125	507

* Including receivables from retakaful operators net of impairment losses.
** Excluding non-financial assets such as prepayments and deposits.

42. 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	Retakaful certificate assets* RM'000	Other assets** RM'000	Financing receivables RM'000	Retakaful certificate assets* RM'000	Other assets* RM'000	Financing receivables RM'000 (Note 8)	Retakaful certificate assets* RM'000	Other assets** RM'000 (Note 11)
Gross carrying amount									
At 1 January 2022 (Restated)	12,906	12,204	192,086	1,861	96	2,484	14,767	12,300	194,570
(Decrease)/increase	(1,667)	(1,906)	(21,976)	255	593	(101)	(1,412)	(1,313)	(22,077)
At 31 December 2022 (Restated)	11,239	10,298	170,110	2,116	689	2,383	13,355	10,987	172,493
(Decrease)/increase	(1,029)	(7,454)	43,519	(273)	40	309	(1,302)	(7,414)	43,828
At 31 December 2023	10,210	2,844	213,629	1,843	729	2,692	12,053	3,573	216,321
Lifetime ECL									
At 1 January 2022	5	-	-	1,861	77	2,997	1,866	77	2,997
Increase	33	-	10	255	82	20	288	82	30
At 31 December 2022	38	-	10	2,116	159	3,017	2,154	159	3,027
(Decrease)/increase	(21)	2	(9)	(273)	(36)	(31)	(294)	(34)	(40)
At 31 December 2023	17	2	1	1,843	123	2,986	1,860	125	2,987

* Including receivables from retakaful operators net of impairment losses.
** Excluding non-financial assets such as prepayments and deposits.

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - reconciliation of allowance account

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

Family Takaful fund

	Financing receivables RM'000 (Note 8)	Retakaful certificate assets* RM'000	Other assets** RM'000 (Note 11)	Total RM'000
2023				
At 1 January 2023	16	159	507	682
Net adjustment of loss allowance	(16)	(34)	-	(50)
At 31 December 2023	-	125	507	632
2022				
At 1 January 2022	16	77	507	600
Net adjustment of loss allowance	-	82	-	82
At 31 December 2022	16	159	507	682

* Including receivables from retakaful operators net of impairment losses.
** Excluding non-financial assets such as prepayments and deposits.

42. 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 8)	Retakaful certificate assets* RM'000	Other assets** RM'000 (Note 11)	Total RM'000
2023				
At 1 January 2023	2,154	159	3,027	5,340
Net adjustment of loss allowance	(294)	(34)	(40)	(368)
At 31 December 2023	1,860	125	2,987	4,972
2022				
At 1 January 2022	1,866	77	2,997	4,940
Net adjustment of loss allowance	288	82	30	400
At 31 December 2022	2,154	159	3,027	5,340

* Including receivables from retakaful operators net of impairment losses.
** Excluding non-financial assets such as prepayments and deposits.

42. 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

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 2023 (2022: 100%). Secured financing receivables amounting to RM10,179,000 as at 31 December 2023 (2022: RM11,187,000).

(ii) Liquidity Risk

Liquidity Risk is the risk of an adverse impact to the Company's financial condition or overall safety and soundness that could arise from their inability (or perceived inability) or unexpected higher cost to meet obligations. Generally, there are two types of liquidity risks, 1) funding liquidity risk and 2) market liquidity risk.

Funding liquidity risk is the risk that the Company will not be able to meet both expected and unexpected current and future cash flow and collateral needs effectively without affecting either daily operations or the financial condition of the Company.

Market liquidity risk is the risk that the Company cannot easily offset or eliminate the position at market price because of inadequate market depth or market disruption.

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

42. FINANCIAL RISKS (CONTD.)

(ii) Liquidity risk (contd.)

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

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

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

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

Maturity Profiles

The following table summarises the Maturity Profile of the financial assets and financial liabilities and Takaful assets/liabiliities 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.

42. 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
2023						
Financial assets at:						
FVTPL	6,551,275	545,773	2,947,878	5,333,290	564,140	9,391,081
FVOCI	5,595,063	297,037	2,101,165	6,301,450	110,748	8,810,400
AC	1,024,246	1,030,727	-	-	-	1,030,727
Retakaful certificate assetst^	279,772	47,536	69,442	325,873	-	442,851
Other assets*	172,338	160,562	-	-	11,777	172,339
Cash and bank balances**	23,200	-	-	-	23,200	23,200
Total assets	13,645,894	2,081,635	5,118,485	11,960,613	709,865	19,870,598
Takaful certificate liabilities^^	13,348,392	6,258,695	1,774,659	8,911,956	-	16,945,310
Other liabilities	271,693	271,693	-	-	-	271,693
Total liabilities	13,620,085	6,530,388	1,774,659	8,911,956	-	17,217,003

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.
^ Comprising of AIC and receivables from retakaful operators
^^ Comprising of LIC and receivables from co-takaful operator

42. 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
2023						
Financial assets at:						
FVTPL	7,354,462	584,311	3,402,379	5,932,675	596,070	10,515,435
FVOCI	7,173,841	371,453	2,960,573	7,573,570	142,734	11,048,330
AC	1,155,216	1,161,947	-	-	-	1,161,947
Financing receivables	10,193	1,064	4,863	5,633	-	11,560
Retakaful certificate assets^	279,772	47,536	69,442	325,873	-	442,851
Other assets*	213,334	201,558	-	-	11,776	213,334
Cash and bank balances**	23,681	-	-	-	23,681	23,681
Total assets	16,210,499	2,367,869	6,437,257	13,837,751	774,261	23,417,138
Takaful certificate liabilities^^	13,197,036	5,929,728	1,929,618	7,280,564	-	15,139,910
Other liabilities	367,856	367,856	-	-	-	367,856
ROU liabilities	-	692	-	-	-	692
Total liabilities	13,564,892	6,298,276	1,929,618	7,280,564	-	15,508,458

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.
^ Comprising of AIC and receivables from retakaful operators
^^ Comprising of LIC and receivables from co-takaful operator

42. 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 (Restated)						
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 certificate asset^	280,558	90,103	58,130	271,996	-	420,229
Other assets*	136,311	136,311	-	-	-	136,311
Cash and bank balances**	58,806	-	-	-	58,806	58,806
Total assets	12,608,494	2,050,643	4,837,273	11,800,227	559,133	19,247,276
Takaful certificate liabilities^^	12,276,907	5,636,593	1,744,950	8,348,574	-	15,730,117
Other liabilities	345,045	345,045	-	-	-	345,045
Total liabilities	12,621,952	5,981,638	1,744,950	8,348,574	-	16,075,162

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.
^ Comprising of AIC and receivables from retakaful operators
^^ Comprising of LIC and receivables from co-takaful operator

42. 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 (Restated)						
Financial assets at:						
FVTPL	6,736,262	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
Financing receivables	11,201	261	5,616	7,230	-	13,107
Retakaful certificate assets^	280,558	90,103	58,130	271,996	-	420,229
Other assets*	169,466	169,466	-	-	-	169,466
Cash and bank balances**	59,972	-	-	-	59,972	59,972
Total assets	15,112,031	2,340,230	6,036,902	13,933,849	645,570	22,956,551
Takaful certificate liabilities^^	12,210,833	5,516,000	1,840,095	6,681,748	-	14,037,843
Other liabilities	435,654	435,654	-	-	-	435,654
Total liabilities	12,646,487	5,951,654	1,840,095	6,681,748	-	14,473,497

* Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
** Excluding petty cash.
^ Comprising of AIC and receivables from retakaful operators
^^ Comprising of LIC and receivables from co-takaful operator

42. 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 Company's management policies and risk appetite after taking into consideration of regulatory requirements with respect to the maintenance of assets and solvency.

(b) Compliance to policies are monitored; exposures and breaches are reported as soon as practicable.

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

The Company also issues investment-linked investment certificates for a number of products. For investment-linked business, the participants bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company's exposure to Market Risk for this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analysis disclosed for each component of Market Risk in the following pages do not include analysis on the impact of such risks on the investment-linked funds.

42. 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.

42. 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.

		2023		2022	
	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	
Family Takaful Fund					
Financial Assets at FVTPL	+100bps	(433,627)	(398,937)	(406,289)	(373,786)
	-100bps	433,627	398,937	406,289	373,786
Financial Assets at FVOCI	+100bps	(506,355)	(465,847)	(471,977)	(434,219)
	-100bps	506,355	465,847	471,977	434,219
Financial Assets at AC	+100bps	(1,472)	(1,354)	(719)	(662)
	-100bps	1,472	1,354	719	662

* Impact on Participants' Fund is stated net of tax of 8%

		2023		2022	
	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	
Company					
Financial Assets at FVTPL	+100bps	(487,146)	(177,347)	(463,224)	(169,243)
	-100bps	487,146	177,347	463,224	169,243
Financial Assets at FVOCI	+100bps	(617,217)	(447,350)	(584,741)	(425,409)
	-100bps	617,217	447,350	584,741	425,409
Financial Assets at AC	+100bps	(1,536)	(545)	(760)	(272)
	-100bps	1,536	545	760	272

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

42. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk

Equity Price Risk is the risk that the fair value of an equity instrument would fluctuate because of changes in its market prices whether those changes are caused by factors specific to the individual equity instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's Equity Price Risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in equities' market prices and unit trust NAV to equity.

The Company's risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, and market, having regards to also such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may occur over time.

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

	Change in market indices	Impact on carrying value RM'000	Impact on OCI RM'000	Impact on profit before tax RM'000	Impact on Participants' Fund* RM'000
		Increase/(Decrease)		Increase/(Decrease)	
Family Takaful Fund					
2023	+10%	43,937	11,075	32,863	40,422
	-10%	(43,937)	(11,075)	(32,863)	(40,422)
2022	+10%	35,669	5,442	30,227	32,815
	-10%	(35,669)	(5,442)	(30,227)	(32,815)

* Impact on Participants' Fund is stated net of tax of 8%

42. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk

	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)	
Company					
2023	+10%	50,329	14,273	12,181	18,986
	-10%	(50,329)	(14,273)	(12,181)	(18,986)
2022	+10%	41,560	8,131	11,348	14,087
	-10%	(41,560)	(8,131)	(11,348)	(14,087)

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

(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.

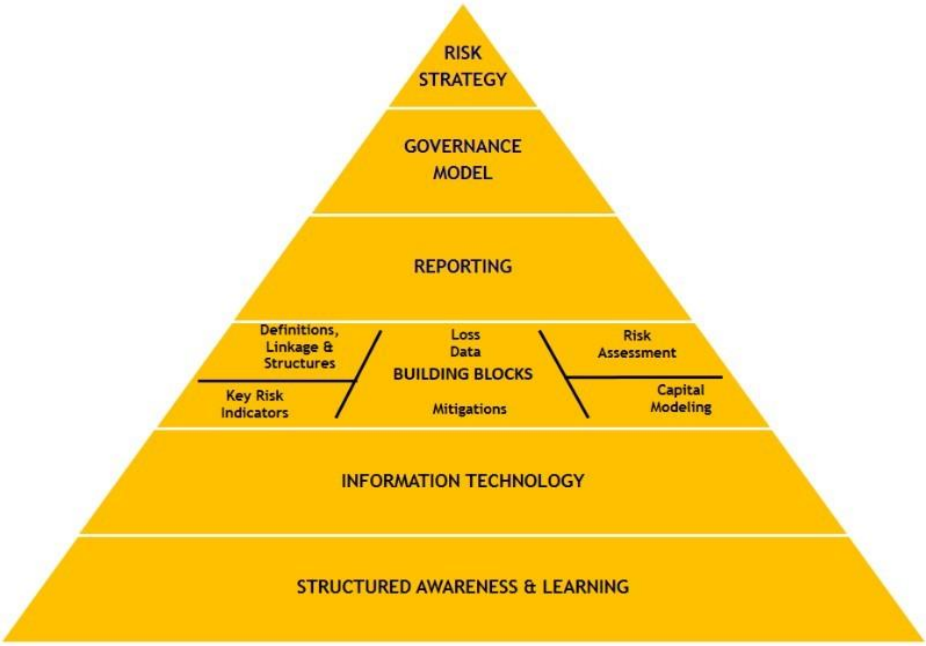
The Company's quantitative controls to manage concentration risk is through diversification. A minimum level of diversification is realised by observing the single counterparty limits. The single counterparty exposure limit represents maximum concentration of a particular counterparty. The limit exists for each asset class as well as across all investment assets, retakaful and derivative counterparty.

43. 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 appropriate actions 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 comprise 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's are established.

Operational Risk Taxonomy

(i) Internal Fraud

Losses due to illegal acts (explicitly prohibited by internal policies/guidelines or external regulations/law provisions) committed by employees intentionally. It also includes fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation for personal gain.

43. OPERATIONAL RISKS (CONTD.)

Operational Risk Taxonomy (contd.)

(ii) External Fraud

Losses due to fraudulent activities/theft perpetrated by third party against the company/organisation for personal gain. 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.

43. 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

Model risk is the risk arising from of a model that does not operate as intended resulting in adverse consequences (e.g. financial loss, poor business or strategic decisions, reputational damage) arising from inappropriate decisions based on incorrect or misused model outputs.

43. 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.

(xii) Outsourcing Risk

Risk of loss due to internal control failure of third parties or failure of third parties performing in a manner consistent with their contracted scope of engagement with MAHB for the provision of the intended services/deliverables

(xii) Conduct Risk

The risk of an organization or an individual’s activities having a detrimental impact on customers or negatively impacting the market and/or shareholder value

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).

44. ENTERPRISE RISK

Risk of loss or adverse impact arising from business/strategic, industry, corporate governance and systematic risk. Enterprise risk covers external and internal factors that can impact the Company's ability to meet their current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave. It can also be due to poor internal decision making and management or due to loss of reputation. Enterprise Risk will be exacerbated when there is a disruption to financial services that is caused by an impairment of all or parts of the financial system, with the potential to have serious negative consequences to the real/entire economy.

(i) Regulatory Risk

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment and legislation.

Changing regulations (local and foreign countries in which the Company 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.

44. ENTERPRISE RISK (CONTD.)

(iv) Sustainability Risk

The risk of failure in conducting analysis and decision making on environment (the threat of climate change and depletion of resources), social (concerns on diversity, human rights, consumer protection and animal welfare) and corporate governance (concerns on the rights and responsibilities of the management of the Company, management structure, documentation) when measuring the sustainability and ethical impact of business exposures.

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.

45. 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.

45. FAIR VALUES MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

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

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

- Level 1: Active Market – Quoted price

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

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

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

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

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

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

  Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

(b) Valuation techniques

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

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

45. FAIR VALUES MEASUREMENTS (CONTD.)

(b) Valuation techniques (contd.)

(ii) Financing receivables

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

(iii) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Notes 2.2(iv) and Note 2.2(v). The carrying amounts and fair values of investments are disclosed in Note 6 to the financial statements.

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

Family Takaful fund

	Fair value measurement using:		
2023	**Level 1 Quoted price in active markets RM'000**	**Level 2 Significant observable inputs RM'000**	**Total RM'000**
Financial assets at FVTPL			
(i) Designated upon initial recognition			
Malaysian government papers	-	167,120	167,120
Debt securities	-	5,505,597	5,505,597
Structured products	-	96,685	96,685
(ii) HFT			
Malaysian government papers	-	53,792	53,792
Equity securities	465,341	-	465,341
Debt securities	-	163,940	163,940
Unit and property trust funds	98,800	-	98,800
Financial assets at FVOCI			
Malaysian government papers	-	435,013	435,013
Equity securities	-	5,049,302	5,049,302
Debt securities	110,748	-	110,748
	674,889	11,471,449	12,146,338

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45. 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
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			
Malaysian government papers	-	5,459	5,459
Equity securities	410,028	-	410,028
Debt securities	-	135,124	135,124
Unit and property trust funds	35,878	-	35,878
Financial assets at FVOCI			
Malaysian government papers	-	245,061	245,061
Equity securities	54,420	-	54,420
Debt securities	-	4,870,991	4,870,991
	500,326	10,596,810	11,097,136

45. 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**
2023			
Financial assets at FVTPL			
(i) Designated upon initial recognition			
Malaysian government papers	-	167,120	167,120
Debt securities	-	6,276,854	6,276,854
Structured products	-	96,685	96,685
(ii) HFT			
Malaysian government papers	-	53,792	53,792
Equity securities	497,271	-	497,271
Debt securities	-	163,940	163,940
Unit and property trust funds	98,800	-	98,800
Financial assets at FVOCI			
Malaysian government papers	-	577,211	577,211
Debt securities	-	6,453,896	6,453,896
Equity securities	142,734	-	142,734
	738,805	13,789,498	14,528,303

45. 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
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			
Malaysian government papers	-	5,459	5,459
Equity securities	442,050	-	442,050
Debt securities	-	135,124	135,124
Unit and property trust funds	35,878	-	35,878
Financial assets at FVOCI			
Malaysian government papers	-	381,445	381,445
Equity securities	81,314	-	81,314
Debt securities	-	6,217,262	6,217,262
	559,242	12,857,041	13,416,283

(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 2023 and 31 December 2022.

46. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2023 and 31 December 2022, as prescribed under the RBCT Framework, is provided below:

Company

	2023 RM'000	2022 RM'000
Eligible Tier 1 Capital		
Paid up share capital	100,000	100,000
Valuation surplus in takaful funds	2,063,103	2,050,899
Retained earnings	2,533,005	2,322,455
	4,696,108	4,473,354
Tier 2 Capital		
FVOCI reserve	122,839	(162,843)
	122,839	(162,843)
Amount deducted from capital	(102,676)	(134,095)
Total Capital Available	4,716,271	4,196,227

47. COMPARATIVES

Certain comparative amounts have been reclassified to conform to the current year's presentation. As disclosed in Note 2.5 on financial effects due to the adoption of MFRS17 *Insurance Contracts*, certain comparative amounts have been prepared and presented in accordance with the transition provision of MFRS 17, as disclosed in the statements of changes in equity and Note 2.5, which for adoption impacts of MFRS 17.