ETIQA GENERAL TAKAFUL BERHAD

201701025031 (1239197-A)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2023

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the management of General Takaful business.

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

RESULTS

	RM'000
Net profit for the financial year	196,787

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

In the opinion of the Directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than those arising for the adoption of MFRS 17 *Insurance Contracts* , as disclosed in Note 2.5.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

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

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

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

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

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

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

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Plan ("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 as such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

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

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DIRECTORS

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

Dato' Majid Bin Mohamad (Chairman)
Mr. Philippe Pol Arthur Latour (Vice Chairman) (resigned w.e.f. 15 October 2023)
Mr. Dominik Jacqueline A. Smeets (Vice Chairman) (appointed w.e.f. 15 October 2023)
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican
Prof. Dr. Rusni Binti Hassan
Mr. Wong Shu Yoon

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

DIRECTORS' BENEFITS

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

Since the end of previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors, as disclosed in Notes 26 and 32 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The Directors' benefits are as follows:

	RM'000
Fees	660
Other emoluments	128
	788

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DIRECTORS' INDEMNITY

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

Indemnity given to or insurance effected for any directors during the year is RM1,245.3 million (2022: RM1,210.1 million).

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, ESGP and CESGP of the ultimate holding company, Maybank, during the financial year were as follows:

	Number of Ordinary Shares		
	As at 1 January 2023	**Acquired/ Disposed 2023**	**As at 31 December 2023**
Ultimate Holding Company			
Direct Interest:			
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	354,451	52,000	406,451

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

	Award date	**Number of ESGP shares awarded**	**Vesting year**
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	30 September 2019	104,000	2022
	30 September 2020	104,000	2023
	30 September 2021	104,000	2024
	30 September 2022	104,000	2025
	20 September 2023	195,000	2026
		611,000	

DIRECTORS' INTERESTS (CONTD.)

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

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

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance as disclosed from pages 8 to 28.

FINANCIAL HOLDING COMPANY

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

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

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

OTHER STATUTORY INFORMATION

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

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

    (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.

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 which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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

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

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

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

(f) In the opinion of the Directors:

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

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

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

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SIGNIFICANT EVENTS

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

SUBSEQUENT EVENTS

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

AUDITORS

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

Auditors' remuneration is as follows:

	RM'000
Ernst & Young PLT	996

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 March 2024.

DATO' MAJID BIN MOHAMAD

DATO' MOHAMED RAFIQUE MERICAN BIN MOHD WAHIDUDDIN MERICAN

CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

The Board of Directors ("the Board") of Etiqa General Takaful Berhad ("the Company"), a wholly-owned subsidiary of Maybank Ageas Holdings Berhad, the immediate holding company ("MAHB") and its subsidiaries (collectively referred to as "the Group"), acknowledges the importance of a robust and sound Corporate Governance ("CG") Framework in promoting integrity and transparency throughout the Group. Amidst an increasing challenging operating environment and the impact of the COVID-19 pandemic, the Board continuously strives to refine the Company's CG practices and processes in ensuring high standards of transparency, integrity and honesty.

The Company's CG Framework is based on the following statutory provisions, best practices and policies:-

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

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

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

(a) Board Composition

As at 31 December 2023, the Board consists of five (5) Directors, comprising of:-

(i) One (1) Executive Director ("ED");
(ii) One (1) Non-Independent Non-Executive Director ("NINED"); and
(iii) Three (3) Independent Non-Executive Directors ("INED").

The composition of the Board meets the requirement of having a majority of independent directors and common directors remain in the minority as set out in the BNM CG Policy. None of the INED had exceeded their respective nine-year tenure pursuant to the Maybank Group's Policy on Tenure of Directorship which limits the tenure of an INED to a cumulative period of nine (9) years. Dato' Majid Bin Mohamad, an INED, is the Chairman of the Board, whilst Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican is the only ED on the Board. The NINED is a nominee of Ageas Insurance International N.V. ("Ageas"), a shareholder of MAHB.

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

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

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

Members of the Board	Designation	Number of Board Meetings attended	%
Dato' Majid Bin Mohamad *(Chairman)*	INED	10/10	100
Mr. Dominik Jacqueline A. Smeets *(Vice Chairman)*	NINED[1]	3/3	100
Mr. Philippe Pol Arthur Latour *(Vice Chairman)*	NINED[2]	7/7	100
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	ED	9/10	90
Prof. Dr. Rusni Binti Hassan	INED	10/10	100
Mr. Wong Shu Yoon	INED	10/10	100

[1] *Appointed as NINED and Vice Chairman of the Company w.e.f 15 October 2023.*
[2] *Resigned as NINED and Vice Chairman of the Company w.e.f 15 October 2023.*

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorships within the Group
Dato' Majid Bin Mohamad Independent Non-Executive Director Chairman 69 years of age Malaysian	Banking & Insurance	• Director of Maybank Ageas Holdings Berhad • Chairman of Etiqa Family Takaful Berhad • Chairman of Etiqa Offshore Insurance (L) Ltd *(incorporated in F.T. Labuan)* • Chairman of Etiqa Life International (L) Ltd *(incorporated in F.T. Labuan)*
Mr. Dominik Jacqueline A. Smeets Non-Independent Non-Executive Director Vice-Chairman 47 years of age Belgian	Legal	Nil
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican Executive Director 58 years of age Malaysian	Banking	Nil
Prof. Dr. Rusni Binti Hassan Independent Non-Executive Director 56 years of age Malaysian	Islamic Finance	Nil
Mr. Wong Shu Yoon Independent Non-Executive Director 68 years of age Malaysian	Insurance	• Director of Etiqa Offshore Insurance (L) Ltd *(incorporated in F.T. Labuan)* w.e.f. 15 February 2023. • Director of Etiqa Life International (L) Ltd *(incorporated in F.T. Labuan)* w.e.f. 15 February 2023.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Detailed profile of each Director is available on the Group's corporate website (www.etiqa.com). Directors' interests in shares and share options in the ultimate holding company, Malayan Banking Berhad ("MBB" or "Maybank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2023 ("FYE 2023").

(b) Roles and Responsibilities of the Board

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

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

(c) Board Committees Composition and Roles & Responsibilities

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

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

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

(v) Shariah Committee.

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

(i) Nomination and Remuneration Committee

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

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(i) Nomination and Remuneration Committee (contd.)

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

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

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

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

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

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]	9/9	100
Datuk Mohd Najib Bin Abdullah	INED[2]	9/9	100
Dato' Majid Bin Mohamad	INED	9/9	100
Ms. Daniela Adaggi	NINED[3]	9/9	100

[1] *INED of MAHB.*

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(ii) Audit Committee of the Board

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

ACB supports the Board in ensuring reliable and transparent financial reporting processes, oversees and monitors the effectiveness of the internal and external audit functions, reviews related-party transactions and conflicts of interest situations, 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).

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

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

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

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

[3] *NINED of MAHB.*

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(iii) Risk Management Committee

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

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

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

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]	8/8	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED[2]	8/8	100
Mr. Emmanuel Gerard C. Van Van Grimbergen	NINED[3]	N/A	N/A
Mr. Antonio Cano	NINED[4]	8/8	100
En. Mohamad Shukor Bin Ibrahim	INED[5]	8/8	100
Prof. Dr. Rusni Binti Hassan	INED	7/8	88
Mr. Tan Kwang Kherng	INED[6]	8/8	100

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

[2] *INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.*

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

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(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).

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

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

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

[3] INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte. Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.

[4] Appointed as a NINED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB and a member of the IC w.e.f. 1 November 2023.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(v) Shariah Committee

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

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

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

Members of SC	Designation	Number of SC Meetings attended	%
Prof. Dr. Azman Bin Mohd Noor (Chairman)	INED[1]	13/13	100
Prof. Dr. Aznan Bin Hasan	Member	13/13	100
Prof. Dr. Rusni Binti Hassan	INED	13/13	100
Prof. Dr. Abdul Rahim Bin Abdul Rahman	Member	13/13	100
Prof. Emeritus Dato' Dr. Mohd Azmi Bin Omar	Member	13/13	100
Sahibus Samahah Dato' Dr Mohamad Sabri Bin Haron	Member	12/13	92

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

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

(d) Directors' Training

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

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

(i) Induction Programme

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

(ii) Training Attended by the 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.

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

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

Training attended by Directors	DM[1]	DS[2]	DRM[3]	PRH[4]	WSY[5]
16. Maybank: Training on Agile Thinking for Group EXCO by Maybank Group Strategy			√		
17. Maybank: Session on Central Bank Digital Currency (CBDC) for Group EXCO by Maybank Group Technology			√		
18. Ageas Academy: Exploration Trek – Digital Transformation		√			
19. Ageas: APEX Agency Conference		√			
20. Ageas: Asia IT Awareness training		√			
21. Ageas Academy: Executive Mentoring Master Class		√			
22. Ageas Academy: Exploration Trek - Sustainability		√			
B. External Training					
1. Strategic Negotiations – Dealmaking for the Long term by Harvard Business School		√			
2. Digitize to Revolutionize by MB Bank		√			
3. Digital Distribution Course by The Digital Insurer		√			
4. Empowering Takaful Industry Through Shariah-Value Creation by Malaysian Reinsurance Retakaful Division (MRRD)				√	
5. Shariah Compliance Culture: Towards a Holistic Shariah Compliance Culture as a Unique Corporate Value Proposition by Prof Dr Abdul Rahim Abdul Rahman				√	
6. Certified Shariah Advisors / Certified Shariah Practitioners by Association of Shariah Advisors in Islamic Finance (ASAS)				√	
7. FIDE Core Program : Insurance (Module A)					√
8. FIDE Core Program: Insurance (Module B)					√
9. Strengthening The Bond Between Participants And The Shariah Advisory Council by Actuarial Partners Consulting					√

1 DM - Dato' Majid Bin Mohamad
2 DS - Mr. Dominik Jacqueline A..Smeets
3 DRM - Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican
4 PRH - Prof. Dr. Rusni Binti Hassan
5 WSY - Wong Shu Yoon

(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 honesty and professionally.

(4) REMUNERATION - QUALITATIVE DISCLOSURES

(a) Board Performance

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

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

The remuneration package of NEDs consists of the following:-

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

(b) Senior Management Appointment and Performance

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES

(a) Non-Executive Directors' Remuneration

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

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

**The amount of RM60,000 is borne equally by the Company and Etiqa Family Takaful Berhad*

^The amount of RM50,000 is borne equally by the Company and Etiqa Family Takaful Berhad

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

The details of Directors' and CEO's Remuneration for FYE 2023 are disclosed in Notes 26 and 25 (b) to the financial statements.

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

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

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CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

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

Components of remuneration

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

i) Total Compensation

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

i) Total Compensation (contd.)

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

ii) Benefits and Well-being

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

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

iii) Development and Career Opportunities

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

LONG-TERM INCENTIVE PLAN ("LTIP")

Employees' Share Grant Plan ("ESGP")

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

LONG-TERM INCENTIVE PLAN ("LTIP") (CONTD.)

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

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

Governance and Controls – Remuneration Practices

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

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

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

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CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

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

Total value of remuneration awards for the financial year (RM'000)	Senior Officers^		OMRT	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration				
Cash-based	6,666 (15 headcount)	-	-	-
Shares and share-linked instruments	-	-	-	-
Others	-	-	-	-
Variable remuneration				
Cash-based	1,158 (14 headcount)	-	-	-
Shares and share-linked instruments	602 (9 headcount)^	Refer to note below*	-	-
Others	-	-	-	-
Definition	Senior Officers are defined as Chief Executive Officer (CEO); Direct Reports to the CEO; Chief Compliance Officer and Appointed Actuary.		OMRTs are defined as employees who can materially commit or control significant amounts of a financial institution's resources or whose actions are likely to have a significant impact on its risk profile or those among the most highly remunerated officers.	

Notes:

*In FY2023, a total of 204,000 and 19,000 units of Maybank shares (based on On Target performance levels) under Maybank Group ESGP were awarded to 13 senior officers. The number of ESGP/CESGP units to be vested/paid by 2026 would be conditional upon the said employees fulfilling the vesting/payment criteria.

^A total of 68,000 units of ESGP/CESGP granted in September 2020 have vested to 9 Senior Officers in September 2023. ESGP values are based on statutory guidelines for taxable gains calculation and CESGP value is based on volume weighted average market price (VWAMP) for the five market days immediately preceding the CESGP vesting date.

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

We, Dato' Majid Bin Mohamad and Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican, being two of the Directors of Etiqa General Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 36 to 199 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of the results and the cash flows of the Company for the financial year ended 31 December 2023.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 March 2024.

DATO' MAJID BIN MOHAMAD

DATO' MOHAMED RAFIQUE MERICAN BIN MOHD WAHIDUDDIN MERICAN

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

I, Munahar Bin Mohd Mokhtar, being the Officer primarily responsible for the financial management of Etiqa General Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 36 to 199 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 MUNAHAR BIN MOHD MOKHTAR
at Kuala Lumpur in Wilayah Persekutuan on
25 March 2024

MUNAHAR BIN MOHD MOKHTAR
HEAD OF FINANCE

Before me

Commissioner for Oaths

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

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

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

REPORT OF THE SHARIAH COMMITTEE

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

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

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial year ended 31 December 2023. We have also conducted our review to form an opinion pursuant to Section 30(1) of Islamic Financial Services Act 2013 ("IFSA"), as to whether the Company has complied with the principles of Shariah, Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia ("BNM"), Shariah standards issued by BNM pursuant to Section 29 of IFSA, relevant guidelines and circulars issued by BNM, Shariah rulings issued by the Shariah Advisory Council of Securities Commission (for capital market related matters), as well as Shariah resolutions resolved by us.

During the financial year of 2023, the Committee had convened 13 times and all members have satisfied the minimum attendance requirement as per Paragraph 11.4 of Shariah Governance Policy Document of BNM which stipulates that a Committee member must attend at least 75% of the Committee meetings held in each financial year.

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

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

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

As part of the initiatives towards strengthening capabilities of the Shariah Committee, a series of relevant training programmes were conducted and participated by the Committee during the financial year of 2023, among others; Shariah Compliance Culture, Strategic Leadership, Takaful Business Operation, Capital Management, Risk Management and Environmental, Social and

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

In our opinion:

1. the relevant contracts, transactions and dealings entered into by the Company during the financial year ended 31 December 2023 that we have reviewed are in compliance with the Shariah principles;

ETIQA GENERAL TAKAFUL BERHAD
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REPORT OF THE SHARIAH COMMITTEE (CONTD.)

In our opinion: (contd.)

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

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

4. nothing has come to our attention that causes us to believe that the operations, business, affairs and activities of the Company involve in any material Shariah non-Compliant incidents;

5. accordingly, the Shariah non-compliant events and disposal of any earnings from prohibited sources/means by the Company during financial year 2023 had been channeled for charitable causes; and

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

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

All in all, we, the members of the Shariah Committee of Etiqa General Takaful Berhad, do hereby confirm that, in our level best, the operations of the Company for the financial year ended 31 December 2023 have been conducted in conformity with the rules and principles of Shariah.

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

Allah knows best.

Signed on behalf of the Committee.

PROF. DR. AZMAN
BIN MOHD NOOR

PROF. EMERITUS DATO'
DR. MOHD AZMI BIN OMAR

Kuala Lumpur, Malaysia
25 March 2024

Building a better working world

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiqa General Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2023 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 36 to 199.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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**Independent auditors' report to the member of
Etiqa General Takaful Berhad (contd.)
201701025031 (1239197-A)
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Information Other than the Financial Statements and Auditors' Report Thereon (contd.)

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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Building a better working world

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

Other Matters

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

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

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

Kuala Lumpur, Malaysia
25 March 2024

A member firm of Ernst & Young Global Limited

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

		31.12.2023		31.12.2022 (Restated)		1.1.2022 (Restated)	
	Note	General Takaful fund RM'000	Company RM'000	General Takaful fund RM'000	Company RM'000	General Takaful fund RM'000	Company RM'000
ASSETS							
Property, plant and equipment	3	-	62	-	82	-	58
Intangible assets	4	-	1,641	-	1,803	-	1,759
Investments	5	2,720,536	4,803,233	2,586,949	4,365,752	2,502,849	3,964,705
Financing receivables	6	-	648	-	423	-	148
Retakaful certificate assets	7	334,607	334,607	286,047	286,047	802,578	802,578
Takaful certificate assets	8	182,318	168,415	128,372	129,377	-	-
Other assets	9	36,412	60,413	27,096	62,912	31,434	49,419
Deferred tax assets	12	1,346	60,492	22,650	88,455	4,754	57,607
Cash and bank balances		49,923	50,152	8,444	8,630	2,073	3,344
Total assets		3,325,142	5,479,663	3,059,558	4,943,481	3,343,688	4,879,618
EQUITY AND LIABILITIES							
Equity							
Share capital	10	-	970,001	-	970,001	-	870,000
Reserves	11	-	912,586	-	681,836	-	544,413
Total equity		-	1,882,587	-	1,651,837	-	1,414,413
Liabilities							
Takaful certificate liabilities	8	3,153,900	3,312,284	2,878,578	3,001,575	3,148,278	3,158,536
Retakaful certificate liabilities	7	44,916	44,916	7,037	7,037	3,641	3,641
Other liabilities	13	126,326	224,906	173,943	253,171	191,769	277,380
Current tax liabilities		-	14,970	-	29,861	-	25,648
Total liabilities		3,325,142	3,597,076	3,059,558	3,291,644	3,343,688	3,465,205
Total equity and liabilities		3,325,142	5,479,663	3,059,558	4,943,481	3,343,688	4,879,618

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

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

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		2023		2022 (Restated)	
	Note	General Takaful fund RM'000	Company RM'000	General Takaful fund RM'000	Company RM'000
Takaful revenue	14	2,192,820	2,192,820	1,945,115	1,945,115
Takaful service expenses	15	(2,144,332)	(1,940,946)	(1,925,979)	(1,694,048)
Net expenses from retakaful certificates held	16	(8,843)	(8,843)	(5,474)	(5,474)
Takaful service result		39,645	243,031	13,662	245,593
Profit income from financial assets not measured at FVTPL	17	112,321	192,065	102,351	166,651
Net fair value gains/(losses) on financial assets measured at FVTPL	18	5,343	9,944	(13,348)	(23,018)
Net fair value gains on derecognition of financial assets measured at FVOCI	19	1,489	2,719	1,274	3,670
Other investment income/(expenses)	20	674	3,550	(487)	326
Net impairment losses on financial assets	21	(317)	(525)	(239)	(323)
Net foreign exchange income	22	3	6	140	230
Net investment income		119,513	207,759	89,691	147,536
Finance expenses from takaful certificates issued	23(a)	(169,753)	(170,361)	(109,707)	(109,924)
Finance income from retakaful certificates held	23(b)	8,843	8,843	5,474	5,474
Takaful financial result		(160,910)	(161,518)	(104,233)	(104,450)
Other income	24	3,568	4,886	422	1,396
Other expenses	25	-	(8,599)	-	(5,382)
Taxation borne by participants	28	(1,816)	(1,816)	458	458
Other income/(expenses)		1,752	(5,529)	880	(3,528)
Profit before taxation and zakat		-	283,743	-	285,151
Taxation	28	-	(68,035)	-	(95,515)
Zakat		-	(18,921)	-	(17,395)
Net profit for the financial year		-	196,787	-	172,241
Basic and diluted earnings per share (sen):	29		21.13		19.12

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

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		2023		2022 (Restated)	
	Note	General Takaful fund RM'000	Company RM'000	General Takaful fund RM'000	Company RM'000
Net profit for the financial year		-	196,787	-	172,241
Other comprehensive income/(loss):					
Items that may be subsequently reclassified to profit or loss:		-	32,866	-	(34,130)
Net fair value gains/(losses) on investments in debt securities measured at FVOCI		81,056	125,532	(73,904)	(116,805)
Net fair value gains on derecognition of financial assets measured at FVOCI	19	(1,489)	(2,719)	(1,274)	(3,670)
Fair value adjustments on FVOCI financial assets backing participants' funds		(60,471)	(60,471)	57,386	57,386
Tax effects relating to these items	28	(19,096)	(29,476)	17,792	28,959
Items that will not be subsequently reclassified to profit or loss:		-	1,097	-	(688)
Change in fair value of equity securities at FVOCI		1,634	3,078	(816)	(1,906)
Fair value adjustments on FVOCI financial assets backing participants' funds		(1,242)	(1,242)	1,170	1,170
Tax effects relating to these items	28	(392)	(739)	(354)	48
Other comprehensive income/(loss) for the financial year, net of tax		-	33,963	-	(34,818)
Total comprehensive income for the financial year		-	230,750	-	137,423

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Non-Distributable		Distributable	
	Share Capital RM'000	**FVOCI Reserve RM'000**	**Takaful Finance Reserve RM'000**	**Retained Profits RM'000**	**Total Equity RM'000**
At 1 January 2023, as previously stated	970,001	(30,952)	-	708,669	1,647,718
- Effects of adopting MFRS 17 (Note 2.5)		(62,410)	62,410	4,119	4,119
At 1 January 2023, as restated	970,001	(93,362)	62,410	712,788	1,651,837
Net profit for the financial year	-	-	-	196,787	196,787
Other comprehensive income/(loss) for the financial year	-	95,676	(61,713)	-	33,963
Total comprehensive income/(loss) for the financial year	-	95,676	(61,713)	196,787	230,750
Reclassification upon disposal of equity securities measured at FVOCI	-	(2)	-	2	-
At 31 December 2023	970,001	2,312	697	909,577	1,882,587

			Non-Distributable		Distributable	
	Note	**Share Capital RM'000**	**FVOCI Reserve RM'000**	**Takaful Finance Reserve RM'000**	**Retained Profits RM'000**	**Total Equity RM'000**
At 1 January 2022, as previously stated		870,000	2,342	-	536,665	1,409,007
- Effects of adopting MFRS 17 (Note 2.5)		-	(3,854)	3,854	5,406	5,406
At 1 January 2022, as restated		870,000	(1,512)	3,854	542,071	1,414,413
Net profit for the financial year		-	-	-	172,241	172,241
Other comprehensive (loss)/income for the financial year		-	(93,374)	58,556	-	- (34,818)
Total comprehensive (loss)/income for the financial year		-	(93,374)	58,556	172,241	137,423
Reclassification upon disposal of equity securities measured at FVOCI		-	1,524	-	(1,524)	-
Issuance of new ordinary shares	10	100,001	-	-	-	100,001
At 31 December 2022		970,001	(93,362)	62,410	712,788	1,651,837

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 (Restated) RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation and zakat:		283,743	285,151
Adjustments for:			
Amortisation of:			
- Intangible assets	4	312	375
Net amortisation of premiums	20	6,433	5,368
Depreciation of property, plant and equipment	3	33	23
Fair value (gains)/losses on:			
- Investments	18	(22,774)	3,810
Losses on disposal of:			
- Investments	18, 19	10,111	15,538
Profit income	17, 20	(192,754)	(167,486)
Dividend income	20	(10,556)	(5,855)
Allowance for impairment losses on:			
- Investments	21	526	327
Losses/(gains) on foreign exchange:			
- Realised	22	15	(326)
- Unrealised	22	(21)	96
Tax borne by participants	28	1,816	(458)
Operating cash flows before working capital changes		76,884	136,563
Changes in working capital:			
Decrease/(increase) in:			
- Deposits with financial institution		50,987	(781,028)
- Retakaful certificate assets		(48,560)	516,532
- Takaful certificate assets		(39,038)	(129,378)
- Financing receivables		(225)	(275)
- Other assets		19,274	(14,219)
Increase/(decrease) in:			
- Retakaful certificate liabilities		37,879	3,396
- Takaful certificate liabilities		249,481	(100,364)
- Other liabilities		(25,572)	(30,619)
Operating cash flows after working capital changes, carried forward		321,110	(399,392)

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

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 (Restated) RM'000
CASH FLOW FROM OPERATING ACTIVITIES (CONTD.)			
Operating cash flows after working capital changes, brought forward		321,110	(399,392)
Profit income received		174,345	169,369
Gross dividend income received		11,702	6,659
Zakat paid		(20,906)	(10,763)
Taxation paid		(87,701)	(92,908)
Net cash flows generated from/(used in) operating activities	30	398,550	(327,035)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		410,980	846,108
Purchase of:			
- Property, plant and equipment	3	(13)	(47)
- Intangible assets	4	(150)	(419)
- Investment		(767,845)	(613,322)
Net cash flows (used in)/generated from investing activities	30	(357,028)	232,320
CASH FLOWS FROM FINANCING ACTIVITY			
Issuance of new ordinary shares	10	-	100,001
Net cash flows generated from financing activity	30	-	100,001
Increase in cash and cash equivalents	30	41,522	5,286
Cash and cash equivalents at beginning of financial year	30	8,630	3,344
Cash and cash equivalents at end of financial year	30	50,152	8,630
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		229	186
General Takaful fund		49,923	8,444
		50,152	8,630

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

1. CORPORATE INFORMATION

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

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

The principal activity of the Company is the management of General Takaful business.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 March 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation and presentation of financial statements

(a) Statement of compliance

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

(a) Statement of compliance (contd.)

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

Takaful operation and its funds

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

(d) Use of estimates and judgements

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

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

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

(i) Estimates of future cash flows

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

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

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

(ii) Discount rates

For General Takaful business, Takaful certificates liabilities are calculated by using risk-free discount rates.

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

	Portfolio duration									
	1 year		3 year		5 year		10 year		15 year	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Takaful certificates issued										
Ringgit Malaysia	3.3%	3.3%	3.5%	3.8%	3.6%	3.9%	3.8%	4.2%	4.0%	4.3%
Retakaful certificates held										
Ringgit Malaysia	3.3%	3.3%	3.5%	3.8%	3.6%	3.9%	3.8%	4.2%	4.0%	4.3%

(iii) Risk adjustments for non-financial risk

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

(iv) Takaful and retakaful certificates

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

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

2.2 Summary of material accounting policy information

(i) Property, plant and equipment and depreciation

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

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

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

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

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

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

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

(ii) Intangible assets

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ii) Intangible assets (contd.)

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 indefinite useful life assessment continues to be supportable.

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

(a) Software development costs

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

(b) Computer software and licences

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ii) Intangible assets (contd.)

(b) Computer software and licences (contd.)

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

(iii) 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").

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

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

(i) Business model assessment

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

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

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

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

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

- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(i) Business model assessment (contd.)

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

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

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

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

A change in the Company's business model will occur only when the Company 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) 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 profit within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the 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 characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both collect contractual cash flows and sell. Equity instruments that were not elected for FVOCI will be measured at FVTPL.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) 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 profit.

(a) Debt instruments

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

(b) Equity instruments

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(iii) Classification of financial assets (contd.)

(iii) Financial assets at AC

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

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

(b) Derecognition of financial assets

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Financial assets (contd.)

(c) Write off of financial assets

An estimate is made for doubtful debts based on a review of all outstanding balances as at reporting date. Any financial assets which are 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 may 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 21.

(iv) Fair value of financial assets

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

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.

(v) Impairment

(a) Financial assets

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Impairment (contd.)

(a) Financial assets (contd.)

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) 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 experts 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.

<u>Financing receivables</u>

The ECL on the financing portfolio of the Company is computed using PD, LGD and EAD. The Company measures 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.

<u>Financial assets at FVOCI and AC</u>

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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Impairment (contd.)

(a) Financial assets (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. These are assessed to have low credit risk on the basis that both federal government and central bank have strong capacity in repaying the instruments upon maturity. In addition, there is no past historical loss experiences arising from these government securities in all jurisdiction.

(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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Impairment (contd.)

(b) Non-financial assets (contd.)

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

(vi) Financial liabilities

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

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

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

The Company's other financial liabilities include other payables.

(1) <u>Other payables</u>

Other payables (i.e amount due to) are subsequently measured at amortised cost using the effective profit method.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vi) Financial liabilities (contd.)

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, and the difference in the respective carrying amounts is recognised in profit or loss.

(vii) Takaful certificates and retakaful certificates classification

Takaful certificates

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

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

Retakaful certificates

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

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

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

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

(viii) Takaful certificates and retakaful certificates accounting treatment

(a) Separating components from Takaful certificates and retakaful certificates

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(b) Level of aggregation

The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise group of certificates with similar risks which are managed together. In determining the level of aggregation, the Company identifies a group of certificates as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of certificates can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single certificate contains components that need to be separated and treated as if they were stand-alone certificates. As such, what is treated as certificates for accounting purposes may differ from what is considered as certificates for other purposes (i.e. legal or management). For retakaful certificates held, the basis depends on the type of retakaful arrangement. There is no group for level of aggregation purposes that contain certificates issued more than one year apart except those as highlighted in Note 2.2(viii)(f).

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(b) Level of aggregation (contd.)

The retakaful certificates held portfolios are divided into:

- Groups of certificates on which there are net gains on initial recognition;

- Groups of certificates that have no significant possibility of a net gain arising subsequent to initial recognition; and

- Groups of the remaining certificates in the portfolio.

(c) Recognition

The Company recognises groups of Takaful certificates that it issues from the earliest of the following:
- The beginning of the coverage period of the group of certificates.
- The date when the first payment from a participants is due, or when the first payment is received if there is no due date; and
- For a group of onerous certificates, as soon as facts and circumstances indicate that the group of certificate is onerous.

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(c) Recognition (contd.)

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

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

(d) Onerous groups of certificates

For General Takaful, the Company assumes no certficates in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise.

The Company's assessment of the facts and circumstances of onerousness leverages on:

(i) the Expected Ultimate Combined Ratio (consists of losses, expenses and risk adjustment) available from the valuation, pricing or underwriting exercise when appropriate.

(ii) information within the Company about certificates known or apparent to be onerous (e.g., based on the intention of the initial product approval process for market entry or marketing purposes).

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(d) Onerous groups of certificates (contd.)

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

(e) Certificate boundary

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

- The Company has the practical ability to reassess the risks of the particular participant and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
  - (i) The Company has the practical ability to reassess the risks of the portfolio of Takaful certificates that contain the certificate and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - (ii) The pricing of the contributions for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(f) Measurement - Takaful certificates

Certificates measured under the Premium Allocation approach ("PAA")

Initial measurement

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

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

- For certificates longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those certificates under the PAA does not differ materially from the measurement that would be produced by applying the general model. PAA eligibility is assessed at the inception of the group of certificates and does not need to be reassessed at subsequent measurement.

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

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

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

The Company have performed an eligibility assessment, and it was concluded that they qualify for PAA since there was no material difference in the measurement of the liability for remaining coverage between PAA and the general measurement model for certificates longer than 1 year

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(f) Measurement - Takaful certificates (contd.)

<u>Certificates measured under the Premium Allocation approach ("PAA") (contd.)</u>

<u>Initial measurement (contd.)</u>

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

<u>Subsequent measurement</u>

For a group of certificates that apply the PAA, the Company measures the liability for remaining coverage as:
- The contributions, if any, received at initial recognition;
- Minus any Takaful acquisition cash flows at that date, unless if the payments are recognised as an expense; and
- Plus or minus any amount arising from the derecognition at that date of the asset or liability recognised for Takaful acquisition cash flows.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(g) Measurement - Retakaful certificates

Subsequent measurement (contd.)

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

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

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

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

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

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying Takaful certificates and the percentage of claims on the underlying Takaful certificates the Company expects to recover from the group of retakaful certificates held. Where only some certificates in the onerous underlying group are covered by the group of retakaful certificates held, the Company uses a systematic and rational method to determine the portion of losses recognised on the underlying group of Takaful certificates to Takaful certificates covered by the group of retakaful certificates held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(g) Measurement - Retakaful certificates (contd.)

Subsequent measurement

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

For General Takaful, the subsequent measurement of retakaful certificates held follows the same principles as those for Takaful certificates issued and has been adapted to reflect the specific features of retakaful held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying takaful certificates in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying Takaful certificates that the entity expects to recover from the group of retakaful certificates held.

Any change in the fulfilment cash flows of a group of retroactive retakaful certificates held due to the changes of the liability for incurred claims of the underlying certificates is taken to profit and loss and not the contractual service margin of the retakaful certificate held.

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

Where the Company has established a loss-recovery component, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying Takaful certificates.

A loss-recovery component reverses consistent with reversal of the loss component of underlying groups of certificates issued, even when a reversal of the loss-recovery component is not a change in the fulfilment cash flows of the group of retakaful certificates held. Reversals of the loss- recovery component that are not changes in the fulfilment cash flows of the group of retakaful certificates held adjust the CSM.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(h) Takaful receivables and payables

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

i) Liability for remaining coverage - Takaful receivables

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

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

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

ii) Liability for remaining coverage - Takaful payables

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(i) Takaful certificates – modification and derecognition

The Company derecognises Takaful certificates when:

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

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

(j) Takaful acquisition cash flows

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

The Company uses a systematic and rational method to allocate:

(a) Takaful acquisition cash flows that are directly attributable to a group of Takaful certificates:

- to that group; and
- to groups that include Takaful certificates that are expected to arise from the renewals of the Takaful certificates in that group.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(j) Takaful acquisition cash flows (contd.)

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

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(k) Presentation

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

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

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

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

(i) Takaful revenue

Certificates measured under PAA

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(k) Presentation (contd.)

(i) Takaful revenue (contd.)

Certificates measured under PAA (contd.)

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

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

(ii) Loss components

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(k) Presentation (contd.)

(ii) Loss components (contd.)

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

(iii) Loss-recovery components

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(k) Presentation (contd.)

(iii) Loss-recovery components (contd.)

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

(iv) Net income or expense from retakaful certificates held

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

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

(v) Takaful finance income and expenses

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(k) Presentation (contd.)

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

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

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

For certificates measured under the PAA, the main amounts within Takaful finance income or expenses are:
- profit accreted on the LIC; and
- the effect of changes in profit rates and other financial assumptions.

(ix) Revenue recognition

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ix) Revenue recognition (contd.)

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

<u>Other revenue</u>

(a) Profit income

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

(b) Dividend income

Dividend income is recognised at a point in time when the Company's 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.

(x) Employee benefits

(a) Short-term benefits

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Employee benefits (contd.)

(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(x)(c), except that the remeasurements of the net defined contribution liability or asset are recognised immediately in profit or loss.

(c) Defined contribution plans

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

(d) Share-based compensation

(1) <u>Employees' Share Grant Plan ("ESGP Shares")</u>

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Employee benefits (contd.)

(d) Share-based compensation (contd.)

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

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

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

(xi) 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Foreign currencies (contd.)

(b) Foreign currency transactions and balances

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

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

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

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

(xii) Zakat

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.3 New and amended standards and interpretations

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

	Effective for annual periods beginning on or after
MFRS 17 *Insurance Contracts*	1 January 2023
(Amendments to MFRS 17) *Initial Application of MFRS 17 and MFRS 9 - Comparative Information*	1 January 2023
MFRS 101 *Presentation of Financial Statements*	
(Amendments to MFRS 101) *Classification of Liabilities* as Current or Non-Current	1 January 2023
(Amendments to MFRS 101) *Disclosure of Accounting Policies*	1 January 2023
MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	
(Amendments to MFRS 108) *Definition of Accounting Estimates*	1 January 2023
MFRS 112 *Income Taxes*	
(Amendments to MFRS 112) *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
(Amendments to MFRS 112) *International Tax Reform—Pillar Two Model Rules*	1 January 2023

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

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTD.)

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

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

Description	Effective for annual periods beginning on or after
MFRS 16 *Leases* (Amendments to MFRS 16) *Lease Liability in a Sale and Leaseback*	1 January 2024
MFRS 101 *Presentation of Financial Statements* (Amendments to MFRS 101) *Non-current Liabilities with Covenants*	1 January 2024
MFRS 7 *Financial Instruments: Disclosures* (Amendments to MFRS 107 and MFRS 7) *Supplier Finance Arrangements*	1 January 2024
MFRS 107 *Statement of Cash Flows* (Amendments to MFRS 107 and MFRS 7) *Supplier Finance Arrangements*	1 January 2024
MFRS 121 *The Effects of Changes in Foreign Exchange Rates* (Amendments to MFRS 121) *Lack of Exchangeability*	1 January 2025

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

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure

MFRS 17 *Insurance Contracts*

MFRS 17 *Insurance Contracts* replaced MFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023. The Company restated comparative information for the financial year ended 31 December 2022, including the opening balance as at 1 January 2022, by applying the transition requirements of MFRS 17.

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

(i) Changes to classification and measurement

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

MFRS 17 establishes specific principles for the recognition and measurement of Takaful certificates issued and retakaful certificates held by the Company.

The key principles of MFRS 17 are that the Company:

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure

MFRS 17 *Insurance Contracts* (contd.)

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

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

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

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

(ii) Changes to presentation and disclosure

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure

MFRS 17 *Insurance Contracts* (contd.)

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

Instead, the income statement have reflected the following items for the financial year ending 31 December 2023, together with a restated income statement under MFRS 17 for the year ended 31 December 2022:

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

The Company provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- Amounts recognised in the Company's financial statements arising from Takaful and retakaful certificates; and

- Significant judgements, and changes in those judgements, when applying MFRS 17.

(iii) Transition

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

- Identified, recognised and measured each group of Takaful and retakaful certificates as if MFRS 17 had always applied (unless impracticable), using the full retrospective approach;

- Identified, recognised and measured assets for Takaful acquisition cash flows as if MFRS 17 had always applied;

- Derecognised any existing balances that would not have existed had MFRS 17 been always applied; and

- Recognised any resulting net difference thereon in equity.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure

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 Fair Value Approach ("FVA").

Fair value approach ("FVA")

The Company ascertained that the Takaful certificate portfolios underwritten in year 2017 and prior will apply the FVA transition approach.

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 arise from the adoption of MFRS 17. As MFRS 17 allows an election for the effect of changes in discount rates to be recognised through profit or loss ("FVTPL") or through other comprehensive income ("FVOCI"), the Company has performed the necessary reclassification for the eligible financial assets to match against the Takaful certificate liabilities.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

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

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

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

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

Company

	As previously stated at 1 January 2022 RM'000	Reclassification/ / Derecognition of MFRS 4 assets and liabilities RM'000	Remeasurement effects under MFRS 17 RM'000	Tax effect RM'000	As restated at 1 January 2022 RM'000
<u>Assets:</u>					
Retakaful certificate assets	861,436	(861,436)	802,578	-	802,578
Takaful receivables	83,741	(83,741)	-	-	-
Other assets	47,587	1,832	-	-	49,419
Deferred tax assets	56,833	(44,986)	-	45,760	57,607
<u>Equity:</u>					
Takaful finance reserve	-	-	3,854	-	3,854
FVOCI reserves	2,342	-	(3,854)	-	(1,512)
Retained profits	536,665	(44,986)	4,632	45,760	542,071
<u>Liabilities:</u>					
Takaful certificate liabilities	2,833,231	(2,759,746)	3,085,051	-	3,158,536
Retakaful certificate liabilities	-	-	3,641	-	3,641
Expense liabilities	157,167	(157,167)	-	-	-
Takaful payables	130,078	(130,078)	-	-	-
Other liabilities	464,480	(229,033)	41,933	-	277,380

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

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

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

Company

	As previously stated at 31 December 2022 RM'000	Reclassification/ / Derecognition of MFRS 4 assets and liabilities RM'000	Remeasurement effects under MFRS 17 RM'000	Tax effect RM'000	As restated at 31 December 2022 RM'000
Assets:					
Retakaful certificate assets	284,238	(284,238)	286,047	-	286,047
Takaful certificate assets	-	-	129,377	-	129,377
Takaful receivables	111,743	(111,743)	-	-	-
Other assets	60,828	2,084	-	-	62,912
Deferred tax assets	80,303	(43,165)	-	51,317	88,455
Equity:					
Takaful finance reserve	-	-	62,410	-	62,410
FVOCI reserves	(30,952)	-	(62,410)	-	(93,362)
Retained profits	708,669	(43,166)	(4,032)	51,317	712,788
Liabilities:					
Takaful certificate liabilities	2,541,190	(2,526,261)	2,986,646	-	3,001,575
Retakaful certificate liabilities	-	-	7,037	-	7,037
Expense liabilities	179,857	(179,857)	-	-	-
Takaful payables	79,068	(79,068)	-	-	-
Other liabilities	436,108	(182,937)	-	-	253,171

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTD.)

2.5 Changes in accounting policies and disclosure (contd.)

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

(c) Financial impacts from adoption of MFRS 17

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

Nature of the measurement adjustments	Description
Reclassification / Derecognition of MFRS 4 assets and liabilities	The items include: Takaful receivables, Takaful payables, Takaful certificate liabilities, retakaful assets, participants' fund and certain components of other payables were derecognised on transition and have been remeasured within Takaful certificates liabilities, Takaful certificate assets, retakaful certificate liabilities and retakaful certificate assets.
Remeasurement effects under MFRS 17	The measurement principles of the PAA, as described in Note 2.2(viii)(f) differ from the 'earned premium/contribution approach' previously used by the Group or the Company under MFRS 4 due to the following considerations: - Measurement of liability for remaining coverage includes an explicit evaluation of risk adjustment for non-financial risk when a group of contracts/certificates is onerous, in order to compute loss component; and - Measurement of liability for incurred claims is determined on a discounted basis, including explicit risk adjustment for non-financial risk.
Tax effect	Deferred taxes are reported, where appropriate to account for the temporary differences between the new MFRS 17 accounting balances and associated tax bases.

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

Company

	As previously stated for the financial year ended 31 December 2022 RM'000	Classification and measurement* RM'000	As restated for the financial year ended 31 December 2022 RM'000
Profit before taxation and zakat	293,817	(8,666)	285,151
Net profit for the financial year	173,528	(1,287)	172,241

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

3. PROPERTY, PLANT AND EQUIPMENT

General Takaful fund

	Furniture, fittings, office equipment and renovations RM'000
31.12.2023/31.12.2022	
Cost	
At 1 January/At 31 December	23
Accumulated depreciation	
At 1 January/At 31 December	23
Net Book Value	
At 31 December 2023/2022	-

Company

	Computers and peripherals RM'000	Furniture, fittings, office equipment and renovations RM'000	Total RM'000
31.12.2023			
Cost			
At 1 January 2023	127	23	150
Additions	7	6	13
At 31 December 2023	134	29	163
Accumulated depreciation			
At 1 January 2023	45	23	68
Depreciation charge for the financial year (Note 25)	33	-	33
At 31 December 2023	78	23	101
Net Book Value			
At 31 December 2023	56	6	62

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company

	Computers and peripherals RM'000	Furniture, fittings, office equipment and renovations RM'000	Total RM'000
31.12.2022			
Cost			
At 1 January 2022	80	23	103
Additions	47	-	47
At 31 December 2022	127	23	150
Accumulated depreciation			
At 1 January 2022	22	23	45
Depreciation charge for the financial year (Note 25)	23	-	23
At 31 December 2022	45	23	68
Net Book Value			
At 31 December 2022	82	-	82

ETIQA GENERAL TAKAFUL BERHAD
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(Incorporated in Malaysia)

4. INTANGIBLE ASSETS

Company

31.12.2023	Software development costs RM'000	Computer software and licences RM'000	Total RM'000
Cost			
At 1 January 2023	1,666	3,291	4,957
Additions	-	150	150
Retirement	-	(2)	(2)
At 31 December 2023	1,666	3,439	5,105
Accumulated amortisation			
At 1 January 2023	144	3,010	3,154
Amortisation charge for the financial year (Note 25)	167	145	312
Retirement	-	(2)	(2)
At 31 December 2023	311	3,153	3,464
Net Book Value			
At 31 December 2023	1,355	286	1,641

31.12.2022	Software development costs RM'000	Computer software and licences RM'000	Total RM'000
Cost			
At 1 January 2022	1,248	3,290	4,538
Additions	418	1	419
At 31 December 2022	1,666	3,291	4,957
Accumulated amortisation			
At 1 January 2022	9	2,770	2,779
Amortisation charge for the financial year (Note 25)	135	240	375
At 31 December 2022	144	3,010	3,154
Net Book Value			
At 31 December 2022	1,522	281	1,803

5. INVESTMENTS

	General Takaful fund RM'000	Company RM'000
31.12 2023		
Malaysian government papers	92,638	185,451
Debt securities	1,980,256	3,232,337
Equity securities	101,563	212,279
Deposits with financial institutions	546,079	1,173,166
	2,720,536	4,803,233
31.12.2022		
Malaysian government papers	168,963	277,861
Debt securities	1,717,728	2,694,767
Equity securities	85,546	167,095
Property trust funds	1,205	1,876
Deposits with financial institutions	613,507	1,224,153
	2,586,949	4,365,752

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

	General Takaful fund RM'000	Company RM'000
31.12.2023		
Fair value through profit or loss ("FVTPL") (Note i)		
- Designated upon initial recognition	13,533	13,533
- Held for trading ("HFT")	65,874	134,258
	79,407	147,791
Fair value through other comprehensive income ("FVOCI") (Note ii)	2,095,050	3,482,276
Amortised cost ("AC") (Note iii)	546,079	1,173,166
	2,720,536	4,803,233
31.12.2022		
Fair value through profit or loss ("FVTPL") (Note i)		
- Designated upon initial recognition	18,631	18,631
- Held for trading ("HFT")	74,994	143,631
	93,625	162,262
Fair value through other comprehensive income ("FVOCI") (Note ii)	1,879,817	2,979,337
Amortised cost ("AC") (Note iii)	613,507	1,224,153
	2,586,949	4,365,752

5. INVESTMENTS (CONTD.)

The following investments will mature after 12 months:

	General Takaful fund RM'000	Company RM'000
31.12.2023		
FVTPL		
- Designated upon initial recognition	13,533	13,533
FVOCI	2,024,238	3,287,115
	2,037,771	3,300,648
31.12.2022		
FVTPL		
- Designated upon initial recognition	18,631	18,631
FVOCI	1,814,024	2,894,937
	1,832,655	2,913,568

(i) FVTPL

	General Takaful fund RM'000	Company RM'000
(a) Designated upon initial recognition		
31.12.2023		
At fair value:		
Debt securities:		
Unquoted in Malaysia	13,533	13,533
Total financial assets designated as FVTPL upon initial recognition	13,533	13,533
31.12.2022		
At fair value:		
Debt securities:		
Unquoted in Malaysia	18,631	18,631
Total financial assets designated as FVTPL upon initial recognition	18,631	18,631

5. INVESTMENTS (CONTD.)

(i) FVTPL (CONTD.)

(b) HFT

	General Takaful fund RM'000	Company RM'000
31.12.2023		
At fair value:		
Equity securities:		
Quoted in Malaysia	64,648	132,324
Quoted outside Malaysia	1,226	1,934
Total HFT financial assets	65,874	134,258
31.12.2022		
At fair value:		
Equity securities:		
Quoted in Malaysia	72,584	139,929
Quoted outside Malaysia	1,205	1,826
Property trust funds:		
Quoted in Malaysia	1,205	1,876
Total HFT financial assets	74,994	143,631

(ii) FVOCI

	General Takaful fund RM'000	Company RM'000
31.12.2023		
At fair value:		
Malaysian government papers	92,638	185,451
Debt securities:		
Unquoted in Malaysia	1,966,723	3,218,804
Equity securities*:		
Quoted in Malaysia	35,689	78,021
Total FVOCI financial assets	2,095,050	3,482,276
31.12.2022		
At fair value:		
Malaysian government papers	168,963	277,861
Debt securities:		
Unquoted in Malaysia	1,699,097	2,676,136
Equity securities*:		
Quoted in Malaysia	11,757	25,340
Total FVOCI financial assets	1,879,817	2,979,337

*During the year, the Company disposed equity securities classified as FVOCI as they were no longer aligned with the Company's long term investment strategy as high dividend yield stocks. The cumulative loss on disposal amounted to RM1,522,000 (2022: RM1,524,000).

5. INVESTMENTS (CONTD.)

(iii) AC

	General Takaful fund RM'000	Company RM'000
31.12.2023		
Islamic investment accounts with:		
Licensed financial institutions	391,018	917,892
Other licensed financial institutions	155,061	255,274
Total AC financial assets	546,079	1,173,166
31.12.2022		
Islamic investment accounts with:		
Licensed financial institutions	401,221	916,260
Other licensed financial institutions	212,286	307,893
Total AC financial assets	613,507	1,224,153

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

Fair Value of Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 38 (a) to the financial statements.

6. FINANCING RECEIVABLES

Company

	31.12.2023 RM'000	31.12.2022 RM'000
Staff financing	648	423
Receivable after 12 months	485	320

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

The profit rate during the financial year was 0.69% (2022: 0.65%).

7. RETAKAFUL CERTIFICATE ASSETS/LIABILITIES

a. Composition of retakaful certificates

The breakdown of groups of retakaful certificates held, that are in asset and liability positions are set out in the table below:

	31.12.2023			31.12.2022 (Restated)		
	Assets RM'000	Liabilities RM'000	Net RM'000	Assets RM'000	Liabilities RM'000	Net RM'000
Retakaful certificates held						
General Takaful fund/Company						
Motor	(39,682)	61	(39,621)	(33,035)	60	(32,975)
Fire	(88,894)	14,887	(74,007)	(75,944)	-	(75,944)
Marine, Aviation, Cargo and Transit	(3,522)	19,804	16,282	(9,130)	1,866	(7,264)
Miscellaneous	(202,509)	10,164	(192,345)	(167,938)	5,111	(162,827)
Total retakaful certificates held	**(334,607)**	**44,916**	**(289,691)**	**(286,047)**	**7,037**	**(279,010)**

7. RETAKAFUL CERTIFICATE ASSETS/LIABILITIES (CONTD.)

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

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

31.12.2023

	Note	ARC RM'000	AIC for certificates under PAA: Present value of future cash flows RM'000	AIC for certificates under PAA: Risk adjustment for non-financial risks RM'000	Total RM'000
General Takaful fund/Company					
Retakaful certificate assets as at 1 January		49,216	225,593	11,238	286,047
Retakaful certificate liabilities as at 1 January		(8,398)	1,226	135	(7,037)
Net balance as at 1 January		**40,818**	**226,819**	**11,373**	**279,010**
Allocation of retakaful contributions					
Amounts relating to the changes in the assets for remaining coverage		(318,196)	-	-	(318,196)
Amounts recoverable from retakaful operators					
Amounts recoverable for incurred claims and other expenses		-	282,476	-	282,476
Changes to amounts recoverable for incurred claims		-	27,927	(1,050)	26,877
Net (expenses)/income from retakaful certificates held	16	**(318,196)**	**310,403**	**(1,050)**	**(8,843)**
Finance income from retakaful certificates held	23	**-**	**8,537**	**306**	**8,843**
Total amount recognised in profit or loss		**(318,196)**	**318,940**	**(744)**	**-**
Cash flows					
Contributions paid, net of ceding commission	(i)	341,183	-	-	341,183
Recoveries from retakaful		-	(82,798)	-	(82,798)
Total cash flows		**341,183**	**(82,798)**	**-**	**258,385**
Other movements	(ii)	-	(247,704)	-	(247,704)
Net balance as at end of the year		**63,805**	**215,257**	**10,629**	**289,691**
Retakaful certificate assets as at 31 December		85,806	239,612	9,189	334,607
Retakaful certificate liabilities as at 31 December		(22,001)	(24,355)	1,440	(44,916)
Net balance as at 31 December		**63,805**	**215,257**	**10,629**	**289,691**

7. RETAKAFUL CERTIFICATE ASSETS/LIABILITIES (CONTD.)

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

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

31.12.2022 (Restated)

	Note	ARC RM'000	AIC for certificates under PAA: Present value of future cash flows RM'000	AIC for certificates under PAA: Risk adjustment for non-financial risks RM'000	Total RM'000
General Takaful fund/Company					
Retakaful certificate assets as at 1 January		3,944	762,857	35,777	802,578
Retakaful certificate liabilities as at 1 January		(1,264)	(2,373)	(4)	(3,641)
Net balance as at 1 January		**2,680**	**760,484**	**35,773**	**798,937**
Allocation of retakaful contributions					
Amounts relating to the changes in the asset for remaining coverage		(240,194)	-	-	(240,194)
Amounts recoverable from retakaful operators					
Amounts recoverable for incurred claims and other expenses		-	809,055	-	809,055
Changes to amounts recoverable for incurred claims		-	(549,703)	(24,632)	(574,335)
Net (expenses)/income from retakaful certificates held	16	**(240,194)**	**259,352**	**(24,632)**	**(5,474)**
Finance income from retakaful certificates held	23	-	5,242	232	5,474
Total amount recognised in profit or loss		**(240,194)**	**264,594**	**(24,400)**	**-**
Cash flows					
Contributions paid, net of ceding commission	(i)	278,332	-	-	278,332
Recoveries from retakaful		-	(104,122)	-	(104,122)
Total cash flows		**278,332**	**(104,122)**	**-**	**174,210**
Other movements	(ii)	-	(694,137)	-	(694,137)
Net balance as at end of the year		**40,818**	**226,819**	**11,373**	**279,010**
Retakaful certificate assets as at 31 December		49,216	225,593	11,238	286,047
Retakaful certificate liabilities as at 31 December		(8,398)	1,226	135	(7,037)
Net balance as at 31 December		**40,818**	**226,819**	**11,373**	**279,010**

7. RETAKAFUL CERTIFICATE ASSETS/LIABILITIES (CONTD.)

Notes:

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

(ii) Other movements include movement of unallocated surplus.

8. TAKAFUL CERTIFICATE ASSETS/LIABILITIES

a. Composition of takaful certificates

The breakdown of groups of takaful certificates issued, that are in asset and liability positions are set out in the table below:

	31.12.2023			31.12.2022 (Restated)		
	Assets RM'000	**Liabilities RM'000**	**Net RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Net RM'000**
Takaful certificates issued						
General Takaful fund						
Motor	-	2,483,454	2,483,454	-	2,367,066	2,367,066
Fire	(90,320)	261,150	170,830	(38,073)	217,168	179,095
Marine, Aviation, Cargo and Transit	(13,975)	2,673	(11,302)	(7,704)	6,837	(867)
Miscellaneous	(78,023)	406,623	328,600	(82,595)	287,507	204,912
Total takaful certificates issued	**(182,318)**	**3,153,900**	**2,971,582**	**(128,372)**	**2,878,578**	**2,750,206**
Company						
Motor	-	2,618,722	2,618,722	(320)	2,472,418	2,472,098
Fire	(80,092)	275,478	195,386	(35,181)	232,906	197,725
Marine, Aviation, Cargo and Transit	(15,612)	2,086	(13,526)	(8,083)	6,416	(1,667)
Miscellaneous	(72,711)	415,998	343,287	(85,793)	289,835	204,042
Total takaful certificates issued	**(168,415)**	**3,312,284**	**3,143,869**	**(129,377)**	**3,001,575**	**2,872,198**

8. TAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTD.)

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

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

31.12.2023

	Note	LRC	LIC		Assets for takaful acquisition cashflows	
		Excluding loss component RM'000	Present value of future cash flow RM'000	Risk adj. for non-financial risks RM'000	RM'000	Total RM'000
General Takaful Fund						
Takaful certificate liabilities as at 1 January		1,216,993	1,556,316	105,269	-	2,878,578
Takaful certificate assets as at 1 January		(365,325)	225,809	11,144	-	(128,372)
Net takaful certificate liabilities as at 1 January		**851,668**	**1,782,125**	**116,413**	**-**	**2,750,206**
Takaful revenue	14	(2,192,820)	-	-	-	(2,192,820)
Takaful service expenses	15	577,621	1,549,925	16,786	-	2,144,332
Incurred claims and other takaful service expenses		-	1,402,182	-	-	1,402,182
Amortisation of takaful acquisition cash flows	(i)	577,621	-	-	-	577,621
Changes to liabilities for incurred claims		-	147,743	16,786	-	164,529
Takaful service result		**(1,615,199)**	**1,549,925**	**16,786**	**-**	**(48,488)**
Finance expenses from takaful certificates issued	23	-	165,844	3,909	-	169,753
Total amount recognised in profit or loss		**(1,615,199)**	**1,715,769**	**20,695**	**-**	**121,265**
Cash flows						
Contributions received	(ii)	2,234,094	-	-	-	2,234,094
Claims and other takaful service expenses paid		-	(1,371,323)	-	-	(1,371,323)
Takaful acquisition cash flows	(iii)	(576,669)	-	-	-	(576,669)
Total cash flows		**1,657,425**	**(1,371,323)**	**-**	**-**	**286,102**
Other movements	(iv)	-	(185,991)	-	-	(185,991)
Net balance as at end of the year		**893,894**	**1,940,580**	**137,108**	**-**	**2,971,582**
Takaful certificate liabilities as at 31 December		1,267,969	1,760,068	125,863	-	3,153,900
Takaful certificate assets as at 31 December		(374,075)	180,512	11,245	-	(182,318)
Net takaful certificate liabilities as at 31 December		**893,894**	**1,940,580**	**137,108**	**-**	**2,971,582**

8. TAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTD.)

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

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

31.12.2023

	Note	LRC Excluding loss component RM'000	LIC Present value of future cash flow RM'000	LIC Risk adj. for non-financial risks RM'000	Assets for takaful acquisition cashflows RM'000	Total RM'000
Company						
Takaful certificate liabilities as at 1 January		1,324,555	1,571,252	105,768	-	3,001,575
Takaful certificate assets as at 1 January		(367,787)	227,537	11,193	(320)	(129,377)
Net takaful certificate liabilities/(assets) as at 1 January		**956,768**	**1,798,789**	**116,961**	**(320)**	**2,872,198**
Takaful revenue	14	(2,192,820)	-	-	-	(2,192,820)
Takaful service expenses	15	325,491	1,597,546	17,909	-	1,940,946
Incurred claims and other takaful service expenses		-	1,450,041	-	-	1,450,041
Amortisation of takaful acquisition cash flows	(i)	325,491	-	-	-	325,491
Changes to liabilities for incurred claims		-	147,505	17,909	-	165,414
Takaful service result		**(1,867,329)**	**1,597,546**	**17,909**	**-**	**(251,874)**
Finance expenses from takaful certificates issued	23	-	166,402	3,959	-	170,361
Total amount recognised in profit or loss		**(1,867,329)**	**1,763,948**	**21,868**	**-**	**(81,513)**
Cash flows						
Contributions received	(ii)	2,234,093	-	-	-	2,234,093
Claims and other takaful service expenses paid		-	(1,381,218)	-	-	(1,381,218)
Takaful acquisition cash flows	(iii)	(314,021)	-	-	-	(314,021)
Total cash flows		**1,920,072**	**(1,381,218)**	**-**	**-**	**538,854**
Allocation from assets for takaful acquisition cash flows to group of takaful certificates		-	-	-	320	320
Other movements	(iv)	37,963	(223,954)	-	-	(185,991)
Net balance as at end of the year		**1,047,474**	**1,957,565**	**138,829**	**-**	**3,143,868**
Takaful certificate liabilities as at 31 December		1,408,674	1,776,120	127,489	-	3,312,283
Takaful certificate assets as at 31 December		(361,200)	181,445	11,340	-	(168,415)
Net takaful certificate liabilities as at 31 December		**1,047,474**	**1,957,565**	**138,829**	**-**	**3,143,868**

8. TAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTD.)

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

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

31.12.2022 (Restated)

		LRC	LIC			
	Note	Excluding loss component RM'000	Present value of future cash flow RM'000	Risk adj. for non-financial risks RM'000	Assets for takaful acquisition cashflows RM'000	Total RM'000
General Takaful Fund						
Takaful certificate liabilities as at 1 January		732,700	2,305,147	110,431	-	3,148,278
Net takaful certificate liabilities as at 1 January		**732,700**	**2,305,147**	**110,431**	**-**	**3,148,278**
Takaful revenue	14	(1,945,115)	-	-	-	(1,945,115)
Takaful service expenses	15	509,448	1,411,885	4,646	-	1,925,979
Incurred claims and other takaful service expenses		-	1,781,215	-	-	1,781,215
Amortisation of takaful acquisition cash flows	(i)	509,448	-	-	-	509,448
Changes to liabilities for incurred claims		-	(369,330)	4,646	-	(364,684)
Takaful service result		**(1,435,667)**	**1,411,885**	**4,646**	**-**	**(19,136)**
Finance expenses from takaful certificates issued	23	-	108,371	1,336	-	109,707
Total amount recognised in profit or loss		**(1,435,667)**	**1,520,256**	**5,982**	**-**	**90,571**
Cash flows						
Contributions received	(ii)	2,094,039	-	-	-	2,094,039
Claims and other takaful service expenses paid		-	(1,290,585)	-	-	(1,290,585)
Takaful acquisition cash flows	(iii)	(539,404)	-	-	-	(539,404)
Total cash flows		**1,554,635**	**(1,290,585)**	**-**	**-**	**264,050**
Other movements	(iv)	-	(752,693)	-	-	(752,693)
Net balance as at end of the year		**851,668**	**1,782,125**	**116,413**	**-**	**2,750,206**
Takaful certificate liabilities as at 31 December		1,216,993	1,556,316	105,269	-	2,878,578
Takaful certificate assets as at 31 December		(365,325)	225,809	11,144	-	(128,372)
Net takaful certificate liabilities as at 31 December		**851,668**	**1,782,125**	**116,413**	**-**	**2,750,206**

8. TAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTD.)

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

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

31.12.2022 (Restated)

		LRC	**LIC**			
	Note	**Excluding loss component RM'000**	**Present value of future cash flow RM'000**	**Risk adj. for non-financial risks RM'000**	**Assets for takaful acquisition cashflows RM'000**	**Total RM'000**
Company						
Takaful certificate liabilities as at 1 January		728,758	2,318,969	110,809	-	3,158,536
Net takaful certificate liabilities as at 1 January		**728,758**	**2,318,969**	**110,809**	**-**	**3,158,536**
Takaful revenue	14	(1,945,115)	-	-	-	(1,945,115)
						-
Takaful service expenses	15	274,497	1,414,752	4,799	-	1,694,048
Incurred claims and other takaful service expenses		-	1,781,441	-	-	1,781,441
Amortisation of takaful acquisition cash flows	(i)	274,497	-	-	-	274,497
Changes to liabilities for incurred claims		-	(366,689)	4,799	-	(361,890)
Takaful service result		**(1,670,618)**	**1,414,752**	**4,799**	**-**	**(251,067)**
Finance expenses from takaful certificate issued	23	-	108,571	1,353	-	109,924
Total amount recognised in profit or loss		**(1,670,618)**	**1,523,323**	**6,152**	**-**	**(141,143)**
Cash flows						
Contributions received	(ii)	2,094,039	-	-	-	2,094,039
Claims and other takaful service expenses paid		-	(1,196,558)	-	-	(1,196,558)
Takaful acquisition cash flows	(iii)	(289,663)		-	-	(289,663)
Total cash flows		**1,804,376**	**(1,196,558)**	**-**	**-**	**607,818**
Allocation from assets for takaful acquisition cash flows to group of takaful certificates		-	-	-	(320)	(320)
Other movements	(iv)	94,252	(846,945)	-	-	(752,693)
Net balance as at end of the year		**956,768**	**1,798,789**	**116,961**	**(320)**	**2,872,198**
Takaful certificate liabilities as at 31 December		1,324,555	1,571,252	105,768		3,001,575
Takaful certificate assets as at 31 December		(367,787)	227,537	11,193	(320)	(129,377)
Net takaful certificate liabilities/(assets) as at 31 December		**956,768**	**1,798,789**	**116,961**	**(320)**	**2,872,198**

8. TAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTD.)

Notes:

(i) Takaful acquisition cash flows were allocated on a straight-line basis over the coverage period of the respective groups of certificate in accordance with the policy detailed in Note 2.2(viii)(i).

(ii) Any refunds of contributions have been included in this line.

(iii) Takaful acquisition cash flows paid after the related groups of certificates is initially recognised are adjusted to the liabililty for remaining coverage. Takaful acquisition cash flows paid before the related group is recognised are included in assets for acquisition cash flows until the groups of certificates are recognised.

(iv) Other movements include of movement of unallocated surplus and interfund elimination.

9. OTHER ASSETS

	General Takaful fund RM'000	Company RM'000
31.12.2023		
Sundry receivables, deposits and prepayments	263	1,088
Allowance for impairment losses (Note 35 (i))	-	(362)
	263	726
Survey fees	2,407	2,407
Income and profit due and accrued	33,602	57,091
Amount due from stockbrokers	140	189
	36,412	60,413
31.12.2022 (Restated)		
Sundry receivables, deposits and prepayments	160	1,078
Allowance for impairment losses (Note 35 (i))	-	(363)
	160	715
Survey fee	2,405	2,405
Income and profit due and accrued	24,465	38,370
Amount due from stockbrokers	66	21,422
	27,096	62,912

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.

10. SHARE CAPITAL

	No. of shares Units '000	Amount RM'000
Company		
31.12.2023		
Issued and fully paid:		
Ordinary shares		
At 1 January/At 31 December	931,350	970,001
31.12.2022		
Issued and fully paid:		
Ordinary shares		
At 1 January	870,000	870,000
Issued during the financial year	61,350	100,001
At 31 December	931,350	970,001

11. RESERVES

	Note	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Company			
Non-distributable:			
FVOCI reserve	(i)	2,312	(93,362)
Takaful finance reserve		697	62,410
Distributable:			
Retained profits	(ii)	909,577	712,788
		912,586	681,836

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

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

12. DEFERRED TAXATION

	General Takaful fund RM'000	Company RM'000
31.12.2023		
At 1 January, as previously stated	22,650	80,303
Effect of adopting MFRS 17	-	8,152
At 1 January, as restated	22,650	88,455
Recognised in:		
Income statement (Note 28)	-	4,068
Tax borne by participants' fund (Note 28)	(1,816)	(1,816)
Other comprehensive income/ participants' fund	(19,488)	(30,215)
At 31 December	1,346	60,492

	General Takaful fund RM'000	Company RM'000
31.12.2022 (Restated)		
At 1 January, as previously stated	4,754	56,833
Effect of adopting MFRS 17	-	774
At 1 January, as restated	4,754	57,607
Recognised in:		
Income statement (Note 28)	-	1,383
Tax borne by participants' fund (Note 28)	458	458
Other comprehensive income/ participants' fund	17,438	29,007
At 31 December	22,650	88,455

12. DEFERRED TAXATION (CONTD.)

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

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
General Takaful fund		
Deferred tax assets	3,342	22,681
Deferred tax liabilities	(1,996)	(31)
	1,346	22,650

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

(i) Deferred tax assets

	Net amortisation of premiums on investments RM'000	Fair value adjustment RM'000	Impairment of takaful certificate liabilities RM'000	FVOCI reserve RM'000	Impairment of investments RM'000	Unrealised currency exchange RM'000	Total RM'000
31.12.2023							
At 1 January	1,627	1,380	385	19,090	194	5	22,681
Recognised in:							
Tax borne by participants' fund	928	(1,380)	132	-	76	(5)	(249)
Other comprehensive income/ participants' fund	-	-	-	(19,090)	-	-	(19,090)
At 31 December	2,555	-	517	-	270	-	3,342
31.12.2022							
At 1 January	937	977	1,059	1,652	171	-	4,796
Recognised in:							
Tax borne by participants' fund	690	403	(674)	-	23	5	447
Other comprehensive income/ participants' fund	-	-	-	17,438	-	-	17,438
At 31 December	1,627	1,380	385	19,090	194	5	22,681

12. DEFERRED TAXATION (CONTD.)

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

(ii) Deferred tax liabilities

	Fair value adjustment RM'000	FVOCI reserve RM'000	Unrealised currency exchange RM'000	Takaful certificate liabilities RM'000	Total RM'000
31.12.2023					
At 1 January	-	-	-	(31)	(31)
Recognised in:					
Tax borne by participants' fund	(1,545)	-	(1)	(21)	(1,567)
Other comprehensive income/participants' fund	-	(398)	-	-	(398)
At 31 December	(1,545)	(398)	(1)	(52)	(1,996)
31.12.2022					
At 1 January	-	-	(13)	(29)	(42)
Recognised in:					
Tax borne by participants' fund	-	-	13	(2)	11
At 31 December	-	-	-	(31)	(31)

12. DEFERRED TAXATION (CONTD.)

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

	31.12.2023 RM'000	31.12.2022 (Restated) RM'000
Company		
Deferred tax assets	65,062	88,486
Deferred tax liabilities	(4,570)	(31)
	60,492	88,455

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

(i) Deferred tax assets

	Fair value adjustment RM'000	Impairment of investments RM'000	Net amortisation of premiums on investments RM'000	Impairment of takaful certificate liabilities RM'000	Impairment of other receivables RM'000	FVOCI reserve RM'000	Provision for bonus RM'000	Takaful certificate liabilities RM'000	Unrealised currency exchange RM'000	Total RM'000
31.12.2023										
At 1 January, as restated	2,307	271	2,592	385	88	28,866	2,652	-	8	37,169
Effect of adopting MFRS 17	-	-	-	-	-	-	-	51,317	-	51,317
At 1 January, as restated	2,307	271	2,592	385	88	28,866	2,652	51,317	8	88,486
Recognised in:										
Income statement	(927)	50	466	-	-	-	2,309	3,796	(3)	5,691
Tax borne by participants' fund	(1,380)	76	928	132	-	-	-	-	(5)	(249)
Other comprehensive income/ participants' fund	-	-	-	-	-	(28,866)	-	-	-	(28,866)
At 31 December	-	397	3,986	517	88	-	4,961	55,113	-	65,062
31.12.2022										
At 1 January, as restated	1,741	241	1,690	1,059	127	1,652	6,389	-	-	12,899
Effect of adopting MFRS 17	-	-	-	-	-	-	-	45,760	-	45,760
At 1 January, as restated	1,741	241	1,690	1,059	127	1,652	6,389	45,760	-	58,659
Recognised in:										
Income statement	163	7	212	-	(39)	(790)	(3,737)	5,557	3	1,376
Tax borne by participants' fund	403	23	690	(674)	-	-	-	-	5	447
Other comprehensive income/ participants' fund	-	-	-	-	-	28,004	-	-	-	28,004
At 31 December, as restated	2,307	271	2,592	385	88	28,866	2,652	51,317	8	88,486

12. DEFERRED TAXATION (CONTD.)

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

(ii) Deferred tax liabilities

	FVOCI reserve RM'000	Takaful certificate liabilities RM'000	Fair value adjustment RM'000	Unrealised currency exchange RM'000	Accelerated capital allowance RM'000	Total RM'000
31.12.2023						
At 1 January	-	(31)	-	-	-	(31)
Recognised in:						
Income statement	1	-	(1,612)	(1)	(11)	(1,623)
Tax borne by participants' fund	-	(21)	(1,545)	(1)	-	(1,567)
Other comprehensive income/participants' fund	(1,349)	-	-	-	-	(1,349)
At 31 December	(1,348)	(52)	(3,157)	(2)	(11)	(4,570)
31.12.2022						
At 1 January	(1,003)	(29)	-	(20)	-	(1,052)
Recognised in:						
Income statement	-	-	-	7	-	7
Tax borne by participants' fund	-	(2)	-	13	-	11
Other comprehensive income/participants' fund	1,003	-	-	-	-	1,003
At 31 December	-	(31)	-	-	-	(31)

13. OTHER LIABILITIES

	General Takaful fund RM'000	Company RM'000
31.12.2023		
Amount due to Shareholder's fund*	9,625	-
Due to stockbroker	119	258
Unclaimed monies	51,538	51,539
Service tax payable	40,560	40,560
Stamp duty payable	2,699	2,699
Withholding tax payable	21,017	21,017
Amount due to related companies (Note 32 (b))*:		
- Ultimate holding company	-	7,758
- Penultimate holding company	-	584
- Immediate holding company	-	2,197
- Other related companies	51	3,902
Zakat payable	-	20,056
Provisions for expenses	-	20,569
Sundry payables and accrued liabilities	717	53,767
	126,326	224,906
31.12.2022 (Restated)		
Amount due to Shareholder's fund*	9,856	-
Unclaimed monies	107,014	107,014
Service tax payable	33,515	33,515
Stamp duty payable	3,297	3,297
Withholding tax payable	19,358	19,358
Amount due to related companies (Note 32 (b))*:		
- Ultimate holding company	-	7,456
- Penultimate holding company	-	8
- Immediate holding company	-	1,005
- Other related companies	47	4,644
Zakat payable	-	20,707
Provisions for expenses	-	10,927
Sundry payables and accrued liabilities	856	45,240
	173,943	253,171

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

14. TAKAFUL REVENUE

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

	Note	2023 General Takaful fund RM'000	2023 Company RM'000	2022 (Restated) General Takaful fund RM'000	2022 (Restated) Company RM'000
Takaful revenue from certificates measured under the PAA					
Release of contributions for current financial year		2,192,820	2,192,820	1,945,115	1,945,115
Total takaful revenue	8(b)	2,192,820	2,192,820	1,945,115	1,945,115

15. TAKAFUL SERVICE EXPENSES

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

	Note	2023 General Takaful fund RM'000	2023 Company RM'000	2022 (Restated) General Takaful fund RM'000	2022 (Restated) Company RM'000
Takaful service expenses					
Incurred claims and other directly attributable expenses		(1,139,300)	(1,306,480)	(961,375)	(1,104,639)
Incurred wakalah fees	a	(124,086)	-	(118,240)	-
Incurred surplus to Shareholder's fund	b	-	-	(32,442)	-
Incurred surplus to participants	b	-	-	(32,442)	(32,442)
Unallocated surplus		(138,796)	(143,561)	(636,716)	(644,360)
Changes to liabilities for incurred claims		(164,529)	(165,414)	364,684	361,890
Takaful acquisition cash flow amortisation	a,c	(577,621)	(325,491)	(509,448)	(274,497)
Total takaful service expenses	8(b)	(2,144,332)	(1,940,946)	(1,925,979)	(1,694,048)

Notes:

a. The wakalah fees paid to the Shareholder's fund during the financial year is RM703,088,000 (2022: RM659,740,000).

b. The surplus paid to the Shareholder's fund and certificate holder during the financial year were nil (2022: RM32,442,000) and nil (2022: RM32,442,000) respectively.

c. Takaful acquisition cash flows were allocated on a straight-line basis during the coverage period of the respective group of certificates. Please see extracts from accounting policy for details on Note 2.2(viii)(i).

15. TAKAFUL SERVICE EXPENSES (CONTD.)

d. The breakdown of expenses incurred by the Shareholder's fund are as follows:-

	2023 RM'000	2022 (Restated) RM'000
Commission expenses	218,607	186,824
Employee benefits expenses	130,148	116,562
Depreciation expenses	33	23
Amortisation expenses	312	375
Advertising and promotion expenses	24,658	36,677
Other expenses	114,544	97,801
	488,302	438,262
Represented by:		
Takaful service expenses:	479,703	432,880
Maintenance expenses	167,177	143,264
Acquisition expenses	312,526	289,616
Other expenses	8,599	5,382
	488,302	438,262

16. NET EXPENSES FROM RETAKAFUL CERTIFICATES HELD

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

	Note	2023 General Takaful fund RM'000	2023 Company RM'000	2022 (Restated) General Takaful fund RM'000	2022 (Restated) Company RM'000
Changes in the assets for remaining coverage					
Net cost recognised in profit or loss		(318,196)	(318,196)	(240,194)	(240,194)
Allocation of retakaful contributions		(318,196)	(318,196)	(240,194)	(240,194)
Amounts recoverable for incurred claims and other expenses					
Amounts recoverable for incurred claims		34,772	34,772	114,918	114,918
Incurred unallocated surplus		247,704	247,704	694,137	694,137
Changes to amounts recoverable from incurred claims		26,877	26,877	(574,335)	(574,335)
Amounts recoverable from retakaful operators		309,353	309,353	234,720	234,720
Total net expenses from retakaful certificates held	7(b)	(8,843)	(8,843)	(5,474)	(5,474)

17. PROFIT INCOME FROM FINANCIAL ASSETS NOT MEASURED AT FVTPL

	General Takaful fund RM'000	Company RM'000
2023		
(i) Financial assets at FVOCI:		
- Malaysian government papers	4,107	8,092
- Debt securities	80,312	129,156
(ii) Financial assets at AC:		
- Deposits with financial institutions	27,747	54,635
- Financing receivables - Staff loans	-	4
- Other profit income	155	178
Total profit revenue from financial assets not measured at FVTPL	**112,321**	**192,065**
2022		
(i) Financial assets at FVOCI:		
- Malaysian government papers	8,857	14,244
- Debt securities	83,907	133,175
(ii) Financial assets at AC:		
- Deposits with financial institutions	9,420	19,026
- Financing receivables - Staff loans	-	3
- Other profit income	167	203
Total profit revenue from financial assets not measured at FVTPL	**102,351**	**166,651**

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

	General Takaful fund RM'000	Company RM'000
2023		
Realised losses on disposal of investments	(6,850)	(12,830)
Fair value gains on:		
- Equity securities	11,864	22,326
- Debt securities	247	247
- Property trust funds	82	201
Total net fair value gains on financial assets measured at FVTPL	**5,343**	**9,944**
2022		
Realised losses on disposal of investments	(10,855)	(19,208)
Fair value (losses)/gains on:		
- Equity securities	(2,015)	(3,425)
- Debt securities	(529)	(524)
- Property trust funds	51	139
Total net fair value losses on financial assets measured at FVTPL	**(13,348)**	**(23,018)**

19. NET FAIR VALUE GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FVOCI

	General Takaful fund RM'000	Company RM'000
2023		
Financial Assets at FVOCI		
- Debt securities	1,069	1,831
- Malaysian government papers	420	888
Total net fair value gains on derecognition of financial assets measured at FVOCI	**1,489**	**2,719**
2022		
Financial Assets at FVOCI		
- Debt securities	798	3,113
- Malaysian government papers	476	557
Total net fair value gains on derecognition of financial assets measured at FVOCI	**1,274**	**3,670**

20. OTHER INVESTMENT INCOME/(EXPENSES)

	General Takaful fund RM'000	Company RM'000
2023		
Dividend/distribution income:		
- Equity securities	5,029	10,482
- Property trust funds	44	74
Profit income at FVTPL:		
- Debt securities	867	867
Net amortisation of premiums	(4,422)	(6,433)
Investment related expenses	(844)	(1,440)
Total other investment income	**674**	**3,550**
2022		
Dividend/distribution income:		
- Equity securities	3,031	5,718
- Property trust funds	83	137
Profit income at FVTPL:		
- Debt securities	1,038	1,038
Net amortisation of premiums	(3,870)	(5,368)
Investment related expenses	(769)	(1,199)
Total other investment (expenses)/income	**(487)**	**326**

21. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	General Takaful fund RM'000	Company RM'000
2023		
(Impairment losses)/reversal of impairment losses on:		
- Investments	(317)	(526)
- Financing receivables	-	1
Total net impairment losses on financial assets	**(317)**	**(525)**
2022		
(Impairment losses)/reversal of impairment losses on:		
- Investments	(239)	(327)
- Financing receivables	-	4
Total net impairment losses on financial assets	**(239)**	**(323)**

22. NET FOREIGN EXCHANGE INCOME

	General Takaful fund RM'000	Company RM'000
2023		
Net realised losses	(10)	(15)
Net unrealised gains	13	21
Total net foreign exchange income	**3**	**6**
2022		
Net realised gains	202	326
Net unrealised losses	(62)	(96)
Total net foreign exchange income	**140**	**230**

23. FINANCE EXPENSES FROM TAKAFUL CERTIFICATES ISSUED AND RETAKAFUL CERTIFICATES HELD

The breakdown of net takaful and retakaful finance expenses are as follows:

	2023 RM'000	2022 (Restated) RM'000
General Takaful fund		
(a) Finance (expenses)/income from takaful certificates issued		
Profit accreted to takaful certificates using current financial assumptions	(51,200)	(40,953)
Due to changes in profit rates and other financial assumptions	960	20,937
Changes in the value of General Takaful fund	(119,513)	(89,691)
Net finance expenses from takaful certificates issued (Note 8(b))	(169,753)	(109,707)
(b) Finance income/(expenses) from retakaful certificates held		
Profit accreted to retakaful certificates using current financial assumptions	8,902	11,216
Due to changes in profit rates and other financial assumptions	(155)	(5,774)
Changes in non-performance risk of retakaful operators	96	32
Net finance income from retakaful certificates held (Note 7(b))	8,843	5,474
Amount recognised in profit or loss	(160,910)	(104,233)
Company		
(a) Finance (expenses)/income from takaful certificates issued		
Profit accreted to takaful certificates using current financial assumptions	(51,820)	(41,394)
Due to changes in profit rates and other financial assumptions	972	21,161
Changes in the value of General Takaful fund	(119,513)	(89,691)
Net finance expenses from takaful certificates issued (Note 8(b))	(170,361)	(109,924)
(b) Finance income/(expenses) from retakaful certificates held		
Profit accreted to retakaful certificates using current financial assumptions	8,902	11,216
Due to changes in profit rates and other financial assumptions	(155)	(5,774)
Changes in non-performance risk of retakaful operators	96	32
Net finance income from retakaful certificates held (Note 7(b))	8,843	5,474
Amount recognised in profit or loss	(161,518)	(104,450)

24. OTHER INCOME

	General Takaful fund RM'000	Company RM'000
2023		
Other revenue		
Sundry income	3,568	4,886
	3,568	4,886
2022 (Restated)		
Other revenue		
Sundry income	422	1,396
	422	1,396

25. OTHER EXPENSES

An analysis of the expenses incurred by the Company during the financial year is shown in the table below:

	2023				2022 (Restated)			
	Expenses attributed to takaful acquisition cash flows RM'000	**Other directly attributable expenses RM'000**	**Other expenses RM'000**	**Total RM'000**	**Expenses attributed to takaful acquisition cash flows RM'000**	**Other directly attributable expenses RM'000**	**Other expenses RM'000**	**Total RM'000**
Commission	218,607	-	-	218,607	186,824	-	-	186,824
Employee benefits expense (a)	48,759	78,169	3,220	130,148	45,361	68,906	2,295	116,562
Directors' remuneration (Note 26)	-	-	788	788	-	-	770	770
Shariah Committee's remuneration (Note 27)	-	-	277	277	-	-	267	267
Auditors' remuneration:								
- statutory audits	639	296	-	935	131	206	-	337
- regulatory related services	28	-	-	28	15	-	-	15
- other services	33	-	-	33	33	37	-	70
Amortisation of intangible assets (Note 4)	135	177	-	312	194	181	-	375
Auto assist services	-	24,755	-	24,755	-	18,251	-	18,251
Other finance cost	-	12,717	4	12,721	-	12,120	5	12,125
Depreciation of property, plant and equipment (Note 3)	-	33	-	33	-	23	-	23
Other management fees	336	615	-	951	317	535	-	852
Outside services & others	44	940	-	984	54	1,023	-	1,077
Professional fees	3,440	6,913	-	10,353	1,990	6,027	-	8,017
Short term leases	2,781	4,650	-	7,431	2,984	4,469	-	7,453
Low value assets	11	485	-	496	22	504	-	526
Office facilities expenses	275	494	-	769	275	367	-	642
Electronic data processing expenses	1,872	3,358	-	5,230	2,207	2,936	-	5,143
Expensed assets	-	-	-	-	-	2	-	2
Information technology outsourcing	4,088	7,339	-	11,427	4,959	6,597	-	11,556
Postage and stamp duties	42	2,776	-	2,818	52	2,191	-	2,243
Printing and stationery	64	1,276	-	1,340	100	725	-	825
Promotional and marketing costs	20,460	612	3,586	24,658	34,766	790	1,121	36,677
Training expenses	825	1,204	1	2,030	434	505	7	946
Utilities, assessment and maintenance	756	1,682	8	2,446	755	1,342	3	2,100
Entertainment	-	-	325	325	-	-	244	244
Travelling expenses	442	680	4	1,126	218	346	2	566
Tax services expenses	1	3	-	4	1	2	-	3
Legal fees	23	40	-	63	(5)	9	-	4
Licence, subscription and levies	386	6,030	1	6,417	373	5,476	5	5,854
Contract staff services	447	1,951	1	2,399	476	1,379	3	1,858
Policy related expenses	6,142	3,937	213	10,292	4,742	3,148	602	8,492
Total	**92,029**	**161,132**	**8,428**	**261,589**	**100,454**	**138,097**	**5,324**	**243,875**
Other operating expenses								
Sundry expenditure, net	1,890	6,045	171	8,106	2,338	5,167	58	7,563
Total	**1,890**	**6,045**	**171**	**8,106**	**2,338**	**5,167**	**58**	**7,563**
Total other expenses	**312,526**	**167,177**	**8,599**	**488,302**	**289,616**	**143,264**	**5,382**	**438,262**

25. OTHER EXPENSES (CONTD.)

(a) Employee benefits expenses

	2023 RM'000	2022 RM'000
Wages, salaries and bonuses	96,917	86,189
Employees' Provident Fund ("EPF")	15,359	13,933
Social Security Organisation ("SOCSO")	883	786
Share-based compensation	1,529	1,240
Other benefits	15,460	14,414
	130,148	116,562

Included in employee benefits expenses is CEO's remuneration of RM1,755,000 (2022: RM1,481,000) as further disclosed in Note (b).

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

	2023 RM'000	2022 RM'000
Salaries	885	785
Bonus	350	250
EPF	205	173
Share-based compensation	124	126
Other emoluments	191	147
	1,755	1,481

26. DIRECTORS' FEES AND REMUNERATION

	2023 RM'000	2022 RM'000
Company		
Executive director:		
Fees	120	120
Other emoluments	20	20
	140	140
Non executive directors:		
Fees	540	540
Other emoluments	108	90
	648	630
Total remuneration of the directors	788	770

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

	Fees RM'000	Other Emoluments RM'000	Total RM'000
2023			
Executive director:			
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	120	20	140
Non-executive directors:			
Dato' Majid Bin Mohamad (Chairman)	180	22	202
Mr Philippe Pol Arthur Latour (Resigned as Director w.e.f 15 October 2023)	95	14	109
Prof. Dr. Rusni Binti Hassan	120	26	146
Mr Wong Shu Yoon	120	40	160
Mr Dominik Jacqueline A Smeets (Appointed as Director w.e.f 15 October 2023)	25	6	31
	540	108	648
Total remuneration of the directors	660	128	788

26. DIRECTORS' FEES AND REMUNERATION (CONTD.)

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

	Fees RM'000	Other Emoluments RM'000	Total RM'000
2022			
Executive director:			
Dato’ Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	120	20	140
Non-executive directors:			
Dato' Majid Bin Mohamad (Chairman)	180	20	200
Mr Philippe Pol Arthur Latour (Vice Chairman)	120	18	138
Mr Koh Heng Kong (Stepped down w.e.f. 22 September 2022)	87	26	113
Prof. Dr. Rusni Binti Hassan	120	22	142
Mr Wong Shu Yoon (Appointed w.e.f. 23 September 2022)	33	4	37
	540	90	630
Total remuneration of the directors	660	110	770

27. SHARIAH COMMITTEE'S FEES AND REMUNERATION

	2023 RM'000	2022 RM'000
Company		
Fees	139	138
Other emoluments	138	129
Total Shariah Committee's fees and remuneration	277	267

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

	Fees RM'000	Other Emoluments RM'000	Total RM'000
2023			
Shariah Committee:			
Prof. Dr. Azman Bin Mohd Noor (Chairman w.e.f 1.1.2023)	27	23	50
Prof. Dr. Aznan Bin Hasan (Member w.e.f 1.1.2023)	24	25	49
Prof. Dr. Rusni Binti Hassan	22	23	45
Prof. Dr. Abdul Rahim Bin Abdul Rahman	22	23	45
Prof. Emeritus Dato' Dr. Mohd Azmi bin Omar	22	23	45
Sahibus Samahah Dr Mohamad Sabri Bin Haron	22	21	43
Total Shariah Committee's fees and remuneration	139	138	277
2022			
Shariah Committee:			
Prof. Dr. Aznan Bin Hasan (Chairman)	28	23	51
Prof. Dr. Rusni Binti Hassan	22	22	44
Prof. Dr. Abdul Rahim Bin Abdul Rahman	22	21	43
Prof. Emeritus Dato' Dr. Mohd Azmi bin Omar	22	21	43
Prof. Dr. Azman Bin Mohd	22	21	43
Sahibus Samahah Dr Mohamad Sabri Bin Haron (w.e.f. 1 January 2022)	22	21	43
Total Shariah Committee's fees and remuneration	138	129	267

28. TAXATION

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

	Company RM'000
2023	
Income Statement	
Income tax:	
Current financial year	74,816
Over provision of taxation in prior financial year	(2,713)
	72,103
Deferred taxation:	
Relating to origination and reversal of temporary differences (Note 12)	(4,068)
	68,035

	Company RM'000
2022	
Income Statement	
Income tax:	
Current financial year	98,198
Over provision of taxation in prior financial year	(1,300)
	96,898
Deferred taxation:	
Relating to origination and reversal of temporary differences (Note 12)	(1,383)
	95,515

28. TAXATION (CONTD.)

Reconciliation between tax expense and accounting profit

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

	Company RM'000
2023	
Profit before taxation and zakat	283,743
Taxation at Malaysian statutory tax rate of 24%	68,098
Income not subject to tax	(2,983)
Expenses not deductible for tax purposes	6,419
Effect of zakat deduction and approved donation	(786)
Over provision of taxation in prior financial year	(2,713)
Tax expense for the financial year	68,035

	Company RM'000
2022	
Profit before taxation and zakat	285,151
Taxation at Malaysian statutory tax rate of 24%	68,436
Income not subject to tax	(8,048)
Expenses not deductible for tax purposes	16,398
Effect of Prosperity Tax	20,451
Effect of zakat deduction and approved donation	(423)
Over provision of taxation in prior financial year	(1,300)
Tax expense for the financial year	95,514

Domestic income tax for the General Takaful fund and Company for the current year are calculated on the estimated assessable profit for the financial year at the Malaysia statutory rate of 24%. The income tax for the preceding year was calculated at the statutory rate of 24% of the chargeable income up to RM100 million and at 33% for chargeable income above RM100 million as mandated under the one off provisions of "Cukai Makmur" or Prosperity Tax.

28. TAXATION (CONTD.)

	General Takaful fund RM'000	Company RM'000
Taxation borne by participants		
2023		
Income Statement		
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 12)	1,816	1,816
Tax borne by participants recognised in income statement	1,816	1,816

	General Takaful fund RM'000	Company RM'000
2022		
Income Statement		
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 12)	(458)	(458)
Tax borne by participants recognised in income statement	(458)	(458)

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

28. TAXATION (CONTD.)

<u>Statement of Comprehensive Income</u>

2023	**General Takaful fund RM'000**	**Company RM'000**
Deferred income tax related to other comprehensive income: (Note 12)		
- Fair value changes on debt securities at FVOCI	19,096	29,476
- Fair value changes on equity securities at FVOCI	392	739
	19,488	30,215

2022	**General Takaful fund RM'000**	**Company RM'000**
Deferred income tax related to other comprehensive income: (Note 12)		
- Fair value changes on debt securities at FVOCI	(17,792)	(28,959)
- Fair value changes on equity securities at FVOCI	354	(48)
	(17,438)	(29,007)

29. EARNINGS PER SHARE

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

	2023 RM'000	2022 (Restated) RM'000
Profit attributable to ordinary equity holders	196,787	172,241

	2023 Units '000	2022 Units '000
Weighted average number of ordinary shares in issue at 31 December	931,350	900,675

	2023 sen	2022 (Restated) sen
Basic and diluted earnings per share	21.13	19.12

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

30. SEGMENTAL INFORMATION ON CASH FLOWS

	General Takaful fund RM'000	Company RM'000
31.12.2023		
Net cash flows generated/(used in) from:		
Operating activities	159,195	398,550
Investing activities	(117,716)	(357,028)
Net increase in cash and cash equivalents:	41,479	41,522
At 1 January 2023	8,444	8,630
At 31 December 2023	49,923	50,152
31.12.2022 (Restated)		
Net cash flows (used in)/generated from:		
Operating activities	(150,754)	(327,035)
Investing activities	157,125	232,320
Financing activities	-	100,001
Net increase in cash and cash equivalents:	6,371	5,286
At 1 January 2022	2,073	3,344
At 31 December 2022	8,444	8,630

31. SHARE-BASED COMPENSATION

ESGP and CESGP

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

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

The ESGP Shares 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.

31. SHARE-BASED COMPENSATION (CONTD.)

ESGP and CESGP (contd.)

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

Notwithstanding the above, Maybank may terminate the ESGP at any time during the duration of the 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.

32. SIGNIFICANT RELATED PARTY DISCLOSURES

For the purposes 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. Key management personnel include the Directors and the Chief Executive Officer of the Company.

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

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

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

	General Takaful fund RM'000	Company RM'000
Income/(expenses):		
2023		
Ultimate holding company:		
Gross contribution income	1,980	1,980
Commission and fee expenses	-	(27,316)
Other expenses	-	(744)
Bank charges	-	(977)
Employee's Share Grant Plan ("ESGP")	-	(902)
Penultimate holding company:		
Other expenses	-	(247)
Immediate holding company:		
Gross contribution income	288	288
Claims paid	(6)	(6)
Shared services costs	-	(17,949)
Remuneration of a seconded employee	-	(130)
Fellow subsidiaries within the MAHB Group:		
Gross contribution income	53	53

32. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	General Takaful fund RM'000	Company RM'000
Income/(expenses) (contd.):		
2023 (contd.)		
Fellow subsidiaries within the MAHB Group: (contd.)		
Gross contribution income	42	42
Rental expenses	-	(7,141)
Shared services costs	-	(36,684)
Fellow subsidiaries within the EIHSB Group:		
Consultation fee	-	(6,501)
Shared services costs	-	(865)
Gross contribution income	12	12
Other related companies within the Maybank Group:		
Gross contribution income	3,113	3,113
Profit income	6,733	12,484
Information technology outsourcing	-	(6,171)
Commission and fee expenses	-	(9,274)
Investment expenses	(577)	(1,004)
Claims paid	(64)	(64)
Companies related to a company with significant influence over the Maybank Group:		
Gross contribution income	33,827	33,827
Claims paid	(494)	(494)
Companies with significant influence over the MAHB Group:		
Contribution ceded to retakaful	(961)	(961)
2022		
Ultimate holding company:		
Gross contribution income	8	8
Commission and fee expenses	-	(30,150)
Bank charges	-	(899)
Employee's Share Grant Plan ("ESGP")	-	(688)
Penultimate holding company:		
Other expenses	-	(653)

32. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	General Takaful fund RM'000	Company RM'000
Income/(expenses) (contd.):		
2022 (contd.)		
Immediate holding company:		
Gross contribution income	297	297
Shared services costs	-	(21,904)
Remuneration of a seconded employee	-	(106)
Fellow subsidiaries within the MAHB Group:		
Gross contribution income	86	86
Rental expense	-	(7,009)
Shared services costs	-	(36,145)
Fellow subsidiaries within the EIHSB Group:		
Gross contribution income	3	3
Consultation fee	-	(5,472)
Shared services costs	-	(471)
Other related companies within the Maybank Group:		
Gross contribution income	1,932	1,932
Profit income	3,972	9,394
Information technology outsourcing	-	(6,934)
Commission and fee expenses	-	(12,164)
Investment expenses	(549)	(917)
Claims paid	(15)	(15)
Companies related to a company with significant influence over the Maybank Group:		
Gross contribution income	9,394	9,394
Claims paid	(49)	(49)
Companies with significant influence over the MAHB Group:		
Contribution ceded to retakaful	(140)	(140)

32. 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:

	General Takaful fund RM'000	Company RM'000
2023		
Ultimate holding company:		
Bank balances	18,725	18,954
Outstanding contributions	2,746	2,746
Amount due to ultimate holding company (Note 13)	-	(7,758)
Immediate and penultimate holding companies:		
Outstanding contributions	289	289
Amount due to immediate holding company (Note 13)	-	(2,197)
Amount due to penultimate holding company (Note 13)	-	(584)
Fellow subsidiaries within the MAHB Group:		
Amount due to other related companies (Note 13)	-	(3,313)
Outstanding claim recovery from retakaful	60	60
Fellow subsidiaries within the EIHSB Group:		
Amount due to other related companies (Note 13)	-	(498)
Other related companies within the Maybank Group:		
Fixed and call deposits	150,404	249,533
Income and profit due and accrued	2,052	2,971
Claims liabilities	(31)	(31)
Amount due to other related companies (Note 13)	(51)	(91)
Sundry payables and accrued liabilities	-	(7,512)

32. 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.)

	General Takaful fund RM'000	Company RM'000
2023 (contd.)		
Companies related to a company with significant influence over the Maybank Group:		
Claims liabilities	-	(3,121)
2022		
Ultimate holding company:		
Bank balances	(10,493)	(10,307)
Outstanding contributions	719	719
Amount due to ultimate holding company (Note 13)	-	(7,456)
Immediate and penultimate holding companies:		
Amount due to immediate holding company (Note 13)	-	(1,005)
Amount due to penultimate holding company (Note 13)	-	(8)
Fellow subsidiaries within the MAHB Group:		
Amount due to other related companies (Note 13)	-	(3,740)
Outstanding contributions	13	13
Outstanding claim recovery from retakaful	44	44
Fellow subsidiaries within the EIHSB Group:		
Amount due to other related companies (Note 13)	-	(823)
Other related companies within the Maybank Group:		
Fixed and call deposits	135,049	283,042
Income and profit due and accrued	280	546
Outstanding contribution	3	3

32. 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.)

2022 (contd.)

Other related companies within the Maybank Group: (contd.)		
Claims liabilities	(4)	(4)
Amount due to other related companies (Note 13)	(47)	(81)
Sundry payables and accrued liabilities	-	(8,828)
Companies related to a company with significant influence over the Maybank Group:		
Outstanding contribution	142	142
Claims liabilities	(2,101)	(2,101)

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 Note 13.

(c) Key management personnel compensation

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

	2023 RM'000	2022 RM'000
Short-term employee benefits		
- Fees	660	660
- Salaries, allowances and bonuses	1,235	1,035
- Contribution to EPF and pension scheme	205	173
- Share-based compensation	124	126
- Other emoluments	319	257
	2,543	2,251

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

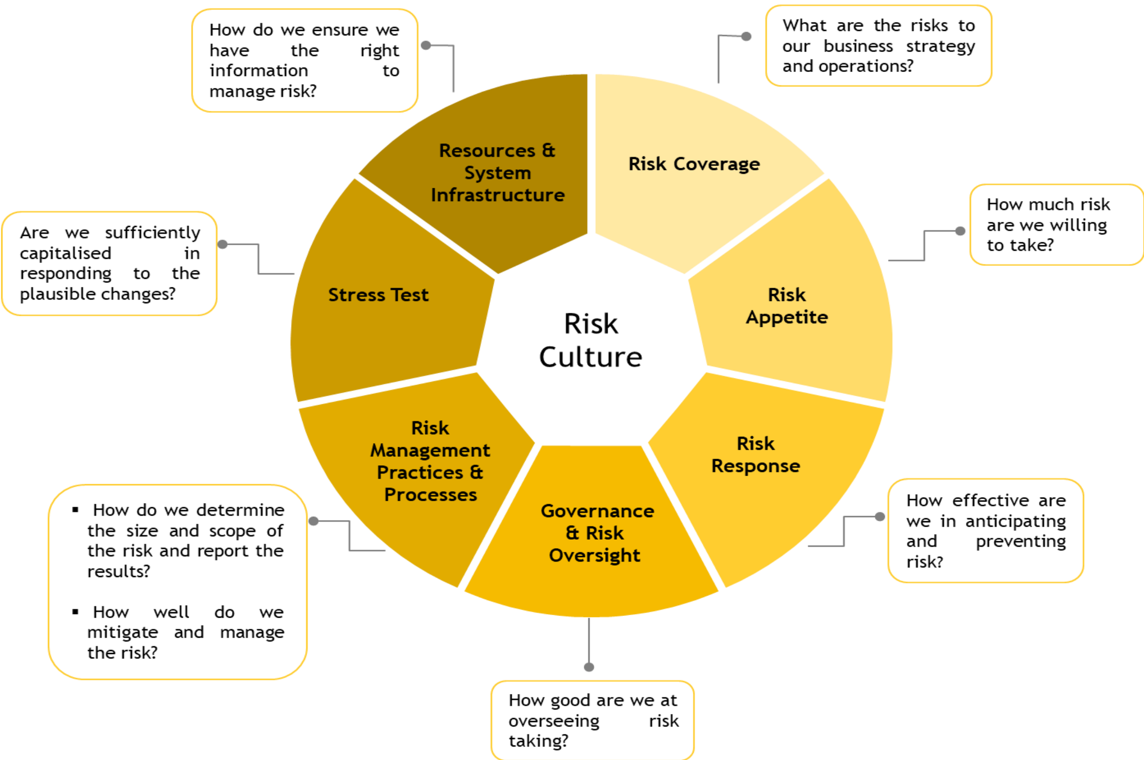
(ii) The number of shares awarded for ESGP to key management personnel were as follows:

	2023 '000	2022 '000
At 1 January	348	320
Awarded	45	28
At 31 December	393	348

33. 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 Berhad ("EGTB"), Etiqa Life International (L) Ltd. ("ELIL"), Etiqa Offshore Insurance (L) Ltd. ("EOIL") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the MAHB Group".

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



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

33. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Principles

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

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

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

Risk Culture

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

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

Risk Culture aligns businesses 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.

33. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Coverage

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

Risk Appetite

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

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

Adequate Capital

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

33. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Response

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

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

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

Governance and Risk Oversight

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

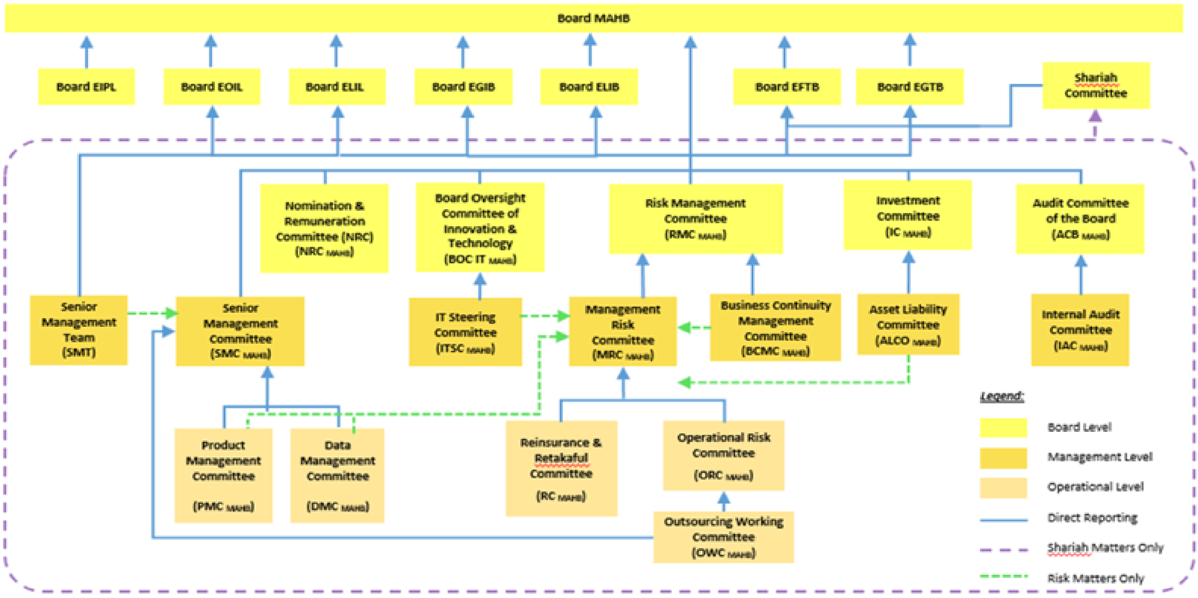
The risk governance model provides a formalised, transparent and effective governance structure which promotes active involvement of the Board of Directors and the senior management in the risk management process to ensure a uniform view of risk across MAHB Group. It also places accountability and ownership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

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

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

33. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)



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

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

Lines of Defence

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.

33. 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-boards committees, such as risk matters to the Risk Management Committee ("RMC"), audit matters to the Audit Committee Board ("ACB") and investment matters to the Investment Committee ("IC").

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

33. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Infromation Technology Steering Committee ("ITSC")

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

Internal Audit Committee ("IAC")

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

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

Operational Risk Committee ("ORC")

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

Product Management Committee ("PMC")

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

Data Management Committee ("DMC")

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

33. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Retakaful Committee ("RC")

The primary objective of the RC is to function as the governance body to provide decision and guidance in relation to the retakaful management of the Takaful certificates. The scope of the RC covers General Retakaful, Inward / Outward Retakaful and deliberation in relation to the arrangement for Catastrophe protection.

Third Party and Outsourcing Working Committee ("TPOWC")

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

Fire Committee ("FC")

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

Motor Committee ("MC")

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

Business Continuity Management Committee ("BCMC")

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

33. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Management Practices and Processes

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

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

Stress Test

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

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

Resource and System Insfrastructure

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

33. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Resources

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

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

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

System Infrastructure

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

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

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

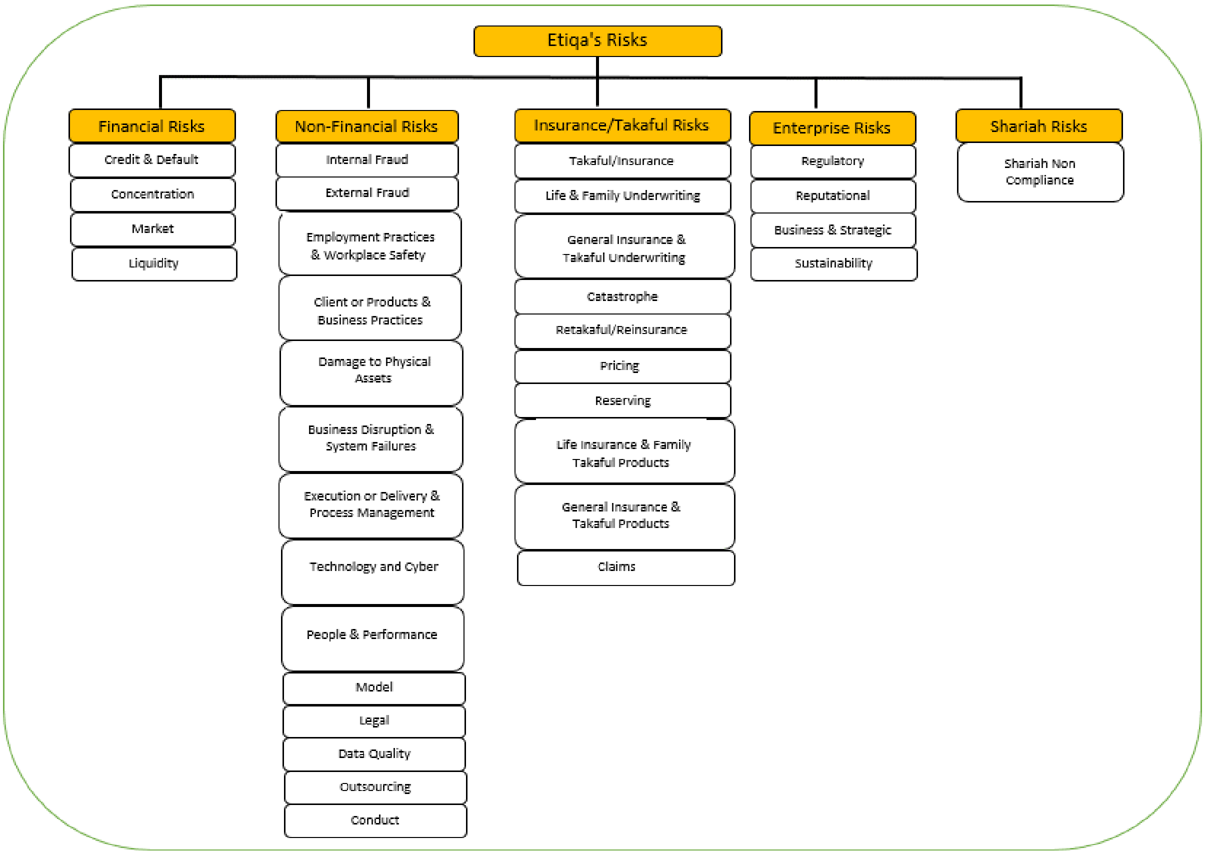
Risk Taxonomy

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

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

33. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy (contd.)



34. TAKAFUL RISK

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

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

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

(i) Underwriting Risk

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

(ii) Pricing Risk

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

(iii) Retakaful Risk

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

(iv) Product Risk

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

34. TAKAFUL RISK (CONTD.)

(v) Reserving Risk

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

(vi) Catastrophe Risk

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

(vii) Claims Risk

Claims Risk is risk of loss or adverse impact arising from the claims management process which is expected to affect client satisfaction and the Company’s reputation.

34. TAKAFUL RISK (CONTD.)

(i) The tables below disclose General Takaful revenue and allocation of retakaful contributions by line of business:

	2023		
	Takaful revenue RM'000	**Allocation of retakaful contributions RM'000**	**Net RM'000**
Takaful certificates issued and retakaful certificates held			
Fire	284,119	(13,998)	270,121
Motor	1,486,954	(112,150)	1,374,804
Marine, Aviation, Cargo and Transit	32,903	(24,415)	8,488
Miscellaneous	388,844	(167,633)	221,211
	2,192,820	(318,196)	1,874,624

	2022 (Restated)		
	Takaful revenue RM'000	**Allocation of retakaful contributions RM'000**	**Net RM'000**
Takaful certificates issued and retakaful certificates held			
Fire	252,754	(12,026)	240,728
Motor	1,348,331	(86,108)	1,262,223
Marine, Aviation, Cargo and Transit	21,927	(14,686)	7,241
Miscellaneous	322,103	(127,374)	194,729
	1,945,115	(240,194)	1,704,921

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

Refer Note 8(a) and Note 7(a) for the breakdown of takaful and retakaful certificate liabilities and assets by line of business, respectively.

(ii) Key assumptions and methods

The Liability for Incurred Claims (LIC) is estimated as the fulfilment cash flows related to incurred claims. It includes an explicit risk adjustment for non-financial risk and the future cash flows are adjusted for the time value of money by discounting the cash flows using the risk-free yield curves. The future incurred claims are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience, where appropriate, can be used to project future claims development and, hence the ultimate costs of claims. Historical claims development is analysed by accident period and lines of business. Certain lines of business are also further analysed by type of claim.

34. TAKAFUL RISK (CONTD.)

(ii) Key assumptions and methods (contd.)

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

The methodology used in deriving the unallocated loss adjustment expense ("ULAE") is the same as last year. A loading is applied directly to the best estimates for loss and allocated loss adjustment expense to provide for the ULAE.

Unallocated loss adjustment expense	**2023**	**2022**
ULAE ratio	2.2%	2.5%

(iii) Sensitivity analysis

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

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

34. TAKAFUL RISK (CONTD.)

(ii) Sensitivity analysis (contd.)

	% change in key assumptions	Impact on profit before tax gross of retakaful RM'000	Impact on profit before tax net of retakaful RM'000	Impact on equity gross of retakaful RM'000	Impact on equity net of retakaful RM'000
		<-------------------- Increase/(decrease)			--------------------->
2023					
Incurred claims ratio	+ 5%	(106,816)	(88,792)	(81,180)	(67,482)
	- 5%	106,816	88,792	81,180	67,482
Profit rate	+100 basis points	14,828	12,288	11,269	9,339
	-100 basis points	(14,828)	(12,288)	(11,269)	(9,339)
2022 (Restated)					
Incurred claims ratio	+ 5%	(96,471)	(83,870)	(73,318)	(63,741)
	- 5%	96,471	83,870	73,318	63,741
Profit rate	+100 basis points	18,274	10,045	13,888	7,634
	-100 basis points	(18,274)	(10,045)	(13,888)	(7,634)

It is assumed that the changes in incurred claims ratio and profit rate will not affect surplus distribution.

(iii) Claims development table

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

34. TAKAFUL RISK (CONTD.)

(iii) Claims development table (contd.)

(a) Gross claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

2023	**Before 2018**	**2018**	**2019**	**2020**	**Accident year 2021**	**2022**	**2023**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Estimate of ultimate claim costs (gross of retakaful, undiscounted)								
At the end of accident year		725,826	946,499	1,000,258	1,391,364	1,183,150	1,385,679	
1 year later		698,316	924,486	973,211	839,987	1,162,458		
2 years later		694,842	909,997	961,141	837,902			
3 years later		693,581	919,888	955,936				
4 years later		693,849	921,058					
5 years later		703,604						
Cumulative gross claims and other directly attributable expenses paid		664,084	857,918	789,336	652,503	815,117	608,911	
Gross cumulative claims liabilities - accident years from 2018 to 2023	-	39,520	63,140	166,600	185,399	347,341	776,768	1,578,768
Gross cumulative claims liabilities - prior accident years	36,218	-	-	-	-	-	-	36,218
Effect of discounting	(223)	(535)	(1,416)	(3,739)	(6,149)	(13,853)	(28,648)	(54,563)
Effect of the risk adjustment margin for non-financial risk	3,611	3,311	5,318	10,617	17,400	34,947	61,904	137,108
Trade balances and others*	-	-	-	-	-	-	380,157	380,157
Gross LIC for the certificates originated	39,606	42,296	67,042	173,478	196,650	368,435	1,190,181	2,077,688

* Includes surplus payable to participants and Shareholder's fund and unallocated surplus.

34. TAKAFUL RISK (CONTD.)

(iii) Claims development table (contd.)

(a) Gross claims development table (contd.)

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. (contd.)

2022 (Restated)	**Before 2017**	**2017**	**2018**	**2019**	**Accident year 2020**	**2021**	**2022**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Estimate of ultimate claim costs (gross of retakaful, undiscounted)								
At the end of accident year		724,824	725,826	946,499	1,000,258	1,391,364	1,183,150	
1 year later		723,792	698,316	924,486	973,211	839,987		
2 years later		713,777	694,842	909,997	961,141			
3 years later		713,221	693,581	919,888				
4 years later		718,913	693,849					
5 years later		723,812						
Cumulative gross claims and other directly attributable expenses paid		695,040	654,855	824,299	729,107	556,238	495,829	
Gross cumulative claims liabilities - accident years from 2017 to 2022	-	28,772	38,994	95,589	232,034	283,749	687,321	1,366,459
Gross cumulative claims liabilities - prior accident years	43,558	-	-	-	-	-	-	43,558
Effect of discounting	(397)	(525)	(667)	(2,771)	(6,821)	(9,318)	(23,168)	(43,667)
Effect of the risk adjustment margin for non-financial risk	4,885	2,303	2,701	7,845	16,580	25,022	57,077	116,413
Trade balances and others*	-	-	-	-	-	-	415,775	415,775
Gross LIC for the certificates originated	48,046	30,550	41,028	100,663	241,793	299,453	1,137,005	1,898,538

* Includes surplus payable to participants and Shareholder's fund and unallocated surplus.

34. TAKAFUL RISK (CONTD.)

(iii) Claims development table (contd.)

(b) Net claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. (contd.)

2023	Before 2018 RM'000	Accident year 2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	Total RM'000
Estimate of ultimate claim costs (net of retakaful, undiscounted)								
At the end of accident year		699,161	913,618	906,151	723,067	1,103,414	1,268,592	
1 year later		671,700	895,213	867,718	760,387	1,099,103		
2 years later		662,981	878,593	775,100	758,261			
3 years later		664,437	887,150	763,270				
4 years later		664,397	894,489					
5 years later		674,332						
Cumulative net claims and other directly attributable expenses paid		647,283	838,824	668,689	603,783	797,461	602,209	
Net cumulative claims liabilities - accident years from 2018 to 2023	-	27,049	55,665	94,581	154,478	301,642	666,383	1,299,798
Net cumulative claims liabilities - prior accident years	30,463	-	-	-	-	-	-	30,463
Effect of discounting	(207)	(506)	(1,380)	(2,999)	(5,505)	(12,902)	(25,331)	(48,830)
Effect of the risk adjustment margin for non-financial risk	3,632	2,532	4,969	9,317	15,256	31,746	59,027	126,479
Trade balances and others*	-	-	-	-	-	-	443,892	443,892
Net LIC for the certificates originated	33,888	29,075	59,254	100,899	164,229	320,486	1,143,971	1,851,802

* Includes surplus payable to participants and Shareholder's fund and unallocated surplus.

34. TAKAFUL RISK (CONTD.)

(iii) Claims development table (contd.)

(b) Net claims development table (contd.)

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. (contd.)

2022 (Restated)	**Before 2017**	**2017**	**2018**	**2019**	**Accident year 2020**	**2021**	**2022**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Estimate of ultimate claim costs (net of retakaful, undiscounted)								
At the end of accident year		699,503	699,161	913,618	906,151	723,067	1,103,414	
1 year later		699,550	671,700	895,213	867,718	760,387		
2 years later		689,778	662,981	878,593	775,100			
3 years later		690,165	664,437	887,150				
4 years later		695,981	664,397					
5 years later		701,747						
Cumulative net claims and other directly attributable expenses paid		677,032	638,128	805,694	614,597	532,664	491,813	
Net cumulative claims liabilities - accident years from 2017 to 2022	-	24,715	26,269	81,456	160,503	227,723	611,601	1,132,267
Net cumulative claims liabilities - prior accident years	30,105	-	-	-	-	-	-	30,105
Effect of discounting	(358)	(504)	(595)	(2,528)	(5,347)	(8,109)	(21,203)	(38,644)
Effect of the risk adjustment margin for non-financial risk	3,699	2,111	2,142	7,191	15,661	21,773	52,463	105,040
Trade balances and others*	-	-	-	-	-	-	431,578	431,578
Net LIC for the certificates originated	33,446	26,322	27,816	86,119	170,817	241,387	1,074,439	1,660,346

* Includes surplus payable to participants and Shareholder's fund and unallocated surplus.

35. FINANCIAL RISKS

(i) Credit and Default Risk

Credit and 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 both spreads as a result of changes in the underlying credit quality define the risk of investment default.

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

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

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

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

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

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

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure

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

	General Takaful fund RM'000	Company RM'000
31.12.2023		
Financial assets at FVTPL:		
- Designated upon initial recognition		
Unquoted debt securities		
in Malaysia	13,533	13,533
Financial assets at FVOCI:		
Malaysian government papers	92,638	185,451
Unquoted debt securities		
in Malaysia	1,966,723	3,218,804
Financial assets at AC:		
Islamic investment accounts with:		
Licensed financial institutions	391,018	917,892
Other licensed financial institutions	155,061	255,274
Financing receivables	-	648
Retakaful certificate assets and		
takaful certificate assets*	101,232	101,232
Other assets**	33,926	57,166
Cash and bank balances***	49,922	50,151
	2,804,053	4,800,151

* Comprise of receivables from retakaful, net of impairment and outstanding contributions, net of impairment

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

*** Excluding petty cash

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure (contd.)

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

	General Takaful fund RM'000	Company RM'000
31.12.2022 (Restated)		
Financial assets at FVTPL:		
- Designated upon initial recognition		
Unquoted debt securities in Malaysia	18,631	18,631
Financial assets at FVOCI:		
Malaysian government papers	168,963	277,861
Unquoted debt securities in Malaysia	1,699,097	2,676,136
Financial assets at AC:		
Islamic investment accounts with:		
Licensed financial institutions	401,221	916,260
Other licensed financial institutions	212,286	307,893
Financing receivables	-	423
Retakaful certificate assets and takaful certificate assets*	111,743	111,743
Other assets**	24,581	59,555
Cash and bank balances***	8,443	8,629
	2,644,965	4,377,131

* Comprise of receivables from retakaful, net of impairment and outstanding contributions, net of impairment

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

*** Excluding petty cash

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit quality of financial assets

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

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

Risk categories are as described below:

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

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

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

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

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

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

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

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

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating

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

General Takaful fund

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
31.12.2023							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Debt securities	-	-	13,533	-	-	-	13,533
Financial assets at FVOCI:							
Malaysian government papers	92,638	-	-	-	-	-	92,638
Debt securities	417,742	835,449	698,637	14,895	-	-	1,966,723
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	325,767	65,251	-	-	-	391,018
Other licensed financial institutions	-	124,642	30,419	-	-	-	155,061
Retakaful certificate assets and takaful certificate assets*	-	-	18	2,090	-	99,124	101,232
Other assets**	7,048	17,030	9,088	88	-	672	33,926
Cash and bank balances***	-	27,020	22,535	-	-	367	49,922
	517,428	1,329,908	839,481	17,073	-	100,163	2,804,053

* Comprise of receivables from retakaful, net of impairment and outstanding contributions, net of impairment
** Excluding non-financial assets such as prepayments and deposits
*** Excluding petty cash

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

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

General Takaful fund (contd.)

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
31.12.2022 (Restated)							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Debt securities	-	-	18,631	-	-	-	18,631
Financial assets at FVOCI:							
Malaysian government papers	168,963	-	-	-	-	-	168,963
Debt securities	446,644	521,046	706,666	24,741	-	-	1,699,097
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	295,481	105,740	-	-	-	401,221
Other licensed financial institutions	-	161,612	50,674	-	-	-	212,286
Retakaful certificate assets and takaful certificate assets*	-	-	-	6,188	-	105,555	111,743
Other assets**	7,933	7,121	9,050	167	-	310	24,581
Cash and bank balances***	-	-	8,364	-	-	79	8,443
	623,540	985,260	899,125	31,096	-	105,944	2,644,965

* Comprise of receivables from retakaful, net of impairment and outstanding contributions, net of impairment
** Excluding non-financial assets such as prepayments and deposits
*** Excluding petty cash

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

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

Company

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
31.12.2023							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Debt securities	-	-	13,533	-	-	-	13,533
Financial assets at FVOCI:							
Malaysian government papers	185,451	-	-	-	-	-	185,451
Debt securities	623,196	1,523,940	1,056,773	14,895	-	-	3,218,804
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	791,945	125,947	-	-	-	917,892
Other licensed financial institutions	-	218,815	36,459	-	-	-	255,274
Financing receivables	-	-	-	-	-	648	648
Retakaful certificate assets and takaful certificate assets*	-	-	18	2,090	-	99,124	101,232
Other assets**	10,728	30,766	14,779	88		805	57,166
Cash and bank balances***	-	27,249	22,535	-	-	367	50,151
	819,375	2,592,715	1,270,044	17,073	-	100,944	4,800,151

* Comprise of receivables from retakaful, net of impairment and outstanding contributions, net of impairment
** Excluding non-financial assets such as prepayments and deposits
*** Excluding petty cash

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

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

Company (contd.)

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
31.12.2022 (Restated)							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Debt securities	-	-	18,631	-	-	-	18,631
Financial assets at FVOCI:							
Malaysian government papers	277,861	-	-	-	-	-	277,861
Debt securities	724,534	872,103	1,054,758	24,741	-	-	2,676,136
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	699,638	216,622	-	-	-	916,260
Other licensed financial institutions	-	237,219	70,674	-	-	-	307,893
Financing receivables	-	-	-	-	-	423	423
Retakaful certificate assets and takaful certificate assets*	-	-	-	6,188	-	105,555	111,743
Other assets**	12,514	11,897	13,372	167	-	21,605	59,555
Cash and bank balances***	-	186	8,364	-	-	79	8,629
	1,014,909	1,821,043	1,382,421	31,096	-	127,662	4,377,131

* Comprise of receivables from retakaful, net of impairment and outstanding contributions, net of impairment
** Excluding non-financial assets such as prepayments and deposits
*** Excluding petty cash

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account

Significant increase in credit risk

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

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

Expected credit loss

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

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

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

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

General Takaful fund

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
31.12.2023				
Financial assets at FVOCI				
Sovereign	510,380	-	-	510,380
Very low	835,449	-	-	835,449
Low	556,128	142,509	-	698,637
Medium	14,895	-	-	14,895
Total carrying amount	1,916,852	142,509	-	2,059,361
Total ECL	(437)	(694)	-	(1,131)
31.12.2022				
Financial assets at FVOCI				
Sovereign	615,607	-	-	615,607
Very low	521,046	-	-	521,046
Low	568,301	138,365	-	706,666
Medium	24,741	-	-	24,741
Total carrying amount	1,729,695	138,365	-	1,868,060
Total ECL	(134)	(680)	-	(814)

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

Company

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
31.12.2023				
Financial assets at FVOCI				
Sovereign	808,647	-	-	808,647
Very low	1,523,940	-	-	1,523,940
Low	866,956	189,817	-	1,056,773
Medium	14,895	-	-	14,895
Total carrying amount	3,214,438	189,817	-	3,404,255
Total ECL	(705)	(959)	-	(1,664)
31.12.2022				
Financial assets at FVOCI				
Sovereign	1,002,396	-	-	1,002,396
Very low	872,103	-	-	872,103
Low	870,742	184,015	-	1,054,757
Medium	24,741	-	-	24,741
Total carrying amount	2,769,982	184,015	-	2,953,997
Total ECL	(202)	(936)	-	(1,138)

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
General Takaful fund				
31.12.2023				
Financial assets at FVOCI				
At 1 January 2023	134	680	-	814
Net adjustment of loss allowance	296	14	-	310
New financial assets originated or purchased	13	-	-	13
Financial assets derecognised during the financial year	(6)	-	-	(6)
Allowance for impairment losses during the financial year (Note 21)	303	14	-	317
At 31 December 2023	437	694	-	1,131
31.12.2022				
Financial assets at FVOCI				
At 1 January 2022	177	398	-	575
Writeback of loss allowance	201	58	-	259
Net adjustment of loss allowance				
New financial assets originated	18	-	-	18
or purchased				
Financial assets derecognised	(38)	-	-	(38)
during the financial year	(224)	224	-	-
Allowance for impairment losses during the financial year (Note 21)	(43)	282	-	239
At 31 December 2022	134	680	-	814

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
Company				
31.12.2023				
Financial assets at FVOCI				
At 1 January 2023	202	936	-	1,138
Net adjustment of loss allowance	478	23	-	501
New financial assets originated or purchased	31	-	-	31
Financial assets derecognised during the financial year	(6)	-	-	(6)
Allowance for impairment losses during the financial year (Note 21)	503	23	-	526
At 31 December 2023	705	959	-	1,664
31.12.2022				
Financial assets at FVOCI				
At 1 January 2022	242	569	-	811
Net adjustment of loss allowance	256	85	-	341
New financial assets originated or purchased	28	-	-	28
Financial assets derecognised during the financial year	(42)	-	-	(42)
Changes due to change in credit risk	(282)	282	-	-
Allowance for impairment losses during the financial year (Note 21)	(40)	367	-	327
At 31 December 2022	202	936	-	1,138

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - Reconciliation of allowance account

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

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

	<--------Not credit-impaired-------->		<-----------Credit-impaired-----------		<------------------Total------------------>	
	Retakaful certificate assets and Takaful certificate assets* RM'000	Other assets** RM'000	Retakaful certificate assets and Takaful certificate assets* RM'000	Other assets** RM'000	Retakaful certificate assets and Takaful certificate assets* RM'000	Other assets** RM'000
General Takaful fund						
Gross carrying amount						
At 1 January 2022	55,401	29,535	31,714	-	87,115	29,535
Increase/(decrease)	20,477	(4,954)	5,657	-	26,134	(4,954)
At 31 December 2022	75,878	24,581	37,371	-	113,249	24,581
Increase/(decrease)	(12,300)	9,345	2,412	-	(9,888)	9,345
At 31 December 2023	63,578	33,926	39,783	-	103,361	33,926
Lifetime ECL						
At 1 January 2022	81	-	3,293	-	3,374	-
Increase/(decrease)	195	-	(2,063)	-	(1,868)	-
At 31 December 2022	276	-	1,230	-	1,506	-
Increase/(decrease)	57	-	566	-	623	-
At 31 December 2023	333	-	1,796	-	2,129	-

* Including receivables from retakaful, net of impairment and outstanding contributions, net of impairment
** Excluding non-financial assets such as prepayments and deposits

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

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

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

	Not credit-impaired			Credit-impaired			Total		
	Financing receivables RM'000	Retakaful certificate assets and Takaful certificate assets* RM'000	Other assets** RM'000	Financing receivables RM'000	Retakaful certificate assets and Takaful certificate assets* RM'000	Other assets** RM'000	Financing receivables RM'000	Retakaful certificate assets and Takaful certificate assets** RM'000	Other assets* RM'000
Company									
Gross carrying amount									
At 1 January 2022	148	55,401	46,467	-	31,714	-	148	87,115	46,467
Increase/(decrease)	275	20,477	13,088	-	5,657	-	275	26,134	13,088
At 31 December 2022	423	75,878	59,555	-	37,371	-	423	113,249	59,555
Increase/(decrease)	225	(12,300)	(2,389)	-	2,412	-	225	(9,888)	(2,389)
At 31 December 2023	648	63,578	57,166	-	39,783	-	648	103,361	57,166
Lifetime ECL									
At 1 January 2022	-	81	367	-	3,293	-	-	3,374	367
Increase/(decrease)	-	195	(4)	-	(2,063)	-	-	(1,868)	(4)
At 31 December 2022	-	276	363	-	1,230	-	-	1,506	363
Increase/(decrease)	-	57	(1)	-	566	-	-	623	(1)
At 31 December 2023	-	333	362	-	1,796	-	-	2,129	362

* Including receivables from retakaful, net of impairment and outstanding contributions, net of impairment
** Excluding non-financial assets such as prepayments and deposits

35. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

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

Company	Other assets RM'000 (Note 9)	Total RM'000
31.12.2023		
At 1 January 2023	363	363
Write-back of allowance for impairment losses during the financial year (Note 21)	(1)	(1)
At 31 December 2023	362	362
31.12.2022		
At 1 January 2022	367	367
Write-back of allowance for impairment losses during the financial year (Note 21)	(4)	(4)
At 31 December 2022	363	363

Financial Effects of Collateral Held

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

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

The financial effects 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% at 31 December 2023 (2022: 100%). The financing receivables after accounting for ECL, amounted to RM648,000 as at 31 December 2023 (2022: RM423,000).

(ii) Liquidity Risk

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

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

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

35. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk

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

The Company measure and manage Liquidity Risk following the philosophies and principles below:

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

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

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

Maturity Profiles

The following table summarises the Maturity Profile of the financial assets, and financial liabilities and Takaful assets/liabilities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable. For Takaful certificates liabilities and retakaful assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised takaful liabilities.

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

35. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
General Takaful fund						
31.12.2023						
Financial assets:						
FVOCI	2,095,050	127,488	1,227,551	1,540,607	35,689	2,931,335
AC	546,079	546,079	-	-	-	546,079
FVTPL	79,407	756	14,514	-	65,874	81,144
Retakaful certificate assets, net^	289,691	231,832	63,699	55	-	295,586
Other assets*	33,926	33,926	-	-	-	33,926
Cash and bank balances**	49,922	-	-	-	49,922	49,922
Total assets	3,094,075	940,081	1,305,764	1,540,662	151,485	3,937,992
Takaful certificate liabilities, net^^	2,971,582	1,068,135	673,380	15,872	-	1,757,387
Other liabilities	126,326	126,326	-	-	-	126,326
Total liabilities	3,097,908	1,194,461	673,380	15,872	-	1,883,713

* Excluding non-financial assets such as prepayments and deposits
** Excluding petty cash
^ Includes undiscounted retakaful liabilities for incurred claims
^^ Includes undiscounted takaful liabilities for incurred claims

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

35. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
General Takaful fund (contd.)						
31.12.2022 (Restated)						
Financial assets:						
FVOCI	1,879,817	151,472	918,410	1,852,255	11,757	2,933,894
AC	613,507	615,190	-	-	-	615,190
FVTPL	93,625	1,038	20,976	-	74,995	97,009
Retakaful certificate assets, net^	279,010	199,167	59,964	129	-	259,260
Other assets*	24,581	24,581	-	-	-	24,581
Cash and bank balances**	8,443	-	-	-	8,443	8,443
Total assets	2,898,983	991,448	999,350	1,852,384	95,195	3,938,377
Takaful certificate liabilities, net^^	2,750,206	989,463	528,964	12,165	-	1,530,592
Other liabilities	173,943	173,943	-	-	-	173,943
Total liabilities	2,924,149	1,163,406	528,964	12,165	-	1,704,535

* Excluding non-financial assets such as prepayments and deposits
** Excluding petty cash
^ Includes undiscounted retakaful liabilities for incurred claims
^^ Includes undiscounted takaful liabilities for incurred claims

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

35. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Company						
31.12.2023						
Financial assets:						
FVOCI	3,482,276	237,357	2,090,842	2,419,229	78,021	4,825,449
AC	1,173,166	1,173,166	-	-	-	1,173,166
FVTPL	147,791	756	14,514	-	134,258	149,528
Financing receivables	648	178	518	-	-	696
Retakaful certificate assets, net^	289,691	231,832	63,699	55	-	295,586
Other assets*	57,166	57,166	-	-	-	57,166
Cash and bank balances**	50,151	-	-	-	50,151	50,151
Total assets	5,200,889	1,700,455	2,169,573	2,419,284	262,430	6,551,742
Takaful certificate liabilities, net^^	3,143,869	1,078,780	681,970	16,096	-	1,776,846
Other liabilities	224,906	240,453	-	-	-	240,453
Total liabilities	3,368,775	1,319,233	681,970	16,096	-	2,017,299

* Excluding non-financial assets such as prepayments and deposits
** Excluding petty cash
^ Includes undiscounted retakaful liabilities for incurred claims
^^ Includes undiscounted takaful liabilities for incurred claims

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).

35. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Company (contd.)						
31.12.2022 (Restated)						
Financial assets:						
FVOCI	2,979,337	207,432	1,486,558	2,947,980	25,340	4,667,310
AC	1,224,153	1,228,515	-	-	-	1,228,515
FVTPL	162,262	1,038	20,976	-	143,632	165,646
Financing receivables	423	114	347	-	-	461
Retakaful certificate assets, net^	279,010	199,167	59,964	129	-	259,260
Other assets*	59,555	59,555	-	-	-	59,555
Cash and bank balances**	8,629	-	-	-	8,629	8,629
Total assets	4,713,369	1,695,821	1,567,845	2,948,109	177,601	6,389,376
Takaful certificate liabilities, net^^	2,872,198	999,870	536,217	12,364	-	1,548,451
Other liabilities	253,171	253,171	-	-	-	253,171
Total liabilities	3,125,369	1,253,041	536,217	12,364	-	1,801,622

* Excluding non-financial assets such as prepayments and deposits
** Excluding petty cash
^ Includes undiscounted retakaful liabilities for incurred claims
^^ Includes undiscounted takaful liabilities for incurred claims

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).

35. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market Risk is the risk of losses on financial investments caused by adverse price movements.

There are four primary sources of risk that affect the overall market:

(a) Foreign Exchange Risk;
(b) Profit Rate Risk (including the credit spread risk);
(c) Equity Price Risk; and
(d) Property Risk.

The Company has three main key features with respect to their Market Risk management practices and policies:

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

(b) Compliance to policies are monitored, exposures and breaches are reported as soon as practicable.

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

The Company’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.

(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 Singapore Dollar, Hong Kong Dollar and US Dollar.

35. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(a) Foreign Exchange Risk (contd.)

As the Company’s business is conducted primarily in Malaysia, the Company’s financial assets are also primarily maintained in Malaysia as required under the Islamic Financial Services Act 2013, and hence, primarily denominated in the same currency (the local "RM") as its takaful certificate liabilities.

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

(b) Profit Rate Risk

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

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

The Company measures and manages Profit Rate Risk mainly based on the following four philosophies and principles, as below:

(a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;

(b) Investment Management Department actively aims to match the asset duration with the liability duration, without compromising credit quality;

(c) The Risk Management uses Key Risk Indicators ("KRI") to alert the management of any impending problems in a timely manner; and

(d) Risk Management Department monitors the asset duration in accordance with the limits set, as well as the duration gap to the liability duration.

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

35. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Profit Rate Risk (contd.)

	Changes in variables	31.12.2023 Impact on carrying value RM'000	Impact on participants' fund* RM'000
		<--------(Decrease)/Increase-------->	
General Takaful fund			
Financial Assets at FVTPL	+100 basis points	(332)	(252)
	-100 basis points	332	252
Financial Assets at FVOCI	+100 basis points	(142,417)	(108,237)
	-100 basis points	142,417	108,237
Financial Assets at AC	+100 basis points	(1,428)	(1,085)
	-100 basis points	1,428	1,085

* Impact on participants' fund is stated net of corporate tax of 24%

	Changes in variables	Impact on carrying value RM'000	Impact on profit/equity* RM'000
		<--------(Decrease)/Increase-------->	
Company			
Financial Assets at FVTPL	+100 basis points	(332)	(114)
	-100 basis points	332	114
Financial Assets at FVOCI	+100 basis points	(229,482)	(174,406)
	-100 basis points	229,482	174,406
Financial Assets at AC	+100 basis points	(3,853)	(2,331)
	-100 basis points	3,853	2,331

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

35. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Profit Rate Risk (contd.)

		31.12.2022	
	Changes in variables	**Impact on carrying value RM'000**	**Impact on participants' fund* RM'000**
		<--------(Decrease)/Increase-------->	
General Takaful fund			
Financial Assets at FVTPL	+100 basis points	(588)	(447)
	-100 basis points	588	447
Financial Assets at FVOCI	+100 basis points	(148,379)	(112,768)
	-100 basis points	148,379	112,768
Financial Assets at AC	+100 basis points	(426)	(324)
	-100 basis points	426	324

* Impact on participants' fund is stated net of corporate tax of 24%

	Changes in variables	**Impact on carrying value RM'000**	**Impact on profit/equity* RM'000**
		<--------(Decrease)/Increase-------->	
Company			
Financial Assets at FVTPL	+100 basis points	(588)	(201)
	-100 basis points	588	201
Financial Assets at FVOCI	+100 basis points	(236,406)	(179,668)
	-100 basis points	236,406	179,668
Financial Assets at AC	+100 basis points	(1,084)	(646)
	-100 basis points	1,084	646

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

35. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk

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

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

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

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

Market Index

		31.12.2023			
	Change in market indices	Impact on carrying value RM'000	Impact on other comprehensive income RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		Increase/(Decrease)			
General Takaful fund	+10%	10,156	3,569	6,587	7,719
	-10%	(10,156)	(3,569)	(6,587)	(7,719)

* Impact on participants' fund is stated net of corporate tax of 24%

	Change in market indices	Impact on carrying value RM'000	Impact on other comprehensive income RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		Increase/(Decrease)			
Company	+10%	21,228	7,802	9,803	13,380
	-10%	(21,228)	(7,802)	(9,803)	(13,380)

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

35. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk (contd.)

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

Market Index (contd.)

		31.12.2022			
	Change in market indices	**Impact on carrying value RM'000**	**Impact on other comprehensive income RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
		----Increase/(Decrease)----			
General Takaful fund	+10%	8,675	1,176	7,499	6,593
	-10%	(8,675)	(1,176)	(7,499)	(6,593)

* Impact on participants' fund is stated net of corporate tax of 24%

	Change in market indices	**Impact on carrying value RM'000**	**Impact on other comprehensive income RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
		----Increase/(Decrease)----			
Company	+10%	16,897	2,534	10,238	9,707
	-10%	(16,897)	(2,534)	(10,238)	(9,707)

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

(iv) 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.

(v) Concentration Risk

Concentration risk as its name suggest, is the risk of concentration in any type of market risk, liquidity risk and credit risk. Risk concentration can materialize from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment / sector.

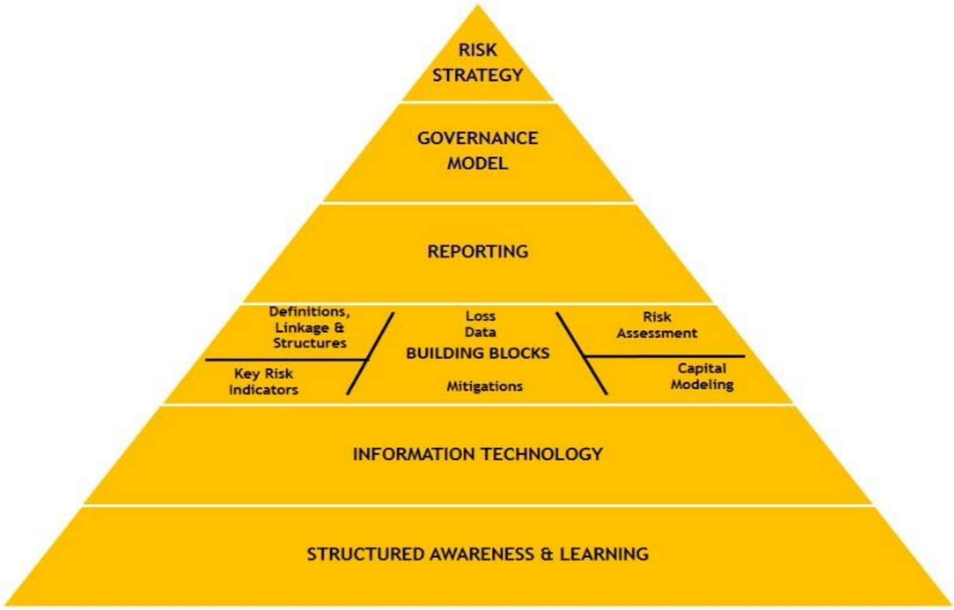
The Company's quantitative controls to manage concentration risk is through diversification. A minimum level of diversification is realised by observing the single counterparty limits. The single counterparty exposure limit represents maximum concentration of a particular counterparty. The limit exists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

36. 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 comprise of the components summarised in diagram below.



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

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

Operational Risk Taxonomy

(i) Internal Fraud

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

36. OPERATIONAL RISK (CONTD.)

Operational Risk Taxonomy (contd.)

(ii) External Fraud

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

(iii) Employment Practices and Workplace Safety

(a) Employee relations - failure to maintain positive employer-employee relationships that contributes to unsatisfactory productivity, demotivation and low morale;

(b) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees; 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.

36. OPERATIONAL RISK (CONTD.)

Operational Risk Taxonomy (contd.)

(vii) Execution or Delivery and Process Management

The risk relates to transaction capture or execution and maintenance, monitoring and reporting, customer intake and documentation, customer or client account management, vendors and suppliers.

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

(viii) Technology and Cyber Risk

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

(ix) People and Performance Risk

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

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

36. OPERATIONAL RISK (CONTD.)

Operational Risk Taxonomy (contd.)

(x) Model Risk

Model risk is the risk arising from a model that does not operate as intended resulting in adverse consequences (e.g. financial loss, poor business or strategic decisions, reputational damage) arising from inappropriate decisions based on incorrect or misused model outputs.

(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.

(xiii) Outsourcing Risk

Risk of loss due to internal control failure of third parties or failure of third parties performing in a manner consistent with their contracted scope of engagement with MAHB for the provision of the intended services/deliverables.

(xiv) Conduct Risk

The risk of an organization or an individual's activities having a detrimental impact on customers or negatively impacting the market and/or shareholder value.

37. ENTERPRISE RISK

Risk of loss or adverse impact arising from business/strategic, industry, corporate governance and systematic risk. Enterprise risk covers external and internal factors that can impact the Company's ability to meet 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) Business and Strategic Risk

Risk of current or prospective impact on earnings, capital, reputation or standing arising from changes in the environment the MAHB Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.

Risk of failure in directing and managing the business and affairs towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

(iii) Reputational Risk

Risk damaged by one or more than one reputation event, as reflected from negative publicity about the business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence, resulting in costly litigation, or lead to a decline in its customer base, business or revenue.

37. ENTERPRISE RISK (CONTD.)

(iii) Reputational Risk (contd.)

Reputational risk can have severe impact on overall value either directly, by causing an increase in lapses, or indirectly through the inability of future value generation as a result of not being able to attract and keep new customers, distribution partners and staff.

(iv) Sustainability Risk

The risk of failure in conducting analysis and decision making on environment (the threat of climate change and depletion of resources), social (concerns on diversity, human rights, consumer protection and animal welfare) and corporate governance (concerns on the rights and responsibilities of the management of the Company, management structure, documentation) when measuring the sustainability and ethical impact of business exposures.

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

38. FAIR VALUES MEASUREMENTS

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

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy; and
(d) Transfers between Level 1 and Level 2 in the fair value hierarchy.

(a) Valuation principles

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

38. FAIR VALUES MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

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

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

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

- Level 1 : Active Market – Quoted price

  Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. Such financial instruments include actively traded government securities, listed derivatives, quoted securities and cash products traded on an exchange.

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

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

  Examples of Level 2 financial instruments include corporate and other government bonds, less liquid equities and over the counter ("OTC") derivatives.

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

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

  Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

38. FAIR VALUES 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

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

(iii) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Notes 2.2(iii). The carrying amounts and fair values of investments are disclosed in Note 5 of the financial statements.

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

38. FAIR VALUES MEASUREMENTS (CONTD.)

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

General Takaful fund

	Valuation technique using:			
	Level 1 Quoted market prices RM'000	Level 2 Using Observable inputs RM'000	Level 3 Using Significant Unobservable inputs RM'000	Total RM'000
31.12.2023				
Assets				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	13,533	-	13,533
(ii) Held for trading (HFT)				
Equity securities	65,874	-	-	65,874
Financial assets at FVOCI				
Malaysian government papers	-	92,638	-	92,638
Debt securities	-	1,966,723	-	1,966,723
Equity securities	35,689	-	-	35,689
Total assets	**101,563**	**2,072,894**	**-**	**2,174,457**
31.12.2022				
Assets				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	18,631	-	18,631
(ii) Held for trading (HFT)				
Equity securities	73,789	-	-	73,789
Property trust funds	1,205	-	-	1,205
Financial assets at FVOCI				
Malaysian government papers	-	168,963	-	168,963
Debt securities	-	1,699,097	-	1,699,097
Equity securities	11,757	-	-	11,757
Total assets	**86,751**	**1,886,691**	**-**	**1,973,442**

38. FAIR VALUES MEASUREMENTS (CONTD.)

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

Company

	Valuation technique using: Level 1 Quoted market prices RM'000	Level 2 Using Observable inputs RM'000	Level 3 Using Significant Unobservable inputs RM'000	Total RM'000
31.12.2023				
Assets				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	13,533	-	13,533
(ii) Held for trading (HFT)				
Equity securities	134,258	-	-	134,258
Financial assets at FVOCI				
Malaysian government papers	-	185,451	-	185,451
Debt securities	-	3,218,804	-	3,218,804
Equity securities	78,021	-	-	78,021
Total assets	**212,279**	**3,417,788**	**-**	**3,630,067**
31.12.2022				
Assets				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	18,631	-	18,631
(ii) Held for trading (HFT)				
Equity securities	141,755	-	-	141,755
Property trust funds	1,876	-	-	1,876
Financial assets at FVOCI				
Malaysian government papers	-	277,861	-	277,861
Debt securities	-	2,676,136	-	2,676,136
Equity securities	25,340	-	-	25,340
Total assets	**168,971**	**2,972,628**	**-**	**3,141,599**

38. FAIR VALUES MEASUREMENTS (CONTD.)

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. There were no transfers between Level 1 and Level 2 for the Company during the financial years ended 31 December 2023 and 31 December 2022.

39. REGULATORY CAPITAL REQUIREMENT

The Company's Internal Capital Adequacy Assessment Process ("ICAAP") Framework is in place to manage and maintain capital adequacy level that commensurate with its risk profile at all times and to ensure that adequate capital resources are available to maintain Capital Adequacy Ratio ("CAR") above individual Target Capital Level ("ITCL") and Supervisory Level. Pursuant to the Risk-Based Capital Framework issued by BNM, the Company has met the minimum CAR of 130%.

The total capital available is measured based on the requirements prescribed under the Framework by BNM and differs from the measurement basis reported in the statutory financial statements prepared in accordance with Malaysian Financial Reporting Standards.

The total capital available of the Company as at 31 December 2023 and 31 December 2022, as prescribed under the RBCT Framework is provided below:

Company

	31.12.2023 RM'000	31.12.2022 RM'000
Eligible Tier 1 Capital		
Paid up share capital	970,001	970,001
Valuation surplus in takaful funds	218,647	224,027
Retained earnings	907,901	708,513
	2,096,549	1,902,541
Tier 2 Capital		
FVOCI reserve	2,311	(93,364)
	2,311	(93,364)
Amount deducted from capital	(54,187)	(82,155)
Total Capital Available	2,044,673	1,727,022