ETIQA GENERAL INSURANCE BERHAD
197001000276 (9557-T)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2024

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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 2024.

PRINCIPAL ACTIVITY

The Company is principally engaged in the underwriting of general insurance business.

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

RESULTS

	RM'000
Net profit for the financial year	113,932

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

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

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2023 was as follows:

	RM'000
In respect of financial year ended 31 December 2023, final dividend of:	
- 46.05 sen per share, single-tier tax exempt dividend on 212,151,399 ordinary shares	97,696

The final dividend was declared on 20 May 2024 and paid on 4 June 2024.

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 ("EGM") 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. Four (4) out of the five (5) awards made have been vested to eligible employees in 2021 to 2024 whilst balance of the one (1) award will vest in 2025. Starting from 2023, no new awards have been issued to staff under the ESGP2018.

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

As continuation of the existing employees' share grant plan, the shareholders at the EGM held on 3 May 2023 have approved 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 as compared to ESGP2018 of 7 years. The first and second awards under the ESGP2023, granted in 2023 and 2024, will vest in 2026 and 2027, respectively, subject to fulfilment of the ESGP vesting conditions as well as meeting the performance criteria at the Maybank Group and individual levels.

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

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

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

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

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

DIRECTORS

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

Datuk Mohd Najib Bin Abdullah (Chairman)
Mr. Thomas Frank Caris Alias Reynders (Appointed and designated as Vice Chairman w.e.f. 1 February 2025)
Encik Mohamad Shukor Bin Ibrahim
Mr. Tan Kwang Kherng
Puan Siti Nita Zuhra Binti Mohd Nazri (Appointed w.e.f. 1 January 2025)
Mr. Frank Johan Gerard Van Kempen (Vice Chairman)(Resigned w.e.f. 16 July 2024)
Datuk (Dr) Normala @ Noraizah Binti A.Manaf (Retired w.e.f. 31 December 2024)
Cik Serina Binti Abdul Samad (Retired w.e.f. 1 December 2024)
Ms. Daniela Adaggi (Resigned w.e.f. 31 January 2025)

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

DIRECTORS' BENEFITS

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

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

The Directors' benefits are as follows:

	RM'000
Other emoluments	212
Fees	870
	1,082

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 RM1.38 million (2023: RM1.25 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 and ESGP of the ultimate holding company, Maybank, during the financial year were as follows:

	Number of Ordinary Shares			
	As at 1 January 2024	**Acquired 2024**	**(Disposed) 2024**	**As at 31 December 2024**
Ultimate Holding Company				
Direct interest:				
Datuk (Dr) Normala @ Noraizah Binti A.Manaf	10,498	54,600	(50,000)	15,098

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

	Award date	**Number of ESGP shares awarded**	**Vesting year**
Datuk Dr Normala @ Noraizah Binti A.Manaf	14 December 2018	104,000	2021
	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
	8 March 2024	195,000	2027
		910,000	

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

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

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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 23.

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.

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.

(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 provision 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.

OTHER STATUTORY INFORMATION (CONTD.)

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

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

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

(f) In the opinion of the Directors:

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

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

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

SIGNIFICANT EVENTS

There were no significant events which have occurred during the financial year other than disclosed in Note 49 to the financial statement.

SUBSEQUENT EVENTS

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

AUDITORS

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

The auditors' remunerations is as follows:

	RM'000
Ernst & Young PLT	764

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Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 March 2025.

DATUK MOHD NAJIB BIN ABDULLAH	SITI NITA ZUHRA BINTI MOHD NAZRI

CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

The Board of Directors (“the Board”) of Etiqa General Insurance Berhad (“the Company”), a wholly-owned subsidiary of Maybank Ageas Holdings Berhad, the immediate holding company (“MAHB”) and its subsidiaries (collectively referred to as “the Group”), acknowledges the importance of a robust and sound Corporate Governance (“CG”) Framework in promoting integrity and transparency throughout the Group. The Board continuously refines CG practices and processes to ensure the highest standards of conduct, as guided by the Companies Act 2016 and the Bank Negara Malaysia (“BNM”) Policy Document on CG. Disclosures in this section are made pursuant to Paragraph 22 of the BNM Policy Document on CG.

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

(a) Board Composition

As at 31 December 2024, the Board consists of five (5) Directors, comprising of:-

(i) Two (2) Non-Independent Non-Executive Directors ("NINED"); and
(ii) 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 Policy Document on CG. None of the INED had exceeded their respective nine-year tenure pursuant to the MAHB Group’s Policy on Tenure of Directorship which limits the tenure of an INED to a cumulative period of nine (9) years. Datuk Mohd Najib Bin Abdullah, an INED, is the Chairman of the Board and one (1) of the NINED is a nominee of Ageas Insurance International N.V. (“Ageas”), a shareholder of MAHB.

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

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

Members of the Board	Designation	Number of Board Meetings attended	%
Datuk Mohd Najib Bin Abdullah *(Chairman)*	INED	11/11	100
Mr. Frank Johan Gerard Van Kempen *(Vice Chairman)*	NINED[1]	6/6	100
Datuk (Dr) Normala @ Noraizah Binti A. Manaf	NINED[2]	10/11	91
Cik Serina Binti Abdul Samad	INED[3]	11/11	100
Ms. Daniela Adaggi	NINED	10/11	91
Encik Mohamad Shukor Bin Ibrahim	INED	11/11	100
Mr. Tan Kwang Kherng	INED	11/11	100

1 *Resigned as NINED and a Vice Chairman of the Company effective 16 July 2024.*

2 *Re-designated as NINED from ED of the Company effective 4 October 2024, in line with her retirement as the Group Chief Human Capital Officer of Maybank effective 3 October 2024 and retired as NINED of the Company effective 31 December 2024.*

3 *Retired as INED of the Company, a wholly-owned subsidiary of MAHB, and ipso facto ceased as a member of the ACB effective 1 December 2024.*

Profile of Directors

Name/Designation/Age/Nationality	Background/ Experience	Other Directorships within the Group
Datuk Mohd Najib Bin Abdullah Independent Non-Executive Director Chairman 64 years of age Malaysian	Banking & Insurance	• Director of Maybank Ageas Holdings Berhad • Chairman of Etiqa Life Insurance Berhad

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors (contd.)

Name/Designation/Age/Nationality	Background/ Experience	Other Directorships within the Group
Datuk (Dr) Normala @ Noraizah Binti A. Manaf Executive Director 60 years of age Malaysian	Corporate Management	NIL
Ms. Daniela Adaggi Non-Independent Non-Executive Director 44 years of age Italian	Human Resources	NIL
Encik Mohamad Shukor Bin Ibrahim Independent Non-Executive Director 60 years of age Malaysian	Sales & Marketing	NIL
Mr. Tan Kwang Kherng Independent Non-Executive Director 68 years of age Singaporean	Insurance & Reinsurance	NIL

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors (contd.)

Detailed profile of each Director is available on the Group's corporate website (www.etiqa.com). 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 2024 ("FYE 2024").

(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; and
(iii) Risk Management Committee

(i) Nomination and Remuneration Committee

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

The primary objective of the NRC is to support the Board of the Group in discharging their duties and responsibilities in the appointments, removals, composition, performance evaluation and development, fit and proper assessments concerning the Board, Chief Executive 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.

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 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 Policy Document on CG as well as MAHB Group's Policy on Directors' Independence. Once in every three (3) years, the NRC would engage an external consultant to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board, Board Committees, and individual Directors.

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

In addition, the NRC is also responsible to implement a formal and transparent procedure for developing a remuneration framework for Directors, CEO, 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 as 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 Etiqa Family Takaful Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB.

2 The word 'Senior Officers' shall refer to Senior Officers of MAHB 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 the NRC	Designation	Number of NRC Meetings attended	%
Cik Che Zakiah Binti Che Din *(Chairperson)*	INED[1]	3/3	100
Puan Fauziah Binti Hisham	INED[2]	10/10	100
Datuk Mohd Najib Bin Abdullah	INED	10/10	100
Dato' Majid Bin Mohamad	INED[3]	10/10	100
Ms. Daniela Adaggi	NINED	9/10	100

1 *INED of MAHB., Appointed as the Chairperson of the NRC effective 1 July 2024.*

2 *Re-designated as a member of the NRC effective 1 July 2024, following her appointment as a Chairperson of the MAHB Board pursuant to the requirement of Paragraph 12.4 of the BNM Policy Document on CG.*

3 *INED of MAHB, Etiqa Family Takaful Berhad, Etiqa Offshore Insurance (L) Ltd and Etiqa Life International (L) Ltd (incorporated in F.T. Labuan), wholly-owned subsidiaries of MAHB.*

(ii) Audit Committee of the Board

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

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

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

Members of the ACB	Designation	Number of ACB Meetings attended	%
Mr. Wong Shu Yoon	INED[1]	10/10	100
Mr. Gary Lee Crist	NINED[2]	10/10	100
Cik Serina Binti Abdul Samad	INED[3]	9/9	100
Professor Dr. Azman Bin Mohd Noor	INED[4]	10/10	100
Cik Nora Junita Binti Mohd Hussaini (Chairperson)	INED[5]	4/4	100

1 *INED of Etiqa Family Takaful Berhad , Etiqa Offshore Insurance (L) Ltd and Etiqa Life International (L) Ltd (incorporated in F.T. Labuan), wholly-owned subsidiaries of MAHB, and ceased to act as Interim Chairman of the ACB effective 1 July 2024.*

2 *NINED of MAHB.*

3 *Resigned as INED of the Company, a wholly-owned subsidiary of MAHB, and ipso facto, ceased as a member of the ACB effective 1 December 2024*

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

5 *Appointed as an INED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB, and a member of the ACB effective 1 July 2024.*

(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).

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(iii) Risk Management Committee (contd.)

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

Members of the RMC	Designation	Number of RMC Meetings attended	%
Encik 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 Grimbergen	NINED[3]	6/8	75
Encik Mohamad Shukor Bin Ibrahim	INED	8/8	100
Professor Datin Dr. Rusni Binti Hassan	INED[4]	2/4	50
Mr. Tan Kwang Kherng	INED	8/8	100

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

2 INED of Etiqa Life Insurance Berhad and Etiqa Family Takaful Berhad wholly-owned subsidiaries of MAHB.

3 NINED of MAHB.

4 Resigned as an INED of Etiqa Family Takaful Berhad, and ipso facto, ceased as a member of the RMC effective 30 June 2024.Berhad, a wholly-owned subsidiary of MAHB.

(d) Directors' Training

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(i) Induction Programme

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

(ii) Training Attended

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.

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

A. In-house Training	[1]DN	[2]NAM	[4]DA	[5]MSI	[6]TKT
1. MAHB Directors' Training Program Module 3 – Risk Management Topic : Free Capital Generation	√	√	√	√	
2. MAHB Directors' Training Program – Compliance Topic Introduction to FATF Mutual Evaluation; and A Quick Guide: Compliance to Personal Data Protection Act 2010 (PDPA) and Managing Customer Information Policy Document (MCIPD), Compliance MAHB	√			√	√
3. MAHB Directors' Training Program 2024 Module 2 - Cybersecurity Topic: An Update on the Cyber Threat Landscape and the Latest Trends and Key Learnings on Ransomware, PWC & MAHB	√			√	√
4. MAHB Directors' Training Program 2024 on Module 2 - Generative AI Revolution: Strategies, Risks, Opportunities, ICDM	√			√	√
5. MAHB Directors' Training Program Module 2 : Beyond Compliance: Governance at The Core of Driving ESG, ICDM				√	√
6. Maybank Annual Board Risk Workshop: Risk Landscape, Economic Outlook, Basel III Reforms, AI Frontier: Navigating Opportunities and Risks Responsibly (PwC), Cyber and Technology Risk Management (Deloitte)	√	√		√	
7. Maybank ESG Talk: Global Trends and Rising Stakeholder Demand, Ernst & Young (EY)	√				√
8. MAHB Offsite Strategy Meeting - ASEAN Macro- Economic / Geo –Political Outlook, Sustainability: Global Trends, ASEAN Highlights, Technology Approaches Globally	√			√	√
9. Maybank's International Women's Day	√				
10. MAHB Board Risk Landscape	√	√			
11. Board Briefing on Post-Listing Compliance: Module 1 and Module 2					

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

B. External Training	[1]DN	[2]NAM	[3]DA	[4]MSI	[5]TKT
1. Guided Reflection: Crafting Decisions in times of Uncertainty, Maybank Islamic, Shaykh Dr Omar Suleiman				√	
2. Viva Engage/Yammer – Training, Ageas			√		
3. Lunch and Learn Webinar on "Inclusive Communication: Navigating Microaggressions and Embracing Micro affirmations!", Ageas			√		
4. ALP Alumni Workshop - Fundamentals of Sustainability, Ageas Academy			√		
5. Lunch & Learn Session on Your Digital (PDP)-Personal Development Plan!, Ageas			√		
6. Ageas RO workshop			√		
7. Ageas Partnership Days 2024 - Reinsurance, Sustainable Investments and Insights on AI, New Technologies and Innovation	√		√		
8. ALP Alumni Workshop - New Engines Strategy: Sprout			√		
9. The AI Dilemma, International Institute for Management Development (IMD), Art Kleiner and Principal, Kleiner Powell International	√				
10. Ethical Finance ASEAN 2024, Asian Institute of Chartered Bankers (AICB) & Global Ethical Finance Initiative (GEFI)	√				
11. Winning Strategies For Future Ready Leadership, International Institute for Management Development (IMD)	√				
12. HR Dashboard Training: Peakon			√		
13. 4 Critical Components to HR Transformation Success			√		
14. Future of Work, Mercer			√		
15. Ageas Management Forum			√		
16. Generative AI Awareness, LinkedIn Learning			√		
17. ISO/IEC 27001 : Awareness Training, Gabriel Consultant Ltd			√		
18. Generative AI - Roundtable Manco Session, Ageas			√		
19. Leading for Growth Senior Leadership Program, Ageas			√		
20. People Issues in Restructuring, Conference Board			√		
21. Annual Talent Off-site & HR Global Seminar, Ageas			√		
22. Co-pilot training for Asia Manco, Ageas			√		
23. AI & What It Means for HR and Planning for 2025, Conference Board			√		

1 DN - Datuk Mohd Najib Bin Abdullah
2 NAM – Datuk (Dr) Normala @ Noraizah Binti Abd. Manaf
3 DA – Ms. Daniela Adaggi
4 MSI - Encik Mohamad Shukor Bin Ibrahim
5 TKT – Tan Kwang Kherng

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(3) INTERNAL CONTROL FRAMEWORK

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

(4) REMUNERATION - QUALITATIVE DISCLOSURES

(a) Board Performance

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

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

The remuneration package of NEDs consists of the following:

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

(b) Senior Management Appointment and Performance

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES

(a) Non-Executive Directors' Remuneration

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

Remuneration	Previous NEDs Remuneration Framework (1.1.2024 – 31.5.2024) Per Annum (RM)	Revised NEDs Remuneration Framework (1.6.2024 – 31.12.2024 Per Annum (RM)
(i) Fees		
▪ Board:		
- Chairman	180,000	190,000
- Member	120,000	130,000
▪ Committee:		
- Chairman	32,500	34,000
- Member	28,000	30,000
(ii) Meeting Allowance		
▪ per meeting attended	2,000	2,200

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

The details of Directors' and CEO's Remuneration for FYE 2024 are disclosed in Notes 32 and 33 to the Company's financial statements.

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

Maybank Group's total rewards management remains core to our remuneration approach and practices and is strongly aligned with our business and people strategies to deliver long-term sustainable returns to our shareholders, customers and other stakeholders.

In support of our M25+ purpose to be "a values-driven platform, powered by a bionic workforce that humanises financial services", our integrated Talent Management Framework and Total Rewards Framework are focused on attracting and retaining top talent through timely and differentiated rewards, benefits and career development/progression opportunities. This approach positions us to drive employee engagement, foster positive outcomes and deliver exponential business results responsibly.

The frameworks are anchored in the principles of pay for performance and affordability, ensuring our workforce is rewarded equitably, reasonably and in line with relevant indices. We are driven to remain competitive against our peers in the market, while embracing the principle of differentiation to contribute positively to diversity, balance and relevance. Our commitment to fairness, respect and equality in all our business practices, including remuneration of our employees, fosters a work environment where all employees are valued and rewarded fairly for their unique and invaluable contributions.

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

We place great emphasis on accelerating our environmental, social and governance (ESG) as well as sustainability commitments and have embedded ESG considerations into our total rewards management through rigorous governance, performance metrics, and prudent risk management. Our remuneration policies and practices are periodically reviewed to align with regulatory requirements and promote a high-performance culture.

Component of remuneration

Maybank Group has in place a comprehensive Total Rewards Framework supported by three integral pillars: total compensation, benefits and well-being, and development and career opportunities.

i) Total compensation

Maybank Group's Compensation Policy ensures competitive pay aligned with market standards through annual salary reviews, variable bonuses, and long-term incentives for eligible senior management and above, to retain, motivate and reward our talents.

Our holistic approach to total compensation includes fixed pay and variable pay, with the latter comprising variable bonuses and incentives and long-term awards. This dynamic framework is designed to reflect targeted pay mix levels, intricately calibrated to align with the organisation's long-term performance goals and objectives while motivating and rewarding employees for outstanding efforts and achievements.

Fixed Pay	Variable Pay	
	Variable Bonus	Long-Term Incentive Award
• 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.	• 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.	• 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.
	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.	

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Component of remuneration (contd.)

ii) Benefits & well-being

Maybank's benefits are a key pillar of our total rewards strategy, aligned with our ESG commitments and the M25+ strategic objectives. Our benefits programme offers comprehensive support across multiple dimensions—financial, physical, mental and social-ensuring employees' professional and personal well-being.

Financial security is afforded through competitive compensation, healthcare coverage, paid time off, and employee loans at preferential rates. These offerings are regularly reviewed to ensure they remain competitive and meet our employees' evolving needs. We offer comprehensive well-being initiatives in recognition of the impact that employees' well-being has on engagement and productivity as well as to mitigate medical risks.

Our recognition programmes reward employees for outstanding contributions through innovation, excellence or ethical behaviour fostering a high-performance culture aligned with the Group's long-term sustainability objectives.

Via this holistic approach, we integrate sustainability principles with employee wellbeing, catering to their physical, mental and emotional health, as well as their financial, social and career development needs. This underscores Maybank's commitment to a supportive, sustainable work environment, enabling employees to flourish both professionally and personally while driving the Group's growth.

iii) Development & Career Opportunities

In line with our commitment to fostering a robust learning culture, we continue to deploy best-in-class learning and development programmes that are flexible and tailored to nurture our employees across all levels. These programs 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 ESGP launched in December 2018 and is set to expire in 2025. Under this plan five awards have been granted from 2018 to 2022, with four tranches having already vested to eligible employees between 2021 and 2024. The fifth and final award under this plan was issued in September 2022 and will vest in 2025. From 2023 onwards, no additional awards will be granted under the Existing ESGP.

To align with our LTIP and M25+ strategic objectives of rewarding sustainable performance, retaining key talent and strengthening ESG commitments, a new ESGP scheme was introduced on 20 September 2023. The new scheme will be effective for 10 years, sustaining our LTIP strategy until 2033.

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.)

- First and Second Awards: The first and second awards, granted in September 2023 and March 2024, will vest in 2026 and 2027, contingent upon the fulfilment of both Group and individual-level performance criteria and vesting conditions.

- Performance Measures: To support our sustainability goals, ESG KPIs have been integrated into the vesting criteria alongside financial metrics such as ROE and our relative total shareholder earnings (TSE), reinforcing our dedication to embedding sustainable business practices into our compensation strategy.

Aligning our LTIP with financial performance and ESG commitments ensures our incentive structures drive long-term shareholder value and a sustainable future for our business and communities.

We maintain strong corporate governance practices with remuneration policies and practices that comply with all statutory and regulatory requirements, and are reinforced by robust risk management and controls.

Performance and remuneration control functions are measured and assessed independently of business units to avoid conflicts of interest. The remuneration of employees in control functions is predominantly fixed, reflecting their responsibilities, and reviewed annually against internal and market benchmarks to ensure competitiveness.

Based on sound Performance Management principles, our Key Performance Indicators (KPIs) continue to focus on outcomes and are aligned with our business plans. Each of the Senior Officers and Other Material Risk Takers (OMRT) carries Risk, Governance and Compliance goals in his/her individual scorecards which are cascaded accordingly. The right KPI 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.

Senior Officers and Other Material Risk Takers

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

This ensures alignment with risk management and sustainability goals, while maintaining fairness and transparency in deferred compensation.

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.)

Senior Officers and Other Material Risk Takers (contd.)

The remuneration of senior officers and OMRTs in FY2024 are summarised in the table below:

Total Value of remuneration awards for the Financial Year (RM'000)	Senior Officers		OMRTs	
	Unrestricted	Restricted	Unrestricted	Restricted
Fixed Compensation				
Cash	5,364 (12 headcount)	-		-
Shares and share-linked instrument	-	-	-	-
Others	-	-	-	-
Variable Compensation				
Cash	1,478 (12 headcount)	-	-	-
*Shares and share-linked instrument	471 (9 headcount)^	'Refer to note below*	-	-
Others	-	-	-	-
Definition	Senior Officers are defined as Chief Executive Officer (CEO); Direct Reports to the CEO 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 FY2024, a total of 149,000 units of Maybank shares (based on On Target performance levels) under the Maybank Group ESGP/Cash-settled Employees' Share Grant Plan (CESGP) were awarded to 11 senior officers. The number of ESGP/CESGP units to be vested/paid by 2027 would be conditional upon the said employees fulfilling the vesting/payment criteria.

^ A total of 49,400 units of ESGP/CESGP granted in September 2021 have vested to 9 senior officers in February 2024. ESGP values are based on statutory guidelines for taxable gains calculation while CESGP value is based on volume weighted average market price (VWAMP) for the five market days immediately preceding the CESGP vesting date.

ETIQA GENERAL INSURANCE BERHAD
197001000276 (9557-T)
(Incorporated in Malaysia))

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

We, Datuk Mohd Najib Bin Abdullah and Siti Nita Zuhra binti Mohd Nazri, being two of the Directors of Etiqa General Insurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 29 to 163 are drawn up in accordance with MFRS Accounting Standards, IFRS Accounting 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 2024 and of the results and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 March 2025.

DATUK MOHD NAJIB BIN ABDULLAH

SITI NITA ZUHRA BINTI MOHD NAZRI

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

I, Nor Fazihah Binti Ahmad, being the officer primarily responsible for the financial management of Etiqa General Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 29 to 163 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 NOR FAZIHAH BINTI AHMAD
at Kuala Lumpur in Wilayah Persekutuan
on 25 March 2025

NOR FAZIHAH BINTI AHMAD
(MIA 15973)
Head, Finance

Before me,

PESURUHJAYA SUMPAH
W 904
ROSLI BIN SAAD
01.01.2025 - 31.12.2027
MALAYSIA

Commissioner for Oaths

50A-1, Jalan Kemuja
Bangsar Utama
59000 Kuala Lump...

EY
Shape the future with confidence

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Independent auditors' report to the member of Etiqa General Insurance Berhad 197001000276 (9557-T) (Incorporated in Malaysia)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiqa General Insurance Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2024, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 29 to 163.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with MFRS Accounting Standards, IFRS Accounting 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"), as applicable to audits of financial statements of public interest and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

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

Independent auditors' report to the member of
Etiqa General Insurance Berhad (contd.)
197001000276 (9557-T)
(Incorporated in Malaysia)

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with MFRS Accounting Standards, IFRS Accounting 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.

**Independent auditors' report to the member of
Etiqa General Insurance Berhad (contd.)
197001000276 (9557-T)
(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 scepticism 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 ommissions, 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 of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

Independent auditors' report to the member of
Etiqa General Insurance Berhad (contd.)
197001000276 (9557-T)
(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

Yeo Beng Yean
No: 03013/10/2026 J
Chartered Accountant

Kuala Lumpur, Malaysia
25 March 2025

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
Assets			
Property, plant and equipment	3	18,488	15,468
Investment properties	4	353,080	337,920
Right-of-use assets	5	5,070	5,434
Intangible assets	6	19,032	22,974
Investment in subsidiary	7	* -	* -
Investments	8	2,058,672	1,853,718
Financing receivables	10	30,354	29,259
Reinsurance contract assets	11	4,128,347	2,972,353
Insurance contract assets	17	15,261	185,217
Other assets	12	62,891	61,219
Derivative assets	13	-	43
Current tax assets	14	16,006	16,006
Cash and bank balances		44,476	22,188
Total Assets		6,751,677	5,521,799
Equity			
Share capital	15	229,879	229,879
Reserves	16	1,096,835	1,069,963
Total Equity		1,326,714	1,299,842
Liabilities			
Insurance contract liabilities	17	4,603,918	3,580,158
Reinsurance contract liabilities	11	533,691	426,557
Derivative liabilities	13	119	-
Deferred tax liabilities, net	18	83,199	65,023
Other liabilities	19	192,298	142,777
Current tax liabilities		11,738	7,442
Total Liabilities		5,424,963	4,221,957
Total Equity and Liabilities		6,751,677	5,521,799

* Representing RM 1

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

ETIQA GENERAL INSURANCE BERHAD
197001000276 (9557-T)
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
Insurance revenue	20	2,216,470	1,978,519
Insurance service expenses	21	(1,713,762)	(258,811)
Net expenses from reinsurance contracts held	22	(456,182)	(1,626,178)
Insurance service result		46,526	93,530
Interest income from financial assets not measured at Fair Value through Profit or Loss ("FVTPL")	23	68,539	66,253
Net fair value gains on financial assets measured at FVTPL	24	30,210	3,886
Net fair value gains on derecognition of financial assets measured at Fair Value through Other Comprehensive Income ("FVOCI")	25	1,806	4,464
Other investment income	26	35,464	30,256
Reversal of impairment loss on financial assets	27	134	87
Net foreign exchange (losses)/gains	28	(2,046)	223
Net investment income	29b	134,107	105,169
Finance expense from insurance contracts issued	29a	(117,673)	(115,462)
Finance income from reinsurance contracts held	30	100,983	106,224
Net insurance financial result		(16,690)	(9,238)
Total net investment income and net insurance financial results	29b	117,417	95,931
Other expenses, net	31	(358)	(8,819)
Interest on subordinated obligation		-	-
Taxation borne by policyholders	35	-	-
Net other expenses		(358)	(8,819)
Profit before taxation		163,585	180,642
Taxation	34	(49,653)	(46,646)
Net profit for the financial year		113,932	133,996
Basic and diluted earnings per share (sen)	35	53.70	63.16

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
Net profit for the financial year		113,932	133,996
Other comprehensive income/(loss):			
Items that will be subsequently reclassified to profit or loss			
Change in fair value of debt securities at FVOCI			
- Fair value changes		9,823	55,589
- Transfer to profit or loss upon disposal	25	(1,806)	(4,464)
Tax effect relating to financial assets at FVOCI	34	(1,924)	(12,270)
		6,093	38,855
Currency translation differences		(2,131)	1,933
Items that will not be subsequently reclassified to profit or loss			
Change in fair value of equity securities at FVOCI			
- Fair value changes		8,782	(375)
Tax effect relating to financial assets at FVOCI	34	(2,108)	90
		6,674	(285)
Other comprehensive income for the financial year, net of tax		10,636	40,503
Total comprehensive income for the financial year		124,568	174,499

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

ETIQA GENERAL INSURANCE BERHAD
197001000276 (9557-T)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

		<-------------- Non-distributable			------------->		
	Note	Share Capital RM'000	FVOCI Reserve RM'000	Revaluation Reserve RM'000	Currency Translation Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 January 2024		229,879	7,149	76,391	18,286	968,137	1,299,842
Net profit for the financial year		-	-	-	-	113,932	113,932
Other comprehensive income for the financial year		-	12,767	-	(2,131)	-	10,636
Total comprehensive income for the financial year		-	12,767	-	(2,131)	113,932	124,568
Dividend on ordinary shares	36	-	-	-	-	(97,696)	(97,696)
At 31 December 2024		229,879	19,916	76,391	16,155	984,373	1,326,714
At 1 January 2023		229,879	(33,114)	76,391	16,353	935,100	1,224,609
Net profit for the financial year		-	-	-	-	133,996	133,996
Other comprehensive income for the financial year		-	38,570	-	1,933	-	40,503
Total comprehensive income for the financial year		-	38,570	-	1,933	133,996	174,499
Reclassification upon disposals of equity securities		-	1,693	-	-	(1,693)	-
Dividend on ordinary shares	36	-	-	-	-	(99,266)	(99,266)
At 31 December 2023		229,879	7,149	76,391	18,286	968,137	1,299,842

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		163,585	180,642
Adjustments for:			
Amortisation of intangible assets	6	6,462	7,166
Net amortisation of premium on investments	26	876	2,068
Depreciation of property, plant and equipment	3	3,323	3,524
ROU expenses:			
Depreciation	5	2,079	2,077
Interest on lease liabilities	5	117	95
Fair value gains on:			
Investments	24	(17,500)	(4,831)
Investment properties	26	(15,018)	(14,028)
Gain on disposal of property, plant and equipment	31	(5)	(29)
Net loss/(gain) on foreign exchange	28	2,046	(223)
Allowance for/(reversal of) impairment losses on:			
Investments	27	(190)	202
Financing receivables	27	56	(289)
Insurance contract assets		1,881	480
Reinsurance contract assets	30	(274)	(5,846)
Other assets	31	(1)	(32)
Bad debts written-off		158	17
Gain on disposal of investments	24,25	(14,516)	(3,519)
Interest income	23,26	(72,375)	(68,727)
Dividend income	26	(8,621)	(7,216)
Rental income	26	(14,100)	(13,693)
Operating cash flows before working capital changes		37,983	77,838
Changes in working capital:			
(Increase)/decrease in reinsurance contract assets		(1,155,729)	465,708
Increase in insurance contract assets		167,926	(31,236)
(Increase)/decrease in other assets		(1,547)	3,211
(Increase)/decrease in financing receivables		(1,151)	23
Increase in amounts due to related parties		4,874	3,188
Increase/(decrease) in other liabilities		43,892	(4,069)
Increase/(decrease) in insurance contract liabilities		1,023,760	(743,524)
Increase in reinsurance contract liabilities		107,134	336,721
Carried forward		227,142	107,860

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)			
Brought forward		227,142	107,860
(Increase)/decrease in placement of deposits with financial institutions		(44,218)	50,687
Interest income received		71,177	68,391
Dividend received		8,731	6,998
Rental income received		14,086	14,153
Currency translation reserve		(2,131)	1,933
Cash generated from operations		274,787	250,022
Tax paid		(31,213)	(31,910)
Net cash generated from operating activities		243,574	218,112
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		395,504	383,269
Purchase of investments		(508,027)	(487,105)
Proceeds from disposal of property, plant and equipment		121	109
Proceeds from disposal of intangible assets		-	6
Purchase of property, plant and equipment	3	(6,458)	(8,539)
Purchase of intangible assets	6	(2,520)	(1,616)
Addition to investment properties	4	(142)	-
Net cash used in investing activities		(121,522)	(113,876)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	36	(97,696)	(99,266)
Payment of lease liabilities	5	(2,068)	(2,042)
Net cash used in financing activities		(99,764)	(101,308)
Net increase in cash and cash equivalents		22,288	2,928
Cash and cash equivalents at beginning of financial year		22,188	19,260
Cash and cash equivalents at end of financial year		44,476	22,188
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		23	75
General insurance fund		44,453	22,113
		44,476	22,188

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2024

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 underwriting of general insurance 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 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation and presentation of the financial statements

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with MFRS Accounting Standards, IFRS Accounting Standards 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 2023 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 Insurers ("RBC Framework") issued by BNM as at the reporting date.

(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 policies.

(c) Functional and presentation currency

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRS Accounting Standards and IFRS Accounting Standards 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 contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

ii) Discount rates

For general business, insurance contracts 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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Insurance contracts issued										
Ringgit Malaysia	3.3%	3.3%	3.5%	3.5%	3.7%	3.7%	3.9%	3.7%	4.0%	4.1%
Reinsurance contracts held										
Ringgit Malaysia	3.3%	3.3%	3.5%	3.5%	3.7%	3.7%	3.9%	3.7%	4.0%	4.1%

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 insurance and reinsurance contracts.

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 RBC Framework for Insurers.

iv) Insurance and reinsurance contracts

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 insurance contracts issued and reinsurance contracts held separately. This disaggregation has been determined based on how the Company are managed.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

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

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

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.

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

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

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

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

Buildings on freehold land	2%
Furniture, fittings, equipment and renovations	11% - 25%
Computers and peripherals	14% - 25%
Electrical and security equipment	10%
Motor vehicles	25%

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

In July 2024, the Company revised the useful lives of its furniture, fittings, and office equipment from 5 years to 7 years, and renovations from 5 years to 9 years for assets registered on or after 1 January 2022. This adjustment reflects the actual usage patterns of these assets and aligns with the approach adopted by the ultimate holding companies.

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) Investment properties

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ii) Investment properties (contd.)

Investment property under construction ("IPUC") is measured at fair value (when the fair value is reliably determinable). IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

The fair values of IPUC are determined at the end of the reporting period based on the opinion of a qualified independent valuer and valuations are performed using either the residual method approach or discounted cash flow approach, as deemed appropriate by the valuer. Each IPUC is individually assessed.

(iii) Leases

(a) Classification

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

(b) Recognition and initial measurement

(1) The Company as lessee

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

(1) The Company as lessee (contd.)

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

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

Premises	2 to 5 years
Office equipment	2 to 3 years

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

(ii) Lease liabilities

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

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

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

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

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

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

(iii) Leases with variable lease payments

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iii) Leases (contd.)

(c) Lease modifications

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

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

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

(iv) Intangible assets

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(iv) Intangible assets (contd.)

(a) Software development costs

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

(b) Computer software and licences

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

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

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

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

(c) Amortisation period

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

	Useful lives
Computer software and licences	10 years

(v) Financial assets

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement

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

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

(1) Business model assessment

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(1) Business model assessment (contd.)

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

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

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(3) Classification of financial assets

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

(i) Financial assets at FVTPL

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

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

(ii) Financial assets at FVOCI

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(3) Classification of financial assets (contd.)

(ii) Financial assets at FVOCI (contd.)

a) Financial assets at FVOCI (debt instruments)

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

b) Financial assets at FVOCI (equity instruments)

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

(iii) Financial assets at AC

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(v) Financial assets (contd.)

(b) Derecognition of financial assets

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

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

(c) Write off of financial assets

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

The amount written off for bad debts in the financial statements of the Company are expensed to profit or loss as disclosed in Note 28.

(vi) Fair value of financial assets

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

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

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

(vii) Impairment

(a) Financial assets

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

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, insurance receivables, debts instruments and deposits held by the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases* .

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vii) Impairment (contd.)

(a) Financial assets (contd.)

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

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

(ii) Forward-looking information and ECL measurement

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

Financing receivables

The Company calculates ECL by incorporating forward-looking information through three macroeconomic scenarios - Base, Upside and Downside. These scenarios collectively represent an unbiased, probability-weighted range of potential economic outcomes:

- Base Scenario: Assumes the continuation of current macroeconomic conditions.
- Upside and Downside Scenarios: Represent optimistic and pessimistic economic projections relative to the Base Scenario, determined through expert judgment and comprehensive analysis.

The forward-looking ECL assessment integrates specific macroeconomic variables selected based on historical data from the Group’s insurance receivables portfolio. For the Corporate Portfolio, these variables include Crude Oil Price, Producer Price Growth and Real GDP Growth. For the Retail Portfolio, these variables include Real GDP Growth, Unemployment Rate and Real Personal Disposable Income Growth.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vii) Impairment (contd.)

(a) Financial assets (contd.)

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

The ECL estimate involves comprehensive evaluations of current and forecasted Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and relevant discount factors, adjusted to incorporate expert judgment and anticipated macroeconomic conditions.

<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.

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 government and local central bank issued bonds, Treasury Bills and Notes. Low credit risk on the basis that both federal government and central bank have strong capacity in repaying the instruments upon maturity. In addition, there is no past historical loss experiences arising from these government securities in all jurisdiction.

The macroeconomic factors used for the forecast are GDP Growth, Unemployment Rate, Equity Index, Energy Index, Non-Energy Index and Proportion of Rating Downgrade.

(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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(vii) Impairment (contd.)

(b) Non-financial assets (contd.)

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

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

(viii) Insurance and reinsurance contracts classification

Insurance contracts

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(viii) Insurance and reinsurance contracts classification (contd.)

Reinsurance contracts

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

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

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

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

(ix) Insurance and reinsurance contracts accounting treatment

(a) Separating components from insurance and reinsurance contracts

The Company assesses its insurance and inwards reinsurance contracts 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) insurance contracts. Currently, the Company's products do not include distinct components that require separation.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

The Company has defined portfolios of insurance and reinsurance contracts issued based on its product lines due to the fact that the products are subject to similar risks and managed together.

In determining groups of contracts, the Company has elected to include in the same group contracts where its ability to set prices or levels of benefits for policyholders 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 insurance contracts are divided into:

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

The reinsurance contracts held portfolios are divided into:
- A group of contracts on which there is a net gain on initial recognition.
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition.
- A group of the remaining contracts in the portfolio.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ix) Insurance and reinsurance contracts accounting treatment (contd.)

(c) Recognition

The Company recognises groups of insurance contracts that it issues from the earliest of the following:

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

The Company recognises a group of reinsurance contracts held at:

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ix) Insurance and reinsurance contracts accounting treatment (contd.)

(d) Onerous groups of contracts

The Company issues some contracts before the coverage period starts and the first premium becomes due. For any contracts issued from a group of onerous contracts, the recognition date will be:

(i) the earlier of the beginning of the coverage period;
(ii) the date when the first payment from a policyholder in the group is due; and
(iii) the assessment date when the group of contracts is known to be onerous.

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 or pricing/underwriting exercise when appropriate.

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

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.

(e) Contract boundary

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

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ix) Insurance and reinsurance contracts accounting treatment (contd.)

(e) Contract boundary (contd.)

- Both of the following criteria are satisfied:
  (i) The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.

  (ii) The pricing of the premiums 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 premiums or claims outside the boundary of the insurance contracts are not recognised. Such amounts relate to future insurance contracts.

(f) Measurement - Insurance contracts

<u>Contracts measured under Premium Allocation Approach ("PAA")</u>

<u>Initial measurement</u>

The Company may apply the PAA to the insurance contracts that it issues and reinsurance contracts that it holds, provided that:
- The coverage period of each contract in the group is one year or less, including coverage arising from all premiums within the contract boundary; or
- For contracts 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 contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. PAA eligibility is assessed at the inception of the group of insurance contracts and does not need to be reassessed at subsequent measurement.

For contracts with the contract boundary of 12 months or less, following simplifications apply:
- The Company shall assume that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise; and

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ix) Insurance and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

Contracts measured under Premium Allocation Approach ("PAA") (contd.)

Initial measurement (contd.)

The Company has 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 contracts longer than 1 year.

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

Subsequent measurement

For a group of contracts that apply the PAA the Company measures the liability for remaining coverage as:
- The premiums, if any, received at initial recognition;
- Minus any insurance 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 is recognised for insurance 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.)

(ix) Insurance and reinsurance contracts accounting treatment (contd.)

(f) Measurement - Insurance contracts (contd.)

Contracts measured under Premium Allocation Approach ("PAA") (contd.)

Subsequent measurement (contd.)

Where, during the coverage period, a group of insurance contracts becomes onerous, the Group 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.

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

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

(g) Measurement - Reinsurance contracts

Initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts 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 insurance contracts or when further onerous underlying insurance contracts are added to a group, it establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

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

(ix) Insurance and reinsurance contracts accounting treatment (contd.)

(g) Measurement - Reinsurance contracts (contd.)

Initial measurement (contd.)

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

Subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance 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 insurance contracts 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 insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Any change in the fulfilment cash flows of a retroactive reinsurance contracts held due to the changes of the liability for incurred claims of the underlying contracts is taken to profit or loss and not the contractual service margin of the reinsurance contract held.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts 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 insurance contracts.

A loss-recovery component reverses consistent with reversal of the loss component of underlying groups of contracts issued, even when a reversal of the loss-recovery component is not a change in the fulfilment cash flows of the group of reinsurance contracts held.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ix) Insurance and reinsurance contracts accounting treatment (contd.)

(h) Insurance receivable and payables

The liability for remaining coverage disclosed under insurance contracts liabilities are including insurance receivable and payables.

i) Liability for remaining coverage - insurance receivable

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration to be received. The carrying value of premiums 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.

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

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

ii) Liability for remaining coverage - Insurance payable

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

(i) Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ix) Insurance and reinsurance contracts accounting treatment (contd.)

(j) Insurance acquisition cash flows

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

The Company uses a systematic and rational method to allocate:

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

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

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

The Company expects to derecognise all assets for insurance acquisition cash flows within insurance coverage period.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts 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 insurance 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 insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract 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.)

(ix) Insurance and reinsurance contracts accounting treatment (contd.)

(k) Presentation

The Company has presented separately in the statement of financial position the carrying amount of groups of insurance contracts issued that are assets, groups of insurance contracts issued that are group of liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts 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 insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

(i) Insurance revenue

<u>Contracts measured under PAA</u>

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contracts 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 insurance service expenses.

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ix) Insurance and reinsurance contracts accounting treatment (contd.)

(k) Presentation (contd.)

(ii) Loss components

The Company has grouped contracts that are onerous at initial recognition separately from contracts 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 insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to:

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

The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows. 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 contracts (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 insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts 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 insurance contracts.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(ix) Insurance and reinsurance contracts 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 insurance contracts that the Company expects to recover from the group of reinsurance contracts 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 insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

(iv) Net income or expense from reinsurance contracts held

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

The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes commissions from an allocation of reinsurance premiums presented on the face of the income statement. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

(v) Insurance finance income and expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

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

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- Interest accreted on the Liability Incurred Claims ("LIC"); and
- The effect of changes in interest rates and other financial assumptions.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(x) Financial liabilities

Financial liabilities are recognised in the statements 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.

Other payables

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

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

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (i.e. the present value of the cash flows under the new loan (including any fees paid) has a variance of 10% or more as compared to the present value of the remaining cash flows of the existing loan), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(xi) Other revenue recognition

Revenue from contracts with customers

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xi) Other revenue recognition (contd.)

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

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

Other revenue

(a) Interest income

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

(b) Dividend income

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

(c) Rental income

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

(xii) Employee benefits

(a) Short-term benefits

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

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

(c) Defined contribution plans

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

(d) Share-based compensation

(1) Employees’ Share Grant Plan (“ESGP shares”)

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xii) Employee benefits (contd.)

(d) Share-based compensation (contd.)

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

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

(xiii) Foreign currencies

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions and balances

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.2 Summary of material accounting policy information (contd.)

(xiii) Foreign currencies (contd.)

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

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.

(c) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the Company's financial statements are translated into RM as follows:

- assets and liabilities of foreign operations are translated at the closing rate prevailing as at the reporting date;
- income and expenses are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken directly to other comprehensive income through the foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

The principal exchange rate for every unit of foreign exchange currency ruling at the reporting date used for translation of foreign operations is as follows:

	31.12.2024	**31.12.2023**
Brunei Dollar	3.29	3.48

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

2.3 New and amended standards and interpretations

On 1 January 2024, the Company adopted the following Amendments to standards mandatory for annual financial periods beginning on or after 1 January 2024:

	Effective for annual periods
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

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

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

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

Description	**Effective for annual periods beginning on or after**
MFRS 121 *The Effects of Changes in Foreign Exchange Rates* (Amendments to MFRS 121) *Lack of Exchangeability*	1 January 2025
Amendments that are part of Annual Improvements - Volume 11: Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*	1 January 2026
Amendments to MFRS 7 *Financial Instruments: Disclosures*	1 January 2026
Amendments to MFRS 9 *Financial Instruments*	1 January 2026
Amendments to MFRS 10 *Consolidated Financial Statements*	1 January 2026
Amendments to MFRS 107 *Statement of Cash Flows*	1 January 2026
Amendments to the Classification and Measurement of Financial Instruments (Amendments to MFRS 9 *Financial Instruments* and *MFRS 7 Financial Instruments: Disclosures)*	1 January 2026
Contracts Referencing Nature-dependent Electricity *(* Amendments to MFRS 9 *Financial Instruments and* MFRS 7 *Financial Instruments: Disclosures)*	1 January 2026
MFRS 18 *Presentation and Disclosure in Financial Statements*	1 January 2027
MFRS 19 *Subsidiaries without Public Accountability: Disclosures*	1 January 2027

The adoption of the above pronouncements are not expected to have a significant impact on the Company, except for MFRS 18 which the Company is in the process of assessing the financial impact of this Standard on its financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

2024	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2024	777	30,209	13,103	10,154	378	2,139	56,760
Additions	-	2,117	259	113	-	3,969	6,458
Disposal	-	(42)	(1,071)	-	-	(114)	(1,227)
Reclassification	-	2,727	-	153	-	(2,880)	-
At 31 December 2024	777	35,011	12,291	10,420	378	3,114	61,991
Accumulated Depreciation							
At 1 January 2024	376	26,660	7,911	5,968	377	-	41,292
Depreciation charge for the financial year (Note 32)	8	1,452	1,212	651	-	-	3,323
Disposal	-	(42)	(1,070)	-	-	-	(1,112)
At 31 December 2024	384	28,070	8,053	6,619	377	-	43,503
Net Book Value							
At 31 December 2024	393	6,941	4,238	3,801	1	3,114	18,488

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

2023	**Properties # RM'000**	**Furniture, fittings, equipment and renovations RM'000**	**Computers and peripherals RM'000**	**Electrical and security equipment RM'000**	**Motor vehicles RM'000**	**Work-in-progress RM'000**	**Total RM'000**
Cost							
At 1 January 2023	777	28,498	10,016	6,003	378	4,132	49,804
Additions	-	1,189	4,590	59	-	2,701	8,539
Disposal	-	(80)	(1,503)	-	-	-	(1,583)
Reclassification	-	602	-	4,092	-	(4,694)	-
At 31 December 2023	777	30,209	13,103	10,154	378	2,139	56,760
Accumulated Depreciation							
At 1 January 2023	368	25,272	8,263	4,990	377	-	39,270
Depreciation charge for the financial year (Note 32)	8	1,389	1,149	978	-	-	3,524
Disposal	-	(1)	(1,501)	-	-	-	(1,502)
At 31 December 2023	376	26,660	7,911	5,968	377	-	41,292
Net Book Value							
At 31 December 2023	401	3,549	5,192	4,186	1	2,139	15,468

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
2024			
Cost			
At 1 January 2024 / 31 December 2024	367	410	777
Accumulated Depreciation			
At 1 January 2024	-	376	376
Depreciation charge for the financial year	-	8	8
At 31 December 2024	-	384	384
Net Book Value			
At 31 December 2024	367	26	393
2023			
Cost			
At 1 January 2023 / 31 December 2023	367	410	777
Accumulated Depreciation			
At 1 January 2023	-	368	368
Depreciation charge for the financial year	-	8	8
At 31 December 2023	-	376	376
Net Book Value			
At 31 December 2023	367	34	401

4. INVESTMENT PROPERTIES

	Freehold land and buildings	Leasehold land and buildings	Total
	<------- At valuation	-------->	
	RM'000	RM'000	RM'000
2024			
At 1 January 2024	183,100	154,820	337,920
Addition, at cost (Note 46(e))	142	-	142
Fair value adjustment (Note 26)	4,898	10,120	15,018
At 31 December 2024	188,140	164,940	353,080
2023			
At 1 January 2023	172,930	150,962	323,892
Fair value adjustment (Note 26)	10,170	3,858	14,028
At 31 December 2023	183,100	154,820	337,920

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

	2024	2023
	RM'000	RM'000
Rental income (Note 26)	12,525	11,159
Rental-related expenses (Note 26)	(4,536)	(2,853)
	7,989	8,306

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

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

The fair value of investment properties is classified under Level 3 of the fair value hierarchy as disclosed in Note 46(c). The fair value gains are recognised in profit or loss, and disclosed in Note 26.

5. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

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

Premises

	Total RM'000
2024	
Cost	
At 1 January 2024	15,776
Additions	612
Contract renewal	1,241
Terminations	(892)
At 31 December 2024	16,737
Accumulated Depreciation	
At 1 January 2024	10,342
Depreciation charge for the financial year (Note 32)	2,079
Terminations	(754)
At 31 December 2024	11,667
Net Book Value	
At 31 December 2024	5,070
2023	
Cost	
At 1 January 2023	12,624
Contract renewal	3,152
At 31 December 2023	15,776
Accumulated Depreciation	
At 1 January 2023	8,265
Depreciation charge for the financial year (Note 32)	2,077
At 31 December 2023	10,342
Net Book Value	
At 31 December 2023	5,434

5. RIGHT-OF-USE ASSETS/LEASE LIABILITIES (CONTD.)

The movement of lease liabilities is disclosed as follows:

Premises

	Total
2024	**RM'000**
Lease liabilities	
At 1 January 2024	5,518
Additions	504
Interest on lease liabilities (Note 32)	117
Contract renewal	1,237
Terminations	(140)
Payment of lease liabilities	(2,068)
At 31 December 2024 (Note 19)	5,168
Lease liabilities by remaining maturity:	
Less than 12 months	2,020
More than 12 months	3,148
Total (Note 19)	5,168
2023	
Lease liabilities	
At 1 January 2023	4,367
Additions	3,098
Interest on lease liabilities (Note 32)	95
Payment of lease liabilities	(2,042)
At 31 December 2023 (Note 19)	5,518
Lease liabilities by remaining maturity:	
Less than 12 months	2,018
More than 12 months	3,500
Total (Note 19)	5,518

6. INTANGIBLE ASSETS

	Computer software and licences RM'000	Computer software development RM'000	Total RM'000
2024			
Cost			
At 1 January 2024	77,608	-	77,608
Additions	2,520	-	2,520
At 31 December 2024	80,128	-	80,128
Accumulated Amortisation			
At 1 January 2024	54,634	-	54,634
Amortisation charge for the financial year (Note 32)	6,462	-	6,462
At 31 December 2024	61,096	-	61,096
Net Book Value			
At 31 December 2024	19,032	-	19,032
2023			
Cost			
At 1 January 2023	75,722	416	76,138
Additions	1,616	-	1,616
Disposal	(146)	-	(146)
Reclassification	416	(416)	-
At 31 December 2023	77,608	-	77,608
Accumulated Amortisation			
At 1 January 2023	47,609	-	47,609
Amortisation charge for the financial year (Note 32)	7,166	-	7,166
Disposal	(141)	-	(141)
At 31 December 2023	54,634	-	54,634
Net Book Value			
At 31 December 2023	22,974	-	22,974

7. INVESTMENT IN SUBSIDIARY

	2024	2023
Unquoted shares, at cost	RM1	RM1
No. of shares (unit)	1	1

Details of the subsidiary of the Company are as follows:

Name of company	Country of incorporation	Effective interest (%) 2024	Effective interest (%) 2023	Principal activity
Double Care Sdn. Bhd. ("DCSB")	Malaysia	100.00	100.00	In liquidation

On 26 October 2009, the Company passed a Special Resolution to commence winding up of DCSB. A tax clearance letter has been obtained from Inland Revenue Board of Malaysia on 23 April 2012. As soon as the affairs of DCSB are totally wound-up, DCSB would call for a final meeting to complete the member's voluntary winding-up process.

8. INVESTMENTS

	2024 RM'000	2023 RM'000
Malaysian government papers	224,272	331,888
Equity securities	272,242	193,816
Debt securities	1,252,891	1,061,407
Unit and property trust funds	-	2,239
Structured products (Note 9)	29,701	29,020
Deposits with financial institutions	279,566	235,348
	2,058,672	1,853,718

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

	2024 RM'000	2023 RM'000
Fair value through profit or loss ("FVTPL") (Note a)		
- Designated upon initial recognition	89,805	59,149
- Held for trading ("HFT")	224,168	156,763
	313,973	215,912
Fair value through other comprehensive income ("FVOCI") (Note b)	1,465,133	1,402,458
Amortised cost ("AC") (Note c)	279,566	235,348
	2,058,672	1,853,718

8. INVESTMENTS (CONTD.)

The following investments mature after 12 months:

	2024 RM'000	2023 RM'000
FVTPL		
- Designated upon initial recognition	60,105	10,056
FVOCI	1,317,246	1,329,717
	1,377,351	1,339,773

(a) FVTPL

(i) Designated upon initial recognition

	2024 RM'000	2023 RM'000
<u>At fair value</u>		
Debt securities:		
Unquoted in Malaysia	60,104	30,129
Structured products (Note 9)	29,701	29,020
Total financial assets designated as FVTPL upon initial recognition	89,805	59,149

(ii) HFT

	2024 RM'000	2023 RM'000
<u>At fair value</u>		
Equity securities:		
Quoted in Malaysia	139,202	69,912
Unquoted in Malaysia	84,966	84,612
Unit and property trust funds:		
Quoted in Malaysia	-	2,239
Total HFT financial assets	224,168	156,763
Total FVTPL financial assets	313,973	215,912

8. INVESTMENTS (CONTD.)

(b) FVOCI

At fair value		
Malaysian government papers	224,272	331,888
Equity securities:*		
Quoted in Malaysia	48,074	39,292
Debt securities:		
Unquoted in Malaysia	1,179,851	1,022,732
Unquoted outside Malaysia	12,936	8,546
Total FVOCI financial assets	1,465,133	1,402,458

* The Company has elected to recognise these equity investments at fair value through other comprehensive income as these investments are held as long term strategic investments that are not expected to be sold in the short term to medium term. Gains or losses on the derecognition of these equity investments are not transferred to profit or loss.

In the previous year, the Company has disposed of certain equity securities from its portfolio of FVOCI financial assets as the securities no longer aligned with the long term investment strategies of the Company as high dividend yielding stocks. The total fair value on the date of sales (gross of tax) are RM1,564,202 and the realised losses recognised from the disposal of these securities amounted to RM2,228,090.

(c) AC

Deposits and placements with:		
Licensed financial institutions	269,566	235,348
Other licensed financial institutions	10,000	-
Total AC financial assets	279,566	235,348

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

Total investments	2,058,672	1,853,718

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 46(b).

9. STRUCTURED PRODUCTS

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

	<---------- 2024 ----------->		<--------------2023------------->	
	Principal/ Notional Amount RM'000	**Net Carrying Amount RM'000**	**Principal/ Notional Amount RM'000**	**Net Carrying Amount RM'000**
Financial assets at FVTPL				
Structured deposits	30,000	29,701	30,000	29,020
Total structured products (Note 8)		29,701		29,020

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

10. FINANCING RECEIVABLES

	2024 RM'000	**2023 RM'000**
Staff loans - secured	30,899	29,733
Non-staff loans - secured	4,187	4,202
	35,086	33,935
Allowance for impairment losses (Note 43(i))	(4,732)	(4,676)
	30,354	29,259
Of which, receivable after 12 months	26,326	26,571

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

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

	2024 Per annum	**2023 Per annum**
Staff loans	1.98%	1.84%
Non-staff loans	4.85%	4.85%

11. REINSURANCE CONTRACT ASSETS/(LIABILITIES)

Composition of Statement of Financial Position

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

	31.12.2024			31.12.2023		
	Asset RM'000	Liability RM'000	Net RM'000	Asset RM'000	Liability RM'000	Net RM'000
Reinsurance contracts held						
Motor	2,210	(19,861)	(17,651)	5,227	(9,401)	(4,174)
Fire	1,717,853	(93,744)	1,624,109	1,334,744	(101,547)	1,233,197
Marine, Aviation, Cargo and Transit	2,094,422	(128,629)	1,965,793	1,528,037	(36,611)	1,491,426
Miscellaneous	313,862	(291,457)	22,405	104,345	(278,998)	(174,653)
Total Reinsurance contracts certificates held	4,128,347	(533,691)	3,594,656	2,972,353	(426,557)	2,545,796

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197001000276 (9557-T)
(Incorporated in Malaysia)

11. REINSURANCE CONTRACT ASSETS/(LIABILITIES)

The Company's roll forward of reinsurance contract assets and liabilities showing assets for remaining coverage ("ARC") and amounts recoverable on incurred claims ("AIC") arising from business ceded to reinsurers is disclosed in the table below:

		2024					2023				
				AIC for contracts under PAA					AIC for contracts under PAA		
	Note	ARC					ARC				
		Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustments for non-financial risks	Total	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustments for non-financial risks	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
Reinsurance contract assets as at 1 January		483,484	-	2,282,023	206,846	2,972,353	231,115	787	2,921,823	278,449	3,432,174
Reinsurance contract liabilities as at 1 January		(487,009)	-	54,538	5,914	(426,557)	(240,776)	-	149,654	1,286	(89,836)
Net balances as at 1 January		(3,525)	-	2,336,561	212,760	2,545,796	(9,661)	787	3,071,477	279,735	3,342,338
Allocation of reinsurance premium:											
Changes in the assets for remaining coverage		(1,469,252)	-	-	-	(1,469,252)	(1,300,772)	-	-	-	(1,300,772)
Amounts recoverable from reinsurers:											
Amounts recoverable for incurred claims and other expenses*		-	-	901,199	113,726	1,014,925	-	-	573,649	61,352	635,001
Changes that relate to past services - adjustment to AIC*		-	-	(25,537)	23,682	(1,855)	-	-	(870,487)	(89,133)	(959,620)
Loss recovery component		-	-	-	-	-	-	(787)	-	-	(787)
Net (expense)/income from reinsurance contracts held	22	(1,469,252)	-	875,662	137,408	(456,182)	(1,300,772)	(787)	(296,838)	(27,781)	(1,626,178)
Finance income from reinsurance contracts helc	30	-	-	92,491	8,492	100,983	-	-	145,418	(39,194)	106,224
Cash flows											
Premiums paid net of ceding commission		1,608,673	-	-	-	1,608,673	1,306,908	-	-	-	1,306,908
Amount received		-	-	(204,614)	-	(204,614)	-	-	(583,496)	-	(583,496)
Total cash flows		1,608,673	-	(204,614)	-	1,404,059	1,306,908	-	(583,496)	-	723,412
Net balance as at end of the year		135,896	-	3,100,100	358,660	3,594,656	(3,525)	-	2,336,561	212,760	2,545,796
Reinsurance contract assets as at 31 December		1,129,631	-	2,678,470	320,246	4,128,347	483,484	-	2,282,023	206,846	2,972,353
Reinsurance contract liabilities as at 31 December		(993,735)	-	421,630	38,414	(533,691)	(487,009)	-	54,538	5,914	(426,557)
Net balances as at 31 December		135,896	-	3,100,100	358,660	3,594,656	(3,525)	-	2,336,561	212,760	2,545,796

* Certain amounts have been reclassified between the line items to conforms with the current year's presentation and disclosure requirements.

12. OTHER ASSETS

	2024 RM'000	2023 RM'000
Sundry receivables, deposits and prepayments	6,334	2,850
Income due and accrued*	17,959	16,858
Allowance for impairment losses (Note 43(i))	-	(1)
	17,959	16,857
Amount due from related companies** (Note 40 (b)):	2,426	3,405
Amount due from stockbrokers	59	-
Share of net assets in Malaysian Motor Insurance Pool ("MMIP")	36,113	38,107
Total other assets	62,891	61,219

* Included in the income and profits due and accrued are mainly consist of interest, rental and dividend receivables.

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

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

13. DERIVATIVES

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

	2024			2023		
	Principal/ Notional Amount RM'000 (Note 38)	**Asset RM'000**	**Liability RM'000**	**Principal/ Notional Amount RM'000** (Note 38)	**Asset RM'000**	**Liability RM'000**
Hedging derivatives:						
Forward foreign exchange contracts	12,344	-	119	9,211	43	-
Total derivatives		-	119		43	-

The Company has an outstanding foreign exchange contract with its ultimate holding company for the year ended 31 December 2024 with a liability position amounting to RM41,000 (2023: forward foreign exchange contracts with asset position amounting to RM24,000).

The fair value of derivatives is derived based on valuation techniques from market observable inputs and are revalued at the reporting date based on valuations provided by the respective counterparties. An analysis of the fair value measurement bases used in the determination of the fair values of derivatives are further disclosed in Note 2.2(vi) and Note 46(c).

Hedging derivatives:

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

14. CURRENT TAX ASSETS

	2024 RM'000	2023 RM'000
At 1 January/ 31 December	16,006	16,006

(a) The current tax assets arise from the appeals made by the Company prior to its Conversion of Composite Licence to Single Licenses ("Licence Split") on 28 December 2017. The Inland Revenue Board of Malaysia ("IRBM") had raised additional assessments to the Company for Years of Assessment ("YA") 2013 to 2016.

(b) On 24 November 2021, IRBM had raised additional assessments for YA2016 amounting to RM3,102,000 in respect to the profit commissions earned on reinsurance ceded for life business as incidental income of the Company under Section 60(8) of the Income Tax Act, 1967 and disallowing the deduction of expenses directly attributable to rental income of its investment properties.

The Ministry of Finance ("MOF") has issued a pronouncement on 25 February 2022 in response to a letter of application submitted by Persatuan Insurans Hayat Malaysia ("LIAM") dated 7 December 2020, to conclude that the profit commissions earned on reinsurance ceded for life business should not be treated under incidental income of the Company under Section 60(8) of the Income Tax Act, 1967, and hence is not subject to tax. The industry is awaiting the decision of IRBM. The Company and IRBM is in midst of finalising the Settlement Agreement by mutually agreed that IRBM will issue a Notice of Reduced Assessment ("Form JR") for the issue.

The matter concerning the disallowance of expense deductions directly attributable to rental income from investment properties is currently under case management to schedule a hearing date.

15. SHARE CAPITAL

	<-- Number of shares-->		<-------- Amount -------->	
	2024	**2023**	**2024**	**2023**
	Units '000	**Units '000**	**RM'000**	**RM'000**
	(Note 35)	(Note 35)		
Issued and fully paid				
Ordinary shares:				
At 1 January / 31 December	212,151	212,151	229,879	229,879

16. RESERVES

	Note	2024 RM'000	2023 RM'000
Non-distributable:			
FVOCI reserve	(i)	19,916	7,149
Other reserves:			
Revaluation reserve	(ii)	76,391	76,391
Currency translation reserve	(iii)	16,155	18,286
		92,546	94,677
Retained profits:			
Distributable	(iv)	984,373	968,137
Total reserves		1,096,835	1,069,963

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

(ii) The revaluation reserve of the Company represents the difference between the carrying amount of properties previously classified as self-occupied properties but subsequently transferred to investment properties upon the end of owner occupation and its fair value at the date of change in use.

(iii) The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from the presentation currency of the Company.

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

17. INSURANCE CONTRACT (ASSETS)/LIABILITIES

Composition of Statement of Financial Position

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

	31.12.2024			31.12.2023		
	Assets RM'000	**Liabilities RM'000**	**Net RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Net RM'000**
Insurance contracts issued						
Motor	(2)	421,739	421,737	-	35,013	35,013
Fire	(14,585)	1,116,227	1,101,642	-	2,236,091	2,236,091
Marine, Aviation, Cargo and Transit	(542)	2,410,957	2,410,415	(35,623)	1,107,145	1,071,522
Miscellaneous	(132)	654,995	654,863	(149,594)	201,909	52,315
Total insurance contracts issued	(15,261)	4,603,918	4,588,657	(185,217)	3,580,158	3,394,941

17. INSURANCE CONTRACT ASSETS/LIABILITIES (CONTD.)

Analysis by liability for remaining coverage and the liability for incurred claims measured at PAA

An overview of the movement for net assets or liabilities for insurance contracts issued, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is presented in the table below:

2024

		LRC		LIC for contracts under the PAA		
	Note	Excluding loss component RM'000	Loss component RM'000	Present value of future cash flow RM'000	Risk adjustment for non-financial risks RM'000	Total RM'000
Insurance contract liabilities as at 1 January		680,342	-	2,663,146	236,670	3,580,158
Insurance contract assets as at 1 January		(286,174)	-	91,480	9,477	(185,217)
Net balances as at 1 January		394,168	-	2,754,626	246,147	3,394,941
Insurance revenue						
Contracts under fair value approach		(11,961)	-	-	-	(11,961)
Contracts under full retrospective approach		(2,204,509)	-	-	-	(2,204,509)
	20	(2,216,470)	-	-	-	(2,216,470)
Insurance service expenses						
Incurred claims and other insurance service expenses		-	-	1,368,334	128,758	1,497,092
Amortisation of insurance acquisition cash flow	(i)	199,331	-	-	-	199,331
Changes that relate to past services - adjustment to LIC		-	-	8,998	8,341	17,339
	21	199,331	-	1,377,332	137,099	1,713,762
Insurance service result		(2,017,139)	-	1,377,332	137,099	(502,708)
Finance expense from insurance contract issued	29a	-	-	107,992	9,681	117,673
Effect of movements in exchange rates		-	-	-	(5)	(5)
Cash flows						
Premiums received	(ii)	2,401,512	-	-	-	2,401,512
Claims and other insurance service expenses paid		-	-	(599,545)	-	(599,545)
Insurance acquisition cash flows	(iii)	(223,211)	-	-	-	(223,211)
Total cash flows		2,178,301	-	(599,545)	-	1,578,756
Net balance as at end of the year		555,330	-	3,640,405	392,922	4,588,657
Insurance contract liabilities as at 31 December		570,934	-	3,640,064	392,920	4,603,918
Insurance contract assets as at 31 December		(15,604)	-	341	2	(15,261)
Net insurance contract liabilities as at 31 December		555,330	-	3,640,405	392,922	4,588,657

17. INSURANCE CONTRACT ASSETS/LIABILITIES (CONTD.)

Analysis by liability for remaining coverage and the liability for incurred claims measured at PAA (contd.)

2023

	Note	LRC		LIC for contracts under the PAA		
		Excluding loss component RM'000	Loss component RM'000	Present value of future cash flow RM'000	Risk adjustment for non-financial risks RM'000	Total RM'000
Insurance contract liabilities as at 1 January		562,691	4,644	3,437,702	318,645	4,323,682
Insurance contract assets as at 1 January		(200,979)	-	42,511	3,949	(154,519)
Net balances as at 1 January		361,712	4,644	3,480,213	322,594	4,169,163
Insurance revenue						
Contracts under fair value approach		(17,321)	-	-	-	(17,321)
Contracts under full retrospective approach		(1,961,198)	-	-	-	(1,961,198)
	20	(1,978,519)	-	-	-	(1,978,519)
Insurance service expenses						
Incurred claims and other insurance service expenses*		-	-	680,963	72,912	753,875
Amortisation of insurance acquisition cash flow	(i)	185,049	-	-	-	185,049
Changes that relate to past services - adjustment to LIC*		-	-	(536,300)	(139,169)	(675,469)
Reversal of losses on onerous contracts		-	(4,644)	-	-	(4,644)
	21	185,049	(4,644)	144,663	(66,257)	258,811
Insurance service result		(1,793,470)	(4,644)	144,663	(66,257)	(1,719,708)
Finance expense from insurance contract issued	29a	-	-	125,652	(10,190)	115,462
Effect of movements in exchange rates		-	-		-	-
		-	-	125,652	(10,190)	115,462
Total amount recognised in profit or loss		(1,793,470)	(4,644)	270,315	(76,447)	(1,604,246)
Cash flows						
Premiums received	(ii)	2,031,412	-	-	-	2,031,412
Claims and other insurance service expenses paid		-	-	(995,902)	-	(995,902)
Insurance acquisition cash flows	(iii)	(205,486)	-	-	-	(205,486)
Total cash flows		1,825,926	-	(995,902)	-	830,024
Net balance as at end of the year		394,168	-	2,754,626	246,147	3,394,941
Insurance contract liabilities as at 31 December		680,342	-	2,663,146	236,670	3,580,158
Insurance contract assets as at 31 December		(286,174)	-	91,480	9,477	(185,217)
Net insurance contract liabilities as at 31 December		394,168	-	2,754,626	246,147	3,394,941

***** Certain amounts have been reclassified between the line items to conforms with the current year's presentation and disclosure requirements.

17. INSURANCE CONTRACT ASSETS/LIABILITIES (CONTD.)

Analysis by liability for remaining coverage and the liability for incurred claims measured at PAA (contd.)

<u>Notes:</u>

(i) Insurance acquisition cash flows were allocated on a straight-line basis during the coverage period of the respective groups of contracts. Please see accounting policy for details at Note 2.2(ix)(j).

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

(iii) Insurance acquisition cash flows paid after the related groups of contracts are initially recognised are adjusted to liability for remaining coverage. Insurance acquisition cash flows paid before the related groups recognised are included in assets for acquisition cash flows until the groups of contracts are recognised. Expenses attributed to insurance acquisition cash flows are disclosed in Note 32.

18. DEFERRED TAXATION

	2024 RM'000	2023 RM'000
At 1 January	(65,023)	(37,245)
Recognised in:		
Profit or loss (Note 34)	(14,144)	(15,598)
Other comprehensive income (Note 34)	(4,032)	(12,180)
At 31 December	(83,199)	(65,023)

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:

	2024 RM'000	2023 RM'000
Deferred tax assets	9,690	8,759
Deferred tax liabilities	(92,889)	(73,782)
	(83,199)	(65,023)

18. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Assets

	Provision for bonus RM'000	Impairment on insurance and reinsurance contracts RM'000	Amortisation of premiums on investments RM'000	Impairment of investments RM'000	Total RM'000
2024					
At 1 January	4,151	2,993	1,394	221	8,759
Recognised in:					
Profit or loss	342	425	210	(46)	931
At 31 December	4,493	3,418	1,604	175	9,690
2023					
At 1 January	1,809	4,355	1,223	173	7,560
Recognised in:					
Profit or loss	2,342	(1,362)	171	48	1,199
At 31 December	4,151	2,993	1,394	221	8,759

18. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Liabilities

	Insurance and reinsurance contracts RM'000	ROU assets RM'000	Accelerated capital allowances RM'000	Fair value adjustment RM'000	FVOCI reserve RM'000	Unrealised currency exchange RM'000	Total RM'000
2024							
At 1 January	(19,453)	(20)	(1,908)	(49,976)	(2,259)	(166)	(73,782)
Recognised in:							
Profit or loss	(7,047)	(28)	(146)	(7,872)	-	18	(15,075)
Other comprehensive income	-	-	-	-	(4,032)	-	(4,032)
At 31 December	(26,500)	(48)	(2,054)	(57,848)	(6,291)	(148)	(92,889)
2023							
At 1 January	(8,237)	-	(1,502)	(45,450)	10,456	(72)	(44,805)
Recognised in:							
Profit or loss	(11,216)	(20)	(406)	(4,526)	(535)	(94)	(16,797)
Other comprehensive income	-	-	-	-	(12,180)	-	(12,180)
At 31 December	(19,453)	(20)	(1,908)	(49,976)	(2,259)	(166)	(73,782)

19. OTHER LIABILITIES

	2024 RM'000	2023 RM'000
Lease liabilities (Note 5)	5,168	5,518
Provision for restoration costs	1,225	1,261
Amounts due to related companies* (Note 40 (b)):		
- Ultimate holding company	7,489	5,636
- Immediate holding company	3,958	2,057
- Penultimate holding company	56	616
- Other related companies	884	183
Amount due to subsidiary* (Note 40 (b))	1,600	1,609
Provision for land development costs	160	160
Sundry payables and accrued liabilities**	171,758	125,737
Total other liabilities	192,298	142,777

The movement of provision for land development costs is disclosed as follows:

	2024 RM'000	2023 RM'000
At 1 January	160	160
Payment for development	-	-
At 31 December	160	160

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

**Included in the sundry payables and other liabilities are mainly consist of provision for bonus, accrual, payroll payable and other miscellaneous or provision of expenses.

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

20. INSURANCE REVENUE

	2024 RM'000	2023 RM'000
Contracts measured under PAA		
Release of premiums	2,216,470	1,978,519
Total insurance revenue (Note 17)	2,216,470	1,978,519

21. INSURANCE SERVICE EXPENSES

	2024 RM'000	2023 RM'000
Incurred claims and other insurance service expenses*	(1,497,092)	(753,875)
Changes that relate to past services - adjustment to LIC*	(17,339)	675,469
Reversal of losses on onerous contracts	-	4,644
Insurance acquisition cash flow amortisation	(199,331)	(185,049)
Total insurance service expenses (Note 17)	(1,713,762)	(258,811)

* Certain amounts have been reclassified between the line items to conforms with the current year's presentation and disclosure requirements.

22. NET EXPENSES FROM REINSURANCE CONTRACTS HELD

		2024 RM'000	2023 RM'000
Changes in the assets for remaining coverage			
Net cost/gain recognised in profit or loss	(i)	(1,469,252)	(1,300,772)
Allocation of reinsurance premiums		(1,469,252)	(1,300,772)
Amounts recoverable for incurred claims and other expenses incurred in the period*		1,014,925	635,001
Changes in amounts recoverable for incurred claims*		(1,855)	(959,620)
Loss recovery component		-	(787)
Amounts recoverable from reinsurers		1,013,070	(325,406)
Net expenses from reinsurance contracts held (Note 11)		(456,182)	(1,626,178)

(i) Net cost/gain recognised in profit or loss during the coverage period of the corresponding groups of reinsurance contracts held based on established coverage units. Refer to Note2.2(ix)(f).

* Certain amounts have been reclassified between the line items to conforms with the current year's presentation and disclosure requirements.

23. INTEREST INCOME FROM FINANCIAL ASSETS NOT MEASURED AT FVTPL

	2024 RM'000	2023 RM'000
Interest income		
Financial Assets at FVOCI		
Investment		
Malaysian government papers	9,423	11,723
Debt securities	50,612	47,008
Financial Assets at AC		
Investment		
Deposit with financial institution	7,932	6,924
Financing receivables		
Staff loans	556	573
Non-staff loans	16	25
Total interest income from financial assets not measured at FVTPL	68,539	66,253

24. NET FAIR VALUE GAINS ON FINANCIAL ASSETS MEASURED AT FVTPL

	2024 RM'000	2023 RM'000
Realised gains/(losses) on financial assets, net	12,710	(945)
Fair value gains/(losses) on:		
Debt securities	656	(1,125)
Equity securities	17,005	5,956
Derivatives	(161)	-
Total net fair value gains on financial assets measured at FVTPL	30,210	3,886

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

	2024 RM'000	2023 RM'000
Fair value gains on:		
Debts securities	1,686	2,048
Malaysian government papers	120	2,416
Total net fair value gains on derecognition of financial assets measured at FVOCI	1,806	4,464

26. OTHER INVESTMENT INCOME

	2024 RM'000	2023 RM'000
Dividend income:		
Equity securities	8,542	6,995
Unit and property trust	79	221
Fair value gains:		
Investment properties	15,018	14,028
Interest income at FVTPL:		
Investment	3,836	2,474
Realised losses on disposal of:		
Subsidiary and associate	-	(152)
Rental income		
- Investment properties (Note 4)	12,525	11,159
- Others	1,575	2,534
Rental related expenses		
- Investment properties (Note 4)	(4,536)	(2,853)
- Others	(15)	(1,488)
Net amortisation of premiums	(876)	(2,068)
Investment related expenses, net	(684)	(594)
Total other investment income	35,464	30,256

27. REVERSAL OF IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2024 RM'000	2023 RM'000
Reversal of impairment loss on:		
- investments	190	(202)
- financing receivables	(56)	289
Total reversal of impairment loss on financial assets	134	87

28. NET FOREIGN EXCHANGE (LOSSES)/GAINS

	2024 RM'000	2023 RM'000
Net realised losses	(2,013)	(216)
Net unrealised (losses)/gains	(33)	439
Total net foreign exchange (losses)/gains	(2,046)	223

29. FINANCE EXPENSE FROM INSURANCE CONTRACTS ISSUED

	Note	2024 RM'000	2023 RM'000
Insurance contracts			
(a) Finance (expense)/income from insurance contracts issued			
Interest accreted using current financial assumptions		(117,267)	(117,631)
Effect of changes in interest rates and other financial assumptions		(406)	2,169
Total finance expenses from insurance contracts issued (Note 17)		(117,673)	(115,462)
Amount recognised in profit or loss		(117,673)	(115,462)
(b) Net investment result and net finance income/(expenses):			
Represented by:			
Amount recognised in profit or loss			
Net investment income		134,107	105,169
Finance expense from insurance contract	29a	(117,673)	(115,462)
Finance Income from reinsurance contracts	30	100,983	106,224
		117,417	95,931

It represents fair value gains or losses on underlying assets and interest income of the Company.

30. FINANCE INCOME FROM REINSURANCE CONTRACTS HELD

	2024 RM'000	2023 RM'000
Reinsurance contracts		
Finance income/(expense) from reinsurance contracts held		
Interest accreted using current financial assumptions	100,431	102,310
Effect of changes in interest rates and other financial assumptions	278	(1,932)
Changes in risk non-performance reinsurer	274	5,846
Total finance income from reinsurance contracts (Note 11)	100,983	106,224
Amount recognised in profit or loss	100,983	106,224

31. OTHER INCOME/EXPENSE, NET

	2024 RM'000	2023 RM'000
(A) Other income		
Reversal of impairment loss on other assets	1	32
Realised gain on disposal of property, plant and equipment	6	29
Sundry income	2,336	4,575
Total other income	2,343	4,636
(B) Total other expenses (Note 32)	(2,701)	(13,455)
Total other expenses, net	(358)	(8,819)

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32. OTHER EXPENSES

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

	2024				2023			
	Insurance service expenses*				Insurance service expenses*			
	Expenses attributed to insurance acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000	Expenses attributed to insurance acquisition cash flows RM'000	Other directly attributable expenses RM'000	Other expenses RM'000	Total RM'000
Commission expenses (A)	139,600	550	-	140,150	128,704	-	-	128,704
Other expenses								
Employee benefits expense (a)	42,174	59,084	2,072	103,330	34,396	63,401	2,024	99,821
Directors' remuneration (Note 33)	-	-	1,082	1,082	-	-	1,066	1,066
Auditors' remuneration:								
- statutory audits	337	375	24	736	374	616	10	1,000
- regulatory related services	8	19	1	28	13	14	1	28
- other services	-	-	-	-	27	7	10	44
Amortisation of intangible assets (Note 6)	2,848	3,614	-	6,462	2,641	4,425	100	7,166
Auto assist service	-	4,287	-	4,287	-	3,722	-	3,722
Other finance costs	1,542	3,572	19	5,133	1,068	3,381	1	4,450
Depreciation of property, plant and equipment(Note3)	973	2,342	8	3,323	760	1,282	1,482	3,524
Right-of-use expenses (Note 5):								
-Depreciation	-	2,079	-	2,079	-	2,077	-	2,077
-Lease liabilities interest	-	117	-	117	-	95	-	95
-Termination expenses	-	(145)	-	(145)	-	-	-	-
Other management fees	263	757	-	1,020	195	824	-	1,019
Outside services & others	45	205	-	250	52	83	-	135
Professional fees	8,871	1,161	7	10,039	10,118	3,067	2	13,187

32. OTHER EXPENSES (CONTD.)

	2024				2023			
	Expenses attributed to insurance acquisition cash flows RM'000	**Other directly attributable expenses RM'000**	**Other expenses RM'000**	**Total RM'000**	**Expenses attributed to insurance acquisition cash flows RM'000**	**Other directly attributable expenses RM'000**	**Other expenses RM'000**	**Total RM'000**
Short term leases	2,065	2,635	28	4,728	1,702	2,839	37	4,578
Low value assets	4	130	-	134	8	130	-	138
Office facilities expenses	230	284	3	517	202	339	3	544
Electronic data processing expenses	1,975	2,437	-	4,412	1,764	2,960	-	4,724
Expensed assets	-	1	-	1	1	4	-	5
Information technology outsourcing	518	640	-	1,158	336	563	-	899
Postage and stamp duties	53	276	11	340	58	1,042	-	1,100
Printing and stationery	56	151	-	207	55	517	-	572
Promotional and marketing costs	11,234	658	1,105	12,997	10,774	597	1,174	12,545
Training expenses	332	324	1	657	825	1,178	1	2,004
Utilities, assessment and maintenance	448	842	14	1,304	464	1,051	17	1,532
Entertainment	-	-	397	397	-	-	310	310
Travelling expenses	429	590	4	1,023	278	464	23	765
Legal fees	76	108	-	184	29	49	(3)	75
Licence, subscription and levies	512	2,601	2	3,115	254	3,192	61	3,507
Contract staff services	706	1,586	1	2,293	354	1,532	1	1,887
Policy related expenses	205	873	6	1,084	327	436	11,135	11,898
Others	141	174	-	315	-	-	-	-
Total other expenses (B)	76,045	91,777	4,785	172,607	67,075	99,887	17,455	184,417
<u>Other operating expenses</u>								
Sundry expenditure/(income), net	686	(393)	(2,084)	(1,791)	539	330	(4,000)	(3,131)
Total other operating expenses (C)	686	(393)	(2,084)	(1,791)	539	330	(4,000)	(3,131)
Total other expenses (A) + (B) + (C)	216,331	91,934	2,701	310,966	196,318	100,217	13,455	309,990

32. OTHER EXPENSES (CONTD.)

	2024 RM'000	2023 RM'000
Represented by:		
Insurance service expenses	308,265	296,535
Other expenses	2,701	13,455
	310,966	309,990

* Insurance service expenses included acquisition and maintenance expenses which are directly attributable to group of Insurance contracts. Insurance acquisition cash flow is subjected to amortisation in accordance to Note 2.2(ix)(f).

	2024 RM'000	2023 RM'000
(a) Employee Benefits Expense:		
Wages, salaries and bonuses	76,830	73,997
EPF	11,759	11,723
SOCSO	609	588
ESGP	1,467	1,285
Other benefits	12,665	12,228
	103,330	99,821

Included in employee benefit expense above are remuneration of CEO of the Company amounting to RM1,867,000 (2023: RM1,653,000) further disclosed below.

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

	2024 RM'000	2023 RM'000
Salary	954	885
Bonus	450	350
EPF	232	205
ESGP	140	124
Other emoluments	91	89
	1,867	1,653

33. DIRECTORS' FEES AND REMUNERATION

	2024 RM'000	2023 RM'000
Directors of the Company		
Executive director:		
Fees	-	120
Other emoluments	-	18
	-	138
Non-executive directors:		
Fees	870	780
Other emoluments	212	148
	1,082	928
Total directors' fees and remuneration	1,082	1,066

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

	Fees RM'000	Other emoluments RM'000	Total RM'000
Non-executive directors:			
Datuk Mohd Najib Bin Abdullah	186	30	216
Encik Mohamad Shukor Bin Ibrahim	126	35	161
Mr. Tan Kwang Kherng	126	38	164
Mr. Frank Johan Gerard Van Kempen (resigned w.e.f 16 July 2024)	66	12	78
Ms. Daniela Adaggi	126	27	153
Datuk Normala @ Noraizah Binti A.Manaf (resigned w.e.f 31 December 2024)	125	27	152
Cik Serina Binti Abdul Samad (retired w.e.f 1 December 2024)	115	43	158
	870	212	1,082
Total remuneration of the directors of the Company	870	212	1,082

33. DIRECTORS' FEES AND REMUNERATION (CONTD.)

	Fees RM'000	Other emoluments RM'000	Total RM'000
2023			
Executive director:			
Datuk Normala @ Noraizah Binti A.Manaf	120	18	138
	120	18	138
Non-executive directors:			
Datuk Mohd Najib Bin Abdullah	180	22	202
Mr. Frank Johan Gerard Van Kempen	120	20	140
Cik Serina Binti Abdul Samad	120	26	146
Ms. Daniela Adaggi	120	20	140
Encik Mohamad Shukor Bin Ibrahim	120	27	147
Mr. Tan Kwang Kherng	120	33	153
	780	148	928
Total remuneration of the directors of the Company	900	166	1,066

34. TAXATION

Tax expense

The major components of income tax expense for the financial years ended 31 December 2024 and 31 December 2023 are as follows:

	2024 RM'000	2023 RM'000
Profit or loss		
Income tax:		
Current financial year		
- Malaysia	29,863	32,024
Under/(over) provision of taxation in prior financial year	5,646	(976)
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 18)	14,144	15,598
Income tax expense recognised in profit or loss	49,653	46,646

34. TAXATION (CONTD.)

	2024 RM'000	2023 RM'000
Statement of Comprehensive Income		
Deferred income tax related to other comprehensive income:		
- Fair value changes on debt securities at FVOCI (Note 18)	1,924	12,270
- Fair value changes on equity securities at FVOCI Unrealised (Note 18)	2,108	(90)
	4,032	12,180

Reconciliation between tax expense and accounting profit

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

	2024 RM'000	2023 RM'000
Profit before taxation	163,585	180,642
Taxation at Malaysian statutory tax rate of 24% (2023: 24%)	39,260	43,354
Income not subject to tax	(1,529)	(2,432)
Expenses not deductible for tax purposes	6,276	6,700
Under/(over) provision of taxation in prior financial year	5,646	(976)
Tax expenses for the financial year	49,653	46,646

Domestic income tax for the Shareholder's fund and General fund for the current year are calculated on the estimated assessable profit for the financial year at the Malaysian at the statutory rate of 24%.

35. EARNINGS PER SHARE

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

	2024 RM'000	2023 RM'000
Profit attributable to ordinary equity holders	113,932	133,996

	2024 Units '000	2023 Units '000
Weighted average number of ordinary shares in issue at 31 December (Note 15)	212,151	212,151

	2024 sen	2023 sen
Basic and diluted earnings per share	53.70	63.16

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

36. DIVIDENDS

	2024 RM'000	2023 RM'000
Final dividend in respect of financial year ended 31 December 2023 - 46.05 sen per share, single-tier tax exempt dividend on 212,151,399 ordinary shares	97,696	-
Final dividend in respect of financial year ended 31 December 2022 - 46.79 sen per share, single-tier tax exempt dividend on 212,151,399 ordinary shares	-	99,266

37. OPERATING LEASE COMMITMENTS

The Company as a lessor

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

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

	2024 RM'000	2023 RM'000
Not later than one year	11,434	13,684
Between one and five years	44,458	52,587
	55,892	66,271

Rental income on investment properties recognised in the profit or loss during the financial year is disclosed in Note 4 and Note 26.

38. OTHER COMMITMENTS AND CONTINGENCIES

	2024 RM'000	2023 RM'000
Approved and contracted for:		
Property, plant and equipment	150	1,613
Intangible assets	-	1,290
	150	2,903
Approved but not contracted for:		
Property, plant and equipment	5,756	4,143

	2024 Full commitment RM'000	2023 Full commitment RM'000
Derivative financial instruments:		
Forward foreign exchange contracts (Note 13):		
Less than a year	12,344	9,211
	12,344	9,211

39. SHARE-BASED COMPENSATION

The existing ESGP (“ESGP2018”) is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting ("EGM") 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. Four (4) out of the five (5) awards made have been vested to eligible employees in 2021 to 2024 whilst balance of the one (1) award will vest in 2025. Starting from 2023, no new awards have been issued to staff under the ESGP2018.

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

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

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

Other principal features of the ESGP are as follows:

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

(ii) The entitlement under the ESGP for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of the Bank 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, no additional new awards have been issued to staff under the ESGP2018. As continuation of the existing employees’ share grant plan, a new ESGP plan (“ESGP2023”) has been established in 2023 and is valid for a period of ten (10) years from the effective date. This plan will run concurrently with ESGP2018 until its expiration.

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

40. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES 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. The key management personnel includes all the Directors and the Chief Executive Officer of the Company.

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

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

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

	2024 RM'000	2023 RM'000
Income/(expenses):		
Ultimate holding company:		
Gross premium income	31,073	33,131
Commissions and fees expenses	(21,443)	(19,534)
Claims paid	(336)	(1,210)
Interest income	235	731
Rental income	489	489
Shared services cost	(570)	(604)
Other expenses	(1,039)	(598)
ESGP	(1,226)	(1,098)
Immediate holding company:		
Gross premium income	14	29
Dividend paid	(97,696)	(99,266)
Rental income	443	331
Shared services cost	(25,491)	(16,011)
Remuneration of a seconded employee	(77)	(130)

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

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

	2024 RM'000	2023 RM'000
Income/(expenses) (contd.):		
Penultimate holding company:		
Reimbursement of expenses/(income)	(810)	37
Insurance expenses	-	(179)
Rental income	59	-
Other expenses	52	(1,603)
Fellow subsidiaries within the MAHB Group:		
Gross premium income	9,033	11,091
Premium ceded to reinsurers	(371)	(565)
Commissions and fee expenses	(2,568)	(3,138)
Reinsurance commission expenses	(47)	(17)
Claims paid	(7,773)	(5,358)
Changes in claims recoverable	1,182	(5,005)
Claims received	-	1,022
Other income	120	64
Rental income	9,638	9,602
Rental expense	(2,180)	(2,222)
Shared services income	23,296	28,972
Other related companies within the Maybank Group:		
Gross premium income	3,202	2,224
Interest income	4,809	3,419
Claims paid	(66)	(11,064)
Consultation fee	(779)	(1,327)
Management fee	(4)	(31)
Shared services cost	(612)	(483)
Information technology outsourcing	(5,711)	(5,775)
Companies related to a company with significant influence over the Maybank Group:		
Gross premium income	27,503	25,718
Claims paid	(336)	(3,608)

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

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

	Note	2024 RM'000	2023 RM'000
Ultimate holding company:			
Fixed and call deposits		7,361	35,878
Derivatives		(41)	24
Bank balances		40,379	22,048
Income due and accrued		45	75
Outstanding premiums		158	133
Claim liabilities		(12,059)	(13,877)
Provision for custodian fee		(33)	(30)
Amount due to ultimate holding company	19	(7,489)	(5,636)
Immediate holding company:			
Amount due to immediate holding company	19	(3,958)	(2,057)
Penultimate holding company:			
Amount due to penultimate holding company	19	(56)	(616)
Fellow subsidiaries within the EIHSB Group:			
Amount due from other related companies	12	242	214
Fellow subsidiaries within the MAHB Group:			
Amount due to reinsurers and cedants		(32,422)	(24,834)
Claims liabilities		(15,094)	(15,828)
Reinsurance assets/(liabilities)		1,941	(200)
Amount due from other related companies	12	2,184	3,191
Amount due to other related companies	19	(40)	-
Other related companies within the Maybank Group:			
Fixed and call deposits		203,472	70,157
Income due and accrued		365	596
Claims liabilities		(113)	(96)
Outstanding claim recoveries		2,417	2,810
Amount due to other related companies	19	(844)	(183)

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

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

	Note	2024 RM'000	2023 RM'000
Companies related to a company with significant influence over the Maybank Group:			
Claims liabilities		(42,741)	(166,287)
Subsidiary:			
Amount due to Subsidiary	19	(1,600)	(1,609)

The balances with related companies are subject to normal trade terms and are as disclosed in Notes 12 and 19.

(c) Key management personnel compensation

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

	2024 RM'000	2023 RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	1,404	1,253
- Fees	870	900
- Contribution to EPF	232	205
- ESGP	140	124
- Other emoluments	303	237
	2,949	2,719

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

	2024 RM'000	2023 RM'000
At 1 January	660	660
Awarded	-	-
At 31 December	660	660

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK

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

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

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

Principles

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

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Principles (contd.)

- 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. If an institution lacks the right culture and strong leadership at the top, the other elements in the structure will be somewhat irrelevant.

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.

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.

41. 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:

- Annual Enterprise Risk Assessment (with methodology of Risk Landscape Survey)
- New Business/Product Approval process as governed by the New Product Approval
- Forward-looking stress testing
- Inputs from the Senior Management and the Board of Directors.

Risk Appetite

The establishment of the risk appetite is an integral 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 of risks that MAHB Group is willing to accept in pursuit of its business and strategic goals while taking into consideration the constraints under a stressed environment.

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 Group has adequate capital to meet its capital requirements on an on-going basis, fulfilling the regulatory requirements on Internal Capital Adequacy Assessment Processes ("ICAAP") that all Insurers/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 Group must have an actionable plan to restore the capital level within a reasonable timeframe.

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Response

Risk response refers to the actions taken to address inherent risk and potential risk which have been identified in the MAHB Group's product offerings, investment decisions, operating processes and business strategies. It involves evaluating the likelihood and potential impact of risks and deciding on the best course of action to take. Generally, there are four (4) possible responses to risk:-

When strategising the response action, it is important to thoroughly consider whether the risk that MAHB Group is willing to assume is reasonable. In general, if MAHB Group is unable to manage and mitigate the risk then the risk should be avoided, unless the cost and benefit trade-off 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

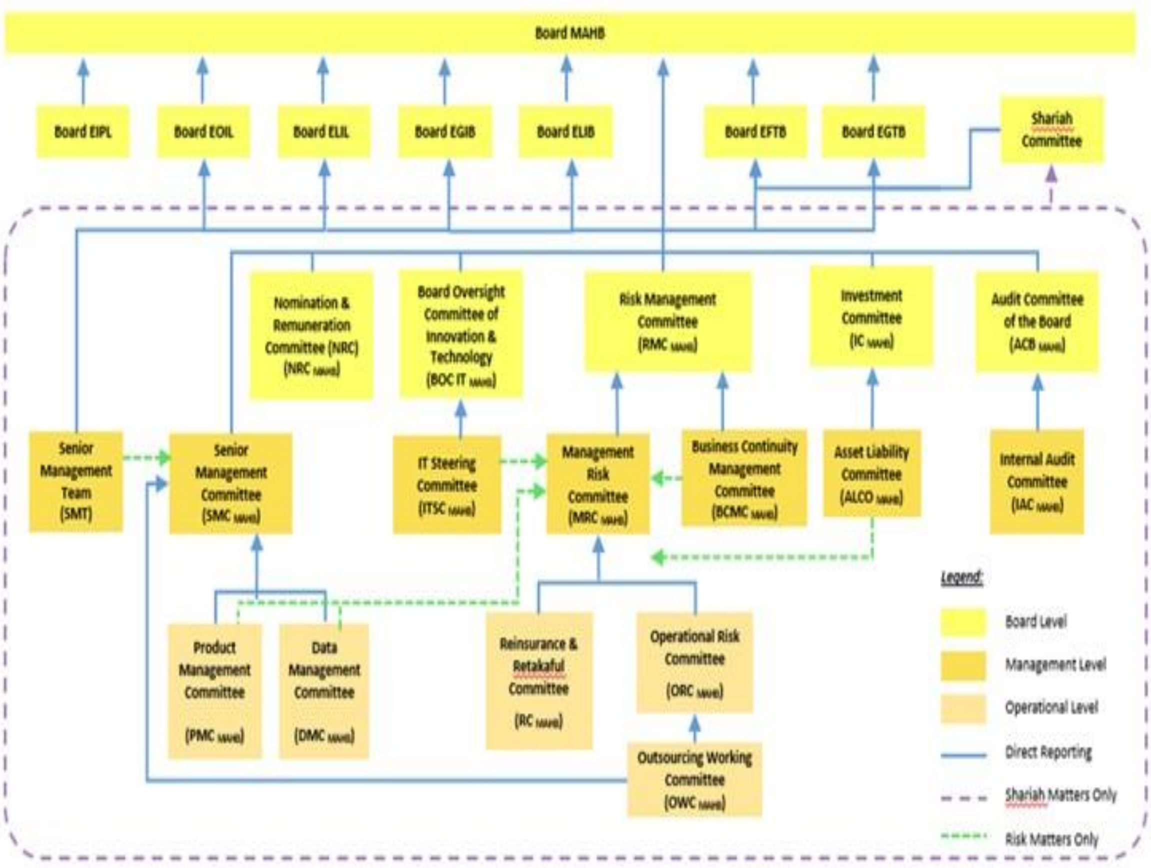
A governance structure should be clear, effective, and robust and include the roles of the Board, Risk Committees, and Senior Management with well-defined, transparent, and consistent lines of responsibility.

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

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

41. 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 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.

3) ELIL is undergoing its exit strategy and full closure is tentatively to be completed by the end of 2025.

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.

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Board

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

Board Oversight Committee of Innovation & Technology ("BOC IT")

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.

MRC to review and recommend new and revised MAHB Group Risk frameworks/policies where control of documents is determined as material for RMC and Board endorsement/approval, whichever relevant. Also, to review and recommend the MAHB Group’s annual Risk Appetite Statements (RAS) and Key Risk Indicators (KRIs), for RMC and Board endorsement/approval, whichever is relevant.

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 constraints.

Information Technology Steering Committee ("ITSC")

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

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Internal Audit Committee ("IAC")

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

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

Operational Risk Committee ("ORC")

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

Product Management Committee ("PMC")

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

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.

Reinsurance & Retakaful Committee ("RC")

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

Third Party & Outsourcing Working Committee ("TPOWC")

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

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Fire Committee ("FC")

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

Motor Committee ("MC")

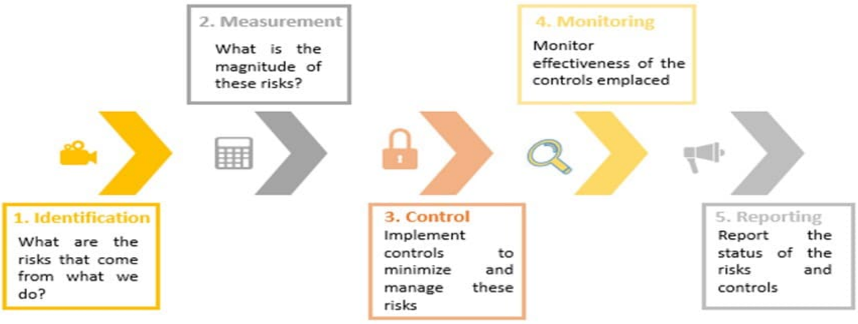
MC is responsible to verify the adequacy of premium/contribution rate level is adequate and in complying with BNM guidelines (aligned with Motor Pricing Policy document); Discuss, deliberate and approve Motor Underwriting Guidelines in line with Company's business strategy and risk appetite; Discuss,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

Business Continuity Management Committee ("BCMC")

The BCMC is responsible to ensure that the Business Continuity Management ("BCM") Framework (Maybank GNFR Framework), Policy and Procedure are embedded, promoted and implemented in each service areas within MAHB Group. It also provides centralized co-ordination of the response to, and recovery from, any incident, or situation that causes potential or significant disruption to MAHB Group in delivering its products and services.

Risk Management Practices and Processes

A robust process should be in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the business. The practices and processes are to be reflective of the nature, size and complexity of the various business activities. The five (5) main stages of the risk management process which form a continuous cycle are depicted below:



41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Stress Test

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

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

Resources and System Infrastructure

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

Resources

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

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

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

System Infrastructure

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

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

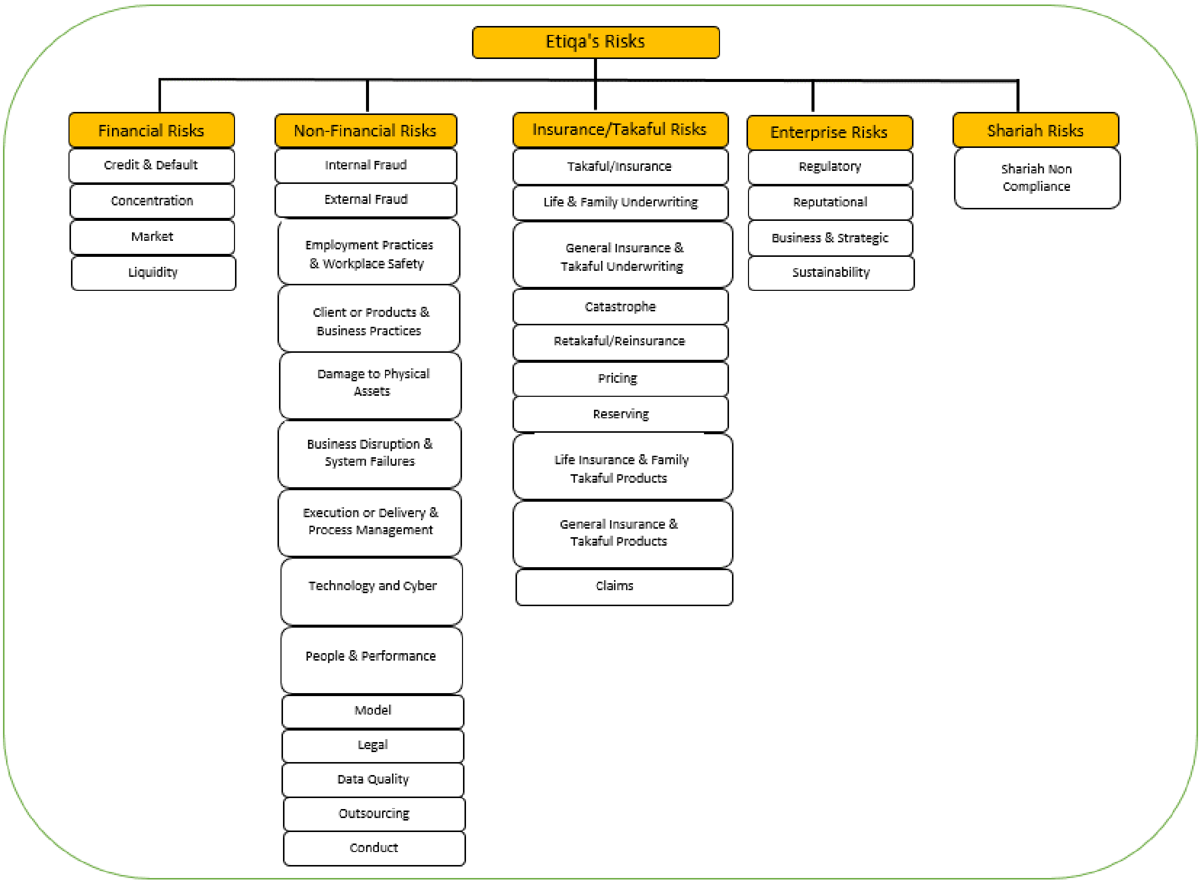
In addition, effective measures and systems should be in place to facilitate the generation and exchange of information within MAHB Group. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy

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

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



42. INSURANCE RISK

Insurance risk is the risk of loss of adverse change arising from the underwritten insurance 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 reinsurance have been made.

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

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

(i) Underwriting Risk

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

(ii) Pricing Risk

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

(iii) Reinsurance Risk

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

42. INSURANCE RISK (CONTD.)

(iv) Products Risk

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

(v) Reserving Risk

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

(vi) Catastrophe Risk

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

(vii) Claims Risk

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

(i) The table below discloses the general insurance revenue and allocation of reinsurance premiums by line of business:

	2024			2023		
	Insurance revenue RM'000	Allocation of reinsurance premiums RM'000	Net RM'000	Insurance revenue RM'000	Allocation of reinsurance premiums RM'000	Net RM'000
Malaysia						
Motor	367,805	(17,330)	350,475	305,879	(12,979)	292,900
Fire	437,145	(285,912)	151,233	387,991	(247,467)	140,524
Marine, Aviation, Cargo and Transit	906,791	(840,928)	65,863	719,713	(657,130)	62,583
Miscellaneous	494,249	(323,499)	170,750	555,832	(381,193)	174,639
	2,205,990	(1,467,669)	738,321	1,969,415	(1,298,769)	670,646

42. INSURANCE RISK (CONTD.)

(i) The table below discloses the general insurance revenue and allocation of reinsurance premiums by line of business: (contd.)

	2024			2023		
	Insurance revenue RM'000	Allocation of reinsurance premiums RM'000	Net RM'000	Insurance revenue RM'000	Allocation of reinsurance premiums RM'000	RM'000
Singapore						
Fire	10,480	(1,583)	8,897	9,104	(2,003)	7,101
	10,480	(1,583)	8,897	9,104	(2,003)	7,101
Total	2,216,470	(1,469,252)	747,218	1,978,519	(1,300,772)	677,747

(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.

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

Risk adjustment reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the incurred claim cash flows that arises from non-financial risk. The inherent uncertainties in estimating the incurred claim cash flows can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The Company applies a confidence level technique to determine the risk adjustments for non-financial risk of both its insurance and reinsurance contracts. The target confidence level is 75th percentile, in line with the regulatory requirement of Bank Negara Malaysia under the Risk-Based Capital Framework for Insurers.

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	**2024**	**2023**
Malaysia - ULAE ratio	3.5%	3.5%

(iii) Sensitivity analysis

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development in 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 insurance 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 insurance contract liabilities and consequently, the observed net claims ratio for the financial year. Accordingly, 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 equity.

42. INSURANCE RISK (CONTD.)

(iii) Sensitivity analysis (contd.)

	Change in assumptions	Impact on insurance service result before reinsurance contracts held RM'000	Impact on insurance service result RM'000	Impact on equity before reinsurance contracts held* RM'000	Impact on equity* RM'000
		<------------------ Increase/(decrease)			------------------>
2024					
Net incurred claims ratio	+ 5%	(109,147)	(29,924)	(82,952)	(22,742)
	- 5%	109,147	29,924	82,952	22,742
Interest rate	+100 basis points	27,083	5,196	20,583	3,949
	-100 basis points	(27,759)	(5,348)	(21,097)	(4,064)
2023					
Net incurred claims ratio	+ 5%	(95,023)	(26,096)	(72,218)	(19,833)
	- 5%	95,023	26,096	72,218	19,833
Interest rate	+100 basis points	21,602	4,183	16,418	3,179
	-100 basis points	(22,174)	(4,307)	(16,852)	(3,273)

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

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

(iv) Claims development table

The following tables show estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting year, together with cumulative payments to date. The management believes the estimate of total claims outstanding 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.

42. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Gross claims development

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.

Gross undiscounted liabilities for incurred claims 2024	**Before 2019 RM'000**	**<--- 2019 RM'000**	**2020 RM'000**	**2021 RM'000**	**Accident Year 2022 RM'000**	**2023 RM'000**	**2024 ---> RM'000**	**Total RM'000**
Estimate of ultimate claim costs								
(gross of reinsurance, undiscounted)								
At the end of accident year		998,183	1,145,769	1,548,817	1,009,870	1,090,171	1,569,735	
1 year later		1,053,315	1,466,727	1,215,363	996,849	1,171,425		
2 years later		1,096,687	1,626,457	1,140,042	827,646			
3 years later		1,094,627	1,129,251	1,209,778				
4 years later		1,098,390	1,112,267					
5 years later		1,016,133						
Cumulative gross claims and other directly attributable expenses paid (A)		1,016,133	1,112,267	1,209,778	827,646	1,171,425	1,569,735	
Estimate of gross cumulative payments to date:								
At the end of accident year		254,960	162,538	662,915	144,758	158,700	165,911	
1 year later		474,617	250,530	869,352	312,456	296,253		
2 years later		663,409	391,119	969,907	385,418			
3 years later		766,493	702,798	1,034,035				
4 years later		834,929	712,725					
5 years later		846,807						
Gross cumulative payments (B)		846,807	712,725	1,034,035	385,418	296,253	165,911	
Gross cumulative claims liabilities - accident years (A) - (B)	214,278	169,326	399,542	175,743	442,228	875,172	1,403,824	3,680,113
Unallocated loss adjustment expenses	139	297	262	466	1,098	2,160	6,379	10,801
Gross cumulatives claims liabilities for Brunei, Treaty and MMIP								27,654
Effect of discounting	(284)	(260)	(1,616)	(2,873)	(7,047)	(26,479)	(46,566)	(85,125)
Effect of the risk adjustment margin for non-financial risks	17,883	22,444	47,641	20,366	49,770	96,446	135,186	389,736
Effect of the risk adjustment margin for non-financial risks for Brunei, Treaty and MMIP								3,187
Claims paid								6,961
Gross LIC for the contracts originated	232,016	191,807	445,829	193,702	486,049	947,299	1,498,823	4,033,327

42. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Gross claims development (contd.)

Gross undiscounted liabilities for incurred claims 2023	**Before 2018 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**	**Total RM'000**
		<------- Accident Year ------->						
Estimate of ultimate claim costs (gross of reinsurance, undiscounted)								
At the end of accident year		623,423	998,183	1,145,769	1,548,817	1,009,870	1,090,171	
1 year later		628,613	1,053,315	1,466,727	1,215,363	996,849		
2 years later		991,592	1,096,687	1,626,457	1,140,042			
3 years later		1,075,572	1,094,627	1,129,251				
4 years later		883,992	1,098,390					
5 years later		616,487						
Cumulative gross claims and other directly attributable expenses paid (A)		616,487	1,098,390	1,129,251	1,140,042	996,849	1,090,171	
Estimate of gross cumulative payments to date:								
At the end of accident year		114,737	254,960	162,538	662,915	144,758	158,700	
1 year later		316,439	474,617	250,530	869,352	312,456		
2 years later		385,996	663,409	391,119	969,907			
3 years later		472,460	766,493	702,798				
4 years later		511,120	834,929					
5 years later		531,591						
Gross cumulative payments (B)		531,591	834,929	702,798	969,907	312,456	158,700	
Gross cumulative claims liabilities - accident years (A) - (B)	193,931	84,896	263,461	426,453	170,135	684,393	931,471	2,754,740
Unallocated loss adjustment expenses	147	177	495	628	773	1,978	4,098	8,296
Gross cumulatives claims liabilities for Brunei, Treaty and MMIP								35,177
Gross cumulatives claims liabilities - prior accident years								-
Effect of discounting	(255)	(406)	(3,894)	(4,664)	(4,486)	(18,824)	(37,323)	(69,852)
Effect of the risk adjustment margin for non-financial risks	20,096	6,257	26,182	38,051	15,870	59,389	76,259	242,104
Effect of the risk adjustment margin for non-financial risks for Brunei, Treaty and MMIP								4,043
Claims paid								26,265
Gross LIC for the contracts originated	213,919	90,924	286,244	460,468	182,292	726,936	974,505	3,000,773

42. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Net claims development

Net undiscounted liabilities for incurred claims 2024	**Before 2019 RM'000**	**2019 RM'000**	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**	**2024 RM'000**	**Total RM'000**
		<---- Accident Year ---->						
Estimate of ultimate claim costs (net of reinsurance, undiscounted)								
At end of accident year		283,921	267,388	234,364	309,715	338,632	437,544	
1 year later		284,297	254,104	219,147	303,699	338,522		
2 years later		291,643	248,555	215,770	301,918			
3 years later		294,194	252,562	217,145				
4 years later		297,991	244,258					
5 years later		294,575						
Cumulative net claims and other directly attributable expenses paid (A)		294,575	244,258	217,145	301,918	338,522	437,544	
Estimate of gross cumulative payments to date:								
At the end of accident year		131,115	114,009	67,496	115,987	147,988	159,753	
1 year later		208,718	180,292	149,100	207,893	230,250		
2 years later		239,700	198,345	176,616	238,029			
3 years later		256,387	219,068	190,931				
4 years later		269,823	226,972					
5 years later		276,596						
Net cumulative payments (B)		276,596	226,972	190,931	238,029	230,250	159,753	
Net cumulative claims liabilities-accident years (A) - (B)	7,535	17,979	17,286	26,214	63,889	108,272	277,791	518,966
Unallocated loss adjustment expenses	139	297	262	466	1,098	2,160	6,379	10,801
Net cumulatives claims liabilities for Brunei, Treaty and MMIP								27,479
Effect of discounting	(10)	(63)	(159)	(517)	(1,931)	(4,281)	(10,628)	(17,589)
Effect of the risk adjustment margin for non-financial risks	688	1,208	1,076	1,677	3,740	6,499	16,198	31,086
Effect of the risk adjustment margin for non-financial risks for Brunei, Treaty and MMIP								3,177
Claims recovery								647
Net LIC for the contracts originated	8,352	19,421	18,465	27,840	66,796	112,650	289,740	574,567

42. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Net claims development (contd.)

Net undiscounted liabilities for incurred claims 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 reinsurance, undiscounted)								
At end of accident year		216,540	283,921	267,388	234,364	309,715	338,632	
1 year later		222,226	284,297	254,104	21,914	303,699		
2 years later		219,512	291,643	248,555	215,770			
3 years later		221,206	294,193	252,562				
4 years later		220,803	297,990					
5 years later		218,362						
Cumulative net claims and other directly attributable expenses paid (A)		218,362	297,990	252,562	215,770	303,699	338,632	
Estimate of gross cumulative payments to date:								
At the end of accident year		105,268	131,115	114,009	67,496	115,987	147,988	
1 year later		171,037	208,718	180,292	149,100	207,893		
2 years later		188,484	239,700	198,345	176,616			
3 years later		200,533	256,387	219,068				
4 years later		204,700	269,823					
5 years later		208,297						
Net cumulative payments (B)		208,297	269,823	219,068	176,616	207,893	147,988	
Net cumulative claims liabilities-accident years (A) - (B)	8,349	10,065	28,167	33,494	39,154	95,806	190,644	405,679
Unallocated loss adjustment expenses	147	177	495	628	773	1,978	4,098	8,296
Net cumulatives claims liabilities for Brunei, Treaty and MMIP								34,993
Effect of discounting	(20)	(183)	(991)	(676)	(1,242)	(3,692)	(7,220)	(14,024)
Effect of the risk adjustment margin for non-financial risks	1,038	819	2,225	2,550	3,185	7,538	12,001	29,356
Effect of the risk adjustment margin for non-financial risks for Brunei, Treaty and MMIP								4,034
Claims recovery								(16,882)
Net LIC for the contracts originated	9,514	10,878	29,896	35,996	41,870	101,630	199,523	451,452

43. FINANCIAL RISKS

(i) Credit & Default Risk

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

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

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

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

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

(b) The Asset Management Research Team adopts a prudent position in the selection of fixed income investments;

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

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

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Credit exposure

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

	2024 RM'000	2023 RM'000
Financial assets at FVTPL		
Debt securities	89,805	59,149
Financial assets at FVOCI		
Malaysian government papers	224,272	331,888
Debt securities	1,192,787	1,031,278
Financial assets at AC		
Deposits and placements with:		
Licensed financial institutions	269,566	235,348
Others	10,000	-
Financing receivables	30,354	29,259
Reinsurance contract assets & Insurance contract assets*	396,101	376,823
Other assets**	26,719	20,745
Derivative assets	-	43
Cash and bank balances***	44,476	22,188
	2,284,080	2,106,721

* Including receivables from reinsurers and outstanding premiums net of impairment.

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

*** Excluding petty cash

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Credit quality of financial assets

The four (4) risk categories as set out and defined below, from very low to high apart from impaired, described 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/ default : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.2(vii)(a).

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

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

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Credit exposure by rating

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

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2024							
Financial assets at FVTPL							
Debt Securities	-	29,700	-	60,105	-	-	89,805
Financial assets at FVOCI							
Malaysian government papers	224,272	-	-	-	-	-	224,272
Debt securities	160,452	425,289	572,646	34,400	-	-	1,192,787
Financial assets at AC							
Deposits and placements with:							
Licensed financial institutions	-	269,566	-	-	-	-	269,566
Others	-	10,000	-	-	-	-	10,000
Financing receivables	-	-	-	-	-	30,354	30,354
Reinsurance contract assets & Insurance contract assets*	-	36	20,938	12	-	375,115	396,101
Other assets**	3,551	5,930	7,292	856	-	9,090	26,719
Derivative assets	-	-	-	-	-	-	-
Cash and bank balances***	-	44,471	-	5	-	-	44,476
	388,275	784,992	600,876	95,378	-	414,559	2,284,080

* Including receivables from reinsurers and outstanding premiums net of impairment.

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

*** Excluding petty cash

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Credit exposure by rating (contd.)

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2023							
Financial assets at FVTPL							
Debt Securities	-	29,021	-	30,128	-	-	59,149
Financial assets at FVOCI							
Malaysian government papers	331,888	-	-	-	-	-	331,888
Debt securities	163,675	371,698	485,797	10,108	-	-	1,031,278
Financial assets at AC							
Deposits and placements with:							
Licensed financial institutions	-	235,348	-	-	-	-	235,348
Others	-	-	-	-	-	-	-
Financing receivables	-	-	-	-	-	29,259	29,259
Reinsurance contract assets & Insurance contract assets*	-	-	19,170	-	3	357,650	376,823
Other assets**	5,067	3,383	8,021	390	-	3,884	20,745
Derivative assets	-	43	-	-	-	-	43
Cash and bank balances***	-	22,183	-	5	-	-	22,188
	500,630	661,676	512,988	40,631	3	390,793	2,106,721

* Including receivables from reinsurers and outstanding premiums net of impairment.
** Excluding non-financial assets such as prepayments, deposits, net share of MMIP assets and service tax recoverable.
*** Excluding petty cash

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Financial assets - Reconciliation of allowance account

Significant increase in credit risk

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

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

Expected credit loss

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

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

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

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired*	Total
	RM'000	RM'000	RM'000	RM'000
2024				
Financial assets at FVOCI				
Sovereign	384,724	-	-	384,724
Very low	425,289	-	-	425,289
Low	510,260	62,386	-	572,646
Medium	34,400	-	-	34,400
Total carrying amount	1,354,673	62,386	-	1,417,059
Total ECL	(96)	(636)	-	(732)
2023				
Financial assets at FVOCI				
Sovereign	495,563	-	-	495,563
Very low	371,698	-	-	371,698
Low	409,231	76,566	-	485,797
Medium	10,108	-	-	10,108
Total carrying amount	1,286,600	76,566	-	1,363,166
Total ECL	(243)	(679)	-	(922)

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

	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
2024				
Financial assets at FVOCI				
At 1 January	243	679	-	922
Write-back	(135)	(43)	-	(178)
New financial assets originated or purchased	16	-	-	16
Financial assets that have been derecognised	(28)	-	-	(28)
Reversal of impairment loss (Note 27)	(147)	(43)	-	(190)
At 31 December	96	636	-	732
2023				
Financial assets at FVOCI				
At 1 January	67	653	-	720
Allowance made	141	42	-	183
New financial assets originated or purchased	40	-	-	40
Financial assets that have been derecognised	(5)	(16)	-	(21)
Allowance for impairment loss (Note 27)	176	26	-	202
At 31 December	243	679	-	922

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

<u>Other financial assets - Reconciliation of allowance account</u>

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

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

	Not Credit Impaired			Credit-Impaired			Total		
	Financing receivables RM'000	Reinsurance contract assets & Insurance contract assets* RM'000	Other assets** RM'000	Financing receivables RM'000	Reinsurance contract assets & Insurance contract assets* RM'000	Other assets** RM'000	Financing receivables RM'000 (Note 10)	Reinsurance contract assets & Insurance contract assets* RM'000	Other assets** RM'000
Gross carrying amount									
At 1 January 2023	29,095	190,506	22,107	4,863	70,118	-	33,958	260,624	22,107
Increase/(decrease)	341	128,237	(1,362)	(364)	(9,418)	-	(23)	118,819	(1,362)
At 31 December 2023	29,436	318,743	20,745	4,499	60,700	-	33,935	379,443	20,745
Increase/(decrease)	972	(8,300)	5,974	179	29,177	-	1,151	20,877	5,974
At 31 December 2024	30,408	310,443	26,719	4,678	89,877		35,086	400,320	26,719
ECL									
At 1 January 2023	102	925	33	4,863	1,579	-	4,965	2,504	33
Increase/(decrease)	75	(297)	(32)	(364)	413	-	(289)	116	(32)
At 31 December 2023	177	628	1	4,499	1,992	-	4,676	2,620	1
Increase/(decrease)	(123)	(161)	(1)	179	1,760	-	56	1,599	(1)
At 31 December 2024	54	467	-	4,678	3,752	-	4,732	4,219	-

* Including receivables from reinsurers and outstanding premiums net of impairment.

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

43. FINANCIAL RISKS (CONTD.)

(i) Credit & Default Risk (contd.)

<u>Other financial assets - Reconciliation of allowance account (contd.)</u>

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

	Financing receivables RM'000 (Note 10)	Insurance contract liabilities RM'000	Other assets RM'000 (Note 12)	Total RM'000
2024				
ECL				
At 1 January	4,676	2,620	1	7,297
Net adjustment of loss allowance	56	1,599	(1)	1,654
At 31 December	4,732	4,219	-	8,951
2023				
ECL				
At 1 January	4,965	2,504	33	7,502
Net adjustment of loss allowance	(289)	116	(32)	(205)
At 31 December	4,676	2,620	1	7,297

<u>Financial effects of collateral held</u>

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

Type of financing receivables	**Type of collaterals**
Secured staff/non-staff loans	Charges over residential properties and motor vehicles

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables is 100% as at 31 December 2024 (2023: 100%). Financing receivables after accounting for ECL, amounted to RM30,354,000 as at 31 December 2024 (2023: RM29,259,000) are collateralised.

43. FINANCIAL RISKS (CONTD.)

(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; funding liquidity risk and market liquidity risk.

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

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

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

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

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

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

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

Maturity Profiles

The following table summarises the maturity profiles of the financial and insurance assets and liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contract liabilities and reinsurance assets, Maturity profiles are determined based on the estimated timing of net cash outflows of the recognised insurance liabilities.

43. 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
2024						
Financial assets:						
FVTPL	313,973	32,615	69,454	-	224,168	326,237
FVOCI	1,465,133	159,811	768,638	997,723	48,074	1,974,246
AC	279,566	279,566	-	-	-	279,566
Financing receivables	30,354	3,139	13,274	18,523	-	34,936
Reinsurance contract assets, net*	3,848,545	3,033,718	890,635	27	-	3,924,380
Other assets***	26,719	26,719	-	-	-	26,719
Cash and bank balances	44,476	-	-	-	44,476	44,476
Total assets	6,008,766	3,535,568	1,742,001	1,016,273	316,718	6,610,560
Insurance contract liabilities, net**	4,026,366	3,011,174	1,108,547	1,122	-	4,120,843
Derivative liabilities	119	119	-	-	-	119
Other liabilities	192,298	188,007	4,392	-	-	192,399
Total liabilities	4,218,783	3,199,300	1,112,939	1,122	-	4,313,361

* Includes AIC and receivables from reinsurers, net of impairment
** Includes LIC and receivables from co-insurers, net of impairment
*** Excluding non-financial assets such as prepayments, deposits, net share of MMIP assets and service tax recoverable.

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

43. 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
2023						
Financial assets:						
FVTPL	215,912	50,963	11,900	-	156,763	219,626
FVOCI	1,402,458	90,191	623,922	1,282,497	39,292	2,035,902
AC	235,348	235,348	-	-	-	235,348
Financing receivables	29,259	3,114	13,234	17,119	-	33,467
Reinsurance contract assets, net*	2,882,998	2,195,826	748,238	29	-	2,944,093
Other assets***	20,745	20,745	-	-	-	20,745
Derivative assets	43	43	-	-	-	43
Cash and bank balances	22,188	-	-	-	22,188	22,188
Total assets	4,808,951	2,596,230	1,397,294	1,299,645	218,243	5,511,412
Insurance contract liabilities, net**	2,974,509	2,125,480	924,176	1,003	-	3,050,659
Other liabilities	142,777	138,114	4,694	105	-	142,913
Total liabilities	3,117,286	2,263,594	928,870	1,108	-	3,193,572

* Includes AIC and receivables from reinsurers, net of impairment

** Includes LIC and receivables from co-insurers, net of impairment

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

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

43. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market risk is the risk of losses on financial investments caused by adverse price movements.

There are four primary sources of risk that affect the overall market:

(a) Foreign exchange risk;
(b) Interest rates risk (including the credit spread risk);
(c) Equity price risk; and
(d) Property risk

The Company has three main key features with respect to their market risk management practices and policies:

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

(ii) Compliance to the policies are monitored, and exposures and breaches are reported as soon as practicable.

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

(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 RM and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar, Brunei Dollar and US Dollar.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act 2013 and hence, primarily denominated in the same currency (the local "RM") as its insurance contract liabilities.

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

43. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

Interest rate risks arise from exposures to interest rate related assets and liabilities. It is also known as asset-liability mismatch 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 the interest rate risk mainly based on the following four philosophies and principles:

(a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;

(b) Investment Management Department actively aim to match the asset duration with the liability duration, without compromising credit quality;

(c) The Risk Management uses Key Risk Indicators ("KRI") to alert the management of any impending problems in a timely manner; and

(d) Risk Management Department monitors the asset duration in accordance with the limits set, as well as the duration gap to the liability duration.

There is no direct contractual relationship between financial assets and insurance contracts. However, the Company’s interest/profit rate risk policy requires it to manage the extent of net interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the insurance contract liabilities. The policy also requires it to manage the maturities of interest bearing financial assets.

The Company’s exposure to interest rate risk sensitive insurance and reinsurance contracts and financial instruments are, as follows:

		<----------2024--------->		<-----------2023---------->	
	Changes in interest rates	Impact on carrying value RM'000	Impact on profit/ equity* RM'000	Impact on carrying value RM'000	Impact on profit/ equity* RM'000
		<----------- (Decrease)/increase ------------>			
Financial Instruments at FVTPL	+100 basis points	(2,318)	(1,762)	221	168
	-100 basis points	2,634	2,002	1,379	1,048
Financial Instruments at FVOCI	+100 basis points	(86,937)	(66,072)	(100,320)	(76,243)
	-100 basis points	95,697	72,730	112,701	85,653
Financial Instruments at AC	+100 basis points	(61)	(46)	(186)	(141)
	-100 basis points	56	42	150	114

* Impact on equity is after tax of 24%.

43. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Interest Rate Risk (contd.)

Changes in credit spread on financial instruments have no impacts to General's insurance contracts liabilities as these are discounted using risk-free interest/profit rates (i.e Malaysian Government Securities & Government Investment Issues).

(c) Equity Price Risk

Equity price risk is the risk that the fair value of an equity instrument or insurance contract or reinsurance contract assets and/or liabilities would fluctuate because of changes in its market prices whether those changes are caused by factors specific to the individual equity instrument or its issuer or factors affecting similar financial instruments traded in the market.

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

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

The Company’s exposure to equity price risk sensitive insurance and reinsurance contracts and equity instruments are, as follows:

	Changes 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) ------------------>			
2024					
Financial Instruments	+10%	13,920	-	13,920	10,579
at FVTPL	-10%	(13,920)	-	(13,920)	(10,579)
Financial Instruments	+10%	4,807	4,807	-	3,654
at FVOCI	-10%	(4,807)	(4,807)	-	(3,654)
2023					
Financial Instruments	+10%	7,215	-	7,215	5,483
at FVTPL	-10%	(7,215)	-	(7,215)	(5,483)
Financial Instruments	+10%	3,929	3,929	-	2,986
at FVOCI	-10%	(3,929)	(3,929)	-	(2,986)

* Impact on equity is after tax of 24%.

43. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(d) Property Risk

Property risk is the possibility of financial loss occurring as the result of owning a real estate investment. Property risk might arise from such things as liability, legal issues, partner problems that can force a sale, fire or theft, loss of rental income and purchasing property with an imperfect title.

(iv) Concentration Risk

Concentration risk as its name suggests, is the risk of concentration in any type of market risk, liquidity risk and credit risk. Risk concentration can materialize from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment / sector.

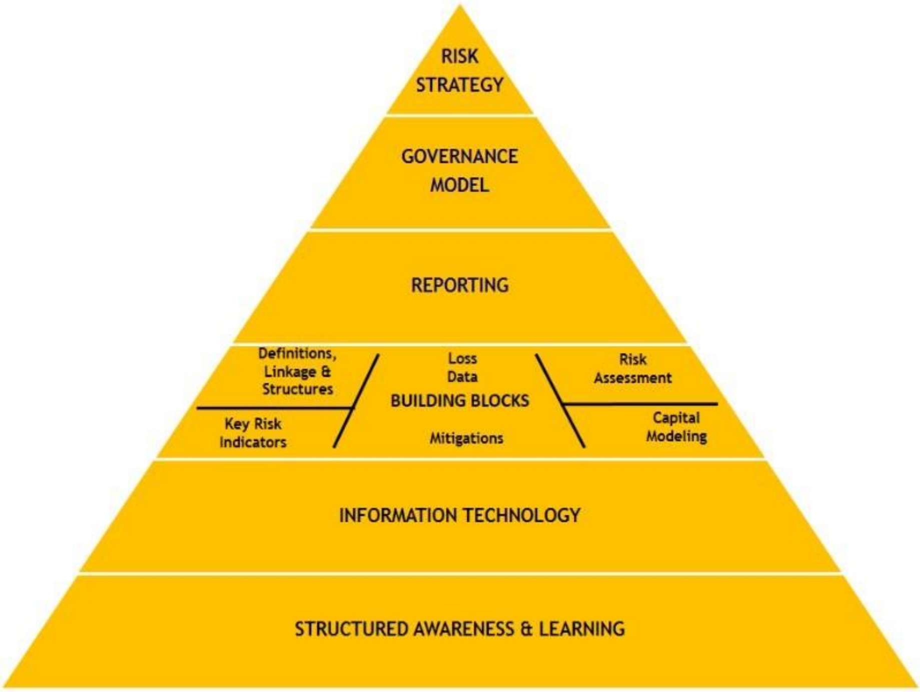
The Company's quantitative controls to manage concentration risk is through diversification. A minimum level of diversification is realised by observing the single counterparty limits. The single counterparty exposure limit represents maximum concentration of a particular counterparty. The limit exists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

44. NON-FINANCIAL RISKS (OPERATIONAL RISKS)

Non-financial 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.

Non-financial risk is the risk of loss arising from operational events and/or external factors that could result in monetary losses or negative impact in brand value and stakeholder's perception.

Non-financial 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 non-financial risk management.

To facilitate this process, specific tools and methodologies to identify, assess and measure, control, monitor and report the non-financial risks that affect the MAHB Group.

Non-Financial Risk Taxonomy

(i) Internal Fraud

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

(ii) External Fraud

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

44. NON-FINANCIAL RISKS (OPERATIONAL RISKS) (CONTD.)

Non-Financial Risk Taxonomy (contd.)

(iii) Employment Practices and Workplace Safety

(a) Employee relations - failure to maintain positive employer-employee relationships that contributes to unsatisfactory productivity, demotivation and low morale;

(b) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees; and

(c) Diversity and discrimination - failure to provide equalities in the employment practice.

(iv) Client or Products and Business Practices

In general, this risk category covers information risk as well as conduct risk, and it is sub-divided into five risk types, namely suitability disclosure and fiduciary, improper business or market practices, product flaws, selection sponsorship and exposure and advisory activities.

(v) Damage to Physical Assets

Damage to physical assets due to force of nature, or events which are not within due control of human. It also includes accidents and public safety that relates to failure in the provision of a safe environment from events that could endanger the safety of the general public from significant danger, injury/harm, or damage.

(vi) Business Disruption and System Failures

Failure in the provision of an effective information technology infrastructure (e.g. hardware, networks, software) to support the current and future needs of the business in an efficient, cost-effective and well controlled manner.

(vii) Execution or Delivery and Process Management

The risk relates to transaction capture or execution and maintenance, monitoring and reporting, customer intake and documentation, customer or client account management, vendors and suppliers.

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, be it hosted on-premises or in cloud. 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 unauthorised use of computer systems or data breach via computer systems that was perpetrated either by internal staff or external parties, intentionally or unintentionally. 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, jeopardize of data integrity, regulation and reputational impact.

44. NON-FINANCIAL RISKS (OPERATIONAL RISKS) (CONTD.)

Non-Financial Risk Taxonomy (contd.)

(ix) People and Performance Risk

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

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

(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 Group 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.

45. ENTERPRISE RISK

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

45. ENTERPRISE RISK (CONTD.)

(i) Regulatory Risk

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

Changing regulations (local and foreign countries in which the 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

Reputational risk is damaged by one or more than one reputation event, as reflected from negative publicity about the business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence, resulting in costly litigation, or lead to a decline in its customer base, business or revenue.

Reputational risk can have severe impact on overall value either directly, by causing an increase in lapses, or indirectly through the inability of future value generation as a result of not being able to attract and keep new customers, distribution partners and staff.

(iv) Sustainability Risk

Sustainability risks is the uncertainty in being able to sustain the growth of our organization. It can either represent a risk on their own or have an impact on other risks and may contribute significantly to such risks, financial, non-financial and insurance risks.

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

46. FAIR VALUE MEASUREMENTS

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

(a) Valuation principles;

(b) Valuation techniques;

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

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

(e) Movements of Level 3 financial instruments and non financial asset; and

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

(a) Valuation principles

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

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

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 Accounting Standards are an indication of the observability of prices or valuation input. It can be classified into the following hierarchies/levels:

- Level 1 : Active Market – Quoted price

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

46. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

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

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

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

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

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

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

(b) Valuation techniques

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

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

(ii) Financing receivables

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

(iii) Investments

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

46. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Valuation techniques (contd.)

(iv) Investment properties and IPUC

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

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

	Fair value measurement using Valuation techniques:			
	Level 1 Using quoted market prices RM'000	Level 2 Significant using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	Total RM'000
2024				
Assets				
Investment properties	-	-	353,080	353,080
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	89,805	-	89,805
(ii) HFT				
Equity securities	139,202	-	84,966	224,168
Financial assets at FVOCI				
Malaysian government papers	-	224,272	-	224,272
Equity securities	48,074	-	-	48,074
Debt securities	-	1,192,787	-	1,192,787
Total assets	187,276	1,506,864	438,046	2,132,186

46. FAIR VALUE MEASUREMENTS (CONTD.)

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

	Fair value measurement using Valuation techniques:			
	Level 1 Using quoted market prices RM'000	**Level 2 Significant using observable inputs RM'000**	**Level 3 Using significant unobservable inputs RM'000**	**Total RM'000**
2023				
Assets				
Investment properties	-	-	337,920	337,920
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	59,149	-	59,149
(ii) HFT				
Equity securities	69,912	-	84,612	154,524
Unit and property trust fund	2,239	-	-	2,239
Financial assets at FVOCI				
Malaysian government papers	-	331,888	-	331,888
Equity securities	39,292	-	-	39,292
Debt securities	-	1,031,278	-	1,031,278
Derivative assets	-	43	-	43
Total assets	111,443	1,422,358	422,532	1,956,333

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. There were no transfers between Level 1 and Level 2 for the Company during the financial years ended 31 December 2024 and 2023.

46. FAIR VALUE MEASUREMENTS (CONTD.)

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

	Assets and financial investments measured at fair value	
2024	**Investment Properties RM'000**	**Unquoted equity securities designated at FVTPL RM'000**
At 1 January	337,920	84,612
Recognised in the profit or loss:		
Fair value gains (Note 26)	15,018	354
Addition, at cost (Note 4)	142	-
At 31 December	353,080	84,966
Total gains/(losses) recognised in profit or loss for assets and financial instruments measured at Level 3 of the fair value hierarchy at the end of the reporting year	15,018	354
2023		
At 1 January	323,892	84,647
Recognised in the profit or loss:		
Fair value gains/losses (Note 26)	14,028	(35)
At 31 December	337,920	84,612
Total gains/(losses) recognised in profit or loss for assets and financial instruments measured at Level 3 of the fair value hierarchy at the end of the reporting year	14,028	(35)

46. FAIR VALUE MEASUREMENTS (CONTD.)

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

(i) Investment properties

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

	Valuation Method	Significant unobservable inputs	Range
2024			
Building	Income capitalisation	Rental per square foot	RM 5.00 to RM 7.50
Land	Comparison	Sales price per square foot for similar properties	RM 4,400.00
Shoplots	Comparison	Sales price per square foot for similar properties	RM 1.00 to RM 930
2023			
Building	Income capitalisation	Rental per square foot	RM 1.98 to RM 7.50
Land	Comparison	Sales price per square foot for similar properties	RM 4,270.00
Shoplots	Comparison	Sales price per square foot for similar properties	RM 1.00 to RM 989.99

46. FAIR VALUE MEASUREMENTS (CONTD.)

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

(i) Investment properties (contd.)

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

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

(ii) Unquoted equity instruments

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

The analysis below is performed for reasonably possible movements in the net asset value:

Net asset value	Changes in variables	Impact to Investments RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		<-------- Increase/(decrease)		--------->
2024	+5%	4,248	4,248	3,229
	-5%	(4,248)	(4,248)	(3,229)
2023	+5%	4,231	4,231	3,215
	-5%	(4,231)	(4,231)	(3,215)

* Impact on equity is computed after tax at the statutory tax rate.

47. REGULATORY CAPITAL REQUIREMENT

The Company 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 2024 and 31 December 2023, as prescribed under the RBC Framework is provided below:

	2024 RM'000	2023 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	229,879	229,879
Reserves, including retained earnings	901,682	904,946
	1,131,561	1,134,825
Tier 2 Capital		
Revaluation reserve	76,391	76,391
Available-for-sale reserves	19,916	7,149
Currency translation reserve	16,155	18,286
	112,462	101,826
Amount deducted from Capital	(19,032)	(22,974)
Total Capital Available	1,224,991	1,213,677

48. UPDATE ON THE MALAYSIA COMPETITION COMMISSION (“MYCC”) AGAINST THE GENERAL INSURANCE ASSOCIATION OF MALAYSIA (“PIAM”) AND ITS 22 GENERAL INSURERS

On 22 February 2017, the Malaysia Competition Commission (“MyCC”) has issued a Proposed Decision against the General Insurance Association of Malaysia (“PIAM”) and its 22 general insurers, including the Etiqa General Insurance Berhad (“the Company") for an alleged infringement of the Competition Act 2010 ("CA 2010”). The MyCC alleged that PIAM and all 22 general insurers were parties to an anti-competitive agreement to fix the parts trade discount for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops.

PIAM and all the 22 general insurers have filed their respective written representations with the MyCC. The Company, represented by its legal counsel, Messrs Raja Darryl & Loh (“RDL”) has filed its written representations with the MyCC on 25 April 2017 and has further made oral representations on 14 December 2017 and 17 June 2019 to defend its position, in line with PIAM and other general insurers.

48. UPDATE ON THE MALAYSIA COMPETITION COMMISSION ("MYCC") AGAINST THE GENERAL INSURANCE ASSOCIATION OF MALAYSIA ("PIAM") AND ITS 22 GENERAL INSURERS (CONTD.)

The MyCC on 25 September 2020 issued their final decision (which is dated 14 September 2020) under Section 40 of the CA 2010 ("Final Decision") and the financial penalty for the Company has been determined. The Company filed an appeal against the Final Decision with the Competition Appeal Tribunal ("CAT") on 14 October 2020 and a stay of the financial penalty was imposed. The Final Decision also sets out a financial penalty levied against the Company in the sum of RM3,810,328.

The CAT unanimously allowed the stay applications on 23 March 2021 that the cease and desist order as well as the financial penalty imposed be stayed pending the disposal of the appeal.

The Case Management was held on 30 August 2021 and the CAT has heard the opening written and oral submissions by the Company regarding the appeal against the Final Decision on 16 November 2021.

The hearing dates for the submission of answers from the lawyers for MyCC took place on March 17, 2022 and March 21, 2022. The objection hearings from the respective lawyers for the Insurers took place on March 24, 2022, April 6, 2022, April 7, 2022 and April 21, 2022.

The CAT on 2 September 2022 unanimously allowed the appeal filed by PIAM and the general insurance company. The entire MYCC final result dated 14 September 2020 is set aside. The Tribunal made no order as to costs.

On 6 December 2022, the Company's lawyers informed that MyCC had applied to the High Court to try and obtain permission (permission) to initiate judicial review proceedings against the CAT decision which set aside MyCC's final decision.

Counsels for all the general insurers have discussed the matter in detail and the majority have advised their respective clients to proceed with the object at the ex parte leave stage in the High Court (where the Company has also taken similar steps) – in other words, to obtain permission from the Court to appear and be heard as the alleged respondents during the ex parte leave stage and to argue against the granting of permission for which the trial date has been set on 8 May 2023.

All the lawyers representing the insurance companies appeared in the High Court on 30 November 2023 to oppose MyCC's application for permission to initiate a Judicial Review. The High Court on 16 January 2024 rejected MyCC's Application for Permission to initiate Judicial Review proceedings against the CAT decision which set aside MyCC's final decision at a cost of RM10,000.00 to all Respondents. Lawyers informed that MyCC will likely appeal to the Court of Appeal.

The MyCC's appeal has been fixed for a physical hearing before the Court of Appeal on 22 May 2025.

49. DEREGISTRATION AND CLOSURE OF ETIQA GENERAL INSURANCE BERHAD ("EGIB") BASED IN BRUNEI

On 28 November 2024, EGIB received a letter dated 27 November 2024 from Brunei Darussalam Central Bank (“BDCB”) granting EGIB’s request to deregister EGIB Brunei under the Insurance Order 2006, effective 14 days after the date of the BDCB’s letter.

On 27 December 2024, EGIB has repatriated the fund held in Maybank Brunei amounting to BND9.27million (comprising BND8million in fixed deposit and BND1.27million in current account) back to Malaysia. EGIB's Management will be seeking its board’s approval in April 2025 pertaining to the completion of its activities expected by 2025.