

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

Directors' Report and Audited Financial Statements
31 December 2022

ETIQA LIFE INSURANCE BERHAD
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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the underwriting of life insurance and investment-linked businesses.

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

RESULTS

| | |
|-----------------------------------|----------------|
| | RM'000 |
| Net profit for the financial year | <u>174,137</u> |

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

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

DIVIDENDS

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

| | |
|--|----------------|
| | RM'000 |
| In respect of financial year ended 31 December 2021, final dividend of: | |
| - 171.05 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares | <u>171,050</u> |

The final dividend was declared on 12 April 2022 and paid on 20 April 2022.

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

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

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

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

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

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

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

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DIRECTORS

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

- Datuk Mohd Najib Bin Abdullah (Chairman)
- Mr. Philippe Pol Arthur Latour (Vice Chairman)
- Mr. Frank Johan Gerard Van Kempen
- Mr. Wong Pakshong Kat Jeong Colin Stewart
- Puan Norazilla Binti Md Tahir
- Dr. Ariffin Bin Datuk Yahaya

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

DIRECTORS' BENEFITS

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

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

DIRECTORS' INDEMNITY

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

Premium paid for D&O policy

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

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DIRECTORS' INTERESTS

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

| | Number of Ordinary Shares | | | |
|--|-------------------------------------|--|--------------------------|---------------------------------------|
| | As at 1 January 2022 | Issued pursuant to DRP* | Acquired 2022 | As at 31 December 2022 |
| Ultimate Holding Company | | | | |
| Indirect interest: | | | | |
| Mr. Wong Pakshong Kat Jeong Colin Stewart ¹ | 34,253 | - | - | 34,253 |

*DRP = Dividend Reinvestment Plan

¹ Shares in Maybank held by spouse

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

CORPORATE GOVERNANCE

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

FINANCIAL HOLDING COMPANY

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

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

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

OTHER STATUTORY INFORMATION

- (a) Before the Statement of Financial Position and Income Statement of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts;
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and
 - (iii) to ascertain that there was adequate provision for its insurance contract liabilities in accordance with the prescribed valuation methods specified in Part D of the Risk-Based Capital Framework for Insurers ("RBC Framework") issued by BNM.

OTHER STATUTORY INFORMATION (CONTD.)

- (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 that would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

SIGNIFICANT EVENTS

There were no significant events 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 disclosure or adjustment in the financial statements.

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AUDITORS

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

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

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



DATUK MOHD NAJIB BIN ABDULLAH



NORAZILLA BINTI MD TAHIR

CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

The Board of Directors (“the Board”) of Etiqa Life Insurance Berhad (“the Company”), a wholly-owned subsidiary of Maybank Ageas Holdings Berhad, 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 pursuant to Paragraph 22 of the BNM CG Policy.

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

(a) Board Composition

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

- (i) Two (2) 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 Maybank Group’s Policy on Tenure of Directorship which limits the tenure of an INED to a cumulative period of nine (9) years. Datuk Mohd Najib Bin Abdullah, an INED, is the Chairman of the Board, and the two (2) NINEDs are nominees of Ageas Insurance International N.V. (“Ageas”), a shareholder of MAHB.

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

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

| Members of the Board | Designation | Number of Board Meetings attended | % |
|---|--------------------|--|------------|
| Datuk Mohd Najib Bin Abdullah (Chairman) | INED | 11/11 | 100 |
| Mr. Philippe Pol Arthur Latour (Vice Chairman) | NINED | 10/11 | 91 |
| Mr. Frank Johan Gerard Van Kempen Mr. Wong Pakshong Kat Jeong Colin Stewart | NINED INED | 11/11 11/11 | 100 100 |
| Puan Norazilla Binti Md Tahir | INED | 11/11 | 100 |
| Dr. Ariffin Bin Datuk Yahaya | INED | 10/11 | 91 |

Profile of Directors

| Name/Designation/Age/ Nationality | Background/ Experience | Other Directorship within the Group |
|--|-----------------------------------|---|
| Datuk Mohd Najib Bin Abdullah Independent Non-Executive Director Chairman 62 years of age Malaysian | Banking & Insurance | <ul style="list-style-type: none"> • Director of Maybank Ageas Holdings Berhad • Chairman of Etiqa General Insurance Berhad |
| Mr. Philippe Pol Arthur Latour Non-Independent Non-Executive Director Vice-Chairman 63 years of age Belgian | Banking & Insurance | <ul style="list-style-type: none"> • Director of Etiqa General Takaful Berhad |

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors (contd.)

| Name/Designation/Age/ Nationality | Background/ Experience | Other Directorship within the Group |
|--|-----------------------------------|---|
| Mr. Frank Johan Gerard Van Kempen Non-Independent Non- Executive Director 55 years of age Dutch | Insurance | <ul style="list-style-type: none"> • Director of Etiqa General Insurance Berhad • Director of Etiqa Insurance Pte Ltd (<i>Incorporated in Singapore</i>) • Director of Etiqa Offshore Insurance (L) Ltd (<i>Incorporated in F.T. Labuan</i>) |
| Mr. Wong Pakshong Kat Jeong Colin Stewart Independent Non- Executive Director 63 years of age Singaporean | Insurance | <ul style="list-style-type: none"> • Director of Etiqa Family Takaful Berhad • Director of Etiqa Insurance Pte Ltd (<i>Incorporated in Singapore</i>) |
| Puan Norazilla Binti Md Tahir Independent Non- Executive Director 56 years of age Malaysian | Banking & Capital Market | Nil |
| Dr Ariffin Bin Datuk Yahaya Independent Non- Executive Director 58 years of age Malaysian | Computer Science | Nil |

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(b) Roles and Responsibilities of the Board

The business and affairs of the Company are managed under the direction and oversight of the Board, which also has the responsibility to periodically review and approve the overall strategies, business, organisation and significant policies of the Company. The Board also sets the core values, 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 leveraged on Group Board Committees at MAHB, which MAHB Board had established to assist the Board in carrying out effective oversight of the operations and business affairs of the Company, namely:

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

(i) Nomination and Remuneration Committee

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

The primary objective of the NRC is to support the Board of the Group in discharging their duties and responsibilities in the appointments, removals, composition, performance evaluation and development, fit and proper assessments concerning the Board, Chief Executive Officer ("CEO"), Shariah Committee members¹, Senior Officers² and Company Secretary of the Group. In addition, the NRC oversees the design and operation of the remuneration system, and periodically reviews the appropriate remuneration of the Board, CEO, Shariah Committee members¹ and Senior Officers² of the Group.

The NRC also establishes a formal and transparent procedure for the nomination and appointment of Directors, CEO, Shariah Committee members¹, Senior Officers² and Company Secretary of the Group.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(i) Nomination and Remuneration Committee (contd.)

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

The NRC plays a major role in the recruitment and selection process of potential candidates, which includes procuring from time to time the curriculum vitae of prospective candidates discreetly to ensure that the Board always have a steady pool of talent whenever there is a need for the 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 insurance industry.

In addition, the NRC is also responsible to implement a formal and transparent procedure for developing a remuneration policy for Directors, CEO, Shariah Committee members¹ and Senior Officers² of the Group; and also to ensure the 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 as 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 Etiqa Family Takaful Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB.

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(i) Nomination and Remuneration Committee (contd.)

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

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

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

² Ceased as Chairman of the NRC w.e.f. 1 March 2022. INED of MAHB. INED of Etiqa Family Takaful Berhad, and Chairman of Etiqa Insurance Pte Ltd (incorporated in Singapore), both of which are wholly-owned subsidiaries of MAHB.

³ INED of MAHB. Chairman of Etiqa Family Takaful Berhad, 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.

⁴ NINED of Etiqa General Insurance Berhad, a wholly-owned subsidiary of MAHB.

(ii) Audit Committee of the Board

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

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

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

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

¹ NINED of MAHB.

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

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

⁴ INED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB.

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

(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).

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(iii) Risk Management Committee (contd.)

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

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

¹ Redesignated as Chairman of the RMC w.e.f. 23 September 2022. INED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB.

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

³ NINED of MAHB.

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

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

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

(iv) Investment Committee

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(iv) Investment Committee (contd.)

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

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

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

(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, 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/Head of Departments.

(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.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(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 for each financial year.

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

| Training attended by Directors | DN¹ | PL² | FVK³ | WPC⁴ | NMT⁵ | AY⁶ |
|--|-----------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|
| A. In-house Training | | | | | | |
| 1. Etiqa: Directors' Training Programme Module 3 – Compliance: Compliance Function Overview, Governing Compliance Risk, and Compliance topics | | ✓ | | ✓ | ✓ | |
| 2. Etiqa: Directors' Training Programme Module 2 – ESG: - Building A Wellbeing Economy - Lessons from Bhutan & Gross National Happiness ("GNH") by Dr Julia Kim, GNH Centre Bhutan | | ✓ | ✓ | | ✓ | |
| 3. Etiqa: Directors' Training Programme on Module 2 – ESG: - Introduction to Climate Governance by Datin Seri Sunita Mei-Lin Rajakumar, Climate Governance Malaysia | | ✓ | ✓ | ✓ | | |
| 4. Etiqa: Directors' Training Program Module 3 – Investment : Liability Driven Divestment, Asset Liability Management, and Research & Portfolio Management | ✓ | | | ✓ | ✓ | |
| 5. Etiqa: Directors' Training Program Module 3 – Risk Management : Risk Categories, Risk Management Tools and Techniques, Risk Identification, Risk Measurement and Assessments, Risk Governance and Oversight | | ✓ | | | ✓ | |
| 6. Etiqa: Directors' Training Program Module 2 – Cybersecurity: Cyber Defense Capabilities, Recent & Emerging Threat Landscape and Cyber Etiqa : Directors' Training Program on Module 2 - Cybersecurity | | | ✓ | ✓ | ✓ | |
| 7. Etiqa: Directors' Training Program on Module 3 – Refresher for IFRS17, Performance Reporting Outlook and Actuarial topic. | ✓ | | | ✓ | | |
| 8. Etiqa: Directors' Training Program on Module 3 – From "Idea" to "Launch", Product Development Journey | | ✓ | ✓ | | ✓ | |
| 9. Etiqa : Board Risk Workshop - Etiqa Risk Landscape 2022 | | | ✓ | | | |
| 10. Etiqa : Takaful Strategic Engagement Session 2022: "Takaful At Crossroads: The Way Forward" by YBhg. Tan Sri Muhammad Ibrahim, Former Governor of Bank Negara Malaysia | | | | | ✓ | |
| 11. Etiqa: Takaful Boards Engagement with Etiqa Group Shariah Committee - Shariah Compliance Culture | | | | ✓ | | |
| 12. Maybank/ Messrs Ernst & Young: Sustainability Update and Climate Risk Training Session: Maybank's Sustainability Agenda, & How Financial Institutions Can Support Climate Transition? | | ✓ | ✓ | ✓ | ✓ | |

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended by Directors (contd.)

| Training attended by Directors | DN¹ | PL² | FVK³ | WPC⁴ | NMT⁵ | AY⁶ |
|--|-----------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|
| 13. Maybank Group Risk : Annual Board Risk Workshop – Navigating Execution Challenges in a Rapidly Changing World | | | ✓ | | ✓ | |
| 14. Maybank Investment Bank : Diversity, Equity & Inclusion (DEI) - Conversation on Investibility: Why are the big investors looking into your Board | | ✓ | | | | |
| 15. Ageas SA/NV : How To Transition Towards A Sustainable World | ✓ | | | | | |
| 16. Ageas SA/NV : Lessons From The Fast Lane | ✓ | | | | | |
| 17. Ageas SA/NV : Climate: 2C Or Not 2C | ✓ | | | | | |
| 18. Ageas SA/NV : Macro-Economic Landscape & Trends | ✓ | | | | | |
| 19. Ageas: Investor Day – Asia Deep Dive – Malaysia and Thailand | | ✓ | | | | |
| 20. Ageas: Impact 24: Going Local | | ✓ | | | | |
| 21. Ageas: Ageas Management Forum | | ✓ | | | | |
| 22. Ageas: Ageas Partnership Days 2022 | ✓ | ✓ | | ✓ | ✓ | |
| 23. Ageas Academy: Dare Series – The Guide to the Ecosystem Economy | | ✓ | | | | |
| 24. Ageas Academy: A future of Delightful Aging | | | ✓ | | | |
| 25. Ageas Academy: The Customer of the Now-Future | | | ✓ | | | |
| 26. Ageas Asia Learning Management: Webinar – Smarter Digital City – AI for Everyone, Financial Services | | | ✓ | | | |
| B. External Training | | | | | | |
| 1. Actuarial Society of Hong Kong: Innovations in medical fraud and waste and abuse detection using AI | | | ✓ | | | |
| 2. Actuarial Society of Hong Kong: Health: Gen Re Dread Disease Survey 2015 – 2019 | | | ✓ | | | |
| 3. Actuarial Society of Hong Kong: Webinar : Innovation Conference 2022 | | | ✓ | | | |
| 4. Actuarial Society of Hong Kong: Life and Health Insurance Product Development Beyond COVID-19 | | | ✓ | | | |
| 5. Belgium-Luxembourg Chamber of Commerce: The Importance of Regional Headquarters | | | ✓ | | | |
| 6. Dutch Chamber of Commerce: Property Markets in Hong Kong and China; a Fireside Chat with HSBC | | | ✓ | | | |
| 7. Dutch Chamber of Commerce: Webinar : The Chinese Economy in the Post-COVID 19 Era | | | ✓ | | | |
| 8. Ernst & Young: Global Insurance webinar: Key trends shaping insurers strategies agenda | | | ✓ | | | |
| 9. Dutch Chamber HK: Appetite for China; is China still Investible? | | ✓ | | | | |
| 10. Dutch Chamber HK: Reshaping the Future of China | | ✓ | | | | |
| 11. FIDE Forum: The Emerging Trends, Threats And Risks To The Financial Services Industry – | | | | | ✓ | |

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended by Directors (contd.)

| Training attended by Directors | DN¹ | PL² | FVK³ | WPC⁴ | NMT⁵ | AY⁶ |
|---|-----------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|
| Managing Global Risk, Investment And Payment System | | | | | | |
| 12. FIDE Forum : Conversations with Chairmen : A standing item in board agenda | | | | | ✓ | |
| 13. FIDE Forum : Metafinance: The Next Frontier Of The Global Economy | ✓ | | | | | |
| 14. FIDE / AISB : ESG & Islamic Finance : Implications for Board & Corporate Governance | | | | | ✓ | |
| 15. FIDE ICDM : Board Risk Committee Dialogue | | | | | ✓ | |
| 16. FIDE: FIDE Core Program Module A: Insurance | | | | | | ✓ |
| 17. FIDE: FIDE Core Program Module B: Insurance | | | | | | ✓ |
| 18. INSEAD: Corporate Governance Center: INSEAD Director Forum – Talent and Remuneration for Impact | | ✓ | | | | |
| 19. INSEAD: Corporate Governance Center: Director Duties and ESG – A view from the General Counsel | | ✓ | | | | |
| 20. INSEAD: Corporate Governance Center: How Can Boards Strengthen Governance to Accelerate their ESG Journeys | | ✓ | | | | |
| 21. Guberna: National Member Forum - Governance in Transition and Sustainable Governance | | ✓ | | | | |
| 22. Natixis: 3rd Insurance Investment Club : Opportunities in ESG ETF and European Insurance Investment Opportunities | | ✓ | | | | |
| 23. Foreign Correspondents' Club (FCC) : The View from Beijing by Wang Xiangwei | | ✓ | | | | |
| 24. PNB Research Institute Sdn Bhd: PNB Knowledge Forum (PKF) III 2022: Decarbonised Economy : Accelerating The Net Zero Transition | ✓ | | | | | |
| 25. PNB Research Institute Sdn Bhd : PNB Knowledge Forum 2022 - Sustainable Investing : ESG At The Forefront | ✓ | | | | | |
| 26. Singapore Actuarial Society: Singapore Actuarial Conference 2022 | | | | ✓ | | |
| 27. Singapore Actuarial Society: How Actuaries Make an Impact in Banking | | | | ✓ | | |
| 28. Institute and Faculty of Actuaries : Mental Health in Insurance | | | | ✓ | | |
| 29. Institute and Faculty of Actuaries : IFRS17: Practical Considerations & Business Implications for Non-Life (re)insurers | | | | ✓ | | |
| 30. Institute and Faculty of Actuaries : IFRS17: Practical Considerations & Business Implications for Life (re)insurers | | | | ✓ | | |
| 31. Institute and Faculty of Actuaries : Beyond actuarial analysis: Towards a systematic way of approaching risk | | | | ✓ | | |
| 32. Institute of Banking and Finance (Singapore) : Python and Data Science for Finance | | | | ✓ | | |
| 33. Center of Research in Econo-finance and Actuarial sciences on Risk / ESSEC Business | | | | ✓ | | |

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended by Directors (contd.)

| Training attended by Directors | DN¹ | PL² | FVK³ | WPC⁴ | NMT⁵ | AY⁶ |
|---|-----------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|
| School : The Risk Management Approach to Macro-Prudential Policy | | | | | | |
| 34. ICLIF : Building the Islamic Finance Industry's Future: Creating Role Model Economies, Inclusive Institutions and Impact-Driven Investment | | | | ✓ | | |
| 35. Institute of Corporate Directors Malaysia : International Directors Summit 2022 : The B Factor - (Bold + Brave) Boards (Day Pass) | | | | | ✓ | |
| 36. AICB : A Passion For Purpose: Delivering A Just Transition To Net Zero | ✓ | | | | | |
| 37. Chartered Banker/AICB : Responsible Banking In A Global Inflationary Climate | ✓ | | | | | |
| 38. Chartered Banker/AICB : Why Responsible Banking Values Matter? | ✓ | | | | | |
| 39. ICLIF Executive Education Center / Asia School of Business: Inflation, Looming Recession & Climate Change: A Tricky Balancing Act? | ✓ | | | | | |
| 40. Financial Development & Innovation Central Bank of Malaysia: Masterclass on "Fostering Market Dynamism: Advance The Development of Open Data Ecosystem and Potential Shared Data Infrastructures" | ✓ | | | | | |

1 DN - Datuk Mohd Najib Bin Abdullah
2 PL - Mr. Philippe Pol Arthur Latour

3 FVK - Mr. Frank Johan Gerard Van Kempen
4 WPC - Mr. Wong Pakshong Kat Jeong Colin Stewart

5 NMT - Puan Norazilla Binti Md Tahir
6 AY - Dr. Ariffin Bin Datuk Yahaya

(3) INTERNAL CONTROL FRAMEWORK

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(4) REMUNERATION - QUALITATIVE DISCLOSURES

(a) Board Performance

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

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

The remuneration package of NEDs consists of the following:

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

(b) Senior Management Appointment and Performance

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

| <u>Remuneration</u> | <u>Per Annum (RM)</u> |
|-------------------------------|-----------------------|
| (i) Fees | |
| Board: | |
| - Chairman | 180,000 |
| - Member | 120,000 |
| Committee: | |
| - Chairman | 32,500 |
| - Member | 28,000 |
| (ii) Meeting Allowance | |
| per meeting attended | 2,000 |

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

The details of Directors’ and CEO's Remuneration for FYE 2022 are disclosed in the Notes 27 and 28 to the Company's Financial Statements.

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

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

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

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

| Key elements | Purpose |
|---|---|
| Fixed Pay | Attract and retain talent by providing competitive pay that is externally benchmarked against relevant peers and location, and internally aligned with consideration of differences in individual performance and achievements, skills-set, job scope as well as competency level. |
| Variable Pay | <p>Variable Bonus</p> <ul style="list-style-type: none"> ▪ Reinforce pay-for-performance culture and adherence to the Group's Core Values T.I.G.E.R.* ▪ Variable cash award design that is aligned with the long-term performance goals of the Group through deferral and claw-back policies. ▪ Based on overall Group Performance, Business/Corporate Function and individual performance. ▪ Performance is measured via the Balanced Scorecard approach. ▪ Deferral Policy: Any Variable Bonus Awards in excess of certain thresholds will be deferred over a period of time <p>Long-term Incentive Award</p> <ul style="list-style-type: none"> ▪ The Long-term Incentive Award is offered within the suite of Total Rewards for eligible Talents. An approved customized Share Grant Plan is offered to eligible Senior Management who has direct line of sight in driving, leading and executing the Group's business strategies and objectives. <p>Clawback Provision</p> <ul style="list-style-type: none"> ▪ The Board, based on risk management issues, financial misstatement, fraud and gross negligence or wilful misconduct, has the discretion to make potential adjustment or clawback on Variable Bonus and Long-term Incentive Awards. |
| Benefits | <ul style="list-style-type: none"> ▪ Provides employees with financial protection, access to health care, paid time-off, staff loans at preferential rates, programmes to support work/life balance, etc. for a diverse workforce. The benefits programmes which blend all elements including cost optimisation and employee/job needs, are reviewed regularly with proactive actions taken to remain competitive in the increasingly dynamic business landscape and continuously enrich employees, as part of total rewards strategy. |
| Development and Career Opportunities | <ul style="list-style-type: none"> ▪ Continue to invest in the personal and professional growth of employees. Opportunities provided to employees to chart their careers across different businesses and geographies. |

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

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

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Long-term Incentive Award – Employees’ Share Grant Plan

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

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

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

Corporate Governance – Remuneration Practices

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

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

- (i) an officer who is a member of senior management of the Company and who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on its risk profile; or
- (ii) among the most highly remunerated officers in the Company.

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

| Total value of remuneration awards for the financial year (RM'000) | Senior Officers | | OMRT | |
|--|----------------------|----------------------|--------------|----------|
| | Unrestricted | Deferred | Unrestricted | Deferred |
| Fixed remuneration | | | | |
| Cash-based | 5,939 (15 headcount) | - | - | - |
| Shares and share-linked instruments | - | - | - | - |
| Others | - | - | - | - |
| Variable remuneration | | | | |
| Cash-based | 1,622 (15 headcount) | | - | - |
| Shares and share-linked instruments | 510 (59,500 units)^ | Refer to note below* | - | - |
| Others | - | - | - | - |

Notes:

*In FY2022, a total of 179,000 units of Maybank shares (for On Target performance levels) under Maybank Group Employees' Share Grant Plan (ESGP)/Cash-settled Employees' Share Grant Plan (CESGP) were awarded to 13 Senior Officers. The number of ESGP/CESGP units to be vested/paid by 2025 would be conditional upon the said employees fulfilling the vesting/payment criteria.

^A total of 114,000 units (*RM758,214) of ESGP/CESGP granted in September 2019 has vested to 9 Senior Officers (59,500 units or RM509,915) in September 2022. ESGP value is based on the value of the Maybank Reference Shares with no entitlement to any discount and the volume weighted average market price (VWAMP) for the five (5) market days immediately preceding ESGP/CESGP vesting date at RM8.62 per unit.

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

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

We, Datuk Mohd Najib Bin Abdullah and Norazilla Binti Md Tahir, being two of the Directors of Etiqa Life Insurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 30 to 159 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of the results and the cash flows of the Company for the financial year then ended.

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



DATUK MOHD NAJIB BIN ABDULLAH



NORAZILLA BINTI MD TAHIR

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

I, Lim Yit Lin, being the officer primarily responsible for the financial management of Etiqa Life Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 30 to 159 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed LIM YIT LIN
at Kuala Lumpur in Wilayah Persekutuan
on 27 February 2023



LIM YIT LIN
(MIA 13288)
Head, Finance

Before me,



Commissioner for Oaths



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

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiqa Life Insurance Berhad (“the Company”), which comprise the statement of financial position as at 31 December 2022 and the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the financial year ended 31 December 2022, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 159.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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.

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

Other Matters

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

Ernst & Young PLT

Ernst & Young PLT
202106000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants



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

Kuala Lumpur, Malaysia
27 February 2023

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

| | Note | 2022 RM'000 | 2021 RM'000 |
|-------------------------------------|------|-------------------|-------------------|
| <u>Assets</u> | | | |
| Property, plant and equipment | 3 | 29,222 | 32,875 |
| Investment properties | 4 | 980,395 | 971,170 |
| Prepaid land lease payments | 5 | 737 | 763 |
| Right-of-use assets ("ROU") | 6 | 98 | 53 |
| Intangible assets | 7 | 45,251 | 48,730 |
| Investments | 8 | 11,389,920 | 11,513,272 |
| Financing receivables | 10 | 265,034 | 265,527 |
| Reinsurance assets | 11 | 109,080 | 110,404 |
| Insurance receivables | 12 | 25,335 | 23,755 |
| Other assets | 13 | 154,498 | 149,976 |
| Derivative assets | 14 | 508 | - |
| Current tax assets | | - | 11,555 |
| Cash and bank balances | | 25,629 | 47,196 |
| Total Assets | | 13,025,707 | 13,175,276 |
| <u>Equity</u> | | | |
| Share capital | 15 | 100,000 | 100,000 |
| Reserves | 16 | 1,449,621 | 1,473,215 |
| Total Equity | | 1,549,621 | 1,573,215 |
| <u>Liabilities</u> | | | |
| Insurance contract liabilities | 17 | 10,670,647 | 10,768,463 |
| Derivative liabilities | 14 | - | 2,192 |
| Deferred tax liabilities, net | 18 | 304,774 | 333,944 |
| Insurance payables | 19 | 21,584 | 25,312 |
| Other liabilities | 20 | 457,523 | 455,668 |
| Current tax liabilities | | 21,558 | 16,482 |
| Total Liabilities | | 11,476,086 | 11,602,061 |
| Total Equity and Liabilities | | 13,025,707 | 13,175,276 |

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

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

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

| | Note | 2022 RM'000 | 2021 RM'000 |
|--|------|--------------------|--------------------|
| Operating revenue | 21 | 2,263,055 | 2,434,400 |
| Gross earned premiums | | 1,733,413 | 1,936,388 |
| Earned premiums ceded to reinsurers | | (40,681) | (38,999) |
| Net earned premiums | | <u>1,692,732</u> | <u>1,897,389</u> |
| Fee and commission income | 22 | 5,556 | 6,486 |
| Investment income, net | 23 | 529,642 | 498,012 |
| Realised losses, net | 24 | (109,191) | (55,938) |
| Fair value losses, net | 25 | (439,874) | (335,092) |
| Other operating income, net | 26 | 21,443 | 14,627 |
| Other revenue | | <u>7,576</u> | <u>128,095</u> |
| Gross benefits and claims paid | | (1,323,720) | (1,219,749) |
| Claims ceded to reinsurers | | 27,355 | 17,705 |
| Gross change in contract liabilities | | 78,104 | (319,820) |
| Change in contract liabilities ceded to reinsurers | | (1,324) | 25,045 |
| Net benefits and claims | | <u>(1,219,585)</u> | <u>(1,496,819)</u> |
| Management expenses | 27 | (162,223) | (152,638) |
| Fee and commission expenses | 29 | (103,569) | (103,200) |
| Taxation borne by policyholders | 30 | 9,400 | (3,896) |
| Other expenses | | <u>(256,392)</u> | <u>(259,734)</u> |
| Profit before taxation | | 224,331 | 268,931 |
| Taxation | 30 | (50,194) | (55,108) |
| Net profit for the financial year | | <u>174,137</u> | <u>213,823</u> |
| Basic and diluted earnings per share (sen) | 31 | 174.14 | 213.82 |

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

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

| | Note | 2022 RM'000 | 2021 RM'000 |
|--|------|----------------|----------------|
| Net profit for the financial year | | 174,137 | 213,823 |
| Other comprehensive loss: | | | |
| Items that may be subsequently reclassified to income statement | | | |
| Change in fair value of debt securities at Fair Value through Other Comprehensive Income ("FVOCI") | | | |
| - Fair value changes | | (43,412) | (23,766) |
| - Transfer to profit or loss upon disposal | 24 | (805) | (1,400) |
| - Fair value adjustments for FVOCI debt securities backing the Participating Fund | 17 | 17,041 | (8,762) |
| Tax effect relating to debt securities at FVOCI | 30 | 2,993 | 4,704 |
| | | (24,183) | (29,224) |
| Items that will not be subsequently reclassified to income statement | | | |
| Change in fair value of equity securities at FVOCI | | | |
| - Fair value changes | | (7,464) | (8,542) |
| - Fair value adjustments for FVOCI equity securities backing the Participating Fund | 17 | 4,309 | 4,684 |
| Tax effect relating to equity securities at FVOCI | 30 | 657 | 798 |
| | | (2,498) | (3,060) |
| Other comprehensive loss for the financial year, net of tax | | (26,681) | (32,284) |
| Total comprehensive income for the financial year | | 147,456 | 181,539 |

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

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

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

| | Note | Retained Earnings | | | | | | Total Equity RM'000 |
|--|------|---------------------------------|----------------------------|----------------------------------|--------------------------------------|--|--|------------------------|
| | | <----- Non-distributable -----> | | | Non-Par Fund Surplus RM'000 | Distributable Retained Profits RM'000 | Sub-total Retained Profits RM'000 | |
| | | Share Capital RM'000 | FVOCI Reserve RM'000 | Revaluation Reserve RM'000 | | | | |
| At 1 January 2022 | | 100,000 | (1,475) | 54,465 | 909,101 | 511,124 | 1,420,225 | 1,573,215 |
| Net profit for the financial year | | - | - | - | 151,033 | 23,104 | 174,137 | 174,137 |
| Other comprehensive loss for the financial year | | - | (26,681) | - | - | - | - | (26,681) |
| Total comprehensive (loss)/income for the financial year | | - | (26,681) | - | 151,033 | 23,104 | 174,137 | 147,456 |
| Transfer from non-Par fund surplus upon recommendation by Appointed Actuary ¹ | | - | - | - | (118,826) | 118,826 | - | - |
| Reclassification upon disposal of equity securities | | - | 4,407 | - | (3,929) | (478) | (4,407) | - |
| Dividend on ordinary shares | 32 | - | - | - | - | (171,050) | (171,050) | (171,050) |
| At 31 December 2022 | | 100,000 | (23,749) | 54,465 | 937,379 | 481,526 | 1,418,905 | 1,549,621 |
| At 1 January 2021 | | 100,000 | 30,809 | 54,465 | 835,264 | 418,138 | 1,253,402 | 1,438,676 |
| Net profit for the financial year | | - | - | - | 184,113 | 29,710 | 213,823 | 213,823 |
| Other comprehensive loss for the financial year | | - | (32,284) | - | - | - | - | (32,284) |
| Total comprehensive (loss)/income for the financial year | | - | (32,284) | - | 184,113 | 29,710 | 213,823 | 181,539 |
| Transfer from non-Par fund surplus upon recommendation by Appointed Actuary ¹ | | - | - | - | (110,276) | 110,276 | - | - |
| Dividend on ordinary shares | 32 | - | - | - | - | (47,000) | (47,000) | (47,000) |
| At 31 December 2021 | | 100,000 | (1,475) | 54,465 | 909,101 | 511,124 | 1,420,225 | 1,573,215 |

¹ In accordance with the Financial Services Act 2013, the unallocated surplus of the Non-Participating ("non-Par") fund is only available for distribution to the shareholder upon approval by the Appointed Actuary. The approved transfer from the non-Par fund unallocated surplus for the financial years ended 31 December 2022 and 31 December 2021 were RM156,350,000 and RM145,100,000 (or, RM118,826,000 and RM110,276,000, net of tax at 24%) respectively.

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

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

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

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation: | | 224,331 | 268,931 |
| Adjustments for: | | | |
| Taxation borne by policyholders | 30 | (9,400) | 3,896 |
| Depreciation of property, plant and equipment | 27 | 6,849 | 6,091 |
| Amortisation of intangible assets | 27 | 8,105 | 7,830 |
| Depreciation of right-of-use assets | 27 | 34 | 33 |
| Lease liabilities interest | 27 | 2 | 2 |
| Fair value losses on financial assets at Fair Value through Profit or Loss ("FVTPL") | 25 | 448,519 | 352,322 |
| Fair value gains on investment properties | 25 | (8,645) | (17,230) |
| Amortisation of prepaid land lease payments | 27 | 26 | 26 |
| Amortisation of premium on investments | 23 | 6,310 | 6,587 |
| Loss on disposal of intangible assets | 24 | - | 82 |
| Net gain on foreign exchange | 26 | (21,170) | (15,614) |
| Allowance for/(reversal of) impairment losses on insurance receivables | 26 | 187 | (3,936) |
| Allowance for impairment losses on other assets | 26 | 322 | 117 |
| Allowance for/(reversal of) impairment losses on financing receivables | 26 | 133 | (184) |
| Allowance for/(reversal of) impairment losses on investments | 26 | 59 | (1) |
| Insurance receivables written off | 26 | 215 | 6 |
| Other assets written off | 26 | 5,551 | - |
| Losses on disposal of investments | 24 | 109,191 | 55,856 |
| Interest income | 23 | (434,878) | (414,389) |
| Gross dividend income | 23 | (62,025) | (51,981) |
| Rental income | 23 | (67,901) | (62,514) |
| Operating cash flows before working capital changes | | 205,815 | 135,930 |
| Changes in working capital: | | | |
| Increase in ROU assets | | (79) | - |
| Decrease/(increase) in reinsurance assets | | 1,324 | (25,045) |
| (Increase)/decrease in insurance receivables | | (1,982) | 3,157 |
| (Increase)/decrease in other assets | | (11,071) | 12,020 |
| Decrease/(increase) in financing receivables | | 360 | (15,269) |
| Increase in amounts due from related parties | | (6,395) | (15,866) |
| Carried forward | | 187,972 | 94,927 |

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

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

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.) | | | |
| Brought forward | | 187,972 | 94,927 |
| Increase in other liabilities | | 11,363 | 12,971 |
| (Decrease)/increase in insurance contract liabilities | | (78,106) | 319,820 |
| (Decrease)/increase in insurance payables | | (3,728) | 2,104 |
| Decrease in placement of deposits with financial institutions | | 332,621 | 599,560 |
| Interest income received | | 434,193 | 415,907 |
| Dividends received | | 61,161 | 53,501 |
| Rental income received | | 65,280 | 59,301 |
| Cash flows generated from operations | | <u>1,010,756</u> | <u>1,558,091</u> |
| Tax paid | | <u>(48,044)</u> | <u>(43,817)</u> |
| Net cash flows generated from operating activities | | <u>962,712</u> | <u>1,514,274</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from disposal of investments | | 2,965,526 | 4,599,598 |
| Purchase of investments | | (3,770,321) | (6,046,911) |
| Proceeds from sale of property, plant and equipment | 3 | 1,043 | - |
| Proceeds from disposal of intangible assets | 7 | 23 | 15 |
| Additions to investment properties | 4 | (580) | (330) |
| Purchase of property, plant and equipment | 3 | (4,239) | (4,345) |
| Purchase of intangible assets | 7 | (4,649) | (12,772) |
| Net cash flows used in investing activities | | <u>(813,197)</u> | <u>(1,464,745)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | 32 | (171,050) | (47,000) |
| Payment of lease liabilities | 6 | (32) | (36) |
| Net cash used in financing activities | | <u>(171,082)</u> | <u>(47,036)</u> |
| Net (decrease)/increase in cash and cash equivalents | | (21,567) | 2,493 |
| Cash and cash equivalents at beginning of financial year | | 47,196 | 44,703 |
| Cash and cash equivalents at end of financial year | | <u>25,629</u> | <u>47,196</u> |
| Cash and cash equivalents comprise: | | | |
| Cash and bank balances of: | | | |
| Shareholder's fund | | - | 158 |
| Life Insurance funds | | 25,629 | 47,038 |
| | | <u>25,629</u> | <u>47,196</u> |

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

1. CORPORATE INFORMATION

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

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

The principal activities of the Company are the underwriting of life insurance and investment-linked businesses.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation of the financial statements

(a) Statement of compliance

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of preparation (contd.)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

(a) Insurance contract liabilities

These are provided in Note 2.2(xiii). The note presents a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amounts of the life insurance contract liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 38 of the financial statements.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies

(i) Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Investment properties

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Leases

(a) Classification

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

(b) Recognition and initial measurement

(1) The Company as lessee

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

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

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

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

Premises

2 to 5 years

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

(1) The Company as lessee (contd.)

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

Right-of-use assets are subject to impairment assessment. The impairment policy for ROU assets are in accordance with impairment of non-financial assets as described in Note 2.2(vii)(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 interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Leases (contd.)

(b) Recognition and measurement (contd.)

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

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

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

(iii) Leases with variable lease payments

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Leases (contd.)

(c) Lease modifications

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

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

(iv) Intangible assets

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Intangible assets (contd.)

(a) Software development costs

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

(b) Computer software and licences

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

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

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

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

(c) Amortisation period

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

| | |
|--------------------------------|-------------------------|
| | Useful lives |
| Computer software and licences | 10 years |

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) Financial assets

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

(a) Initial and subsequent measurement

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

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

(i) Business model assessment

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

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

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

- how the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that effect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(i) Business model assessment (contd.)

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

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

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

(iii) Classification of financial assets

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

(i) Financial assets at FVTPL

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets (contd.)

(ii) Financial assets at FVOCI

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

(a) Financial assets at FVOCI (debt instruments)

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

(b) Financial assets at FVOCI (equity instruments)

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets (contd.)

(iii) Financial assets at AC

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

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

(b) Derecognition of financial assets

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

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

(c) Write off of financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Fair value of financial assets

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

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

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

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

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

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

(vii) Impairment

(a) Financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Impairment (contd.)

(a) Financial assets (contd.)

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Impairment (contd.)

(a) Financial assets (contd.)

(ii) Forward-looking information and ECL measurement

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

Financing receivables

The ECL on the financing portfolio (other than Policy/Automated Policy Loan("APL")) of the Company is computed using PD, LGD and EAD. The Company measuring the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant, and collectively assess for other financial assets. The policy/APL loans are not expected to incur loss as any shortfall will be deducted from the cash surrender value. This implies that LGD is zero and no ECL is estimated.

Insurance receivables

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

Financial assets at FVOCI and AC

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Impairment (contd.)

(a) Financial assets (contd.)

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

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

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

(b) Non-financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Reinsurance assets

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

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

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

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

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

(ix) Insurance receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ix) Insurance receivables (contd.)

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

(x) Cash and cash equivalents

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

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances.

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

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

(xi) Equity instruments

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

(xii) Product classification

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xii) Product classification (contd.)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xii) Product classification (contd.)

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

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

(xiii) Life insurance contract liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiii) Life insurance contract liabilities (contd.)

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

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

For yearly renewable policies, the recognised liabilities comprise of the premium and claim liabilities with an appropriate allowance for PRAD. The premium liabilities is the maximum of unexpired risk reserve and unearned premium reserve.

(xiv) Financial liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiv) Financial liabilities (contd.)

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

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

(1) Insurance payables

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

(2) Other payables

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

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

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

(xv) Offsetting of financial assets and financial liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xvi) Premium income

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

- Premium income is recognised as soon as the amount of the premium can be reliably measured. Initial premium is recognised from inception date and subsequent premiums are recognised on due dates. At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured;
- Outward reinsurance premiums are recognised in the same financial period as the original policies to which the reinsurance relates;
- Net creation of units, which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract, are reflected in profit or loss. Net creation of units is recognised on a receipt basis; and
- Creation/cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase/sell units have been received from policyholders.

(xvii) Benefits expenses

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

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

- Maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates; and
- Death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xviii) Commission expenses and acquisition costs

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

(xix) Other revenue recognition

Revenue from contracts with customers

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xix) Other revenue recognition (contd.)

Other revenue

(a) Interest income

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

(b) Dividend income

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

(c) Rental income

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

(d) Fee and commission income

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xx) Employee benefits

(a) Short-term benefits

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

(b) Long term employee benefits

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

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

(c) Defined contribution plans

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

(d) Share-based compensation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xx) Employee benefits (contd.)

(d) Share-based compensation (contd.)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxi) Foreign currencies

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions and balances

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) Income tax

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

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

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

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

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

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

(xxiii) Provisions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxiii) Provisions (contd.)

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

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

(xxiv) Contingent assets and contingent liabilities

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

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

(xxv) Segment reporting

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

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

The Company disclosed its segment information by funds in Note 44.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 New and amended standards and interpretations

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

| Description | Effective for annual periods beginning on or after |
|--|---|
| MFRS 116 <i>Property, Plant and Equipment</i> (Amendments to MFRS 116) <i>Property, Plant and Equipment</i> - <i>Proceeds before Intended Use</i> | 1 January 2022 |
| MFRS 137 <i>Provision, Contingent Liabilities and Contingent Assets</i> (Amendments to MFRS 137) <i>Onerous Contracts - Cost of Fulfilling a Contract</i> | 1 January 2022 |
| MFRS 3 <i>Business Combinations</i> (Amendments to MFRS 3) <i>Reference to the Conceptual Framework</i> | 1 January 2022 |
| Annual Improvements to MFRS Standards 2018 - 2020: MFRS 1 <i>First-time Adoption of MFRSs</i> | 1 January 2022 |
| MFRS 9 <i>Financial Instruments</i> | 1 January 2022 |
| MFRS 141 <i>Agriculture</i> | 1 January 2022 |

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

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

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

| Description | Effective for annual periods beginning on or after |
|---|---|
| MFRS 17 <i>Insurance Contracts</i> (Amendments to MFRS 17) <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i> | 1 January 2023 |
| MFRS 101 <i>Presentation of Financial Statements</i> (Amendments to MFRS 101) <i>Classification of Liabilities as Current or Non-current</i> | 1 January 2023 |
| (Amendments to MFRS 101) <i>Disclosure of Accounting Policies</i> | 1 January 2023 |
| MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (Amendments to MFRS 108) <i>Definition of Accounting Estimates</i> | 1 January 2023 |

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

| Description | Effective for annual periods beginning on or after |
|--|---|
| MFRS 112 <i>Income Taxes</i> (Amendments to MFRS 112) <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> | 1 January 2023 |
| MFRS 16 <i>Leases</i> (Amendments to MFRS 16) <i>Lease Liability in a Sale and Leaseback</i> | 1 January 2024 |
| MFRS 101 <i>Presentation of Financial Statements</i> (Amendments to MFRS 101) <i>Non-current Liabilities with Covenants</i> | 1 January 2024 |

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

MFRS 17 Insurance Contracts

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

(i) Changes to classification and measurement

The adoption of MFRS 17 will not change the classification of the Company's insurance contracts.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 17 *Insurance Contracts* (contd.)

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

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

- Identify insurance contracts as those under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- Separate specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounts for them in accordance with other applicable MFRS or IFRS;
- Separate the Insurance and reinsurance contracts into groups it will recognise and measure;
- Recognise and measure groups of Insurance contracts 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 contracts (the contractual service margin or "CSM");
- Recognise profit from a group of Insurance contracts over each period the Company provides insurance coverage, as the Company is released from risk. If a group of contracts 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 insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 17 *Insurance Contracts* (contd.)

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

During the implementation period of MFRS 17, the Company has determined that its insurance contracts issued and reinsurance contracts held are eligible for the measurement models below:

a) General Measurement Model ("GMM")

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

b) Premium Allocation Approach ("PAA")

This model will be applied for policies which have contract boundaries (i.e. coverage periods) of less than 1 year as well as for policies with contract boundaries of more than 1 year but which are able to pass the PAA eligibility test.

c) Variable Fee Approach ("VFA")

This model will be applied for policies with direct participation features wherein payments on investment returns to policyholders are based on contractual terms which substantially vary with the underlying items.

The Company will be applying both the PAA or GMM models for all reinsurance contracts held, depending on the specific contract boundaries for each reinsurance contract.

(ii) Changes to presentation and disclosure

For presentation purposes, the Company will aggregate insurance and reinsurance contracts held and these will be presented separately in the statement of financial position as follows:

- Portfolios of insurance contracts issued;
- Portfolios of insurance contracts held;
- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.

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

Groups of insurance contracts issued will include any assets for insurance acquisition cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 17 *Insurance Contracts* (contd.)

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

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

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

- Insurance revenue
- Insurance service expenses
- Insurance service results
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

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

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

(iii) Transition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 17 *Insurance Contracts* (contd.)

(iii) Transition (contd.)

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

a) Full retrospective approach ("FRA")

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

b) Modified retrospective approach ("MRA")

The MRA is applied based on reasonable and supportable information available without undue cost or effort to the Company. Certain modifications will be applied to the extent the FRA is not possible, but still with the objective to achieve the closest possible outcome to the FRA application. The Company has determined that the MRA will be applied to certain insurance contract portfolios which have effective dates prior to 31 December 2021.

c) Fair value approach ("FVA")

Under the FVA, the CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference will be recognised in retained earnings at the transition date). The Company is using the FVA for certain insurance contract portfolios which are still in force at the transition date and which have effective dates prior to 31 December 2021.

Amendment to MFRS 9 as a result of MFRS 17 implementation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 17 *Insurance Contracts* (contd.)

(iii) Transition (contd.)

Anticipated impacts of adopting MFRS 17 to the Company

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

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

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

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

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

For investment-linked business accounted for under MFRS 4, prudent provisions were required to be held throughout the contract duration and were released to profit late in the contract duration. Consequently, it is expected that profit for the Company's investment-linked business may increase as a result of more stable and even profit emergence over the life of the contracts.

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

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

3. PROPERTY, PLANT AND EQUIPMENT

| | Properties # RM'000 | Furniture, fittings, equipment and renovations RM'000 | Computers and peripherals RM'000 | Electrical and security equipment RM'000 | Work-in- progress RM'000 | Total RM'000 |
|---|------------------------|--|---|---|--------------------------------|-----------------|
| 2022 | | | | | | |
| Cost | | | | | | |
| At 1 January 2022 | 305 | 46,996 | 11,821 | 48,431 | 5,953 | 113,506 |
| Additions | - | 1,368 | 41 | 926 | 1,904 | 4,239 |
| Disposals | - | (79) | - | (998) | - | (1,077) |
| Reclassification | - | 227 | - | - | (227) | - |
| At 31 December 2022 | <u>305</u> | <u>48,512</u> | <u>11,862</u> | <u>48,359</u> | <u>7,630</u> | <u>116,668</u> |
| Accumulated Depreciation and Impairment Losses | | | | | | |
| At 1 January 2022 | 259 | 36,982 | 7,447 | 35,943 | - | 80,631 |
| Depreciation charge for the financial year (Note 27) | - | 2,850 | 1,449 | 2,550 | - | 6,849 |
| Disposals | - | (15) | - | (19) | - | (34) |
| At 31 December 2022 | <u>259</u> | <u>39,817</u> | <u>8,896</u> | <u>38,474</u> | <u>-</u> | <u>87,446</u> |
| Analysed as: | | | | | | |
| - Accumulated depreciation | 50 | 39,817 | 8,896 | 38,474 | - | 87,237 |
| - Accumulated allowance for impairment losses | 209 | - | - | - | - | 209 |
| | <u>259</u> | <u>39,817</u> | <u>8,896</u> | <u>38,474</u> | <u>-</u> | <u>87,446</u> |
| Net Book Value | | | | | | |
| At 31 December 2022 | <u>46</u> | <u>8,695</u> | <u>2,966</u> | <u>9,885</u> | <u>7,630</u> | <u>29,222</u> |

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

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

| | Freehold land RM'000 | Buildings on freehold land RM'000 | Total RM'000 |
|---|----------------------------|--|-----------------|
| 2022 | | | |
| Cost | | | |
| At 1 January/31 December 2022 | 100 | 205 | 305 |
| Accumulated Depreciation and Impairment Losses | | | |
| At 1 January/31 December 2022 | 54 | 205 | 259 |
| Analysed as: | | | |
| - Accumulated depreciation | - | 50 | 50 |
| - Accumulated allowance for impairment losses | 54 | 155 | 209 |
| | 54 | 205 | 259 |
| Net Book Value | | | |
| At 31 December 2022 | 46 | - | 46 |
| 2021 | | | |
| Cost | | | |
| At 1 January/31 December 2021 | 100 | 205 | 305 |
| Accumulated Depreciation and Impairment Losses | | | |
| At 1 January/31 December 2021 | 54 | 205 | 259 |
| Analysed as: | | | |
| - Accumulated depreciation | - | 50 | 50 |
| - Accumulated allowance for impairment losses | 54 | 155 | 209 |
| | 54 | 205 | 259 |
| Net Book Value | | | |
| At 31 December 2021 | 46 | - | 46 |

4. INVESTMENT PROPERTIES

| | Freehold land and buildings | Leasehold land and buildings | Total |
|----------------------------------|--|---|----------------|
| | <----- At valuation -----> | | |
| | RM'000 | RM'000 | RM'000 |
| 2022 | | | |
| At 1 January 2022 | 361,170 | 610,000 | 971,170 |
| Additions | - | 580 | 580 |
| Fair value adjustments (Note 25) | 225 | 8,420 | 8,645 |
| At 31 December 2022 | <u>361,395</u> | <u>619,000</u> | <u>980,395</u> |
| 2021 | | | |
| At 1 January 2021 | 355,610 | 598,000 | 953,610 |
| Additions | - | 330 | 330 |
| Fair value adjustments (Note 25) | 5,560 | 11,670 | 17,230 |
| At 31 December 2021 | <u>361,170</u> | <u>610,000</u> | <u>971,170</u> |

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

| | 2022 | 2021 |
|-------------------------|-----------------|-----------------|
| | RM'000 | RM'000 |
| Rental income | 67,901 | 62,514 |
| Rental related expenses | <u>(25,505)</u> | <u>(21,429)</u> |
| | <u>42,396</u> | <u>41,085</u> |

4. INVESTMENT PROPERTIES (CONTD.)

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

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

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

5. PREPAID LAND LEASE PAYMENTS

| | 2022 | 2021 |
|--|---------------|---------------|
| | RM'000 | RM'000 |
| Cost | | |
| At 1 January/31 December | <u>1,298</u> | <u>1,298</u> |
| Accumulated Amortisation | | |
| At 1 January | 535 | 509 |
| Amortisation charge for the financial year (Note 27) | <u>26</u> | <u>26</u> |
| At 31 December | <u>561</u> | <u>535</u> |
| Net Book Value | | |
| At 31 December | <u>737</u> | <u>763</u> |

6. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

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

| | Premises | |
|---|-----------------|---------------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Cost | | |
| At 1 January | 100 | 100 |
| Contract renewal | 7 | - |
| Adjustments | 3 | - |
| At 31 December | <u>110</u> | <u>100</u> |
| Accumulated Depreciation and Impairment Losses | | |
| At 1 January | 47 | 14 |
| Depreciation charge for the financial year (Note 27) | 34 | 33 |
| Contract renewal | (69) | - |
| At 31 December | <u>12</u> | <u>47</u> |
| Net Book Value | | |
| At 31 December | <u>98</u> | <u>53</u> |

The movement of lease liabilities is disclosed as follows:

| | Premises | |
|---|-----------------|---------------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Lease liabilities | | |
| At 1 January | 52 | 86 |
| Interest on lease liabilities (Note 27) | 2 | 2 |
| Contract renewal | 76 | - |
| Payment of lease liabilities | (32) | (36) |
| At 31 December (Note 20) | <u>98</u> | <u>52</u> |
| Lease liabilities by remaining maturity: | | |
| Less than 12 months | 36 | 32 |
| More than 12 months | 62 | 20 |
| Total | <u>98</u> | <u>52</u> |

7. INTANGIBLE ASSETS

| | Computer software and licences RM'000 | Software development costs RM'000 | Total RM'000 |
|---|--|--|-------------------------|
| 2022 | | | |
| Cost | | | |
| At 1 January 2022 | 110,302 | 1,514 | 111,816 |
| Additions | 4,649 | - | 4,649 |
| Disposals | (24) | - | (24) |
| Reclassification | 1,111 | (1,111) | - |
| At 31 December 2022 | <u>116,038</u> | <u>403</u> | <u>116,441</u> |
| Accumulated Amortisation | | | |
| At 1 January 2022 | 63,086 | - | 63,086 |
| Amortisation charge for the financial year (Note 27) | 8,105 | - | 8,105 |
| Disposal | (1) | - | (1) |
| At 31 December 2022 | <u>71,190</u> | <u>-</u> | <u>71,190</u> |
| Net Book Value | | | |
| At 31 December 2022 | <u>44,848</u> | <u>403</u> | <u>45,251</u> |
| 2021 | | | |
| Cost | | | |
| At 1 January 2021 | 97,660 | 1,354 | 99,014 |
| Additions | 11,258 | 1,514 | 12,772 |
| Disposals | (301) | - | (301) |
| Reclassification | 1,685 | (1,685) | - |
| Transfer from property, plant and equipment (Note 3) | - | 331 | 331 |
| At 31 December 2021 | <u>110,302</u> | <u>1,514</u> | <u>111,816</u> |
| Accumulated Amortisation | | | |
| At 1 January 2021 | 55,460 | - | 55,460 |
| Amortisation charge for the financial year (Note 27) | 7,830 | - | 7,830 |
| Disposal | (204) | - | (204) |
| At 31 December 2021 | <u>63,086</u> | <u>-</u> | <u>63,086</u> |
| Net Book Value | | | |
| At 31 December 2021 | <u>47,216</u> | <u>1,514</u> | <u>48,730</u> |

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8. INVESTMENTS

| | 2022 | 2021 |
|--------------------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Malaysian government papers | 1,058,602 | 875,983 |
| Equity securities | 1,586,941 | 1,574,717 |
| Debt securities | 7,352,602 | 7,398,269 |
| Unit and property trust funds | 665,404 | 574,696 |
| Structured products (Note 9) | 155,582 | 186,197 |
| Deposits with financial institutions | 570,789 | 903,410 |
| | 11,389,920 | 11,513,272 |

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

| | 2022 | 2021 |
|--|-------------------|-------------------|
| | RM'000 | RM'000 |
| Fair value through profit or loss ("FVTPL") (Note a): | | |
| - Designated upon initial recognition | 6,558,166 | 6,685,610 |
| - Held for trading ("HFT") | 2,805,108 | 2,672,106 |
| | 9,363,274 | 9,357,716 |
| Fair value through other comprehensive income ("FVOCI") (Note b) | 1,455,857 | 1,252,146 |
| Amortised cost ("AC") (Note c) | 570,789 | 903,410 |
| | 11,389,920 | 11,513,272 |

The following investments mature after 12 months:

| | 2022 | 2021 |
|---------------------------------------|------------------|------------------|
| | RM'000 | RM'000 |
| FVTPL | | |
| - Designated upon initial recognition | 6,341,290 | 6,444,703 |
| - HFT | 607,497 | 505,755 |
| FVOCI | 1,383,336 | 1,217,708 |
| | 8,332,123 | 8,168,166 |

(a) FVTPL

(i) Designated upon initial recognition

At fair value

| | | |
|--|------------------|------------------|
| Malaysian government papers | 680,093 | 585,448 |
| Debt securities: | | |
| Unquoted in Malaysia | 5,630,031 | 5,801,220 |
| Unquoted outside Malaysia | 92,549 | 113,061 |
| Structured products (Note 9) | 155,493 | 185,881 |
| Total financial assets designated as FVTPL upon initial recognition | 6,558,166 | 6,685,610 |

8. INVESTMENTS (CONTD.)

| | 2022 | 2021 |
|-------------------------------------|------------------|------------------|
| | RM'000 | RM'000 |
| (a) FVTPL (contd.) | | |
| (ii) HFT | | |
| <u>At fair value</u> | | |
| Malaysian government papers | 76,180 | - |
| Debt securities: | | |
| Unquoted in Malaysia | 549,015 | 551,832 |
| Equity securities: | | |
| Quoted in Malaysia | 1,374,477 | 1,462,148 |
| Quoted outside Malaysia | 58,621 | 5,268 |
| Unquoted in Malaysia | 81,322 | 77,846 |
| Unit and property trust funds: | | |
| Quoted in Malaysia | 23,423 | 28,938 |
| Quoted outside Malaysia | 641,981 | 545,758 |
| Structured products (Note 9) | 89 | 316 |
| Total HFT financial assets | <u>2,805,108</u> | <u>2,672,106</u> |
| Total FVTPL financial assets | <u>9,363,274</u> | <u>9,357,716</u> |

(b) FVOCI

| | | |
|-------------------------------------|------------------|------------------|
| <u>At fair value</u> | | |
| Malaysian government papers | 302,329 | 290,535 |
| Debt securities: | | |
| Unquoted in Malaysia | 1,081,007 | 932,156 |
| Equity securities: | | |
| Quoted in Malaysia | 72,521 | 29,455 |
| Total FVOCI financial assets | <u>1,455,857</u> | <u>1,252,146</u> |

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

(c) AC

| | | |
|---------------------------------------|----------------|----------------|
| Fixed and call deposits with: | | |
| Licensed financial institutions | 495,146 | 848,152 |
| Other licensed financial institutions | 75,643 | 55,258 |
| Total AC financial assets | <u>570,789</u> | <u>903,410</u> |

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

Fair Value of Investments

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

9. STRUCTURED PRODUCTS

Structured products of the Company are classified as FVTPL financial assets. 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:

| | <----- 2022 -----> | | <----- 2021 -----> | |
|------------------------------------|--|-------------------------------------|--|-------------------------------------|
| | Principal/ Notional Amount RM'000 | Net Carrying Amount RM'000 | Principal/ Notional Amount RM'000 | Net Carrying Amount RM'000 |
| Financial assets at FVTPL | | | | |
| Structured deposits | 160,000 | 155,493 | 190,000 | 185,881 |
| Index-linked notes | 27,063 | 89 | 27,063 | 316 |
| | | <u>155,582</u> | | <u>186,197</u> |
| Total structured products (Note 8) | | <u>155,582</u> | | <u>186,197</u> |

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

10. FINANCING RECEIVABLES

| | 2022 RM'000 | 2021 RM'000 |
|--|----------------|----------------|
| Policy/automatic premium loans - secured | 243,323 | 244,525 |
| Staff loans - secured | 20,899 | 19,738 |
| Non-staff loans - secured | 1,561 | 1,880 |
| | <u>265,783</u> | <u>266,143</u> |
| Allowance for impairment losses (Note 39(i)) | (749) | (616) |
| | <u>265,034</u> | <u>265,527</u> |
| Receivable after 12 months | <u>18,551</u> | <u>19,379</u> |

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

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

| | 2022 Per annum | 2021 Per annum |
|--------------------------------|-------------------|-------------------|
| Policy/automatic premium loans | 8.00% | 8.00% |
| Staff loans | 1.91% | 1.96% |
| Non-staff loans | 4.71% | 3.60% |

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11. REINSURANCE ASSETS

| | 2022 | 2021 |
|---|----------------|----------------|
| | RM'000 | RM'000 |
| Reinsurers' share of insurance contract liabilities (Note 17) | | |
| Claims liabilities | 30,608 | 23,342 |
| Actuarial liabilities | 78,472 | 87,062 |
| | <u>109,080</u> | <u>110,404</u> |

12. INSURANCE RECEIVABLES

| | 2022 | 2021 |
|---|---------------|---------------|
| | RM'000 | RM'000 |
| Due premiums including agents/intermediaries balances | 22,076 | 22,368 |
| Due from reinsurers and co-insurers | 3,628 | 1,569 |
| | <u>25,704</u> | <u>23,937</u> |
| Allowance for impairment losses (Note 39(i)) | (369) | (182) |
| | <u>25,335</u> | <u>23,755</u> |

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

| | Gross carrying amount | Gross amount offset in the Statement of Financial Position | Net amount in the Statement of Financial Position |
|-------------------------------------|------------------------------|---|--|
| | RM'000 | RM'000 | RM'000 |
| | | (Note 19) | |
| 2022 | | | |
| Due from reinsurers and co-insurers | <u>29,151</u> | <u>(25,523)</u> | <u>3,628</u> |
| 2021 | | | |
| Due from reinsurers and co-insurers | <u>16,870</u> | <u>(15,301)</u> | <u>1,569</u> |

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

13. OTHER ASSETS

| | 2022 | 2021 |
|---|-----------------------|-----------------------|
| | RM'000 | RM'000 |
| Amount due from stockbrokers | 6,743 | 856 |
| Amount due from a fund manager | 367 | 574 |
| | <u>7,110</u> | <u>1,430</u> |
| Sundry receivables, deposits and prepayments | 11,494 | 5,783 |
| Allowance for impairment losses (Note 39(i)) | (253) | (253) |
| | <u>11,241</u> | <u>5,530</u> |
| Income due and accrued | 133,078 | 134,779 |
| Allowance for impairment losses (Note 39(i)) | (483) | (161) |
| | <u>132,595</u> | <u>134,618</u> |
| Amount due from related companies* (Note 36(b)) | <u>3,552</u> | <u>8,398</u> |
| | <u>3,552</u> | <u>8,398</u> |
| Total other assets | <u><u>154,498</u></u> | <u><u>149,976</u></u> |

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

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

14. DERIVATIVES

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

| | <-----2022-----> | | <-----2021-----> | |
|------------------------------------|--|-----------------|--|---------------------|
| | Principal/ Notional Amount RM'000 | Asset RM'000 | Principal/ Notional Amount RM'000 | Liability RM'000 |
| Hedging derivatives: | | | | |
| Cross currency swaps | 49,300 | 198 | 61,527 | 1,770 |
| Forward foreign exchange contracts | 66,871 | 310 | 82,483 | 422 |
| Total derivatives | | 508 | | 2,192 |

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

Hedging derivatives:

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

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

15. SHARE CAPITAL

| | <-Number of shares-> | | <-----Amount-----> | |
|-------------------------------|----------------------|--------------------|--------------------|----------------|
| | 2022 Units '000 | 2021 Units '000 | 2022 RM'000 | 2021 RM'000 |
| Issued and Fully Paid: | | | | |
| Ordinary Shares | | | | |
| At 1 January/31 December | 100,000 | 100,000 | 100,000 | 100,000 |

16. RESERVES

| | Note | 2022 RM'000 | 2021 RM'000 |
|--|-------|------------------|------------------|
| <u>Non-distributable:</u> | | | |
| FVOCI reserve | (i) | <u>(23,749)</u> | <u>(1,475)</u> |
| <u>Other reserve:</u> | | | |
| Revaluation reserve | (ii) | <u>54,465</u> | <u>54,465</u> |
| | | <u>30,716</u> | <u>52,990</u> |
| <u>Retained profits:</u> | | | |
| Distributable | (iii) | 481,526 | 511,124 |
| Non-distributable non-Par fund surplus | (iv) | <u>937,379</u> | <u>909,101</u> |
| | | <u>1,418,905</u> | <u>1,420,225</u> |
| Total reserves | | <u>1,449,621</u> | <u>1,473,215</u> |

- (i) The FVOCI reserve arose from changes in the fair values of the financial assets carried at FVOCI of the Shareholder's and non-Par fund's.
- (ii) The revaluation reserve represents the difference between the carrying amount of properties previously classified as self-occupied properties but subsequently transferred to investment properties upon the end of owner occupation and its fair value at the date of change in use.
- (iii) The entire distributable retained earnings may be distributed to the shareholder under the single-tier system.
- (iv) Non-distributable non-Par fund surplus represents the unallocated surplus of the non-Par fund. In accordance with the Financial Services Act 2013, in Malaysia, the unallocated surplus is only available for distribution to the shareholder's fund upon approval by the Appointed Actuary. Upon such approval, the distribution is presented as a transfer from non-distributable non-Par fund surplus to distributable retained profits.

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17. INSURANCE CONTRACT LIABILITIES

| | ←----- 2022 -----> | | | ←----- 2021 -----> | | |
|---|--------------------|------------------------------------|-------------------|--------------------|------------------------------------|-------------------|
| | Gross RM'000 | Reinsurance RM'000 (Note 11) | Net RM'000 | Gross RM'000 | Reinsurance RM'000 (Note 11) | Net RM'000 |
| Claims liabilities | 75,555 | (30,608) | 44,947 | 107,686 | (23,342) | 84,344 |
| Actuarial liabilities | 7,437,675 | (78,472) | 7,359,203 | 7,535,372 | (87,062) | 7,448,310 |
| Participating fund unallocated surplus | 700,517 | - | 700,517 | 726,754 | - | 726,754 |
| Participating fund FVOCI reserve | (9,622) | - | (9,622) | 3,679 | - | 3,679 |
| Participating fund revaluation reserve | 24,431 | - | 24,431 | 24,431 | - | 24,431 |
| Net Asset Value ("NAV") attributable to unitholders | 2,442,091 | - | 2,442,091 | 2,370,541 | - | 2,370,541 |
| | <u>10,670,647</u> | <u>(109,080)</u> | <u>10,561,567</u> | <u>10,768,463</u> | <u>(110,404)</u> | <u>10,658,059</u> |

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17. INSURANCE CONTRACT LIABILITIES (CONTD.)

Movements of life insurance contract liabilities

| | <-----Participating Fund-----> | | | | | NAV attributable to unitholders | Gross | Reinsurance | Net |
|--|---------------------------------|------------------------------------|----------------------------------|----------------------------|----------------------------------|--|-------------------|------------------|-------------------|
| | Claims liabilities RM'000 | Actuarial liabilities RM'000 | Unallocated surplus RM'000 | FVOCI reserve RM'000 | Revaluation reserve RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 2022 | | | | | | | | | |
| At 1 January 2022 | 107,686 | 7,535,372 | 726,754 | 3,679 | 24,431 | 2,370,541 | 10,768,463 | (110,404) | 10,658,059 |
| Premiums received | - | - | 560,964 | - | - | 672,127 | 1,233,091 | - | 1,233,091 |
| Other revenue | - | - | 66,037 | - | - | (156,242) | (90,205) | - | (90,205) |
| Net benefits and claims | (32,131) | - | (556,581) | - | - | (457,083) | (1,045,795) | (7,265) | (1,053,060) |
| Other expenses | - | - | (80,128) | - | - | (60) | (80,188) | - | (80,188) |
| Change in reserves: | | | | | | | | | |
| - Discounting | - | (156,848) | 82,899 | - | - | - | (73,949) | 2,701 | (71,248) |
| - Assumptions | - | (105,581) | 31,999 | - | - | - | (73,582) | 12,442 | (61,140) |
| - Policy movements | - | 164,732 | (99,275) | - | - | - | 65,457 | (6,554) | 58,903 |
| Changes in FVOCI reserve: | | | | | | | | | |
| - debt securities | - | - | - | (17,041) | - | - | (17,041) | - | (17,041) |
| - equity securities | - | - | - | (4,309) | - | - | (4,309) | - | (4,309) |
| Taxation | - | - | (2,891) | 1,638 | - | 12,808 | 11,555 | - | 11,555 |
| Reclassification upon disposals of equities securities | - | - | (6,411) | 6,411 | - | - | - | - | - |
| Surplus transferred to shareholder's fund | - | - | (22,850) | - | - | - | (22,850) | - | (22,850) |
| At 31 December 2022 | <u>75,555</u> | <u>7,437,675</u> | <u>700,517</u> | <u>(9,622)</u> | <u>24,431</u> | <u>2,442,091</u> | <u>10,670,647</u> | <u>(109,080)</u> | <u>10,561,567</u> |

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17. INSURANCE CONTRACT LIABILITIES (CONTD.)

Movements of life insurance contract liabilities (contd.)

| | <-----Participating Fund-----> | | | | | NAV attributable to unitholders | Gross | Reinsurance | Net |
|--|---------------------------------|------------------------------------|----------------------------------|----------------------------|----------------------------------|--|-------------------|------------------|-------------------|
| | Claims liabilities RM'000 | Actuarial liabilities RM'000 | Unallocated surplus RM'000 | FVOCI reserve RM'000 | Revaluation reserve RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 2021 | | | | | | | | | |
| At 1 January 2021 | 81,836 | 7,758,496 | 667,536 | - | 24,431 | 1,912,665 | 10,444,964 | (85,359) | 10,359,605 |
| Premiums received | - | - | 557,695 | - | - | 873,133 | 1,430,828 | - | 1,430,828 |
| Other revenue | - | - | 6,756 | - | - | 30,155 | 36,911 | - | 36,911 |
| Net benefits and claims | 25,850 | - | (536,619) | - | - | (443,437) | (954,206) | (13,901) | (968,107) |
| Other expenses | - | - | (65,908) | - | - | (48) | (65,956) | - | (65,956) |
| Change in reserves: | | | | - | | | | | |
| - Discounting | - | (343,944) | 156,517 | - | - | - | (187,427) | 5,629 | (181,798) |
| - Assumptions | - | (63,663) | 74,937 | - | - | - | 11,274 | (2,300) | 8,974 |
| - Policy movements | - | 184,483 | (108,164) | - | - | - | 76,319 | (14,473) | 61,846 |
| Changes in FVOCI reserve: | | | | | | | | | |
| - debt securities | - | - | - | 8,762 | - | - | 8,762 | - | 8,762 |
| - equity securities | - | - | - | (4,684) | - | - | (4,684) | - | (4,684) |
| Taxation | - | - | (296) | (399) | - | (1,927) | (2,622) | - | (2,622) |
| Surplus transferred to shareholder's fund | - | - | (25,700) | - | - | - | (25,700) | - | (25,700) |
| At 31 December 2021 | <u>107,686</u> | <u>7,535,372</u> | <u>726,754</u> | <u>3,679</u> | <u>24,431</u> | <u>2,370,541</u> | <u>10,768,463</u> | <u>(110,404)</u> | <u>10,658,059</u> |

18. DEFERRED TAXATION

| | 2022 | 2021 |
|--|------------------|------------------|
| | RM'000 | RM'000 |
| At 1 January | (333,944) | (340,870) |
| Recognised in: | | |
| Income statement (Note 30) | 23,882 | 1,823 |
| - Taxation borne by policyholders | 32,409 | 22,516 |
| - Tax expense | (8,527) | (20,693) |
| Other comprehensive income (Note 30) | 3,650 | 5,502 |
| Insurance contract liabilities (Note 17) | 1,638 | (399) |
| At 31 December | <u>(304,774)</u> | <u>(333,944)</u> |

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

| | 2022 | 2021 |
|--------------------------|------------------|------------------|
| | RM'000 | RM'000 |
| Deferred tax assets | 14,028 | 8,702 |
| Deferred tax liabilities | (318,802) | (342,646) |
| | <u>(304,774)</u> | <u>(333,944)</u> |

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

Accordingly, the Company has applied a weighted average rate of 27% on the timing differences as at 31 December 2021 so as to derive the net deferred tax liabilities for the year then ended. For the year ended 31 December 2022, deferred tax has been estimated at the prevailing corporate tax rate of 24%.

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18. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Assets

| | Impairment losses on receivables RM'000 | Net amortisation of premium on investments RM'000 | Unrealised currency exchange RM'000 | Unit- linked investments RM'000 | Impairment losses on investments RM'000 | FVOCI reserve RM'000 | Provision for bonus RM'000 | Total RM'000 |
|--------------------------------------|--|---|--|--|--|----------------------------|----------------------------------|-----------------|
| 2022 | | | | | | | | |
| At 1 January | 365 | 2,420 | - | - | 24 | 3,543 | 2,350 | 8,702 |
| Recognised in: | | | | | | | | |
| Income statement | 242 | 328 | 128 | 1,386 | 2 | (1,591) | (457) | 38 |
| - Taxation borne by policyholders | 255 | 115 | 128 | 1,386 | 1 | (444) | - | 1,441 |
| - Tax expense | (13) | 213 | - | - | 1 | (1,147) | (457) | (1,403) |
| Other comprehensive income | - | - | - | - | - | 3,650 | - | 3,650 |
| Insurance contract liabilities | - | - | - | - | - | 1,638 | - | 1,638 |
| At 31 December | 607 | 2,748 | 128 | 1,386 | 26 | 7,240 | 1,893 | 14,028 |
| 2021 | | | | | | | | |
| At 1 January | 477 | 2,128 | 236 | - | 27 | - | - | 2,868 |
| Recognised in: | | | | | | | | |
| Income statement | (112) | 292 | (236) | - | (3) | - | 2,350 | 2,291 |
| - Taxation borne by policyholders | (124) | (69) | (236) | - | 1 | - | - | (428) |
| - Tax expense | 12 | 361 | - | - | (4) | - | 2,350 | 2,719 |
| Other comprehensive income | - | - | - | - | - | 3,942 | - | 3,942 |
| Insurance contract liabilities | - | - | - | - | - | (399) | - | (399) |
| At 31 December | 365 | 2,420 | - | - | 24 | 3,543 | 2,350 | 8,702 |

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18. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities

| | Accelerated capital allowances RM'000 | Fair value adjustment RM'000 | Non- Participating fund unallocated surplus RM'000 | Unrealised currency exchange RM'000 | Unit- linked RM'000 | FVOCI reserve RM'000 | Total RM'000 |
|-----------------------------------|--|---|---|--|------------------------------------|-------------------------------------|-------------------------|
| 2022 | | | | | | | |
| At 1 January | (4,362) | (60,143) | (267,328) | (203) | (10,610) | - | (342,646) |
| Recognised in: | | | | | | | |
| Income statement | 617 | 19,516 | (7,102) | 203 | 10,610 | - | 23,844 |
| - Taxation borne by policyholders | 617 | 19,538 | - | 203 | 10,610 | - | 30,968 |
| - Tax expense | - | (22) | (7,102) | - | - | - | (7,124) |
| Other comprehensive income | - | - | - | - | - | - | - |
| At 31 December | (3,745) | (40,627) | (274,430) | - | - | - | (318,802) |
| 2021 | | | | | | | |
| At 1 January | (3,860) | (85,984) | (243,755) | - | (8,579) | (1,560) | (343,738) |
| Recognised in: | | | | | | | |
| Income statement | (502) | 25,841 | (23,573) | (203) | (2,031) | - | (468) |
| - Taxation borne by policyholders | (502) | 25,679 | - | (202) | (2,031) | - | 22,944 |
| - Tax expense | - | 162 | (23,573) | (1) | - | - | (23,412) |
| Other comprehensive income | - | - | - | - | - | 1,560 | 1,560 |
| At 31 December | (4,362) | (60,143) | (267,328) | (203) | (10,610) | - | (342,646) |

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19. INSURANCE PAYABLES

| | 2022 | 2021 |
|----------------------------------|---------------|---------------|
| | RM'000 | RM'000 |
| Due to agents and intermediaries | 14,648 | 12,995 |
| Due to reinsurers | 6,936 | 12,317 |
| | <u>21,584</u> | <u>25,312</u> |

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

| | Gross carrying amount | Gross amount offset in the Statement of Financial Position | Net amount in the Statement of Financial Position |
|-------------------|------------------------------|---|--|
| | RM'000 | RM'000 | RM'000 |
| | | (Note 12) | |
| 2022 | | | |
| Due to reinsurers | <u>32,459</u> | <u>(25,523)</u> | <u>6,936</u> |
| 2021 | | | |
| Due to reinsurers | <u>27,618</u> | <u>(15,301)</u> | <u>12,317</u> |

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

20. OTHER LIABILITIES

| | 2022 | 2021 |
|--|----------------|----------------|
| | RM'000 | RM'000 |
| Premium deposits | 189,318 | 170,063 |
| Dividend payable to policyholders | 69,597 | 71,026 |
| Lease liabilities (Note 6) | 98 | 52 |
| ROU restoration cost | 1 | 1 |
| Amount due to related companies* (Note 36(b)): | | |
| - Ultimate holding company | 7,353 | 6,132 |
| - Immediate holding company | 1,081 | 4,484 |
| - Penultimate holding company | 5 | 20 |
| - Other related companies | 42 | 9,086 |
| Amount due to stockbrokers | 550 | 406 |
| Claims pending disbursement | 453 | 7,036 |
| Sundry payables and accrued liabilities | 189,025 | 187,362 |
| Total other liabilities | <u>457,523</u> | <u>455,668</u> |

20. OTHER LIABILITIES (CONTD.)

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

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

21. OPERATING REVENUE

| | 2022 | 2021 |
|----------------------------------|------------------|------------------|
| | RM'000 | RM'000 |
| Gross earned premiums | 1,733,413 | 1,936,388 |
| Investment income, net (Note 23) | 529,642 | 498,012 |
| | <u>2,263,055</u> | <u>2,434,400</u> |

22. FEE AND COMMISSION INCOME

| | 2022 | 2021 |
|-------------------------------|---------------|---------------|
| | RM'000 | RM'000 |
| Reinsurance commission income | <u>5,556</u> | <u>6,486</u> |

23. INVESTMENT INCOME, NET

| | 2022 | 2021 |
|--|----------------|----------------|
| | RM'000 | RM'000 |
| Financial assets at FVTPL | | |
| (i) Designated upon initial recognition | | |
| Interest income | <u>314,313</u> | <u>303,740</u> |

23. INVESTMENT INCOME, NET (CONTD.)

| | 2022 | 2021 |
|---|----------------|----------------|
| | RM'000 | RM'000 |
| Financial assets at FVTPL (contd.) | | |
| (ii) HFT | | |
| Interest income | 26,889 | 27,647 |
| Dividend income | | |
| Equity securities | | |
| - Quoted in Malaysia | 47,899 | 46,262 |
| - Quoted outside Malaysia | 4,411 | 979 |
| - Unquoted in Malaysia | 3,733 | 875 |
| - Unit and property trusts | 1,553 | 1,811 |
| | <u>84,485</u> | <u>77,574</u> |
| Financial assets at FVOCI | | |
| Interest income | 60,066 | 46,687 |
| Dividend income | | |
| Equity securities | | |
| - Quoted in Malaysia | 4,429 | 2,054 |
| | <u>64,495</u> | <u>48,741</u> |
| Financial assets at AC | | |
| Interest income | <u>14,661</u> | <u>16,155</u> |
| Interest income from financing receivables and other loans | 18,949 | 20,160 |
| Rental income | 67,901 | 62,514 |
| Rental related expense | (25,505) | (21,429) |
| Amortisation of premiums | (6,310) | (6,587) |
| Other investment income | 1 | - |
| Investment related expenses | (3,348) | (2,856) |
| Total investment income, net | <u>529,642</u> | <u>498,012</u> |

24. REALISED LOSSES, NET

| | 2022 | 2021 |
|--|---------------|---------------|
| | RM'000 | RM'000 |
| Realised loss on disposal of: | | |
| - intangible assets | - | (82) |
| Financial assets at FVTPL | | |
| (i) Designated upon initial recognition | | |
| - Malaysian government papers | (2,944) | 1,622 |
| - Debt securities | 5,525 | 3,891 |
| | <u>2,581</u> | <u>5,513</u> |

24. REALISED LOSSES, NET (CONTD.)

| | 2022 | 2021 |
|---|------------------|-----------------|
| | RM'000 | RM'000 |
| Financial assets at FVTPL (contd.) | | |
| (ii) HFT | | |
| - Malaysian government papers | 588 | (6,170) |
| - Equity securities | (101,193) | (63,003) |
| - Debt securities | 241 | 1,955 |
| - Unit and property trust funds | (5,502) | 1,338 |
| - Derivatives | (6,711) | 3,111 |
| | <u>(112,577)</u> | <u>(62,769)</u> |
| Financial assets at FVOCI | | |
| - Malaysian government papers | 12 | 348 |
| - Debt securities | 793 | 1,052 |
| | <u>805</u> | <u>1,400</u> |
| Total realised losses, net | <u>(109,191)</u> | <u>(55,938)</u> |

25. FAIR VALUE LOSSES, NET

| | 2022 | 2021 |
|--|------------------|------------------|
| | RM'000 | RM'000 |
| Fair value gains: | | |
| Investment properties (Note 4) | <u>8,645</u> | <u>17,230</u> |
| Financial assets at FVTPL | | |
| - Designated upon initial recognition | (292,096) | (371,317) |
| - HFT | (156,423) | 18,995 |
| Total fair value losses on financial assets at FVTPL | <u>(448,519)</u> | <u>(352,322)</u> |
| Total fair value losses, net | <u>(439,874)</u> | <u>(335,092)</u> |

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26. OTHER OPERATING INCOME, NET

| | 2022 | 2021 |
|--|-----------------|-----------------|
| | RM'000 | RM'000 |
| Other income | | |
| Gains on foreign exchange | | |
| - Realised | 2,772 | - |
| - Unrealised | 21,170 | 15,614 |
| Processing income | - | 3 |
| Reversal of impairment losses on (Note 39(i)): | | |
| - Financing receivables | - | 184 |
| - Insurance receivables | - | 3,936 |
| - Investments | - | 1 |
| Sundry income | 8,611 | 5,261 |
| | <u>32,553</u> | <u>24,999</u> |
| Other expenses | | |
| Allowance for impairment losses on (Note 39(i)): | | |
| - Financing receivables | (133) | - |
| - Insurance receivables | (187) | - |
| - Other assets | (322) | (117) |
| - Investments | (59) | - |
| Insurance receivables written off | (215) | (6) |
| Other assets written off | (5,551) | - |
| Losses on foreign exchange | | |
| - Realised | - | (626) |
| Sundry expenditure | (4,643) | (9,623) |
| | <u>(11,110)</u> | <u>(10,372)</u> |
| Total other operating income, net | <u>21,443</u> | <u>14,627</u> |

27. MANAGEMENT EXPENSES

| | 2022 | 2021 |
|--|----------------|----------------|
| | RM'000 | RM'000 |
| Employee benefits expense (Note a) | 90,082 | 89,743 |
| Directors' fees and remuneration (Note 28) | 923 | 1,084 |
| Auditors' remuneration: | | |
| - Statutory audit | 447 | 433 |
| - Regulatory related services | 68 | 59 |
| - Other assurance services | 1,105 | 407 |
| Amortisation of intangible assets (Note 7) | 8,105 | 7,830 |
| Amortisation of prepaid land lease payments (Note 5) | 26 | 26 |
| Bank charges | 3,393 | 3,720 |
| Depreciation of property, plant and equipment (Note 3) | 6,849 | 6,091 |
| ROU expenses: (Note 6) | | |
| - Depreciation | 34 | 33 |
| - Lease liabilities interest | 2 | 2 |
| Other management fees | 2,608 | 290 |
| Carried forward | <u>113,642</u> | <u>109,718</u> |

27. MANAGEMENT EXPENSES (CONTD.)

| | 2022 | 2021 |
|--|----------------|----------------|
| | RM'000 | RM'000 |
| Brought forward | 113,642 | 109,718 |
| Professional fees | 902 | 220 |
| Assured medical fees | 892 | 1,211 |
| Rental of offices/premises | 4,293 | 4,481 |
| Electronic data processing expenses | 3,019 | 937 |
| Information technology outsourcing | 7,361 | 6,465 |
| Postage and stamp duties | 1,042 | 787 |
| Printing and stationery | 1,093 | 692 |
| Promotional and marketing cost | 17,726 | 20,782 |
| Training expenses | 1,509 | 589 |
| Utilities, assessment and maintenance | 1,549 | 848 |
| Entertainment | 146 | 71 |
| Travelling expenses | 726 | 285 |
| Office facilities expenses | 601 | 454 |
| Legal fees | 245 | 230 |
| Other expenses | 7,477 | 4,868 |
| Total management expenses | 162,223 | 152,638 |
| (a) Employee benefits expense: | | |
| Wages, salaries and bonuses | 66,898 | 66,785 |
| Employee Provident Fund ("EPF") | 10,793 | 10,546 |
| Social Security Contribution ("SOCSO") | 520 | 488 |
| Share-based compensation | 1,394 | 2,352 |
| Other benefits | 10,477 | 9,572 |
| | 90,082 | 89,743 |

Included in employee benefits expense is CEO's remuneration of RM1,517,000 (2021: RM1,365,000) as further disclosed in Note (b).

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

| | | |
|--------------------------|--------------|--------------|
| Salary | 823 | 744 |
| EPF | 188 | 166 |
| Share-based compensation | 123 | 119 |
| Other emoluments | 383 | 336 |
| | 1,517 | 1,365 |

28. DIRECTORS' FEES AND REMUNERATION

| | 2022 | 2021 |
|---|---------------|---------------|
| | RM'000 | RM'000 |
| Directors of the Company | | |
| Non-executive directors: | | |
| Fees | 780 | 900 |
| Other emoluments | 143 | 184 |
| Total directors' fees and remuneration (Note 27) | 923 | 1,084 |

28. DIRECTORS' FEES AND REMUNERATION (CONTD.)

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

| | Fees RM'000 | Other emoluments RM'000 | Total RM'000 |
|---|------------------------|--|-------------------------|
| 2022 | | | |
| Directors of the Company: | | | |
| Non-executive directors | | | |
| Datuk Mohd Najib Bin Abdullah | 180 | 24 | 204 |
| Mr. Philippe Pol Arthur Latour | 120 | 20 | 140 |
| Mr. Frank Johan Gerard Van Kempen | 120 | 22 | 142 |
| Mr. Wong Pakshong Kat Jeong | | | |
| Colin Stewart | 120 | 24 | 144 |
| Puan Norazilla Binti Md Tahir | 120 | 27 | 147 |
| Dr. Ariffin Bin Datuk Yahaya | 120 | 26 | 146 |
| Total directors' fees and remuneration | 780 | 143 | 923 |
| | | | |
| | Fees RM'000 | Other emoluments RM'000 | Total RM'000 |
| 2021 | | | |
| Directors of the Company: | | | |
| Non-executive directors | | | |
| Datuk Mohd Najib Bin Abdullah | 180 | 26 | 206 |
| Mr. Philippe Pol Arthur Latour | 120 | 18 | 138 |
| Dato' Johan Bin Ariffin <i>(resigned w.e.f. 1 January 2022)</i> | 120 | 24 | 144 |
| Mr. Loh Lee Soon <i>(resigned w.e.f. 1 January 2022)</i> | 120 | 35 | 155 |
| Mr. Frank Johan Gerard Van Kempen | 120 | 26 | 146 |
| Mr. Wong Pakshong Kat Jeong | | | |
| Colin Stewart | 120 | 26 | 146 |
| Puan Norazilla Binti Md Tahir <i>(appointed w.e.f. 1 June 2021)</i> | 70 | 16 | 86 |
| Dr. Ariffin Bin Datuk Yahaya <i>(appointed w.e.f. 1 August 2021)</i> | 50 | 13 | 63 |
| Total directors' fees and remuneration | 900 | 184 | 1,084 |

29. FEE AND COMMISSION EXPENSES

| | 2022 RM'000 | 2021 RM'000 |
|--|------------------------------|------------------------------|
| Costs incurred for the acquisition of insurance contracts expensed in the financial year | 103,569 | 103,200 |

30. TAXATION

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

| | 2022 RM'000 | 2021 RM'000 |
|---|------------------------------|------------------------------|
| <u>Income Statement</u> | | |
| <u>Income tax:</u> | | |
| Current financial year | 42,084 | 34,011 |
| (Over)/under provision of taxation in prior financial year | (417) | 404 |
| <u>Deferred taxation:</u> | | |
| Relating to origination and reversal of temporary differences (Note 18) | 8,527 | 20,693 |
| Income tax expense recognised in income statement | 50,194 | 55,108 |

Statement of Comprehensive Income

| | | |
|--|---------|---------|
| Deferred taxation related to other comprehensive income: (Note 18) | | |
| - Fair value changes on debt securities at FVOCI | (2,993) | (4,704) |
| - Fair value changes on equity securities at FVOCI | (657) | (798) |
| | (3,650) | (5,502) |

30. TAXATION (CONTD.)

Reconciliation between tax expense and accounting profit

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

| | 2022 | 2021 |
|--|---------------|---------------|
| | RM'000 | RM'000 |
| Profit before taxation | 224,331 | 268,931 |
| Taxation at Malaysian statutory tax rate of 24% (2021:24%) | 53,840 | 64,544 |
| Tax relief on actuarial surplus transferred to shareholder's fund | (14,336) | (13,336) |
| Income not subject to tax | (953) | (183) |
| Expenses not deductible for tax purposes (Surplus)/deficit arising from Annuity funds not subject to tax | (2,536) | 194 |
| Effect of weighted average tax rate on deferred tax | - | (344) |
| Effect of Prosperity Tax | 12,028 | - |
| (Over)/under provision of taxation in prior financial year | (417) | 404 |
| Tax expense for the financial year | <u>50,194</u> | <u>55,108</u> |

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

Taxation borne by policyholders

| | 2022 | 2021 |
|---|----------------|---------------|
| | RM'000 | RM'000 |
| <u>Income tax:</u> | | |
| Current financial year | 23,745 | 26,243 |
| (Over)/under provision of taxation in prior financial year | (736) | 169 |
| <u>Deferred taxation:</u> | | |
| Relating to origination and reversal of temporary differences (Note 18) | (32,409) | (22,516) |
| | <u>(9,400)</u> | <u>3,896</u> |

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

31. EARNINGS PER SHARE

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

| | 2022 RM'000 | 2021 RM'000 |
|--|----------------------------------|----------------------------------|
| Profit attributable to ordinary equity holders | 174,137 | 213,823 |
| | 2022 Units '000 | 2021 Units '000 |
| Weighted average number of ordinary shares in issue at 31 December (Note 15) | 100,000 | 100,000 |
| | 2022 sen | 2021 sen |
| Basic and diluted earnings per share | 174.14 | 213.82 |

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

32. DIVIDENDS

| | 2022 RM'000 | 2021 RM'000 |
|--|------------------------------|------------------------------|
| Final dividend in respect of financial year ended 31 December 2021 | | |
| - 171.05 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares | 171,050 | - |
| Final dividend in respect of financial year ended 31 December 2020 | | |
| - 47 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares | - | 47,000 |

33. OPERATING LEASE COMMITMENTS

The Company as a lessor

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

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

| | 2022 | 2021 |
|----------------------------|----------------|----------------|
| | RM'000 | RM'000 |
| Not later than one year | 56,867 | 56,851 |
| Between one and five years | 86,752 | 87,655 |
| | <u>143,619</u> | <u>144,506</u> |

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

34. OTHER COMMITMENTS AND CONTINGENCIES

| | 2022 | 2021 |
|-------------------------------|---------------|---------------|
| | RM'000 | RM'000 |
| Approved and contracted for: | | |
| Property, plant and equipment | 5,123 | 50 |
| Intangible assets | 4,244 | 966 |
| | <u>9,367</u> | <u>1,016</u> |

| | | |
|----------------------------------|--------|--------|
| Approved but not contracted for: | | |
| Property, plant and equipment | 13,563 | 19,952 |

| | 2022 | 2021 |
|--|-------------------|-------------------|
| | Full | Full |
| | commitment | commitment |
| | RM'000 | RM'000 |

Derivative financial assets:

| | | |
|---|----------------|----------|
| Cross currency swap (Note 14): | | |
| One year to less than five years | 49,300 | - |
| Forward foreign exchange contracts (Note 14): | | |
| Less than a year | 66,871 | - |
| | <u>116,171</u> | <u>-</u> |

Derivative financial liabilities:

| | | |
|---|----------|----------------|
| Cross currency swap (Note 14): | | |
| Less than a year | - | 12,227 |
| One year to less than five years | - | 49,300 |
| Forward foreign exchange contracts (Note 14): | | |
| Less than a year | - | 82,483 |
| | <u>-</u> | <u>144,010</u> |

35. SHARE-BASED COMPENSATION

ESGP and CESGP

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

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

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

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

Other principal features of the ESGP are as follows:

- (i) The employees eligible to participate in the ESGP must be on the payroll of the Participating Maybank Group and has not served a notice of resignation or received a notice of termination. Participating Maybank Group includes Maybank and its overseas branches and subsidiaries, but excluding dormant subsidiaries.
- (ii) The entitlement under the ESGP for the Executive Directors, including any persons connected to the Directors, is subject to the approval of the shareholders of Maybank in a general meeting.
- (iii) The ESGP shall be valid for a period of seven (7) years from the effective date.

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

36. SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

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

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

| | 2022 | 2021 |
|-------------------------------------|---------------|---------------|
| | RM'000 | RM'000 |
| Expenses/(income): | | |
| Ultimate holding company: | | |
| Commissions and fees expenses | (70,918) | (75,332) |
| Dividend income | 1,793 | 1,801 |
| Interest income | 333 | 93 |
| Rental income | 5,576 | 4,277 |
| Other income | 42 | 120 |
| Other expenses | (4,459) | (2,809) |
| ESGP | (1,882) | (2,386) |
| Immediate holding company: | | |
| Rental income | 936 | 655 |
| Dividend paid | (171,050) | (47,000) |
| Shared services cost | (21,275) | (27,608) |
| Other income | 1 | - |
| Remuneration of a seconded employee | (98) | (65) |
| Penultimate holding company: | | |
| Rental income | - | 162 |
| Other income | 1 | - |
| Reimbursement of expenses | (856) | (61) |

36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

| | 2022 | 2021 |
|--|---------------|---------------|
| | RM'000 | RM'000 |
| Expenses/(income)(contd.): | | |
| Fellow subsidiaries within the MAHB Group: | | |
| Claims recovery | 28 | 48 |
| Rental income | 6,752 | 6,587 |
| Rental expenses | (1,984) | (2,212) |
| Other income | 1 | - |
| Other expenses | (376) | (624) |
| Shared services income | 40,414 | 40,028 |
| Fellow subsidiaries within the EIHSB Group: | | |
| Rental income | 1,161 | 961 |
| Other income | 118 | - |
| Other expenses | - | (50) |
| Shared service cost | (56) | - |
| Shared service income | - | 49 |
| Other related companies within the Maybank Group: | | |
| Profit income | 10,818 | 10,494 |
| Rental income | 5,207 | 4,425 |
| Information Technology outsourcing | (7,361) | (6,465) |
| Other income | - | 1 |
| Other expenses | (375) | (375) |
| Companies with significant influence over the Maybank Group: | | |
| Gross insurance premium income | 1,987 | 1,635 |
| Claims paid | (2,132) | - |

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

| | Note | 2022 | 2021 |
|--|-------------|---------------|---------------|
| | | RM'000 | RM'000 |
| Ultimate holding company: | | | |
| Fixed and call deposits | | 1,104 | - |
| Quoted shares | | 29,187 | 23,878 |
| Derivatives | | 19 | (400) |
| Bank balances | | 17,289 | 43,607 |
| Income due and accrued | | 2 | - |
| Amount due to ultimate holding company | 20 | (7,353) | (6,132) |
| Provision for custodian fee | | (217) | (226) |
| Sundry receivables, deposits and prepayments | | - | 216 |
| Sundry payables and accrued liabilities | | - | (181) |

36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

| | Note | 2022 RM'000 | 2021 RM'000 |
|--|-------------|------------------------------|------------------------------|
| Immediate holding company: | | | |
| Amount due to holding company | 20 | (1,081) | (4,484) |
| Penultimate holding company: | | | |
| Amount due to penultimate holding company | 20 | (5) | (20) |
| Fellow subsidiaries within the MAHB Group: | | | |
| Amount due from other related companies | 13 | 3,527 | 8,246 |
| Amount due to other related companies | 20 | - | (9,061) |
| Fellow subsidiaries within the EIHSB Group: | | | |
| Amount due from other related companies | 13 | 21 | 148 |
| Other related companies within the Maybank Group: | | | |
| Fixed and call deposits | | 430,939 | 584,233 |
| Income due and accrued | | 1,103 | 924 |
| Amount due from other related companies | 13 | 4 | 4 |
| Amount due to other related companies | 20 | (42) | (25) |
| Companies with significant influence over the Maybank Group: | | | |
| Insurance receivables | | 584 | 86 |
| Insurance payables | | (84) | (1,474) |

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 13 and 20.

(c) Key management personnel compensation

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

| | 2022 RM'000 | 2021 RM'000 |
|-------------------------------------|------------------------------|------------------------------|
| Short-term employee benefits | | |
| - Salaries, allowances and bonuses | 1,314 | 1,207 |
| - Fees | 780 | 900 |
| - Contribution to EPF | 188 | 166 |
| - Other emoluments | 158 | 176 |
| | <u>2,440</u> | <u>2,449</u> |

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

(c) Key management personnel compensation (contd.)

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

| Award date | 2022 Units '000 | 2021 Units '000 |
|-------------------|----------------------------|----------------------------|
| At 1 January | 56 | 56 |
| Awarded | 28 | - |
| At 31 December | <u>84</u> | <u>56</u> |

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK

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

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

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)



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

Principles

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

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

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

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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.

Risk Coverage

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

Risk Appetite

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

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

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Adequate Capital

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

Risk Response

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

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

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

Governance and Risk Oversight

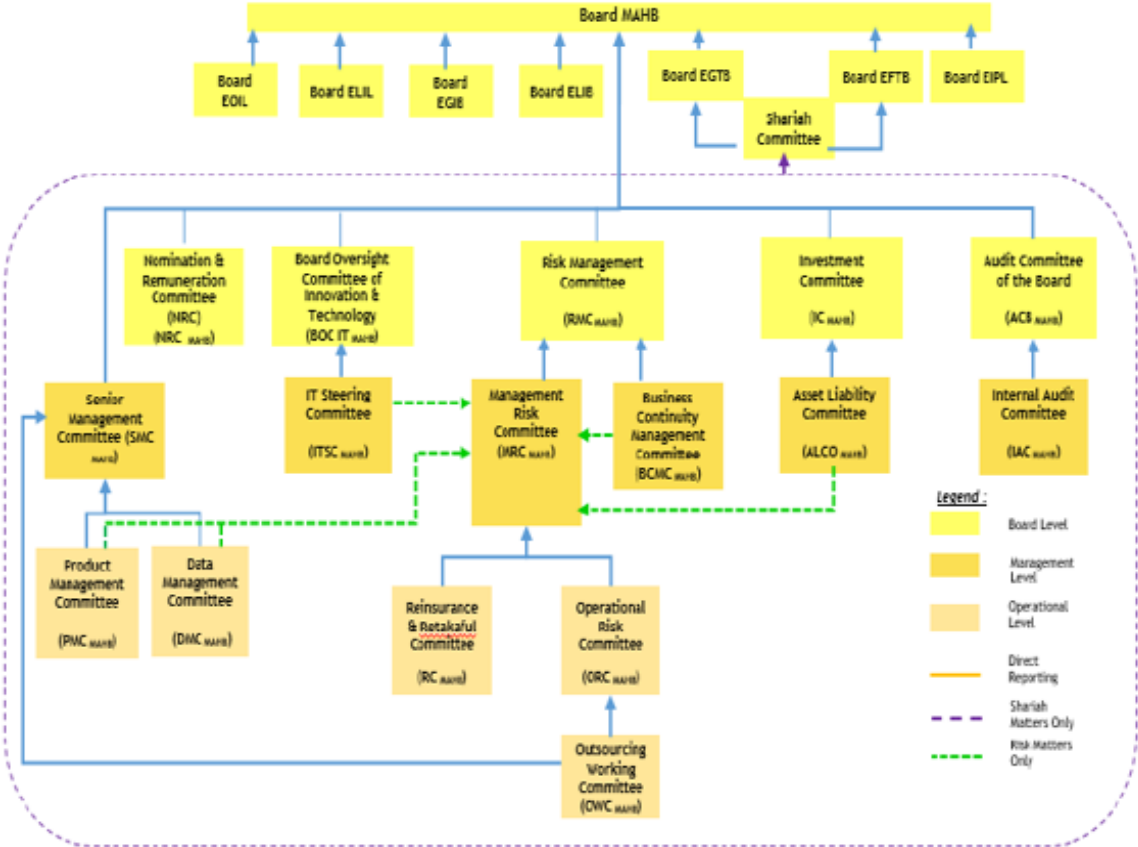
A governance structure should be clear, effective as well as robust and includes the role of the Board, Risk Committees and Senior Management with well defined, transparent and consistent lines of responsibility.

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

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

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)



Note:

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

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

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.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

MAHB Board

The MAHB Board, together with the respective Etiqa Entity's Board, have the final responsibility for all business activities, including risk management. The Boards are the ultimate decision-making body for MAHB Group. The Boards have delegated specific matters to sub-committees, 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 adequately funded and resourced.

The following Management Level Committees are established to support the Board in terms of risk governance on the business activities:

Senior Management Committee ("SMC")

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

Management Risk Committee ("MRC")

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

Asset Liability Committee ("ALCO")

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

Information Technology Steering Committee ("ITSC")

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

Internal Audit Committee ("IAC")

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

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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

Operational Risk Committee ("ORC")

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

Product Management Committee ("PMC")

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

Data Management Committee ("DMC")

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

Reinsurance & Retakaful Committee ("RC")

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

Outsourcing Working Committee ("OWC")

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

Fire Committee ("FC")

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

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Motor Committee ("MC")

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

Business Continuity Management Committee ("BCMC")

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

Risk Management Practices and Processes

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

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



Stress Test

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

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

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Resource and System Infrastructure

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

Resources

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

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

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

System Infrastructure

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

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

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

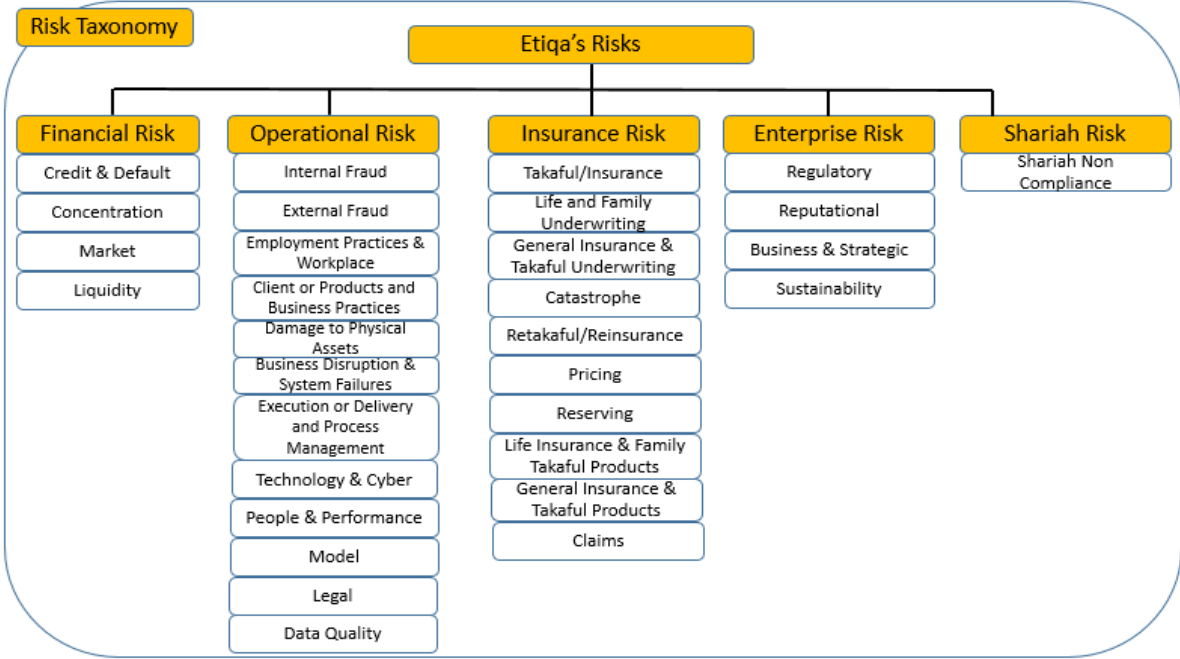
Risk Taxonomy

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.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy (contd.)



38. INSURANCE RISK

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

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

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

(i) Life Underwriting Risk

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

(ii) Pricing Risk

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

(iii) Reinsurance Risk

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

38. INSURANCE RISK (CONTD.)

(iv) Life Insurance Products Risk

Risk of loss or adverse impact arising from the development of new products and management of new and existing products. All product-related risk including investment risk, pricing risk, business risk, reinsurance risk, solvency risk, underwriting risk, fraud risk, mis-selling risk, Shariah non-compliance risk and assessment on system readiness and ESG related.

(v) Reserving Risk

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

(vi) Catastrophe Risk

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

(vii) Claims Risk

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

38. INSURANCE RISK (CONTD.)

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

| | ←----- 2022 -----> | | | ←----- 2021 -----> | | |
|----------------|--------------------|-----------------------|------------------|--------------------|-----------------------|------------------|
| | Gross RM'000 | Reinsurance RM'000 | Net RM'000 | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
| Whole life | 932,478 | - | 932,478 | 987,806 | - | 987,806 |
| Endowment | 4,304,254 | - | 4,304,254 | 4,260,991 | - | 4,260,991 |
| Mortgage | 919,224 | (78,472) | 840,752 | 992,238 | (87,062) | 905,176 |
| Term assurance | 188,236 | - | 188,236 | 228,174 | - | 228,174 |
| Annuity | 919,654 | - | 919,654 | 898,005 | - | 898,005 |
| Others | 173,829 | - | 173,829 | 168,158 | - | 168,158 |
| Total | 7,437,675 | (78,472) | 7,359,203 | 7,535,372 | (87,062) | 7,448,310 |

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

(ii) Key assumptions

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

38. INSURANCE RISK (CONTD.)

(ii) Key assumptions (contd.)

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

(a) Discount rate

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

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

(b) Mortality and morbidity rates

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

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

(c) Lapse and surrender rates

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

38. INSURANCE RISK (CONTD.)

(ii) Key assumptions (contd.)

(d) Expenses

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

(iii) Sensitivity analysis

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

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

| | Change in assumptions % | Impact on gross liabilities RM'000 | Impact on net liabilities** RM'000 | Impact on profit before tax RM'000 | Impact on equity*** RM'000 |
|-------------------------------|-------------------------------|---|---|---|----------------------------------|
| | | <----- Increase -----> | | <----- Decrease -----> | |
| 2022 | | | | | |
| Discount rate* | -1% | 425,296 | 418,154 | (239,458) | (181,988) |
| Mortality and morbidity rates | +/- 10% (adverse) | 89,093 | 85,505 | (62,631) | (47,600) |
| Lapse and surrender rates | +/- 10% (adverse) | 17,162 | 16,707 | (1,566) | (1,190) |
| Expenses | +10% | 30,223 | 30,223 | (25,086) | (19,065) |
| 2021 | | | | | |
| Discount rate* | -1% | 473,746 | 465,295 | (257,858) | (195,972) |
| Mortality and morbidity rates | +/- 10% (adverse) | 141,416 | 118,901 | (94,178) | (71,576) |
| Lapse and surrender rates | +/- 10% (adverse) | 25,487 | 24,840 | (3,416) | (2,596) |
| Expenses | +10% | 34,968 | 34,968 | (28,933) | (21,989) |

* excludes impact of fixed income financial assets.

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

*** impact on equity is stated after tax of 24%.

39. 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 reinsurance.

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.

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39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure

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

| | <----- 2022 -----> | | | | |
|--|---------------------------------|---------------------|-----------------------|---------------------|-------------------|
| | Shareholder's Fund RM'000 | Life Fund RM'000 | Unit-Linked RM'000 | Sub-total RM'000 | Total RM'000 |
| Financial assets at FVTPL | | | | | |
| (i) Designated upon initial recognition | | | | | |
| Malaysian government papers | - | 680,093 | - | 680,093 | 680,093 |
| Debt securities and structured products | - | 5,878,073 | - | 5,878,073 | 5,878,073 |
| (ii) HFT | | | | | |
| Malaysian government papers | - | - | 76,180 | 76,180 | 76,180 |
| Debt securities and structured products | - | - | 549,104 | 549,104 | 549,104 |
| Unit trust funds | - | - | 641,981 | 641,981 | 641,981 |
| Financial assets at FVOCI | | | | | |
| Malaysian government papers | 178,971 | 123,358 | - | 123,358 | 302,329 |
| Debt securities and structured products | 182,944 | 898,063 | - | 898,063 | 1,081,007 |
| Financial assets at AC | | | | | |
| Deposits and placements with: | | | | | |
| Licensed financial institutions | 18,580 | 407,134 | 69,432 | 476,566 | 495,146 |
| Others licensed financial institutions | - | 75,643 | - | 75,643 | 75,643 |
| Financing receivables | 21,941 | 243,093 | - | 243,093 | 265,034 |
| Insurance receivables | - | 25,335 | - | 25,335 | 25,335 |
| Other assets * | 3,357 | 136,370 | 13,968 | 150,338 | 153,695 |
| Derivative assets | - | 508 | - | 508 | 508 |
| Cash and bank balances** | - | 17,098 | 8,531 | 25,629 | 25,629 |
| | <u>405,793</u> | <u>8,484,768</u> | <u>1,359,196</u> | <u>9,843,964</u> | <u>10,249,757</u> |

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

** Excluding petty cash.

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39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure (contd.)

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

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

** Excluding petty cash.

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit quality of financial assets

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

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

Risk categories are as described below:

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

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

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

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

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

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

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

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

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating

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

| | Sovereign RM'000 | Very low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|--|---------------------|--------------------|------------------|------------------|----------------|-------------------|-------------------|
| 2022 | | | | | | | |
| Financial assets at FVTPL | | | | | | | |
| (i) Designated upon initial recognition | | | | | | | |
| Malaysian government papers | 680,093 | - | - | - | - | - | 680,093 |
| Debt securities and structured products | 2,184,062 | 1,493,148 | 1,943,203 | 257,660 | - | - | 5,878,073 |
| (ii) HFT | | | | | | | |
| Malaysian government papers | 76,180 | - | - | - | - | - | 76,180 |
| Debt securities and structured products | 24,853 | 220,655 | 293,592 | 10,004 | - | - | 549,104 |
| Unit trust funds | - | - | - | - | - | 641,981 | 641,981 |
| Financial assets at FVOCI | | | | | | | |
| Malaysian government papers | 302,329 | - | - | - | - | - | 302,329 |
| Debt securities and structured products | 400,658 | 441,693 | 218,637 | 20,019 | - | - | 1,081,007 |
| Financial assets at AC | | | | | | | |
| Deposits and placements with: | | | | | | | |
| Licensed financial institutions | - | 495,146 | - | - | - | - | 495,146 |
| Others licensed financial institutions | - | 65,643 | 10,000 | - | - | - | 75,643 |
| Financing receivables | - | - | - | - | - | 265,034 | 265,034 |
| Insurance receivables | - | - | - | - | - | 25,335 | 25,335 |
| Other assets* | 40,407 | 25,114 | 39,638 | 3,382 | - | 45,154 | 153,695 |
| Derivative assets | - | 310 | 198 | - | - | - | 508 |
| Cash and bank balances** | - | 24,796 | 831 | - | - | 2 | 25,629 |
| | 3,708,582 | 2,766,505 | 2,506,099 | 291,065 | - | 977,506 | 10,249,757 |

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

** Excluding petty cash.

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

| | Sovereign RM'000 | Very low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|--|---------------------|--------------------|------------------|------------------|----------------|-------------------|-------------------|
| 2021 | | | | | | | |
| Financial assets at FVTPL | | | | | | | |
| (i) Designated upon initial recognition | | | | | | | |
| Malaysian government papers | 585,448 | - | - | - | - | - | 585,448 |
| Debt securities and structured products | 2,288,320 | 1,513,732 | 2,017,231 | 280,879 | - | - | 6,100,162 |
| (ii) HFT | | | | | | | |
| Debt securities and structured products | 35,974 | 198,813 | 301,861 | 15,500 | - | - | 552,148 |
| Unit trust funds | - | - | - | - | - | 545,758 | 545,758 |
| Financial assets at FVOCI | | | | | | | |
| Malaysian government papers | 290,535 | - | - | - | - | - | 290,535 |
| Debt securities and structured products | 331,132 | 414,864 | 181,115 | 5,045 | - | - | 932,156 |
| Financial assets at AC | | | | | | | |
| Deposits and placements with: | | | | | | | |
| Licensed financial institutions | - | 848,152 | - | - | - | - | 848,152 |
| Others licensed financial institutions | - | 15,258 | 40,000 | - | - | - | 55,258 |
| Financing receivables | - | - | - | - | - | 265,527 | 265,527 |
| Insurance receivables | - | - | - | - | - | 23,755 | 23,755 |
| Other assets* | 38,355 | 26,336 | 38,692 | 3,925 | - | 41,223 | 148,531 |
| Derivative assets | - | - | - | - | - | - | - |
| Cash and bank balances** | - | 47,142 | 53 | - | - | - | 47,195 |
| | <u>3,569,764</u> | <u>3,064,297</u> | <u>2,578,952</u> | <u>305,349</u> | <u>-</u> | <u>876,263</u> | <u>10,394,625</u> |

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

** Excluding petty cash.

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account

Significant increase in Credit Risk

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

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

Expected credit loss ("ECL")

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 asset. 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 months after the reporting date and in each subsequent year throughout the expected lives of the financial instruments. The lifetime ECL allowance measured for the Company during the year were mainly in respect of debt securities 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.

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

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

| | Stage 1 | Stage 2 | Stage 3 | Total |
|----------------------------------|------------------|-------------------------------------|---------------------------------|------------------|
| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| 2022 | | | | |
| Financial assets at FVOCI | | | | |
| Sovereign | 702,988 | - | - | 702,988 |
| Very low | 441,692 | - | - | 441,692 |
| Low | 189,040 | 29,597 | - | 218,637 |
| Medium | 15,006 | 5,013 | - | 20,019 |
| Total carrying amount | 1,348,726 | 34,610 | - | 1,383,336 |
| Total ECL | (58) | (365) | - | (423) |
| 2021 | | | | |
| Financial assets at FVOCI | | | | |
| Sovereign | 621,667 | - | - | 621,667 |
| Very low | 414,864 | - | - | 414,864 |
| Low | 149,704 | 31,412 | - | 181,116 |
| Medium | - | 5,045 | - | 5,045 |
| Total carrying amount | 1,186,235 | 36,457 | - | 1,222,692 |
| Total ECL | (41) | (323) | - | (364) |

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

Reconciliation of allowance account

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

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--------------|-------------------------------------|---------------------------------|--------|
| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| 2022 | | | | |
| Financial assets at FVOCI | | | | |
| At 1 January | 41 | 323 | - | 364 |
| Net adjustment of loss allowance | 2 | 42 | - | 44 |
| New financial assets originated or purchased | 20 | - | - | 20 |
| Financial assets that have been derecognised | (5) | - | - | (5) |
| Allowance for impairment losses (Note 26) | 17 | 42 | - | 59 |
| At 31 December | 58 | 365 | - | 423 |
| 2021 | | | | |
| Financial assets at FVOCI | | | | |
| At 1 January | 212 | 153 | - | 365 |
| Net adjustment of loss allowance | (83) | 166 | - | 83 |
| New financial assets originated or purchased | 26 | - | - | 26 |
| Financial assets that have been derecognised | (110) | - | - | (110) |
| Changes due to change in credit risk (Reversal of)/allowance for impairment losses (Note 26) | (4) | 4 | - | - |
| | (171) | 170 | - | (1) |
| At 31 December | 41 | 323 | - | 364 |

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - reconciliation of allowance account

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

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

| | <----- Not credit-impaired-----> | | | <----- Credit-impaired-----> | | | <----- Total -----> | | |
|------------------------------|----------------------------------|---------------------------------|------------------------|---------------------------------|---------------------------------|------------------------|--|--|--------------------------------------|
| | Financing receivables RM'000 | Insurance receivables RM'000 | Other assets RM'000 | Financing receivables RM'000 | Insurance receivables RM'000 | Other assets RM'000 | Financing receivables RM'000 (Note 10) | Insurance receivables RM'000 (Note 12) | Other assets RM'000 (Note 13)* |
| <u>Gross carrying amount</u> | | | | | | | | | |
| At 1 January 2021 | 250,080 | 22,547 | 140,585 | 794 | 4,553 | 7,476 | 250,874 | 27,100 | 148,061 |
| Increase/(decrease) | 15,455 | (631) | (2,005) | (186) | (2,532) | 2,889 | 15,269 | (3,163) | 884 |
| At 31 December 2021 | 265,535 | 21,916 | 138,580 | 608 | 2,021 | 10,365 | 266,143 | 23,937 | 148,945 |
| (Decrease)/increase | (326) | 1,728 | 12,954 | (34) | 39 | (6,961) | (360) | 1,767 | 5,993 |
| At 31 December 2022 | 265,209 | 23,644 | 151,534 | 574 | 2,060 | 3,404 | 265,783 | 25,704 | 154,938 |
| <u>Lifetime ECL</u> | | | | | | | | | |
| At 1 January 2021 | 6 | 900 | 62 | 794 | 3,218 | 235 | 800 | 4,118 | 297 |
| Increase/(decrease) | 2 | (836) | 18 | (186) | (3,100) | 99 | (184) | (3,936) | 117 |
| At 31 December 2021 | 8 | 64 | 80 | 608 | 118 | 334 | 616 | 182 | 414 |
| Increase | 64 | 7 | 74 | 69 | 180 | 248 | 133 | 187 | 322 |
| At 31 December 2022 | 72 | 71 | 154 | 677 | 298 | 582 | 749 | 369 | 736 |

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

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

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

| | Financing receivables RM'000 (Note 10) | Insurance receivables RM'000 (Note 12) | Other assets RM'000 (Note 13) | Total RM'000 |
|--|---|---|-------------------------------------|-----------------|
| 2022 | | | | |
| Lifetime ECL | | | | |
| At 1 January | 616 | 182 | 414 | 1,212 |
| Net adjustment of loss allowance (Note 26) | 133 | 187 | 322 | 642 |
| At 31 December | 749 | 369 | 736 | 1,854 |
| 2021 | | | | |
| Lifetime ECL | | | | |
| At 1 January | 800 | 4,118 | 297 | 5,215 |
| Net adjustment of loss allowance (Note 26) | (184) | (3,936) | 117 | (4,003) |
| At 31 December | 616 | 182 | 414 | 1,212 |

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial effects of collateral held

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

Type of financing receivables

Policy/automatic premium loans
Secured staff/non-staff loans

Type of collaterals

Cash value of policies
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 mitigate credit risk, held for financing receivables is 100% as at 31 December 2022 (2021: 100%).

(ii) Liquidity Risk

Liquidity Risk is the risk of an adverse impact to the firm's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet obligations. Generally, there are two types of liquidity risks, 1) funding liquidity risk and 2) market liquidity risk.

Funding liquidity risk is the risk that the company will not be able to meet both expected and unexpected current and future cash flow and collateral needs effectively without affecting either daily operations or the financial condition of the firm.

Market liquidity risk is the risk that the company cannot easily offset or eliminate the position at market price because of inadequate market depth or market disruption.

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

39. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

The Company measures and manages liquidity risk following the philosophies and principles below:

- (a) The Risk Management and Investment Management Department actively monitor the cashflows associated and derived from assets and liabilities of the Company through the ALCO platform;
- (b) The Investment Management Department ensures that reasonable liquidity is maintained for 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 Profiles of the financial and insurance assets and liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised insurance liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the “up to a year” column. Repayments which are subject to notice are treated as if notice were to be given immediately.

39. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

| | Carrying value RM'000 | Up to a year RM'000 | 1 - 5 years RM'000 | > 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|--------------------------------|-----------------------------|------------------------|-----------------------|---------------------|-------------------------------|-------------------|
| 2022 | | | | | | |
| Financial assets at: | | | | | | |
| FVTPL | 9,363,274 | 595,589 | 2,980,463 | 8,361,835 | 2,179,824 | 14,117,711 |
| FVOCI | 1,455,857 | 66,442 | 480,967 | 1,970,707 | 72,521 | 2,590,637 |
| AC | 570,789 | 571,124 | - | - | - | 571,124 |
| Financing receivables | 265,034 | 245,337 | 8,217 | 16,035 | - | 269,589 |
| Reinsurance assets | 109,080 | 38,088 | 26,248 | 83,643 | - | 147,979 |
| Insurance receivables | 25,335 | 25,335 | - | - | - | 25,335 |
| Other assets* | 153,695 | 153,695 | - | - | - | 153,695 |
| Derivative assets | 508 | 310 | 198 | - | - | 508 |
| Cash and bank balances | 25,629 | - | - | - | 25,629 | 25,629 |
| Total assets | 11,969,201 | 1,695,920 | 3,496,093 | 10,432,220 | 2,277,974 | 17,902,207 |
| Insurance contract liabilities | 10,670,647 | 3,448,503 | 1,907,298 | 10,077,831 | - | 15,433,632 |
| Insurance payables | 21,584 | 21,584 | - | - | - | 21,584 |
| Other liabilities | 457,523 | 457,523 | - | - | - | 457,523 |
| Total liabilities | 11,149,754 | 3,927,610 | 1,907,298 | 10,077,831 | - | 15,912,739 |

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

39. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

| | Carrying value RM'000 | Up to a year RM'000 | 1 - 5 years RM'000 | > 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|--------------------------------|-----------------------------|------------------------|-----------------------|---------------------|-------------------------------|-------------------|
| 2021 | | | | | | |
| Financial assets at: | | | | | | |
| FVTPL | 9,357,716 | 625,054 | 2,865,635 | 8,015,128 | 2,119,957 | 13,625,774 |
| FVOCI | 1,252,146 | 60,566 | 339,312 | 1,745,930 | 29,455 | 2,175,263 |
| AC | 903,410 | 903,891 | - | - | - | 903,891 |
| Financing receivables | 265,527 | 246,334 | 7,690 | 15,416 | - | 269,440 |
| Reinsurance assets | 110,404 | 31,042 | 27,263 | 93,781 | - | 152,086 |
| Insurance receivables | 23,755 | 23,755 | - | - | - | 23,755 |
| Other assets* | 148,531 | 148,531 | - | - | - | 148,531 |
| Cash and bank balances | 47,196 | - | - | - | 47,196 | 47,196 |
| Total assets | 12,108,685 | 2,039,173 | 3,239,900 | 9,870,255 | 2,196,608 | 17,345,936 |
| Insurance contract liabilities | 10,768,463 | 3,117,578 | 2,189,789 | 9,827,617 | - | 15,134,984 |
| Derivative liabilities | 2,192 | 687 | 1,505 | - | - | 2,192 |
| Insurance payables | 25,312 | 25,312 | - | - | - | 25,312 |
| Other liabilities | 455,668 | 455,649 | 19 | - | - | 455,668 |
| Total liabilities | 11,251,635 | 3,599,226 | 2,191,313 | 9,827,617 | - | 15,618,156 |

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

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

39. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market Risk is the risk of 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 its Market Risk management practices and policies:

- (i) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policies and risk appetite after taking into consideration of regulatory requirements with respect to the maintenance of assets and solvency.
- (ii) Compliance to policies are monitored; exposures and breaches are reported as soon as practicable.
- (iii) 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 policies for a number of products. For investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company's exposure to Market Risk 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.

39. 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 Financial Services Act 2013, and hence, primarily denominated in the same currency (the local "RM") as its investment and insurance contract liabilities.

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

(b) Interest Rate Risk

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

Interest Rate Risks arise from exposures to interest rate related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Company.

The Company measures and manages Interest Rate Risk mainly based on the following four philosophies and principles:

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

39. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Interest Rate Risk (contd.)

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

| | Changes in variable | <-----2022-----> | | <-----2021-----> | |
|------------------|---------------------------|---|--|---|--|
| | | Impact on carrying value RM'000 (Decrease)/increase | Impact on profit/ equity* RM'000 (Decrease)/increase | Impact on carrying value RM'000 (Decrease)/increase | Impact on profit/ equity* RM'000 (Decrease)/increase |
| Financial Assets | +100bps | (580,579) | (175,219) | (604,313) | (185,435) |
| at FVTPL | -100bps | 580,579 | 175,219 | 604,313 | 185,435 |
| Financial Assets | +100bps | (145,977) | (112,278) | (133,379) | (102,681) |
| at FVOCI | -100bps | 145,977 | 112,278 | 133,379 | 102,681 |
| Financial Assets | +100bps | (102) | (43) | (251) | (68) |
| at AC | -100bps | 102 | 43 | 251 | 68 |

*Impact on Company's profit/equity is stated net of corporate tax of 24%.

(c) Equity Price Risk

Equity Price Risk is the risk that the fair value of an equity instrument would fluctuate because of changes in its market prices whether those changes are caused by factors specific to the individual equity instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's Equity Price Risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in equities' market prices.

The Company's risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector and market, having regard also to such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may occur over time.

39. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk (contd.)

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

| | Change in market indices | Impact on carrying value RM'000 Increase/(decrease) | Impact on OCI RM'000 | Impact on profit before tax RM'000 Increase/(decrease) | Impact on equity* RM'000 |
|------|--------------------------------|---|----------------------------|--|--------------------------------|
| 2022 | +10% | 45,290 | 7,252 | 15,154 | 17,067 |
| | -10% | (45,290) | (7,252) | (15,154) | (17,067) |
| 2021 | +10% | 42,968 | 2,946 | 16,754 | 15,046 |
| | -10% | (42,968) | (2,946) | (16,754) | (15,046) |

*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.

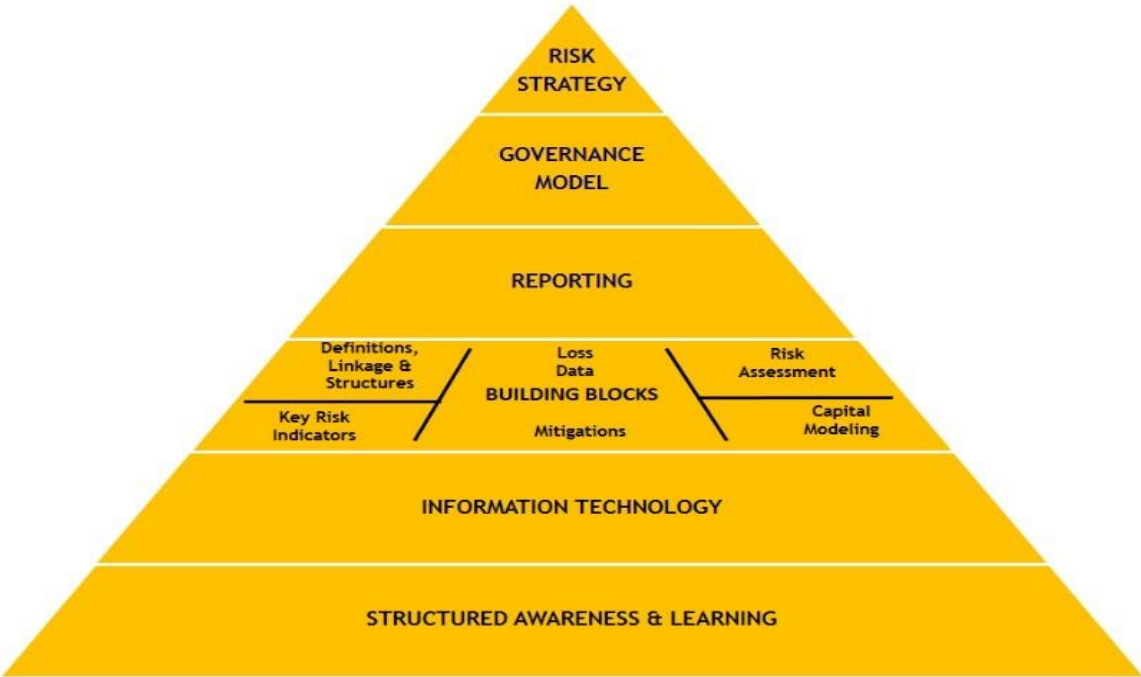
The Company's quantitative controls to manage concentration risk is through diversification. A minimum level of diversification is realised by observing the single counterparty limits. The single counterparty exposure limit represents maximum concentration of a particular counterparty. The limit exists for each asset class as well as across all investment assets, reinsurance/retakaful and derivative counterparty.

40. OPERATIONAL RISK

Operational Risk Management is a discipline of systematically identifying the causes of failures in the organisation’s day-to-day operations, assessing the risk of loss and taking the appropriate action to minimise the impact of such loss.

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk management methodology is comprised of the components summarised in diagram below.



The nature and extent of operational risk can shift quickly in response to changes in people, organisational structure, processes, systems, products, customers or business environments. Hence, continuous review and monitoring of the risks and the control effectiveness is vital for an effective operational risk management.

To facilitate this process, specific tools and methodologies to identify, assess & measure, control, monitor and report the operational risks that affect MAHB are established.

40. OPERATIONAL RISK (CONTD.)

Operational Risk Taxonomy

(i) Internal Fraud

Losses due to illegal acts (explicitly prohibited by the internal policies/guidelines or external regulations/law provisions) committed by employees. It also includes fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation.

(ii) External Fraud

Losses due to fraudulent activities/theft perpetrated by third party against the company/organisation. External Fraud could arise from system security risk, i.e. failure to provide a secure system platform or an activity/incident that can and will threaten the integrity of a system, which will in turn affect the reliability and privacy of data.

(iii) Employment Practices and Workplace Safety

- (a) Employee relations - failure to maintain positive employer-employee relationships that contribute to unsatisfactory productivity, demotivation and low morale;
- (b) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees; and
- (c) Diversity and discrimination - failure to provide equality during employment.

(iv) Client or Products and Business Practices

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.

(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.

40. OPERATIONAL RISK (CONTD.)

Operational risk taxonomy (contd.)

(vii) Execution or Delivery and Process Management (contd.)

Note: all risk types have an element of compliance risk (i.e. inability to comply with existing regulation, such as conduct risk). Regulatory Risk under Enterprise Risk is linked with Changing Regulations and the risk they represent to sustainability of the current Business Model.

(viii) Technology and Cyber Risk

Risk which impacts confidentiality, availability and integrity of information and services related to information technology. This includes risks that customers or the business units may suffer on service disruptions or may incur losses arising from system defects such as failures, faults, incompleteness in computer operations, information security breach, cyber-attacks, illegal or unauthorized use of computer systems or data breach via computer systems that was perpetrated either by internal staff and vendors or external parties. Besides, Cyber Risk that can lead to losses due to cyber-crime and cyber terrorism is included. The consequences are potential breach of customers' data/information and reputational impact.

(ix) People and Performance Risk

Inability to identify the suitable talent/personnel to deliver/manage and deliver/control business process/function/entity/business units, do not possess the necessary knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risk are reduced to an acceptable level.

Failure or gap that leads to disruptions in the workplace that detract the business from necessary & smooth business operations.

(x) Model Risk

Risk of a model not performing the tasks or capture the risks it was designed to. Excessive reliance on models would aggravate model risk, as there could be potential limitations and uncertainties to the models/systems (including the underlying assumptions) employed that the Management/Board should be informed and unaware of, which could impair the accuracy of risk estimates.

(xi) Legal risk

Risk of incurring actual or potential loss that arises due to interalia, flawed documentation, change in regulations/laws, new judicial decisions, legal jurisdiction of our counterparties and choice of governing law that threatens the capacity to consummate important transactions, enforce contractual agreements or implement specific strategies and activities.

(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.

41. ENTERPRISE RISK

Risk of loss or adverse impact arising from business/strategic, industry, corporate governance and systemic risk. Enterprise Risk covers external and internal factors that can impact the company ability to meet its current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave. It can also be due to poor internal decision making and management or due to loss of reputation. Enterprise Risk will be exacerbated when there is a disruption to financial services that is caused by an impairment of all or parts of the financial system, with the potential to have serious negative consequences to the real/entire economy.

(i) Regulatory Risk

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment and legislation.

Changing regulations (local and foreign countries in which MAHB Group has operations) threaten the competitive position and the capacity to efficiently conduct business. This can result in increased competitive pressures and significantly affect the ability to efficiently conduct business.

(ii) 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.

(iii) 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.

(iv) Sustainability Risk

The risk of loss arising from the failure to address environmental, social and corporate governance concerns, thus adversely impacting the sustainability of business operations or the value of assets and liabilities.

42. FAIR VALUE MEASUREMENTS

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

- (a) Valuation principles;
- (b) Valuation techniques;
- (c) Fair value measurements and classification within the fair value hierarchy;
- (d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
- (e) Movements of Level 3 financial instruments and non-financial assets; and
- (f) Sensitivity of fair value measurements to changes in unobservable input assumptions.

(a) Valuation principles

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

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

42. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

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

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

- Level 1 : Active Market – Quoted price

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

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

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

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

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

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

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

42. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Valuation techniques

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

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

(ii) Financing receivables

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

(iii) Insurance receivables and payables

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

(iv) Investments

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

(v) Investment properties

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

42. FAIR VALUE MEASUREMENTS (CONTD.)

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

| | Fair value measurement using: | | | Total RM'000 |
|--|---|---|--|-------------------|
| | Level 1 Quoted market prices RM'000 | Level 2 Observable inputs RM'000 | Level 3 Significant unobservable inputs RM'000 | |
| 2022 | | | | |
| <u>Assets</u> | | | | |
| Investment properties | - | - | 980,395 | 980,395 |
| Financial assets at FVTPL | | | | |
| (i) Designated upon initial recognition | | | | |
| Malaysian government papers | - | 680,093 | - | 680,093 |
| Debt securities and structured products | - | 5,878,073 | - | 5,878,073 |
| (ii) HFT | | | | |
| Equity securities | 1,433,098 | - | 81,322 | 1,514,420 |
| Malaysian government papers | - | 76,180 | - | 76,180 |
| Debt securities and structured products | - | 549,104 | - | 549,104 |
| Unit and property trust funds | 23,423 | 641,981 | - | 665,404 |
| Financial assets at FVOCI | | | | |
| Equity securities | 72,521 | - | - | 72,521 |
| Malaysian government papers | - | 302,329 | - | 302,329 |
| Debt securities and structured products | - | 1,081,007 | - | 1,081,007 |
| Derivative assets | - | 508 | - | 508 |
| Total assets | 1,529,042 | 9,209,275 | 1,061,717 | 11,800,034 |

42. FAIR VALUE MEASUREMENTS (CONTD.)

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

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

42. FAIR VALUE MEASUREMENTS (CONTD.)

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. There were no transfers between Level 1 and Level 2 for the Company during the financial years ended 31 December 2022 and 31 December 2021.

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

| | Investment properties RM'000 | Financial instruments measured at fair value designated at FVTPL RM'000 |
|---|---|--|
| 2022 | | |
| At 1 January | 971,170 | 77,846 |
| Recognised in the income statement: | | |
| Fair value gain | 8,645 | 3,476 |
| Addition, at cost | 580 | - |
| At 31 December | <u>980,395</u> | <u>81,322</u> |
| | | |
| Total gains recognised in income statement for assets and financial instruments measured at Level 3 of the fair value hierarchy at the end of the reporting year | <u>8,645</u> | <u>3,476</u> |
| | | |
| 2021 | | |
| At 1 January | 953,610 | 67,101 |
| Recognised in the income statement: | | |
| Fair value gain | 17,230 | 10,745 |
| Addition, at cost | 330 | - |
| At 31 December | <u>971,170</u> | <u>77,846</u> |
| | | |
| Total gains recognised in income statement for assets and financial instruments measured at Level 3 of the fair value hierarchy at the end of the reporting year | <u>17,230</u> | <u>10,745</u> |

42. FAIR VALUE MEASUREMENTS (CONTD.)

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

(i) Investment properties

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

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

| | Valuation Method | Significant unobservable inputs | Range |
|-------------|-------------------------|--|-----------------------|
| 2022 | | | |
| Building | Income capitalisation | Rental per square foot | RM3.70 to RM10.25 |
| Shop lots | Comparison | Sales price per square foot for similar properties | RM63.00 to RM1,145.45 |
| 2021 | | | |
| Building | Income capitalisation | Rental per square foot | RM3.50 to RM10.25 |
| Shop lots | Comparison | Sales price per square foot for similar properties | RM63.58 to RM1,128.30 |

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

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

42. FAIR VALUE MEASUREMENTS (CONTD.)

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

(ii) Unquoted equity instruments

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

| Company | Changes in variable | Impact on carrying value RM'000 Increase/ (decrease) | Impact on profit before tax RM'000 Increase/ (decrease) | Impact on equity* RM'000 Increase/ (decrease) |
|----------------|----------------------------|---|--|--|
| 2022 | +5% | 4,066 | 3,837 | 2,683 |
| | -5% | (4,066) | (3,837) | (2,683) |
| 2021 | +5% | 3,892 | 3,673 | 2,568 |
| | -5% | (3,892) | (3,673) | (2,568) |

*Impact on Company's equity is stated net of corporate tax of 24%.

43. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2022 and 31 December 2021, as prescribed under the RBC Framework, is provided below:

| | 2022 RM'000 | 2021 RM'000 |
|---------------------------------------|------------------------|------------------------|
| Eligible Tier 1 Capital | | |
| Paid up share capital | 100,000 | 100,000 |
| Reserves, including retained earnings | 3,324,759 | 3,318,950 |
| | <u>3,424,759</u> | <u>3,418,950</u> |
| Tier 2 Capital | | |
| Revaluation reserve | 90,362 | 90,362 |
| FVOCI reserves | (40,123) | 1,977 |
| | <u>50,239</u> | <u>92,339</u> |
| Amount deducted from Capital | <u>(54,003)</u> | <u>(55,380)</u> |
| Total Capital Available | <u>3,420,995</u> | <u>3,455,909</u> |

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44. INSURANCE FUNDS

STATEMENT OF FINANCIAL POSITION BY FUNDS

| | Company | | Shareholder's Fund | | Life Fund | |
|--------------------------------|-------------------|-------------------|--------------------|------------------|-------------------|-------------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Assets: | | | | | | |
| Property, plant and equipment | 29,222 | 32,875 | - | - | 29,222 | 32,875 |
| Investment properties | 980,395 | 971,170 | - | - | 980,395 | 971,170 |
| Prepaid land lease payments | 737 | 763 | - | - | 737 | 763 |
| Right-of-use assets | 98 | 53 | - | - | 98 | 53 |
| Intangible assets | 45,251 | 48,730 | - | - | 45,251 | 48,730 |
| Investments | 11,389,920 | 11,513,272 | 397,595 | 437,235 | 10,992,325 | 11,076,037 |
| Financing receivables | 265,034 | 265,527 | 21,941 | 21,107 | 243,093 | 244,420 |
| Reinsurance assets | 109,080 | 110,404 | - | - | 109,080 | 110,404 |
| Insurance receivables | 25,335 | 23,755 | - | - | 25,335 | 23,755 |
| Other assets | 154,498 | 149,976 | 3,357 | 4,921 | 151,141 | 145,055 |
| Derivative assets | 508 | - | - | - | 508 | - |
| Current tax assets | - | 11,555 | - | 11,555 | - | - |
| Cash and bank balances | 25,629 | 47,196 | - | 158 | 25,629 | 47,038 |
| Total Assets | 13,025,707 | 13,175,276 | 422,893 | 474,976 | 12,602,814 | 12,700,300 |
| Equity and liabilities: | | | | | | |
| Share capital | 100,000 | 100,000 | 100,000 | 100,000 | - | - |
| Reserves | 1,449,621 | 1,473,215 | 1,449,621 | 1,473,215 | - | - |
| Total Equity | 1,549,621 | 1,573,215 | 1,549,621 | 1,573,215 | - | - |

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44. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

| | Company | | Shareholder's Fund | | Life Fund | |
|-------------------------------------|-------------------|-------------------|--------------------|--------------------|-------------------|-------------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Insurance contract liabilities | 10,670,647 | 10,768,463 | - | - | 10,670,647 | 10,768,463 |
| Derivative liabilities | - | 2,192 | - | - | - | 2,192 |
| Deferred tax liabilities, net | 304,774 | 333,944 | 276,805 | 271,854 | 27,969 | 62,090 |
| Insurance payables | 21,584 | 25,312 | - | - | 21,584 | 25,312 |
| Other liabilities ¹ | 457,523 | 455,668 | (1,428,628) | (1,370,938) | 1,886,151 | 1,826,606 |
| Current tax liabilities | 21,558 | 16,482 | 25,095 | 845 | (3,537) | 15,637 |
| Total Liabilities | 11,476,086 | 11,602,061 | (1,126,728) | (1,098,239) | 12,602,814 | 12,700,300 |
| Total Equity and Liabilities | 13,025,707 | 13,175,276 | 422,893 | 474,976 | 12,602,814 | 12,700,300 |

¹ Included in other liabilities are the interfund balances elimination, amount due from life fund to shareholder's fund of RM1,431,000,000 (2021: RM1,372,000,000) which is unsecured, not subject to any interest elements and are repayable in short term.

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44. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS

| | Company | | Shareholder's Fund | | Life Fund | |
|---|----------------|----------------|--------------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Operating revenue | 2,263,055 | 2,434,400 | 16,047 | 15,813 | 2,247,008 | 2,418,587 |
| Gross earned premiums | 1,733,413 | 1,936,388 | - | - | 1,733,413 | 1,936,388 |
| Earned premiums ceded to reinsurers | (40,681) | (38,999) | - | - | (40,681) | (38,999) |
| Net earned premiums | 1,692,732 | 1,897,389 | - | - | 1,692,732 | 1,897,389 |
| Fee and commission income | 5,556 | 6,486 | - | - | 5,556 | 6,486 |
| Investment income, net | 529,642 | 498,012 | 16,047 | 15,813 | 513,595 | 482,199 |
| Realised losses, net | (109,191) | (55,938) | (927) | 338 | (108,264) | (56,276) |
| Fair value (losses)/gains, net | (439,874) | (335,092) | 75 | (659) | (439,949) | (334,433) |
| Other operating income, net | 21,443 | 14,627 | 3,021 | 3,050 | 18,422 | 11,577 |
| Other revenue | 7,576 | 128,095 | 18,216 | 18,542 | (10,640) | 109,553 |
| Gross benefits and claims paid | (1,323,720) | (1,219,749) | - | - | (1,323,720) | (1,219,749) |
| Claims ceded to reinsurers | 27,355 | 17,705 | - | - | 27,355 | 17,705 |
| Gross change in contract liabilities | 78,104 | (319,820) | - | - | 78,104 | (319,820) |
| Change in contract liabilities ceded to reinsurers | (1,324) | 25,045 | - | - | (1,324) | 25,045 |
| Net benefits and claims | (1,219,585) | (1,496,819) | - | - | (1,219,585) | (1,496,819) |
| Management expenses | (162,223) | (152,638) | (12,394) | (13,721) | (149,829) | (138,917) |
| Fee and commission expenses | (103,569) | (103,200) | - | - | (103,569) | (103,200) |
| Taxation borne by policyholders | 9,400 | (3,896) | - | - | 9,400 | (3,896) |
| Other expenses | (256,392) | (259,734) | (12,394) | (13,721) | (243,998) | (246,013) |
| | 224,331 | 268,931 | 5,822 | 4,821 | 218,509 | 264,110 |
| Surplus from/(to): | | | | | | |
| - Life Par Funds | - | - | 22,850 | 21,600 | (22,850) | (21,600) |
| - Life Non-Par Funds | - | - | 195,659 | 242,510 | (195,659) | (242,510) |
| Profit before tax | 224,331 | 268,931 | 224,331 | 268,931 | - | - |
| Taxation | (50,194) | (55,108) | (50,194) | (55,108) | - | - |
| Net profit for the financial year | 174,137 | 213,823 | 174,137 | 213,823 | - | - |

44. INSURANCE FUNDS (CONTD.)

STATEMENT OF CASH FLOWS BY FUNDS

| | Company | | Shareholder's Fund | | Life Fund | |
|---|----------------|----------------|--------------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Cash flows from: | | | | | | |
| Operating activities | 962,712 | 1,514,274 | 183,177 | 76,781 | 779,535 | 1,437,493 |
| Investing activities | (813,197) | (1,464,745) | (12,285) | (30,122) | (800,912) | (1,434,623) |
| Financing activities | (171,082) | (47,036) | (171,050) | (47,000) | (32) | (36) |
| Net increase/(decrease) in cash and cash equivalents | (21,567) | 2,493 | (158) | (341) | (21,409) | 2,834 |
| Cash and cash equivalents: | | | | | | |
| Cash and cash equivalents at beginning of financial year | 47,196 | 44,703 | 158 | 499 | 47,038 | 44,204 |
| Cash and cash equivalents at end of financial year | 25,629 | 47,196 | - | 158 | 25,629 | 47,038 |