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

**Directors' Report and Audited Financial Statements**
**31 December 2024**

**ETIQA FAMILY TAKAFUL BERHAD**
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**(Incorporated in Malaysia)**

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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 ACTIVITIES

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

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

### RESULTS

| | 2024 RM'000 |
|---|---|
| Net profit for the financial year | 237,269 |

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: | |
| - 292.00 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares | 292,000 |

The final dividends were 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.

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:

Dato' Majid Bin Mohamad (Chairman)
Mr. Ajay Kumar Garg (Vice Chairman)
Mr. Wong Pakshong Kat Jeong Colin Stewart
Professor Dr. Azman Bin Mohd Noor
Encik Mohd Din Bin Merican

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

## DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Note 31 and 40 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The directors' benefits are as follows:

| | **RM'000** |
|---|---|
| Fees | 689 |
| Other emoluments | 139 |
| | 828 |

## DIRECTORS' INDEMNITY

The Maybank Group maintains on group basis, a Directors' and Officers' Liability Coverage ("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 coverage for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Indemnity given to or coverage effected for any directors during the year is RM1.38 million (2023: RM1.25 million).

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## DIRECTORS' INTERESTS

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

| | Number of ordinary shares | | |
|---|---|---|---|
| **Ultimate Holding Company** | **As at 1 January 2024** | **Acquired during the year** | **As at 31 December 2024** |
| **Indirect Interest:** | | | |
| Wong Pakshong Kat Jeong Colin Stewart[1] | 34,253 | - | 34,253 |
| Mohd Din Bin Merican[2] | 7,515 | - | 7,515 |

[1] Shares in Maybank held by spouse.

[2] Shares in Maybank held by spouse and son.

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

## CORPORATE GOVERNANCE

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

## FINANCIAL HOLDING COMPANY

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

## IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

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

## 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

**OTHER STATUTORY INFORMATION (CONTD.)**

(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 allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

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

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

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

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

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

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

(f) In the opinion of the Directors:

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

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

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

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## SIGNIFICANT EVENTS

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

## SUBSEQUENT EVENTS

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

## AUDITORS

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

Auditors' remuneration is as follows:

| | RM'000 |
|---|---|
| Ernst & Young PLT | 1,209 |

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 March 2025.

DATO' MAJID BIN MOHAMAD

MOHD DIN BIN MERICAN

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## CORPORATE GOVERNANCE DISCLOSURES

### (1) INTRODUCTION

The Board of Directors ("the Board") of Etiqa Family Takaful Berhad ("the Company"), a wholly-owned subsidiary of Maybank Ageas Holdings Berhad, the immediate holding company ("MAHB") and its subsidiaries (collectively referred to as "the Group"), acknowledges the importance of a robust and sound Corporate Governance ("CG") Framework in promoting integrity and transparency throughout the Group. 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:-

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

The composition of the Board meets the requirement of having a majority of independent directors and common directors remain in the minority as set out in the BNM Policy Document on CG. None of the INEDs had exceeded their respective nine (9) years' tenure pursuant to the MAHB Group's Policy on Tenure of Directorship which limits the tenure of an INED to a cumulative period of nine (9) years. Dato' Majid Bin Mohamad, an INED, is the Chairman of the Board; and the NINED who is also the Vice Chairman, 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 | % |
|---|---|---|---|
| Dato' Majid Bin Mohamad *(Chairman)* | INED | 10/10 | 100 |
| Mr. Ajay Kumar Garg *(Vice Chairman)* | NINED | 8/10 | 80 |
| Mr. Wong Pakshong Kat Jeong Colin Stewart | INED | 10/10 | 100 |
| Professor Dr. Azman Bin Mohd Noor | INED | 10/10 | 100 |
| Encik Mohd Din Bin Merican | INED | 10/10 | 100 |

**Profile of Directors**

| Name/Designation/Age/ Nationality | Background/ Experience | Other Directorships within the Group |
|---|---|---|
| **Dato' Majid Bin Mohamad**<br>Independent Non-Executive Director<br>Chairman<br>70 years of age<br>Malaysian | Banking & Insurance | • Director of Maybank Ageas Holdings Berhad<br>• Chairman of Etiqa General Takaful Berhad<br>• Chairman of Etiqa Offshore Insurance (L) Ltd *(incorporated in F.T. Labuan)*<br>• Chairman of Etiqa Life International (L) Ltd *(incorporated in F.T. Labuan)* |
| **Mr. Ajay Kumar Garg**<br>Non-Independent Non-Executive Director<br>Vice-Chairman<br>44 years of age<br>Dutch | Insurance | Nil |

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

### (a) Board Composition (contd.)

**Profile of Directors (contd.)**

| Name/Designation/Age/ Nationality | Background/ Experience | Other Directorships within the Group |
|---|---|---|
| **Mr. Wong Pakshong Kat Jeong Colin Stewart**<br>Independent Non-Executive Director<br>65 years of age<br>Singaporean | Insurance | • Director of Etiqa Life Insurance Berhad |
| **Professor Dr. Azman Bin Mohd Noor**<br>Independent Non-Executive Director<br>51 years of age<br>Malaysian | Islamic Finance | Nil |
| **Encik Mohd Din Bin Merican**<br>Independent Non-Executive Director<br>62 years of age<br>Malaysian | Insurance | Nil |

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).

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

### (c) Board Committees Composition and Roles & Responsibilities

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

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

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

(iv) Shariah 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.

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.

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

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

#### (i) Nomination and Remuneration Committee (contd.)

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

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

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

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

*[2] The word 'Senior Officers' shall refer to Senior Officers of the Group which include 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 BNM from time to time.*

The composition of the NRC and the attendance of its members at meetings 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[3] | 10/10 | 100 |
| Dato' Majid Bin Mohamad | INED[4] | 10/10 | 100 |
| Ms. Daniela Adaggi | NINED[5] | 9/10 | 90 |

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

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

#### (i) Nomination and Remuneration Committee (contd.)

*[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 Chairperson of the MAHB Board pursuant to the requirement of Paragraph 12.4 of the BNM Policy Document on CG.*

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

*[4] INED of the Company, MAHB, Etiqa General Takaful Berhad, , Etiqa Offshore Insurance (L) Ltd and and Etiqa Life International (L) Ltd (incorporated in F.T. Labuan), wholly-owned subsidiaries of MAHB. MAHB.*

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

#### (ii) Audit Committee of the Board

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

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

## (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 General Takaful Berhad, Etiqa Offshore Insurance (L) Ltd and Etiqa Life International 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] Retired as an INED of Etiqa General Insurance Berhad, a wholly-owned subsidiary of MAHB, and ipso facto, ceased as a member of the ACB effective 1 December 2024.*
*[4] INED of the Company, a wholly-owned subsidiary of MAHB and Chairman of Shariah Committee for for the Company and Etiqa General Takaful Berhad.*
*[5] Appointed as an INED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB, and a redesignated as 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, takaful, 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).

## (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[4] | 8/8 | 100 |
| Professor Datin Dr. Rusni Binti Hassan | INED[5] | 2/4 | 50 |
| Mr. Tan Kwang Kherng | INED[6] | 8/8 | 100 |

[1] *INED of the Company, a wholly-owned subsidiary of MAHB.*

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

[3] *NINED of MAHB.*

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

[5] *Resigned as an INED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB, and and ipso facto ceased as a member of the RMC effective 30 June 2024.*

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

#### (vi) Shariah Committee

Shariah Committee ("SC") consists of five (5) members.

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

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

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

#### (vi) Shariah Committee (contd.)

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

| Members of the SC | Designation | Number of SC Meetings attended | % |
|---|---|---|---|
| Professor Dr. Azman Bin Mohd *(Chairman)* | INED[1] | 10/10 | 100 |
| Professor Dr. Aznan Bin Hasan | Member[2] | 4/4 | 100 |
| Professor Datin Dr. Rusni Binti Hassan | INED[3] | 2/2 | 100 |
| Professor Dr. Abdul Rahim Bin Abdul Rahman | Member[4] | 3/5 | 60 |
| Professor Emeritus Dato’ Dr. Mohd Azmi Bin Omar | Member | 10/10 | 100 |
| Dr Muhammad Najib Bin Abdullah | Member[5] | 7/7 | 100 |
| Professor Dr. Sharifah Faigah Binti Syed Alwi | Member[6] | 6/6 | 100 |
| Professor Dato' Dr. Ahmad Hidayat Bin Buang | Member[7] | 5/5 | 100 |

[1] *INED of the Company, a wholly-owned subsidiary of MAHB.*

[2] *Retired as a member effective 31 May 2024.*

[3] *Resigned as a member effective 29 February 2024.*

[4] *Resigned as a member effective 30 June 2024.*

[5] *Appointed as a member effective 4 April 2024 .*

[6] *Appointed as a member effective 1 June 2024.*

[7] *Appointed as a member effective 1 July 2024 .*

### (d) Directors' Training

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

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

## (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/Heads of Departments, wherein new Directors would be briefed and brought up to speed on the challenges and issues faced by the Group.

(ii) Training Attended by Directors

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

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

| A. In-house Training | DM[1] | AG[2] | WPC[3] | MDM[4] | AMN[5] |
|---|---|---|---|---|---|
| 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. Maybank: 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) | √ | | | √ | √ |
| 5. MAHB Directors' Training Program 2024 on Module 2: Generative AI Revolution: Strategies, Risks, Opportunities, ICDM | √ | | | √ | √ |
| 6. MAHB Directors' Training Program - Module 2 : Beyond Compliance: Governance at The Core of Driving ESG, ICDM | √ | √ | √ | | √ |
| 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 | √ | | √ | √ | √ |
| **B. External Training** | | | | | |
| 9. EY Global Insurance Outlook 2024 – Asia Pacific | √ | | | | |
| 10. Guided Reflection: Crafting Decisions in times of Uncertainty, Maybank Islamic, Shaykh Dr Omar Suleiman | √ | | | | √ |
| 11. EY Financial Services Organisation Insurance Forum 2024 | √ | | | | |
| 12. FIDE Core Program : Insurance (Module A), Asia School of Business | | √ | | | |
| 13. Gen AI Unveiled: Potential in Revolutionizing Actuarial Practice, Singapore Actuarial Society | | | √ | | |
| 14. Takeaways from International Actuarial Association Summit on AI, Institute and Faculty of Actuaries | | | √ | | |

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

### (d) Directors' Training (contd.)

(ii) Training Attended (contd.)

| B. External Training (contd.) | DM[1] | AG[2] | WPC[3] | MDM[4] | AMN[5] |
|---|---|---|---|---|---|
| 15. Beyond the hype of Gen AI – from proof of concept to production, Ernst & Young (EY) | | | √ | | |
| 16. Guardians of AI: A focus on data protection and privacy, Ernst & Young (EY) | | | √ | | |
| 17. Practising Certificate Seminar Forum, Singapore Actuarial Society | | | √ | | |
| 18. Artificial Intelligence Thought Leadership Series: AI and the work of Actuaries, Institute and Faculty of Actuaries | | | √ | | |
| 19. Introduction To Price Optimisation Through Behavioural Modelling For Retail Customers, Singapore Actuarial Society | | | √ | | |
| 20. Professional Skills Training, Institute and Faculty of Actuaries | | | √ | | |
| 21. Singapore Actuarial Conference, Singapore Actuarial Society | | | √ | | |
| 22. BNM: Invest Malaysia 2024: 50th Year of Diplomatic ties between Malaysia and China | | | | | √ |
| 23. 1st AlBaraka Summit in Istanbul, 'Global Prospects for Islamic Economics: Fundamentals and Needs. 1st Istanbul Al Barakah summit | | | | | √ |
| 24. PNB Knowledge Forum 2024. Economic Complexity: Navigating the Threads of Economic Relatedness. | | | | | √ |
| 25. Derassat (Qatar) for Research & Consulting Islamic Banking Shariah Issues in Islamic Finance 20th Workshop, Fairmont Hotel, Geneva, Switzerland. | | | | | √ |
| 26. Muzakarah Cendiakawan Syariah Nusantara 2024, Lombok, Indonesia. | | | | | √ |
| 27. Zakat and its Contemporary Issues, iSHAR, International Shariah Scholar Scholars Roundtable, Bank Rakyat | | | | | √ |
| 28. Empowering the Future: Integrating Financial Literacy and Sustainability in Islamic Finance, ICIFIL 2024, 2nd International Conference on Islamic Financial Literacy. | | | | | √ |
| 29. Shariah Decision Making in the Islamic Financial Industry: Defining Principles and Controlling Practices, ISSF2024 18th International Shariah Scholars Forum | | | | | √ |
| 30. An Evening with Takaful Pioneer, Celebrating 40 years Takaful For All, Conference Hall, Sasana Kijang | | | | | √ |

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

## (3) INTERNAL CONTROL FRAMEWORK

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

## (4) REMUNERATION - QUALITATIVE DISCLOSURES

### a) Board Performance

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

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

The remuneration package of NEDs consists of the following:-

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

### b) Senior Management Appointment and Performance

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

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

## (5) REMUNERATION - QUANTITATIVE DISCLOSURES

### a) Non-Executive Directors' Remuneration

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

| **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 |
| Shariah Committee: | | |
| - Chairman | *60,000 | *80,000 |
| - Member | ^50,000 | ^67,500 |
| **(ii) Meeting Allowance** | | |
| per meeting attended | 2,000 | 2,200 |

**The amounts of RM60,000 and RM80,000 are borne equally by the Company and Etiqa General Takaful Berhad respectively.*
*^The amounts of RM50,000 and RM67,500 are borne equally by the Company and Etiqa General Takaful Berhad respectively.*

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

The details of Directors' and CEO's remuneration for FYE 2024 are disclosed in Notes 30(b) and 31 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.

## (5) REMUNERATION - QUANTITATIVE DISCLOSURES

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

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 remaining 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.

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.

**Components 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 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.

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

### (5) REMUNERATION - QUANTITATIVE DISCLOSURES

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

**Components of remuneration (contd.)**

i) Total Compensation (contd.)

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

ii) Benefits & Well-being

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.

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

## (5) REMUNERATION - QUANTITATIVE DISCLOSURES

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

**Components of remuneration (contd.)**

ii) Benefits & Well-being (contd.)

Financial security is afforded through competitive compensation, healthcare coverage, paid time off, and employee financing 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.

## (5) REMUNERATION - QUANTITATIVE DISCLOSURES

### 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.

**Governance & Controls – Remuneration Practices**

We maintain strong corporate governance practices with remuneration policies and practices that comply with all statutory and regulatory requirements, and are 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.

## (5) REMUNERATION - QUANTITATIVE DISCLOSURES

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

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

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

The remuneration of Senior Officers and OMRTs in 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 | 5,569 (13 headcount) | - | | - |
| Shares and share-linked instrument | - | - | - | - |
| Others | - | - | - | - |
| **Variable Compensation** | | | | |
| Cash | 1,913 (12 headcount) | - | - | - |
| *Shares and share-linked instrument | 606 (11 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 204,000 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 12 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 63,600 units of ESGP/CESGP granted in September 2021 have vested to 11 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 FAMILY TAKAFUL BERHAD**
**199301011506 (266243-D)**
**(Incorporated in Malaysia)**

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

We, Dato' Majid Bin Mohamad and Mohd Din Bin Merican, being two of the Directors of Etiqa Family Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 32 to 227 are drawn up in accordance with MFRS Accounting Standards and 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 24 March 2025.

DATO' MAJID BIN MOHAMAD

MOHD DIN BIN MERICAN

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

I, Chow Wai Sum, being the Officer primarily responsible for the financial management of Etiqa Family Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 227 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed CHOW WAI SUM
at Kuala Lumpur in Wilayah Persekutuan
on 24 March 2025

CHOW WAI SUM
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 Lumpur

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

**REPORT OF THE SHARIAH COMMITTEE**
*In the name of Allah, the Most Beneficent, the Most Merciful*

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

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial year ended 31 December 2024. We have also conducted our review to form an opinion pursuant to Section 30(1) of Islamic Financial Services Act 2013 ("IFSA"), as to whether the Company has complied with the principles of Shariah, Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia ("BNM"), Shariah standards issued by BNM pursuant to Section 29 of IFSA, relevant guidelines and circulars issued by BNM, Shariah rulings issued by the Shariah Advisory Council of Securities Commission (for capital market related matters), as well as Shariah resolutions resolved by us.

During the financial year of 2024, the Committee had convened 10 times and all members have satisfied the minimum attendance requirement as per Paragraph 11.4 of Shariah Governance Policy Document of BNM which stipulates that a Committee member must attend at least 75% of the Committee meetings held in each financial year.

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

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

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

As part of the initiatives towards strengthening capabilities of the Shariah Committee, a series of relevant training programmes were conducted and participated by the Committee during the financial year of 2024, among others; Shariah Compliance Culture, Takaful Business Operation, Risk Management, Compliance, Generative Artificial Intelligence ("AI") and Environmental, Social & Governance ("ESG").

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

In our opinion:

1. the relevant contracts, transactions and dealings entered into by the Company during the financial year ended 31 December 2024 that we have reviewed are in compliance with the Shariah principles;

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

**REPORT OF THE SHARIAH COMMITTEE (CONTD.)**

In our opinion (contd.):

2. the investment activities and the investment avenues conform to the basis that had been approved by us in accordance with Shariah principles;

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

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

5. accordingly, there were no Shariah non-compliant events encountered by us during the financial year ended 31 December 2024. However, there were Shariah non-compliant earnings derived from prohibited sources by EFTB during the same period. These earnings were disposed of and channeled into the Amal Jariah fund for the purpose of purification;

6. the Shariah Committee has endorsed and approved the zakat calculation method, as well as the amount of RM14,352,653 for the Company's zakat for the financial year ended 31 December 2024. Of this total, 25% will be distributed directly by the Company, while 75% will be paid to each state zakat centre, Majlis Agama Islam Negeri, across Malaysia;

7. the payment and distribution of business zakat and distribution of Amal Jariah fund during the financial year ended 31 December 2024 is in compliance with the principles of Shariah.

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

All in all, we, the members of the Shariah Committee of Etiqa Family Takaful Berhad, do hereby confirm that, in our level best, the operations of the Company for the financial year ended 31 December 2024 have been conducted in conformity with the rules and principles of Shariah.

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

Allah knows best.

Signed on behalf of the Committee.

PROFESSOR DR. AZMAN
BIN MOHD NOOR

PROFESSOR EMERITUS DATO'
DR. MOHD AZMI BIN OMAR

Kuala Lumpur, Malaysia
24 March 2025

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Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

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

### Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of Etiqa Family Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2024 and income statement and statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, including a material accounting policy information, as set out on pages 32 to 227.

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 audit 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 entities, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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

*Information other than the financial statements and auditors' report thereon*

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

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

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.

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

*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.

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 omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

*Auditors' responsibilities for the audit of the financial statements (contd.)*

- 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.

**Other matters**

This report is made solely to the members 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
24 March 2025

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

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2024**

| | | 31.12.2024 | | 31.12.2023 | |
|---|---|---|---|---|---|
| | Note | Family Takaful fund RM'000 | Company RM'000 | Family Takaful fund RM'000 | Company RM'000 |
| **ASSETS** | | | | | |
| Property, plant and equipment | 3 | - | 194 | - | 228 |
| Right-of-use assets ("ROU assets") | 4 | - | 526 | - | 713 |
| Intangible assets | 5 | - | 11,810 | - | 11,012 |
| Investments | 6 | 13,984,528 | 16,554,223 | 13,170,584 | 15,683,519 |
| Financing receivables | 8 | - | 9,362 | - | 10,193 |
| Retakaful certificate assets | 9 | 307,415 | 307,415 | 279,772 | 279,772 |
| Other assets | 11 | 214,974 | 263,903 | 172,338 | 214,217 |
| Derivative assets | 17 | 1 | 1 | - | - |
| Deferred tax assets | 15 | - | 56,893 | - | 26,224 |
| Current tax assets | 12 | - | 43,040 | - | 79,295 |
| Cash and bank balances | | 80,095 | 81,805 | 23,200 | 23,681 |
| **Total Assets** | | 14,587,013 | 17,329,172 | 13,645,894 | 16,328,854 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 13 | - | 100,000 | - | 100,000 |
| Reserves | 14 | - | 2,606,758 | - | 2,648,135 |
| **Total Equity** | | - | 2,706,758 | - | 2,748,135 |
| **Liabilities** | | | | | |
| Takaful certificate liabilities | 10 | 14,231,949 | 14,182,242 | 13,348,392 | 13,197,036 |
| Derivative liabilities | 17 | 605 | 605 | - | - |
| Deferred tax liabilities | 15 | 38,624 | - | 25,809 | - |
| Other liabilities | 16 | 315,835 | 383,341 | 271,693 | 367,856 |
| Current tax liabilities | | - | 56,226 | - | 15,827 |
| **Total Liabilities** | | 14,587,013 | 14,622,414 | 13,645,894 | 13,580,719 |
| **Total Equity and Liabilities** | | 14,587,013 | 17,329,172 | 13,645,894 | 16,328,854 |

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

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

**INCOME STATEMENT**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

| | | 2024 | | 2023 | |
|---|---|---|---|---|---|
| | Note | Family Takaful fund RM'000 | Company RM'000 | Family Takaful fund RM'000 | Company RM'000 |
| Takaful revenue | 18 | 1,649,512 | 1,694,995 | 1,466,066 | 1,491,527 |
| Takaful service expenses | 19 | (2,068,774) | (1,696,154) | (1,719,128) | (1,396,610) |
| Net expenses from retakaful certificates held | 20 | (2,771) | (2,771) | (3,353) | (3,353) |
| **Takaful service result** | | **(422,033)** | **(3,930)** | **(256,415)** | **91,564** |
| Profit revenue from financial assets not measured at Fair Value through Profit or Loss ("FVTPL") | 21 | 291,662 | 364,611 | 287,056 | 359,378 |
| Net fair value gains on financial assets measured at FVTPL | 22 | 186,395 | 208,364 | 248,380 | 278,448 |
| Net fair value gains/(losses) on derecognition of financial assets measured at Fair Value through Other Comprehensive Income ("FVOCI") | 23 | 9,926 | 10,586 | (448) | (3) |
| Other investment income | 24 | 296,127 | 331,773 | 277,092 | 313,407 |
| Reversal of/(allowance for) impairment loss on financial assets | 25 | 419 | 671 | (642) | (642) |
| Net foreign exchange (losses)/gains | 26 | (10,806) | (13,072) | 990 | 1,007 |
| **Net investment income** | | **773,723** | **902,933** | **812,428** | **951,595** |
| Finance expenses from takaful certificates issued | 27 | (355,692) | (521,199) | (539,962) | (649,954) |
| Finance income from retakaful certificates held | 28 | 2,771 | 2,771 | 3,353 | 3,353 |
| **Net takaful financial result** | | **(352,921)** | **(518,428)** | **(536,609)** | **(646,601)** |
| **Total net investment income and net Takaful financial results** | | 420,802 | 384,505 | 275,819 | 304,994 |
| **Other income/(expenses), net** | 29 | 9,035 | 4,945 | 1,059 | (3,604) |
| **Profit before taxation and zakat attributable to participants** | | 7,804 | 385,520 | 20,463 | 392,954 |
| **Tax expenses attributable to participants** | 33 | (7,804) | (7,804) | (20,463) | (20,463) |
| **Profit before taxation and zakat** | | - | 377,716 | - | 372,491 |
| Taxation | 34 | - | (126,094) | - | (69,804) |
| Zakat | | - | (14,353) | - | (12,479) |
| **Net profit for the financial year** | | - | 237,269 | - | 290,208 |
| **Basic and diluted earnings per share (sen)** | 35 | | 237.27 | | 290.21 |

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

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

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

| | Note | 2024 Family Takaful Fund RM'000 | 2024 Company RM'000 | 2023 Family Takaful Fund RM'000 | 2023 Company RM'000 |
|---|---|---|---|---|---|
| **Net profit for the financial year** | | - | 237,269 | - | 290,208 |
| **Other comprehensive gains/(losses):** | | | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | | | |
| Net fair value gains on investments in debt securities measured at FVOCI | | 51,604 | 63,046 | 249,498 | 310,831 |
| Net fair value (losses)/gains on derecognition of financial assets measured at FVOCI | 23 | (9,926) | (10,586) | 448 | 3 |
| Fair value adjustment on FVOCI financial assets backing participants' funds | | (38,659) | (38,659) | (231,663) | (231,663) |
| Tax effect relating to these items | 15 | (3,019) | (5,606) | (18,283) | (32,897) |
| | | - | 8,195 | - | 46,274 |
| **Items that will not be subsequently reclassified to profit or loss:** | | | | | |
| Change in fair value of equity securities at FVOCI | | 24,895 | 31,682 | 6,515 | 8,825 |
| Fair value adjustment on FVOCI financial assets backing participants' funds | | (22,903) | (22,903) | (5,994) | (5,994) |
| Tax effect relating to these items | 15 | (1,992) | (3,620) | (521) | (1,076) |
| | | - | 5,159 | - | 1,755 |
| **Other comprehensive income for the financial year, net of tax** | | - | 13,354 | - | 48,029 |
| **Total comprehensive income for the financial year attributable to equity holder of the Company** | | - | 250,623 | - | 338,237 |

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

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

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

| | | Attributable to Equity Holder of the Company | | | | |
|---|---|---|---|---|---|---|
| | | | Non-Distributable | | Distributable | |
| | Note | Share Capital RM'000 | FVOCI Reserve RM'000 | Takaful Finance Reserve RM'000 | Retained Profits RM'000 | Total Equity RM'000 |
| **At 1 January 2024** | | 100,000 | 131,997 | (127,332) | 2,643,470 | 2,748,135 |
| Net profit for the financial year | | - | - | - | 237,269 | 237,269 |
| Other comprehensive income/(loss) for the financial year | | - | 74,916 | (61,562) | - | 13,354 |
| Total comprehensive income/(loss) for the financial year | | - | 74,916 | (61,562) | 237,269 | 250,623 |
| Dividend on Ordinary Shares | 36 | - | - | - | (292,000) | (292,000) |
| **At 31 December 2024** | | 100,000 | 206,913 | (188,894) | 2,588,739 | 2,706,758 |
| | | | | | | |
| **At 1 January 2023** | | 100,000 | (153,677) | 110,320 | 2,528,915 | 2,585,558 |
| Net profit for the financial year | | - | - | - | 290,208 | 290,208 |
| Other comprehensive income/(loss) for the financial year | | - | 285,686 | (237,657) | - | 48,029 |
| Total comprehensive income/(loss) for the financial year | | - | 285,686 | (237,657) | 290,208 | 338,237 |
| Reclassification upon disposal of equity securities | | - | (12) | 5 | 7 | - |
| Dividend on Ordinary Shares | 36 | - | - | - | (175,660) | (175,660) |
| **At 31 December 2023** | | 100,000 | 131,997 | (127,332) | 2,643,470 | 2,748,135 |

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

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

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

| | Note | Company 2024 RM'000 | Company 2023 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation and zakat | | 377,716 | 372,491 |
| *Adjustments for:* | | | |
| Amortisation of intangible assets | 30 | 1,619 | 1,514 |
| Net amortisation of premiums | 24 | 23,601 | 25,072 |
| Depreciation of property, plant and equipment | 30 | 61 | 73 |
| Depreciation of right-of-use assets | 30 | 187 | 174 |
| Profit on lease liabilities | 30 | 16 | 9 |
| Fair value gains on investments | 22, 23 | (135,264) | (310,142) |
| (Gain)/losses on disposal of: | | | |
| - intangible assets | 29 | (8) | (1) |
| - investments | 22 | (83,686) | 31,697 |
| Profit income | 21, 24 | (691,675) | (671,283) |
| Dividend income | 24 | (28,311) | (26,574) |
| (Reversal of)/allowance for impairment losses on: | | | |
| - investments | 25 | (664) | 936 |
| - retakaful certificate assets | 43 | 8 | (34) |
| - other assets | 43 | 3 | (40) |
| - financing receivables | 25 | (7) | (294) |
| Losses/(gains) on foreign exchange: | | | |
| - realised | 26 | 6,272 | 1,172 |
| - unrealised | 26 | 6,800 | (2,179) |
| Tax expense attributable to participants | 33 | 7,804 | 20,463 |
| Operating cash flows before working capital changes | | (515,528) | (556,946) |
| Changes in working capital: | | | |
| (Increase)/decrease in: | | | |
| - deposits with financial institutions | | (49,753) | 19,335 |
| - financing receivables | | 838 | 1,302 |
| - other assets | | (58,008) | (74,382) |
| - retakaful certificate assets | | (27,651) | 820 |
| - takaful certificate liabilities | | 923,644 | 748,546 |
| - other liabilities | | 30,619 | (49,804) |
| Operating cash flows after working capital changes, carried forward | | 304,161 | 88,871 |

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

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

| | | Company | |
|---|---|---|---|
| | | 2024 | 2023 |
| | Note | RM'000 | RM'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)** | | | |
| Operating cash flows after working capital changes, brought forward | | 304,161 | 88,871 |
| Profit income received | | 687,886 | 702,020 |
| Gross dividend income received | | 27,280 | 26,917 |
| Zakat paid | | (11,789) | (9,803) |
| Taxation paid | | (97,071) | (103,610) |
| Witholding tax paid | | (17,518) | (21,264) |
| Net cash flows generated from operating activities | 38 | 892,949 | 683,131 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of: | | | |
| - intangible assets | | 171 | - |
| - investments | | 2,178,884 | 1,443,923 |
| Purchase of: | | | |
| - intangible assets | 5 | (2,580) | (4,557) |
| - property, plant and equipment | 3 | (27) | (101) |
| - investments | | (2,719,075) | (1,982,840) |
| Net cash flows used in investing activities | 38 | (542,627) | (543,575) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividend paid | 36 | (292,000) | (175,660) |
| Payment of lease liabilities | 4 | (198) | (187) |
| Net cash flows used in financing activities | 38 | (292,198) | (175,847) |
| **Increase/(decrease) in cash and cash equivalents** | 38 | 58,124 | (36,291) |
| **Cash and cash equivalents at beginning of year** | 38 | 23,681 | 59,972 |
| **Cash and cash equivalents at end of year** | 38 | 81,805 | 23,681 |
| **Cash and cash equivalents comprise:** | | | |
| Cash and bank balances of: | | | |
| Shareholder's fund | | 1,710 | 481 |
| Family takaful fund | | 80,095 | 23,200 |
| | | 81,805 | 23,681 |

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

## 1. CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 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 Takaful Operators ("RBCT Framework") issued by BNM as at the reporting date.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (a) Statement of compliance (contd.)

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

**Takaful operations and its funds**

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

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

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRS 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, as referred in Note 10(b).

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

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

The following assumptions were used when estimating future cash flows:

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

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

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### ii) Discount rates

The Company generally determines discount rates by using risk free rates, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of government securities, meanwhile the illiquidity premium is determined by reference to observable market rates, including low risk assets and corporate bonds. The yield curves will be extrapolated between the last liquid point and the ultimate forward rate, which reflects long-term real profit rate and inflation expectations. Although the ultimate forward rate will be subject to revision, it is expected to be updated only on significant changes in the long-term expectations being observed.

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

| | Portfolio duration | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 year | | 3 year | | 5 year | | 10 year | | 15 year | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| **Takaful certificates issued** | 3.28% - 3.53% | 3.32% - 3.67% | 3.47% - 3.72% | 3.51% - 3.86% | 3.68% - 3.93% | 3.64% - 3.99% | 3.87% - 4.12% | 3.81% - 4.16% | 4.05% - 4.30% | 4.01% - 4.36% |
| **Retakaful certificates held** | 3.49% | 3.66% | 3.68% | 3.85% | 3.89% | 3.98% | 4.08% | 4.15% | 4.26% | 4.35% |

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### iii) Risk adjustments for non-financial risks

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

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

##### iv) Contractual service margin

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### iv) Contractual service margin (contd.)

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

##### v) Takaful and retakaful certificates

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

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

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

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

| | |
|---|---|
| Furniture, fittings, office equipment and renovations | 11% - 25% |
| Computers and peripherals | 14% - 25% |
| Motor vehicles | 25% |

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

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. These adjustments reflect the actual usage patterns of these assets and aligns with the approach adopted by the ultimate holding company.

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (ii) Leases

##### (a) Classification

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

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

##### (b) Recognition and initial measurement

##### (1) The Company as lessee

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (ii) Leases (contd.)

#### (b) Recognition and initial measurement (contd.)

#### (1) The Company as lessee (contd.)

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

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

| | |
|---|---|
| Premises | 2 to 5 years |

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

#### (ii) Lease liabilities

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (ii) Leases (contd.)

##### (b) Recognition and initial measurement (contd.)

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

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

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

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

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

(iii) Leases with variable lease payments

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

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (ii) Leases (contd.)

##### (c) Lease modifications

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

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

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

#### (iii) Intangible assets

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (iii) Intangible assets (contd.)

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

**(a) Software development costs**

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

**(b) Computer software and licences**

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

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

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

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

**(c) Amortisation period**

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (iv) Financial assets

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

##### (a) Initial and subsequent measurement

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

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

##### (i) Business model assessment

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (iv) Financial assets (contd.)

##### (a) Initial and subsequent measurement (contd.)

**(i) Business model assessment (contd.)**

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

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

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

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

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (iv) Financial assets (contd.)

##### (a) Initial and subsequent measurement (contd.)

##### (iii) Classification of financial assets

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

**(i) Financial assets at FVTPL**

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

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

**(ii) Financial assets at FVOCI**

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (iv) Financial assets (contd.)

#### (a) Initial and subsequent measurement (contd.)

#### (iii) Classification of financial assets (contd.)

#### (ii) Financial assets at FVOCI (contd.)

**a) Debt instruments**

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

**b) Equity instruments**

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

#### (iii) Financial assets at AC

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (iv) Financial assets (contd.)

##### (a) Initial and subsequent measurement (contd.)

##### (iii) Classification of financial assets (contd.)

##### (ii) Financial assets at AC (contd.)

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

##### (b) Derecognition of financial assets

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

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

##### (c) Write off of financial assets

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

The amount written off for bad debts in the financial statements of the Company are expensed to profit or loss as disclosed in Note 25.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (v) Fair value of financial assets

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

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

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (vi) Impairment

##### (a) Financial assets

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

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

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (vi) Impairment (contd.)

#### (a) Financial assets (contd.)

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

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

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

**(ii) Forward-looking information and ECL measurement**

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

<u>Financing receivables</u>

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (vi) Impairment (contd.)

##### (a) Financial assets (contd.)

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

Financing receivables (contd.)

The forward-looking ECL assessment integrates specific macroeconomic variables selected based on historical data from the Group's takaful 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.

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.

Financial assets at FVOCI and AC

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (vi) Impairment (contd.)

##### (b) Non-financial assets

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

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

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

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

#### (vii) Financial liabilities

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (vii) Financial liabilities (contd.)

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

The Company's other financial liabilities include other payables.

<u>Other payables</u>

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

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

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

#### (viii) Takaful and retakaful certificates classification

<u>Takaful certificates</u>

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

Takaful certificates (contd.)

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

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

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

Takaful certificates and investment certificates are further classified as being either with or without discretionary participation features ("DPF"). DPF represents the contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:
(a) Likely to be a significant portion of the total contractual benefits;
(b) Whose amount or timing is contractually at the discretion of the issuer; and
(c) Contractually based on the:
  - performance of a specified pool of certificates or a specified type of certificates;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - profit or loss of the Company or fund that issues the certificates.

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

Takaful certificates (contd.)

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

Retakaful certificates

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

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

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

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

#### (ix) Takaful and retakaful certificates accounting treatment

##### (a) Separating components from Takaful and retakaful certificates

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

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

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

##### (b) Level of aggregation

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (b) Level of aggregation (contd.)

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

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

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

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

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

The retakaful certificates held portfolios are divided into:

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

##### (c) Recognition

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (c) Recognition (contd.)

The Company recognises a group of retakaful certificates held at:

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

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (d) Onerous groups of certificates

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

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

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

##### (e) Certificate boundary

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (e) Certificate boundary (contd.)

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

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

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

##### (f) Measurement - Takaful certificates

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

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

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

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

- The Company shall assume that no certificates in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise; and
- While the Company can further subdivide groups of certificates if this is consistent with internal management and reporting purposes, this policy does not require any further subdivision.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (f) Measurement - Takaful certificates (contd.)

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

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

Subsequent measurement

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (f) Measurement - Takaful certificates (contd.)

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

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

Certificates not measured under PAA
Initial measurement

Variable fee approach ("VFA")

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

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

Based on the VFA eligibility test ratio, if the amounts expected to be paid to the participants exceed 50% of the fair value returns on the underlying items, the contract qualifies for the VFA approach.

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

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

Takaful certificate with direct participation features are viewed as creating an obligation to pay participants an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the Company's share of the fair value of the underlying items, less the fulfilment cash flows that do not vary based on the returns on underlying items.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (f) Measurement - Takaful certificates (contd.)

Certificates not measured under PAA (contd.)
Subsequent measurement

Variable fee approach ("VFA")

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

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (f) Measurement - Takaful certificates (contd.)

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

Variable fee approach ("VFA")

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

#### (g) Measurement - Retakaful certificates

Initial measurement

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

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

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

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

Subsequent measurement

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (h) Takaful receivables and payables

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

i) Liability for remaining coverage - Takaful receivables

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

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

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

ii) Liability for remaining coverage - Takaful payables

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

#### (i) Takaful certificates – modification and derecognition

The Company derecognises Takaful certificates when:

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

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

#### (j) Qard

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

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

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

#### (k) Family Takaful underwriting results

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (l) Takaful acquisition cash flows

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

The Company uses a systematic and rational method to allocate:

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

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

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

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (l) Takaful acquisition cash flows (contd.)

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

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

##### (m) Presentation

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

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

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

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

##### (i) Takaful revenue

Certificates measured under PAA

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (m) Presentation (contd.)

###### (i) Takaful revenue (contd.)

Certificates measured under PAA (contd.)

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

Certificates not measured under PAA

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

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

- Takaful service expenses, excluding any amounts relating to the risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- Amounts related to tax that are specifically chargeable to the participants.
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The experience adjustments for contribution receipts other than those that related to future service.
- Amount related to Takaful acquisition cash flows.

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (m) Presentation (contd.)

**(ii) Loss-recovery components**

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

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

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

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

**(iii) Net income or expense from retakaful certificates held**

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (m) Presentation (contd.)

##### (iv) Takaful finance income and expenses

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

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

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

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

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

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

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

The Company reports the Takaful finance income or expenses on Takaful certificates issued to profit or loss only. The impact of changes in market profit rates on the value of the Family Takaful and related retakaful assets and liabilities are reflected in profit or loss. The Company's financial assets backing the Takaful issued portfolios are measured at AC, FVTPL or FVOCI. Finance income and expenses on the Company's issued retakaful certificates is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

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

##### (m) Presentation (contd.)

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

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

#### (x) Revenue recognition

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

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

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

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

<u>Other revenue</u>

**(a) Profit income**

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

**(b) Dividend income**

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (x) Revenue recognition (contd.)

**(c) Rental income**

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

#### (xi) Employee benefits

**(a) Short-term benefits**

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

**(b) Long-term employee benefits**

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

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

**(c) Defined contribution plan**

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (xi) Employee benefits (contd.)

##### (d) Share-based compensation

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

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

The total fair value of CESGP 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 is measured at grant date, taking into account, the market and non-market vesting conditions upon which the CESGP were granted. Upon vesting of CESGP, Maybank will recognise the impact of the actual numbers of CESGP vested as compared to original estimates.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (xi) Employee benefits (contd.)

##### (d) Share-based compensation

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

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

Details of share options granted under ESGP and CESGP as disclosed in Note 39.

#### (xii) Foreign currencies

##### (a) Functional and presentation currency

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

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

##### (b) Foreign currency transactions and balances

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

#### (xii) Foreign currencies

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

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

#### (xiii) Zakat

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

#### (xiv) Segment reporting

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

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

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

### 2.3 New and amended standards and interpretations

On 1 January 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 beginning on or after** |
|---|---|
| *MFRS 16 Leases* | |
| (Amendments to MFRS 16) *Lease Liability in a Sale and Leaseback* | 1 January 2024 |
| MFRS 101 *Presentation of Financial Statements* | |
| (Amendments to MFRS 101) *Non-current Liabilities with Covenants* | 1 January 2024 |
| MFRS 7 *Financial Instruments: Disclosures* | |
| (Amendments to MFRS 107 and MFRS 7) *Supplier Finance Arrangements* | 1 January 2024 |
| MFRS 107 *Statement of Cash Flows* | |
| (Amendments to MFRS 107 and MFRS 7) *Supplier Finance Arrangements* | 1 January 2024 |

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:

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| MFRS 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.

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

## 3. PROPERTY, PLANT AND EQUIPMENT

### Family Takaful fund

| 2024/2023 | Furniture, fittings, office equipment and renovations RM'000 | Computers and peripherals RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January/31 December | 33 | 5 | 38 |
| **Accumulated Depreciation** | | | |
| At 1 January/31 December | 33 | 5 | 38 |
| **Net Book Value at 1 January/31 December** | - | - | - |

### Company

| 2024 | Furniture, fittings, office equipment and renovations RM'000 | Computers and peripherals RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2024 | 4,123 | 156 | 323 | 4,602 |
| Additions | - | 27 | - | 27 |
| Write-off | (17) | - | - | (17) |
| At 31 December 2024 | 4,106 | 183 | 323 | 4,612 |
| **Accumulated Depreciation** | | | | |
| At 1 January 2024 | 3,930 | 121 | 323 | 4,374 |
| Depreciation charge for the financial year (Note 30) | 42 | 19 | - | 61 |
| Write-off | (17) | - | - | (17) |
| At 31 December 2024 | 3,955 | 140 | 323 | 4,418 |
| **Net Book Value at 31 December 2024** | 151 | 43 | - | 194 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

**Company**

| | Furniture, fittings, office equipment and renovations RM'000 | Computers and peripherals RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2023** | | | | |
| **Cost** | | | | |
| At 1 January 2023 | 4,022 | 371 | 323 | 4,716 |
| Additions | 101 | - | - | 101 |
| Write-off | - | (215) | - | (215) |
| At 31 December 2023 | 4,123 | 156 | 323 | 4,602 |
| **Accumulated Depreciation** | | | | |
| At 1 January 2023 | 3,873 | 320 | 323 | 4,516 |
| Depreciation charge for the financial year (Note 30) | 57 | 16 | - | 73 |
| Write-off | - | (215) | - | (215) |
| At 31 December 2023 | 3,930 | 121 | 323 | 4,374 |
| **Net Book Value at 31 December 2023** | 193 | 35 | - | 228 |

## 4. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

### Company

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

| | 2024<br>RM'000 | 2023<br>RM'000 |
|---|---|---|
| **Right-of-use assets - Premises** | | |
| **Cost** | | |
| At 1 January | 1,587 | 812 |
| Contract renewal | - | 775 |
| At 31 December | 1,587 | 1,587 |
| **Accumulated Depreciation** | | |
| At 1 January | 874 | 700 |
| Depreciation charge for the financial year (Note 30) | 187 | 174 |
| At 31 December | 1,061 | 874 |
| **Net Book Value at 31 December** | 526 | 713 |

The movement of lease liabilities is disclosed as follows:

| | 2024<br>RM'000 | 2023<br>RM'000 |
|---|---|---|
| **Lease liabilities** | | |
| At 1 January | 692 | 95 |
| Accretion of profit (Note 30) | 16 | 9 |
| Contract renewal | - | 775 |
| Settlement | (198) | (187) |
| At 31 December | 510 | 692 |
| **Lease liabilities by remaining maturity:** | | |
| Less than 12 months | 123 | 123 |
| More than 12 months | 387 | 569 |
| Total | 510 | 692 |

## 5. INTANGIBLE ASSETS

**Family Takaful fund**

| 2024/2023 | Computer software and licences RM'000 |
|---|---|
| **Cost** | |
| At 1 January/31 December | 9,020 |
| **Accumulated amortisation and impairment losses** | |
| At 1 January/31 December | 9,020 |
| **Net Book Value at 1 January/31 December** | - |

**Company**

| 2024 | Computer software and licences RM'000 | Software development costs RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2024 | 33,565 | 112 | 33,677 |
| Additions | 2,580 | - | 2,580 |
| Disposals | (165) | - | (165) |
| At 31 December 2024 | 35,980 | 112 | 36,092 |
| **Accumulated amortisation** | | | |
| At 1 January 2024 | 22,665 | - | 22,665 |
| Amortisation charge for the financial year (Note 30) | 1,619 | - | 1,619 |
| Disposals | (2) | - | (2) |
| At 31 December 2024 | 24,282 | - | 24,282 |
| **Net Book Value at 31 December 2024** | 11,698 | 112 | 11,810 |

## 5. INTANGIBLE ASSETS (CONTD.)

**Company (contd.)**

| | Computer software and licences RM'000 | Software development costs RM'000 | Total RM'000 |
|---|---|---|---|
| **2023** | | | |
| **Cost** | | | |
| At 1 January 2023 | 28,814 | 306 | 29,120 |
| Additions | 3,007 | 1,550 | 4,557 |
| Reclassification | 1,744 | (1,744) | - |
| At 31 December 2023 | 33,565 | 112 | 33,677 |
| **Accumulated amortisation** | | | |
| At 1 January 2023 | 21,151 | - | 21,151 |
| Amortisation charge for the financial year (Note 30) | 1,514 | - | 1,514 |
| At 31 December 2023 | 22,665 | - | 22,665 |
| **Net Book Value at 31 December 2023** | 10,900 | 112 | 11,012 |

## 6. INVESTMENTS

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Malaysian government papers | 715,687 | 960,763 |
| Equity securities | 730,128 | 804,891 |
| Debt securities | 11,175,759 | 13,312,364 |
| Unit and property trust funds | 172,235 | 172,235 |
| Structured products (Note 7) | 99,001 | 99,001 |
| Deposits with financial institutions | 1,091,718 | 1,204,969 |
| | 13,984,528 | 16,554,223 |
| **2023** | | |
| Malaysian government papers | 655,925 | 798,123 |
| Equity securities | 576,089 | 640,005 |
| Debt securities | 10,718,839 | 12,894,690 |
| Unit and property trust funds | 98,800 | 98,800 |
| Structured products (Note 7) | 96,685 | 96,685 |
| Deposits with financial institutions | 1,024,246 | 1,155,216 |
| | 13,170,584 | 15,683,519 |

## 6. INVESTMENTS (CONTD.)

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

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Fair value through profit or loss ("FVTPL"): | | |
| - Designated upon initial recognition | 6,081,444 | 6,833,480 |
| - Held for trading ("HFT") | 994,672 | 1,030,662 |
| Fair value through other comprehensive income ("FVOCI") | 5,816,694 | 7,485,112 |
| Amortised cost ("AC") | 1,091,718 | 1,204,969 |
| | 13,984,528 | 16,554,223 |
| **2023** | | |
| Fair value through profit or loss ("FVTPL"): | | |
| - Designated upon initial recognition | 5,769,402 | 6,540,659 |
| - Held for trading ("HFT") | 781,873 | 813,803 |
| Fair value through other comprehensive income ("FVOCI") | 5,595,063 | 7,173,841 |
| Amortised cost ("AC") | 1,024,246 | 1,155,216 |
| | 13,170,584 | 15,683,519 |

The following investments will mature after 12 months:

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| FVTPL | | |
| - Designated upon initial recognition | 5,671,094 | 6,397,834 |
| - HFT | 227,952 | 227,952 |
| FVOCI | 5,560,525 | 7,185,130 |
| | 11,459,571 | 13,810,916 |
| **2023** | | |
| FVTPL | | |
| - Designated upon initial recognition | 5,508,444 | 6,279,700 |
| - HFT | 217,732 | 217,732 |
| FVOCI | 5,438,542 | 6,980,341 |
| | 11,164,718 | 13,477,773 |

## 6. INVESTMENTS (CONTD.)

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **(i) FVTPL** | | |
| **- Designated upon initial recognition** | | |
| **2024** | | |
| **At fair value:** | | |
| Malaysian government papers | 323,975 | 323,975 |
| Debt securities: | | |
| Unquoted in Malaysia | 5,623,434 | 6,375,470 |
| Unquoted outside Malaysia | 35,034 | 35,034 |
| Structured products | 99,001 | 99,001 |
| **Total financial assets designated as FVTPL upon initial recognition** | 6,081,444 | 6,833,480 |
| **2023** | | |
| **At fair value:** | | |
| Malaysian government papers | 167,120 | 167,120 |
| Debt securities: | | |
| Unquoted in Malaysia | 5,505,597 | 6,276,854 |
| Structured products | 96,685 | 96,685 |
| **Total financial assets designated as FVTPL upon initial recognition** | 5,769,402 | 6,540,659 |
| **- HFT** | | |
| **2024** | | |
| **At fair value:** | | |
| Malaysian government papers | 46,004 | 46,004 |
| Equity securities: | | |
| Quoted in Malaysia | 563,118 | 587,076 |
| Quoted outside Malaysia | 31,367 | 43,399 |
| Debt securities: | | |
| Unquoted in Malaysia | 181,948 | 181,948 |
| Unit and property trust funds: | | |
| Quoted outside Malaysia | 172,235 | 172,235 |
| **Total HFT financial assets** | 994,672 | 1,030,662 |

## 6. INVESTMENTS (CONTD.)

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **(i) FVTPL** | | |
| **- HFT** | | |
| **2023** | | |
| **At fair value:** | | |
| Malaysian government papers | 53,792 | 53,792 |
| Equity securities: | | |
| Quoted in Malaysia | 440,426 | 462,069 |
| Quoted outside Malaysia | 24,915 | 35,202 |
| Debt securities: | | |
| Unquoted in Malaysia | 163,940 | 163,940 |
| Unit and property trust funds: | | |
| Quoted outside Malaysia | 98,800 | 98,800 |
| **Total HFT financial assets** | 781,873 | 813,803 |

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **(ii) FVOCI** | | |
| **2024** | | |
| At fair value: | | |
| Malaysian government papers | 345,708 | 590,784 |
| Equity securities: | | |
| Quoted in Malaysia | 135,643 | 174,416 |
| Debt securities: | | |
| Unquoted in Malaysia | 5,335,343 | 6,719,912 |
| **Total FVOCI financial assets** | 5,816,694 | 7,485,112 |
| **2023** | | |
| At fair value: | | |
| Malaysian government papers | 435,013 | 577,211 |
| Equity securities: | | |
| Quoted in Malaysia | 110,748 | 142,734 |
| Debt securities: | | |
| Unquoted in Malaysia | 5,049,302 | 6,453,896 |
| **Total FVOCI financial assets** | 5,595,063 | 7,173,841 |

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 selected equity securities from its portfolio of FVOCI financial assets as the securities no longer aligned with the long term investment strategies of the Company as high dividend yielding stocks. The total fair value on the date of sales (gross of tax) are RM430,800 and the realised gains recognised on disposal of these securities amounted to RM14,986.

## 6. INVESTMENTS (CONTD.)

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **(iii) AC** | | |
| **2024** | | |
| **Deposits and placements with financial institutions** | | |
| Islamic investment accounts with: | | |
| Licenced financial institutions | 561,357 | 670,733 |
| Other licenced financial institutions | 530,361 | 534,236 |
| **Total AC financial assets** | 1,091,718 | 1,204,969 |
| **2023** | | |
| **Deposits and placements with financial institutions** | | |
| Islamic investment accounts with: | | |
| Licenced financial institutions | 714,609 | 827,025 |
| Other licenced financial institutions | 309,637 | 328,191 |
| **Total AC financial assets** | 1,024,246 | 1,155,216 |

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

**Fair Value of Financial Investments**

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 46.

## 7. STRUCTURED PRODUCTS

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

| | <---------------2024--------------- | | <---------------2023--------------> | |
|---|---|---|---|---|
| | **Principal/ Notional Amount RM'000** | **Net Carrying Amount RM'000 (Note 6)** | **Principal/ Notional Amount RM'000** | **Net Carrying Amount RM'000 (Note 6)** |
| **Family Takaful Fund/Company** | | | | |
| **Financial assets at FVTPL** | | | | |
| Structured deposits | 100,000 | 99,001 | 100,000 | 96,685 |
| | 100,000 | 99,001 | 100,000 | 96,685 |

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

## 8. FINANCING RECEIVABLES

| | **Company RM'000** |
|---|---|
| **2024** | |
| Secured: | |
| Staff financing | 9,120 |
| Non-staff financing | 2,081 |
| | 11,201 |
| Unsecured non-staff financing | 14 |
| Allowance for impairment losses (Note 43) | (1,853) |
| | 9,362 |
| Of which, receivable after 12 months | 6,212 |

## 8. FINANCING RECEIVABLES (CONTD.)

| | Company RM'000 |
|---|---|
| **2023** | |
| Secured: | |
| Staff financing | 9,954 |
| Non-staff financing | 2,085 |
| | 12,039 |
| Unsecured non-staff financing | 14 |
| Allowance for impairment losses (Note 43) | (1,860) |
| | 10,193 |
| Of which, receivable after 12 months | 7,116 |

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

The weighted average effective profit rate during the financial year was 3.05% (2023: 3.15%) per annum.

## 9. RETAKAFUL CERTIFICATE ASSETS

### Composition of retakaful certificates

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

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Assets RM'000 | Liabilities RM'000 | Net RM'000 | Assets RM'000 | Liabilities RM'000 | Net RM'000 |
| **Family Takaful Fund/Company** | | | | | | |
| Retakaful certificates held | | | | | | |
| Proportional Family Takaful | 301,395 | - | 301,395 | 264,770 | - | 264,770 |
| Proportional Takafulink | 3,854 | - | 3,854 | 10,091 | - | 10,091 |
| Non-proportional Excess of Loss | 2,166 | - | 2,166 | 4,911 | - | 4,911 |
| Retakaful certificates held | 307,415 | - | 307,415 | 279,772 | - | 279,772 |
| Of which: | | | | | | |
| Measured at PAA | 2,166 | - | 2,166 | 4,911 | - | 4,911 |
| Not measured at PAA | 305,249 | - | 305,249 | 274,861 | - | 274,861 |
| | 307,415 | - | 307,415 | 279,772 | - | 279,772 |

## 9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

### a. Analysis by remaining coverage and amounts recoverable on incurred claim measured at Premium Allocation Approach ("PAA")

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

**2024**

| | | ARC | AIC | | |
|---|---|---|---|---|---|
| | Note | Excluding loss recovery component RM'000 | Present value of future cash flows RM'000 | Risk adjustment for non-financial risk RM'000 | Total RM'000 |
| **Family Takaful Fund/Company** | | | | | |
| Retakaful certificate assets as at 1 January | | (7,216) | 11,708 | 419 | 4,911 |
| **Allocation of retakaful contributions:** | | | | | |
| Amounts relating to the changes in assets for remaining coverage | 20 | (27,761) | - | - | (27,761) |
| **Amounts recoverable from retakaful operators:** | | | | | |
| Amounts recoverable for incurred claims and other expenses | | - | 30,141 | 396 | 30,537 |
| Changes that relate to past services - adjustment to AIC | | - | (2,357) | (419) | (2,776) |
| | 20 | - | 27,784 | (23) | 27,761 |
| **Net (expenses)/income from retakaful certificates held** | 20 | (27,761) | 27,784 | (23) | - |
| Effect of changes in non-performance risk of retakaful operators | 28 | - | 1 | - | 1 |
| **Total amount recognised in profit or loss** | | (27,761) | 27,785 | (23) | 1 |
| **Cash flows** | | | | | |
| Contributions paid net of ceding commission | | 1,501 | - | - | 1,501 |
| **Total cash flows** | | 1,501 | - | - | 1,501 |
| Other movements | (i) | - | (4,247) | - | (4,247) |
| **Net balance as at end of the year** | | (33,476) | 35,246 | 396 | 2,166 |
| **Retakaful certificate assets as at 31 December** | | (33,476) | 35,246 | 396 | 2,166 |

**9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)**

**a. Analysis by remaining coverage and amounts recoverable on incurred claim measured at Premium Allocation Approach ("PAA") (contd.)**

The Company's roll forward of retakaful certificate assets and liabilities showing ARC and AIC arising from business ceded to retakaful operators is disclosed in the table below: (contd.)

**2023**

| **Family Takaful Fund/Company** | **Note** | **ARC** Excluding loss recovery component RM'000 | **AIC** Present value of future cash flows RM'000 | **AIC** Risk adjustment for non-financial risk RM'000 | **Total RM'000** |
|---|---|---|---|---|---|
| Retakaful certificate assets as at 1 January | | (9,552) | 12,551 | 420 | 3,419 |
| **Allocation of retakaful contributions:** | | | | | |
| Amounts relating to the changes in assets for remaining coverage | 20 | (20,704) | - | - | (20,704) |
| **Amounts recoverable from retakaful operators:** | | | | | |
| Amounts recoverable for incurred claims and other expenses* | | - | 20,510 | 419 | 20,929 |
| Changes that relate to past services - adjustment to AIC* | | - | 195 | (420) | (225) |
| | 20 | - | 20,705 | (1) | 20,704 |
| **Net (expenses)/income from retakaful certificates held** | 20 | (20,704) | 20,705 | (1) | - |
| Effect of changes in non-performance risk of retakaful operators | 28 | - | 1 | - | 1 |
| **Total amount recognised in profit or loss** | | (20,704) | 20,706 | (1) | 1 |
| **Cash flows** | | | | | |
| Contributions paid net of ceding commission | | 23,040 | - | - | 23,040 |
| Recoveries from retakaful | | - | (24,361) | - | (24,361) |
| **Total cash flows** | | 23,040 | (24,361) | - | (1,321) |
| Other movements | (i) | - | 2,812 | - | 2,812 |
| **Net balance as at end of the year** | | (7,216) | 11,708 | 419 | 4,911 |
| **Represented by:** | | | | | |
| **Retakaful certificate assets as at 31 December** | | (7,216) | 11,708 | 419 | 4,911 |

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

**Note:**

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

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**199301011506 (266243-D)**
**(Incorporated in Malaysia)**

## 9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

### a. Analysis by remaining coverage and amounts recoverable on incurred claim not measured at PAA

The Company's roll forward of retakaful certificate assets and liabilities showing ARC and AIC arising from business ceded to retakaful operators is disclosed in the table below:

**2024**

| | | ARC | AIC | | |
|---|---|---|---|---|---|
| | **Note** | **Excluding loss recovery component RM'000** | **Present value of future cash flows RM'000** | **Risk adjustment for non-financial risk RM'000** | **Total RM'000** |
| **Family Takaful Fund/Company** | | | | | |
| Retakaful certificate assets as at 1 January | | 147,671 | 125,760 | 1,430 | 274,861 |
| **Allocation of retakaful contributions:** | | | | | |
| Amounts relating to the changes in assets for remaining coverage | 20 | (59,951) | - | - | (59,951) |
| **Amounts recoverable from retakaful operators:** | | | | | |
| Amounts recoverable for incurred claims and other expenses | | - | 69,480 | 1,532 | 71,012 |
| Changes that relate to past services - adjustment to AIC | | - | (12,385) | (1,447) | (13,832) |
| | 20 | - | 57,095 | 85 | 57,180 |
| **Net (expenses)/income from retakaful certificates held** | 20 | (59,951) | 57,095 | 85 | (2,771) |
| Finance income from retakaful certificates held | 28 | 2,765 | - | - | 2,765 |
| Effect of changes in non-performance risk of retakaful operators | 28 | - | 5 | - | 5 |
| **Total amount recognised in profit or loss** | | (57,186) | 57,100 | 85 | (1) |
| **Cash flows** | | | | | |
| Contributions paid net of ceding commission | | 43,490 | - | - | 43,490 |
| Recoveries from retakaful | | - | (27,110) | - | (27,110) |
| **Total cash flows** | | 43,490 | (27,110) | - | 16,380 |
| Other movements | (i) | - | 14,009 | - | 14,009 |
| **Net balance as at end of the year** | | 133,975 | 169,759 | 1,515 | 305,249 |
| **Retakaful certificate assets as at 31 December** | | 133,975 | 169,759 | 1,515 | 305,249 |

## 9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

### a. Analysis by remaining coverage and amounts recoverable on incurred claim not measured at PAA (contd.)

The Company's roll forward of retakaful certificate assets and liabilities showing ARC and AIC arising from business ceded to retakaful operators is disclosed in the table below: (contd.)

**2023**

| Family Takaful Fund/Company | Note | ARC Excluding loss recovery component RM'000 | AIC Present value of future cash flows RM'000 | AIC Risk adjustment for non-financial risk RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| Retakaful certificate assets as at 1 January | | 105,960 | 171,179 | - | 277,139 |
| **Allocation of retakaful contributions:** | | | | | |
| Amounts relating to the changes in assets for remaining coverage | 20 | (53,058) | - | - | (53,058) |
| **Amounts recoverable from retakaful operators:** | | | | | |
| Amounts recoverable for incurred claims and other expenses* | | - | 101,700 | 1,430 | 103,130 |
| Changes that relate to past services - adjustment to AIC* | | - | (53,425) | - | (53,425) |
| | 20 | - | 48,275 | 1,430 | 49,705 |
| **Net (expenses)/income from retakaful certificates held** | 20 | (53,058) | 48,275 | 1,430 | (3,353) |
| Finance income/(expenses) from retakaful certificates held | 28 | 3,713 | (361) | - | 3,352 |
| **Total amount recognised in profit or loss** | | (49,345) | 47,914 | 1,430 | (1) |
| **Cash flows** | | | | | |
| Contributions paid net of ceding commission | | 91,056 | - | - | 91,056 |
| Recoveries from retakaful | | - | (72,773) | - | (72,773) |
| **Total cash flows** | | 91,056 | (72,773) | - | 18,283 |
| Other movements | (i) | - | (20,560) | - | (20,560) |
| **Net balance as at end of the year** | | 147,671 | 125,760 | 1,430 | 274,861 |
| **Represented by:** | | | | | |
| **Retakaful certificate assets as at 31 December** | | 147,671 | 125,760 | 1,430 | 274,861 |

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

**Note:**

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

**9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)**

**b. Analysis showing estimates of present value of future cash flows and risk adjustment for retakaful certificates held not measured at PAA.**

The roll-forward of retakaful certificate assets and liabilities showing estimates of the present value of future cash flows and risk adjustment are shown below:

| **2024** | **Note** | **Estimate of the present value of future cash flows RM'000** | **Risk adjustment for non-financial risks RM'000** | **Total RM'000** |
|---|---|---|---|---|
| **Family Takaful Fund/Company** | | | | |
| Retakaful certificate assets as at 1 January | | 273,431 | 1,430 | 274,861 |
| **Changes that relate to current services** | | | | |
| Experience adjustments | | 9,529 | 1,532 | 11,061 |
| **Changes that relate to past services** | | | | |
| Changes in amount recoverable arising from changes in liability for incurred claims | | (12,385) | (1,447) | (13,832) |
| **Takaful service results** | 20 | (2,856) | 85 | (2,771) |
| Finance income from retakaful certificates held | 28 | 2,765 | - | 2,765 |
| Effect of changes in non-performance risk of retakaful operators | 28 | 5 | - | 5 |
| **Total amount recognised in profit or loss** | | (86) | 85 | (1) |
| **Cash flows** | | | | |
| Contributions paid net of ceding commission | | 43,490 | - | 43,490 |
| Recoveries from retakaful | | (27,110) | - | (27,110) |
| **Total cash flows** | | 16,380 | - | 16,380 |
| Other movements | (i) | 14,009 | - | 14,009 |
| **Net balance as at end of the financial year** | | 303,734 | 1,515 | 305,249 |
| **Retakaful certificate assets as at 31 December** | | 303,734 | 1,515 | 305,249 |

**9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)**

**b. Analysis showing estimates of present value of future cash flows and risk adjustment for retakaful certificates held not measured at PAA. (contd.)**

The roll-forward of retakaful certificate assets and liabilities showing estimates of the present value of future cash flows and risk adjustment are shown below: (contd.)

| **2023** | **Note** | **Estimate of the present value of future cash flows RM'000** | **Risk adjustment for non-financial risks RM'000** | **Total RM'000** |
|---|---|---|---|---|
| **Family Takaful Fund/Company** | | | | |
| Retakaful certificate assets as at 1 January | | 277,139 | - | 277,139 |
| **Changes that relate to current services** | | | | |
| Experience adjustments* | | 48,642 | 1,430 | 50,072 |
| **Changes that relate to past services** | | | | |
| Changes in amount recoverable arising from changes in liability for incurred claims* | | (53,425) | - | (53,425) |
| **Takaful service results** | 20 | (4,783) | 1,430 | (3,353) |
| Finance income from retakaful certificates held | 28 | 3,352 | - | 3,352 |
| **Total amount recognised in profit or loss** | | (1,431) | 1,430 | (1) |
| **Cash flows** | | | | |
| Contributions paid net of ceding commission | | 91,056 | - | 91,056 |
| Recoveries from retakaful | | (72,773) | - | (72,773) |
| **Total cash flows** | | 18,283 | - | 18,283 |
| Other movements | (i) | (20,560) | - | (20,560) |
| **Net balance as at end of the financial year** | | 273,431 | 1,430 | 274,861 |
| **Retakaful certificate assets as at 31 December** | | 273,431 | 1,430 | 274,861 |

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

**Note:**

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

## 9. RETAKAFUL CERTIFICATE ASSETS (CONTD.)

### c. Impact of certificates recognised in the financial year

The components of new business for Family retakaful held is disclosed in the table below:

| | 2024<br>RM'000 | 2023<br>RM'000 |
|---|---|---|
| **Certificates purchased** | | |
| Estimates of the present value of future cash outflows | 282,209 | 187,742 |
| Estimates of the present value of future cash inflows | (282,209) | (187,742) |
| Cost of retroactive cover on retakaful certificate assets held | - | - |

## 10. TAKAFUL CERTIFICATE LIABILITIES

### Composition of takaful certificates

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

| | Family Takaful fund | | | Company | | |
|---|---|---|---|---|---|---|
| | Asset RM'000 | Liability RM'000 | Net RM'000 | Asset RM'000 | Liability RM'000 | Net RM'000 |
| **2024** | | | | | | |
| **Family Takaful certificates issued** | | | | | | |
| Direct : | | | | | | |
| Credit | - | 7,183,478 | 7,183,478 | - | 7,466,254 | 7,466,254 |
| Non credit | - | 3,133,467 | 3,133,467 | - | 2,683,383 | 2,683,383 |
| Annuity | - | 655,231 | 655,231 | - | 848,928 | 848,928 |
| Investment Linked Takaful | - | 686,696 | 686,696 | - | 630,201 | 630,201 |
| Group Yearly Renewable Term | - | 217,456 | 217,456 | - | 197,855 | 197,855 |
| Unallocated Surplus | - | 2,248,915 | 2,248,915 | - | 2,248,915 | 2,248,915 |
| Others | - | 106,706 | 106,706 | - | 106,706 | 106,706 |
| **Total direct** | - | 14,231,949 | 14,231,949 | - | 14,182,242 | 14,182,242 |
| Of which: | | | | | | |
| Measured at PAA | - | 217,456 | 217,456 | - | 197,854 | 197,854 |
| Not measured at PAA | - | 14,014,493 | 14,014,493 | - | 13,984,388 | 13,984,388 |
| | - | 14,231,949 | 14,231,949 | - | 14,182,242 | 14,182,242 |
| **2023** | | | | | | |
| **Family Takaful certificates issued** | | | | | | |
| Direct : | | | | | | |
| Credit | - | 6,629,933 | 6,629,933 | - | 6,810,862 | 6,810,862 |
| Non credit | - | 3,152,732 | 3,152,732 | - | 2,732,484 | 2,732,484 |
| Annuity | - | 691,578 | 691,578 | - | 891,369 | 891,369 |
| Investment Linked Takaful | - | 528,895 | 528,895 | - | 464,348 | 464,348 |
| Group Yearly Renewable Term | - | 144,965 | 144,965 | - | 97,688 | 97,688 |
| Unallocated Surplus | - | 2,123,986 | 2,123,986 | - | 2,123,986 | 2,123,986 |
| Others | - | 76,303 | 76,303 | - | 76,299 | 76,299 |
| **Total direct** | - | 13,348,392 | 13,348,392 | - | 13,197,036 | 13,197,036 |
| Of which: | | | | | | |
| Measured at PAA | - | 144,965 | 144,965 | - | 97,684 | 97,684 |
| Not measured at PAA | - | 13,203,427 | 13,203,427 | - | 13,099,352 | 13,099,352 |
| | - | 13,348,392 | 13,348,392 | - | 13,197,036 | 13,197,036 |

**10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

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

The overview of the movement for net asset or liability for takaful certificates issued, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is presented in the table below:

**2024**

| | | LRC | LIC | | |
|---|---|---|---|---|---|
| **Family Takaful Fund** | **Note** | **Excluding loss component RM'000** | **Present value of future cash flows RM'000** | **Risk adjustments for non-financial risk RM'000** | **Total RM'000** |
| **Takaful certificate liabilities as at 1 January** | | (8,930) | 109,302 | 44,593 | 144,965 |
| **Takaful Revenue** | | | | | |
| Certificates under fair value approach | | (1,846) | - | - | (1,846) |
| Certificates under full retrospective approach and new certificates issued during the year | | (472,497) | - | - | (472,497) |
| | 18 | (474,343) | - | - | (474,343) |
| **Takaful Service Expenses** | | | | | |
| Incurred claims and other takaful service expenses | | - | 417,979 | 48,315 | 466,294 |
| Amortisation of takaful acquisition cash flows | | 61,092 | - | - | 61,092 |
| Changes that relates to past services - adjustment to LIC | | - | (8,137) | (44,758) | (52,895) |
| | 19 | 61,092 | 409,842 | 3,557 | 474,491 |
| **Takaful Service Result** | | (413,251) | 409,842 | 3,557 | 148 |
| Finance expenses from takaful certificates issued | 27 | - | 25,541 | 824 | 26,365 |
| **Total amount recognised in profit or loss** | | (413,251) | 435,383 | 4,381 | 26,513 |
| **Cash Flows** | | | | | |
| Contributions received | (i) | 495,225 | - | - | 495,225 |
| Claims and other takaful service expenses paid | | - | (398,936) | - | (398,936) |
| Takaful acquisition cash flows | | (66,982) | - | - | (66,982) |
| **Total cash flows** | | 428,243 | (398,936) | - | 29,307 |
| Other movements | (ii) | - | 20,014 | - | 20,014 |
| Transfer to other liabilities | (iii) | - | (3,343) | - | (3,343) |
| **Net balance as at end of the year** | | 6,062 | 162,420 | 48,974 | 217,456 |
| **Represented by:** | | | | | |
| **Takaful certificate liabilities as at 31 December** | | 6,062 | 162,420 | 48,974 | 217,456 |

**10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

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

The overview of the movement for net asset or liability for takaful certificates issued, showing the LRC and the LIC is presented in the table below: (contd.)

**2024**

| | Note | LRC Excluding loss component RM'000 | LIC Present value of future cash flows RM'000 | LIC Risk adjustments for non-financial risk RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **Takaful certificate liabilities as at 1 January** | | (56,183) | 109,274 | 44,593 | 97,684 |
| **Takaful Revenue** | | | | | |
| Certificates under fair value approach | | (1,846) | - | - | (1,846) |
| Certificates under full retrospective approach and new certificates issued during the year | | (472,395) | - | - | (472,395) |
| | 18 | (474,241) | - | - | (474,241) |
| **Takaful Service Expenses** | | | | | |
| Incurred claims and other takaful service expenses | | - | 425,193 | 48,315 | 473,508 |
| Amortisation of takaful acquisition cash flows | | 71,321 | - | - | 71,321 |
| Changes that relates to past services - adjustment to LIC | | - | (8,137) | (44,758) | (52,895) |
| | 19 | 71,321 | 417,056 | 3,557 | 491,934 |
| **Takaful Service Result** | | (402,920) | 417,056 | 3,557 | 17,693 |
| Finance expenses from takaful certificates issued | 27 | - | 25,541 | 824 | 26,365 |
| **Total amount recognised in profit or loss** | | (402,920) | 442,597 | 4,381 | 44,058 |
| **Cash Flows** | | | | | |
| Contributions received | (i) | 495,330 | - | - | 495,330 |
| Claims and other takaful service expenses paid | | - | (409,231) | - | (409,231) |
| Takaful acquisition cash flows | | (46,658) | - | - | (46,658) |
| **Total cash flows** | | 448,672 | (409,231) | - | 39,441 |
| Other movements | (ii) | (2,759) | 22,773 | - | 20,014 |
| Transfer to other liabilities | (iii) | - | (3,343) | - | (3,343) |
| **Net balance as at end of the year** | | (13,190) | 162,070 | 48,974 | 197,854 |
| **Takaful certificate liabilities as at 31 December** | | (13,190) | 162,070 | 48,974 | 197,854 |

**10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

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

The overview of the movement for net asset or liability for takaful certificates issued, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is presented in the table below: (contd.)

**2023**

| Family Takaful Fund | Note | LRC Excluding loss component RM'000 | LIC Present value of future cash flows RM'000 | LIC Risk adjustments for non-financial risk RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Takaful certificate liabilities as at 1 January** | | (37,773) | 196,759 | 35,279 | 194,265 |
| **Takaful Revenue** | | | | | |
| Certificates under fair value approach | | (344) | - | - | (344) |
| Certificates under full retrospective approach and new certificates issued during the year | | (408,804) | - | - | (408,804) |
| | 18 | (409,148) | - | - | (409,148) |
| **Takaful Service Expenses** | | | | | |
| Incurred claims and other takaful service expenses* | | - | 444,191 | 34,309 | 478,500 |
| Amortisation of takaful acquisition cash flows | | 54,503 | - | - | 54,503 |
| Changes that relates to past services - adjustment to LIC* | | - | (95,666) | (25,817) | (121,483) |
| | 19 | 54,503 | 348,525 | 8,492 | 411,520 |
| **Takaful Service Result** | | (354,645) | 348,525 | 8,492 | 2,372 |
| Finance expenses from takaful certificates issued | 27 | - | 24,371 | 822 | 25,193 |
| **Total amount recognised in profit or loss** | | (354,645) | 372,896 | 9,314 | 27,565 |
| **Cash Flows** | | | | | |
| Contributions received | (i) | 431,869 | - | - | 431,869 |
| Claims and other takaful service expenses paid | | - | (380,973) | - | (380,973) |
| Takaful acquisition cash flows | | (48,381) | - | - | (48,381) |
| **Total cash flows** | | 383,488 | (380,973) | - | 2,515 |
| Other movements | (ii) | - | (72,003) | - | (72,003) |
| Transfer to other liabilities | (iii) | - | (7,377) | - | (7,377) |
| **Net balance as at end of the year** | | (8,930) | 109,302 | 44,593 | 144,965 |
| **Represented by:** | | | | | |
| **Takaful certificate liabilities as at 31 December** | | (8,930) | 109,302 | 44,593 | 144,965 |

**10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

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

The overview of the movement for net asset or liability for takaful certificates issued, showing the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC") is presented in the table below: (contd.)

**2023**

| | | LRC | LIC | | |
|---|---|---|---|---|---|
| **Company** | **Note** | **Excluding loss component RM'000** | **Present value of future cash flows RM'000** | **Risk adjustments for non-financial risk RM'000** | **Total RM'000** |
| **Takaful certificate liabilities as at 1 January** | | (46,483) | 196,725 | 35,279 | 185,521 |
| **Takaful Revenue** | | | | | |
| Certificates under fair value approach | | (344) | - | - | (344) |
| Certificates under full retrospective approach and new certificates issued during the year | | (408,906) | - | - | (408,906) |
| | 18 | (409,250) | - | - | (409,250) |
| **Takaful Service Expenses** | | | | | |
| Incurred claims and other takaful service expenses* | | - | 462,153 | 34,309 | 496,462 |
| Amortisation of takaful acquisition cash flows | | 10,778 | - | - | 10,778 |
| Changes that relates to past services - adjustment to LIC* | | - | (95,666) | (25,817) | (121,483) |
| | 19 | 10,778 | 366,487 | 8,492 | 385,757 |
| **Takaful Service Result** | | (398,472) | 366,487 | 8,492 | (23,493) |
| Finance expenses from takaful certificates issued | 27 | - | 24,371 | 822 | 25,193 |
| **Total amount recognised in profit or loss** | | (398,472) | 390,858 | 9,314 | 1,700 |
| **Cash Flows** | | | | | |
| Contributions received | (i) | 431,869 | - | - | 431,869 |
| Claims and other takaful service expenses paid | | - | (405,449) | - | (405,449) |
| Takaful acquisition cash flows | | (36,582) | - | - | (36,582) |
| **Total cash flows** | | 395,287 | (405,449) | - | (10,162) |
| Other movements | (ii) | (6,515) | (65,483) | - | (71,998) |
| Transfer to other liabilities | (iii) | - | (7,377) | - | (7,377) |
| **Net balance as at end of the year** | | (56,183) | 109,274 | 44,593 | 97,684 |
| **Represented by:** | | | | | |
| **Takaful certificate liabilities as at 31 December** | | (56,183) | 109,274 | 44,593 | 97,684 |

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

**Notes:**

(i) The refunds of contributions have been included in this line.
(ii) Other movements comprises of FVOCI reserve and unallocated surplus movement during the financial year.
(iii) Included within the 'Transfer to other liabilities' are the amounts that are classified as deemed settlement. Deemed settlement includes payables to intermediaries on commission of contribution in the course of collection and witholding tax on amount payables.

**10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

**a. Analysis by liability for remaining coverage and the liability for incurred claims not measured at PAA**

The overview of the movement for net asset or liability for takaful certificates issued, showing the LRC and the LIC is presented in the table below:

**2024**

| | Note | LRC Excluding loss component RM'000 | LIC RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Family Takaful Fund** | | | | |
| **Takaful certificate liabilities as at 1 January** | | 9,932,250 | 3,271,177 | 13,203,427 |
| **Takaful Revenue** | | | | |
| Certificates under modified retrospective approach | | (317,577) | - | (317,577) |
| Certificates under fair value approach | | (506,998) | - | (506,998) |
| Certificates under full retrospective approach and new certificates issued during the year | | (350,594) | - | (350,594) |
| | 18 | (1,175,169) | - | (1,175,169) |
| **Takaful Service Expenses** | | | | |
| Incurred claims and other takaful service expenses | | - | 1,675,138 | 1,675,138 |
| Amortisation of takaful acquisition cash flows | | 124,084 | - | 124,084 |
| Changes that relates to past services - adjustment to LIC | | - | (204,939) | (204,939) |
| | 19 | 124,084 | 1,470,199 | 1,594,283 |
| Investment components | | (797,700) | 797,700 | - |
| **Takaful Service Result** | | (1,848,785) | 2,267,899 | 419,114 |
| Finance expenses from takaful certificates issued | 27 | 328,697 | 630 | 329,327 |
| **Total amount recognised in profit or loss** | | (1,520,088) | 2,268,529 | 748,441 |
| **Cash Flows** | | | | |
| Contributions received | (i) | 2,007,787 | - | 2,007,787 |
| Claims and other takaful service expenses paid | | - | (1,621,224) | (1,621,224) |
| Takaful acquisition cash flows | | (359,457) | - | (359,457) |
| **Total cash flows** | | 1,648,330 | (1,621,224) | 27,106 |
| Other movements | (ii) | 229,498 | (176,459) | 53,039 |
| Transfer to other liabilities | (iii) | - | (17,520) | (17,520) |
| **Net balance as at end of the year** | | 10,289,990 | 3,724,503 | 14,014,493 |
| **Represented by:** | | | | |
| **Takaful certificate liabilities as at 31 December** | | 10,289,990 | 3,724,503 | 14,014,493 |

## 10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

### a. Analysis by liability for remaining coverage and the liability for incurred claims not measured at PAA (contd.)

The overview of the movement for net asset or liability for takaful certificates issued, showing the LRC and the LIC is presented in the table below: (contd.)

**2024**

| | Note | LRC Excluding loss component RM'000 | LRC Loss component RM'000 | LIC RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **Takaful certificate liabilities as at 1 January** | | 9,821,658 | 6,128 | 3,271,566 | 13,099,352 |
| **Takaful Revenue** | | | | | |
| Certificates under modified retrospective approach | | (369,599) | - | - | (369,599) |
| Certificates under fair value approach | | (550,053) | - | - | (550,053) |
| Certificates under full retrospective approach and new certificates issued during the year | | (301,102) | - | - | (301,102) |
| | 18 | (1,220,754) | - | - | (1,220,754) |
| **Takaful Service Expenses** | | | | | |
| Incurred claims and other takaful service expenses | | - | - | 1,328,681 | 1,328,681 |
| Amortisation of takaful acquisition cash flows | | 81,113 | - | - | 81,113 |
| Changes that relates to past services - adjustment to LIC | | - | - | (204,939) | (204,939) |
| Losses and reversal of losses on onerous certificates | | 191 | (826) | - | (635) |
| | 19 | 81,304 | (826) | 1,123,742 | 1,204,220 |
| Investment components | | (797,700) | - | 797,700 | - |
| **Takaful Service Result** | | (1,937,150) | (826) | 1,921,442 | (16,534) |
| Finance expenses from takaful certificates issued | 27 | 494,206 | - | 628 | 494,834 |
| **Total amount recognised in profit or loss** | | (1,442,944) | (826) | 1,922,070 | 478,300 |
| **Cash Flows** | | | | | |
| Contributions received | (i) | 2,491,162 | - | - | 2,491,162 |
| Claims and other takaful service expenses paid | | - | - | (1,494,590) | (1,494,590) |
| Takaful acquisition cash flows | | (625,355) | - | - | (625,355) |
| **Total cash flows** | | 1,865,807 | - | (1,494,590) | 371,217 |
| Other movements | (ii) | 9,946 | - | 43,093 | 53,039 |
| Transfer to other liabilities | (iii) | - | - | (17,520) | (17,520) |
| **Net balance as at end of the year** | | 10,254,467 | 5,302 | 3,724,619 | 13,984,388 |
| **Represented by:** | | | | | |
| **Takaful certificate liabilities as at 31 December** | | 10,254,467 | 5,302 | 3,724,619 | 13,984,388 |

**10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

**a. Analysis by liability for remaining coverage and the liability for incurred claims not measured at PAA (contd.)**

The overview of the movement for net asset or liability for takaful certificates issued, showing the LRC and the LIC is presented in the table below: (contd.)

**2023**

| | Note | LRC Excluding loss component RM'000 | LIC RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Family Takaful Fund** | | | | |
| **Takaful certificate liabilities as at 1 January** | | 9,360,384 | 2,722,260 | 12,082,644 |
| **Takaful Revenue** | | | | |
| Certificates under modified retrospective approach | | (361,139) | - | (361,139) |
| Certificates under fair value approach | | (538,812) | - | (538,812) |
| Certificates under full retrospective approach and new certificates issued during the year | | (156,967) | - | (156,967) |
| | 18 | (1,056,918) | - | (1,056,918) |
| **Takaful Service Expenses** | | | | |
| Incurred claims and other takaful service expenses* | | - | 1,258,430 | 1,258,430 |
| Amortisation of takaful acquisition cash flows | | 101,275 | - | 101,275 |
| Changes that relates to past services - adjustment to LIC* | | - | (52,097) | (52,097) |
| | 19 | 101,275 | 1,206,333 | 1,307,608 |
| Investment components | | (737,189) | 737,189 | - |
| **Takaful Service Result** | | (1,692,832) | 1,943,522 | 250,690 |
| Finance expenses from takaful certificates issued | 27 | 513,992 | 777 | 514,769 |
| **Total amount recognised in profit or loss** | | (1,178,840) | 1,944,299 | 765,459 |
| **Cash Flows** | | | | |
| Contributions received | (i) | 1,834,313 | - | 1,834,313 |
| Claims and other takaful service expenses paid | | - | (1,428,800) | (1,428,800) |
| Takaful acquisition cash flows | | (319,683) | - | (319,683) |
| **Total cash flows** | | 1,514,630 | (1,428,800) | 85,830 |
| **Allocation from assets for takaful acquisition cash flows to group of takaful certificates** | | | | |
| Other movements | (ii) | 236,076 | 47,370 | 283,446 |
| Transfer to other liabilities | (iii) | - | (13,952) | (13,952) |
| **Net balance as at end of the year** | | 9,932,250 | 3,271,177 | 13,203,427 |
| **Represented by:** | | | | |
| **Takaful certificate liabilities as at 31 December** | | 9,932,250 | 3,271,177 | 13,203,427 |

## 10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

### a. Analysis by liability for remaining coverage and the liability for incurred claims not measured at PAA (contd.)

The overview of the movement for net asset or liability for takaful certificates issued, showing the LRC and the LIC is presented in the table below: (contd.)

**2023**

| Company | Note | LRC Excluding loss component RM'000 | LRC Loss component RM'000 | LIC RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Takaful certificate liabilities as at 1 January** | | 9,301,172 | 1,202 | 2,722,938 | 12,025,312 |
| **Takaful Revenue** | | | | | |
| Certificates under modified retrospective approach | | (396,482) | - | - | (396,482) |
| Certificates under fair value approach | | (546,214) | - | - | (546,214) |
| Certificates under full retrospective approach and new certificates issued during the year | | (139,581) | - | - | (139,581) |
| | 18 | (1,082,277) | - | - | (1,082,277) |
| **Takaful Service Expenses** | | | | | |
| Incurred claims and other takaful service expenses* | | - | - | 989,318 | 989,318 |
| Amortisation of takaful acquisition cash flows | | 68,412 | - | - | 68,412 |
| Changes that relates to past services - adjustment to LIC* | | - | - | (52,097) | (52,097) |
| Losses and reversal of losses on onerous certificates | | 294 | 4,926 | - | 5,220 |
| | 19 | 68,706 | 4,926 | 937,221 | 1,010,853 |
| Investment components | | (737,189) | - | 737,189 | - |
| **Takaful Service Result** | | (1,750,760) | 4,926 | 1,674,410 | (71,424) |
| Finance expenses from takaful certificates issued | 27 | 623,982 | - | 779 | 624,761 |
| **Total amount recognised in profit or loss** | | (1,126,778) | 4,926 | 1,675,189 | 553,337 |
| **Cash Flows** | | | | | |
| Contributions received | (i) | 2,133,502 | - | - | 2,133,502 |
| Claims and other takaful service expenses paid | | - | - | (1,337,336) | (1,337,336) |
| Takaful acquisition cash flows | | (544,959) | - | - | (544,959) |
| **Total cash flows** | | 1,588,543 | - | (1,337,336) | 251,207 |
| Other movements | (ii) | 58,721 | - | 224,729 | 283,450 |
| Transfer to other liabilities | (iii) | - | - | (13,954) | (13,954) |
| **Net balance as at end of the year** | | 9,821,658 | 6,128 | 3,271,566 | 13,099,352 |
| **Represented by:** | | | | | |
| **Takaful certificate liabilities as at 31 December** | | 9,821,658 | 6,128 | 3,271,566 | 13,099,352 |

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

**Notes:**

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

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

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

**10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

**b. Analysis by measurement component of takaful certificate not measured at PAA**

The table below presents a roll-forward of the net asset or liability showing estimates of the present value of future cash flows, risk adjustment, CSM and the impact on the current year of the transition approaches adopted to establishing CSMs for Family Takaful certificate issued.

**2024**

| | Note | Estimate of the present value of future cash flows RM'000 | Risk adjustments for non-financial risk RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Family Takaful Fund** | | | | |
| **Takaful certificate liabilities as at 1 January** | | 13,195,373 | 8,054 | 13,203,427 |
| **Changes that relate to current services** | | | | |
| Experience adjustments | | 614,130 | 9,923 | 624,053 |
| **Changes that relate to past services** | | | | |
| Adjustments to liabilities for incurred claims | 19 | (196,655) | (8,284) | (204,939) |
| **Takaful Service Result** | | 417,475 | 1,639 | 419,114 |
| Finance expenses/(income) from takaful certificates issued | 27 | 329,339 | (12) | 329,327 |
| **Total amount recognised in profit or loss** | | 746,814 | 1,627 | 748,441 |
| **Cash Flows** | | | | |
| Contributions received | | 2,007,787 | - | 2,007,787 |
| Claims and other expenses paid | | (1,621,224) | - | (1,621,224) |
| Takaful acquisition cash flows | | (359,457) | - | (359,457) |
| **Total cash flows** | | 27,106 | - | 27,106 |
| Other movements | | 53,039 | - | 53,039 |
| Transfer to other liabilities | (i) | (17,520) | - | (17,520) |
| **Net balance as at end of the year** | | 14,004,812 | 9,681 | 14,014,493 |
| **Takaful certificate liabilities as at 31 December** | | 14,004,812 | 9,681 | 14,014,493 |

**10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

**b. Analysis by measurement component of takaful certificate not measured at PAA (contd.)**

The table below presents a roll-forward of the net asset or liability showing estimates of the present value of future cash flows, risk adjustment, CSM and the impact on the current year of the transition approaches adopted to establishing CSMs for Family Takaful certificate issued. (contd.)

| **2024** | | | | | CSM | | | |
|---|---|---|---|---|---|---|---|---|
| **Company** | **Note** | **Estimate of the present value of future cash flows RM'000** | **Risk adjustments for non-financial risk RM'000** | **Total CSM RM'000** | **New Certificates and certificates measured under the full retrospective approach at transition RM'000** | **Certificates measured under the modified retrospective approach at transition RM'000** | **Certificates measured under the fair value approach at transition RM'000** | **Total RM'000** |
| **Takaful certificate liabilities as at 1 January** | | 11,180,285 | 574,521 | 1,344,546 | 444,248 | 597,904 | 302,394 | 13,099,352 |
| **Changes that relate to current services** | | | | | | | | |
| CSM recognised for services provided | 18 | - | - | (140,302) | (53,341) | (47,510) | (39,451) | (140,302) |
| Change in the risk adjustment for non-financial risks | 18 | - | (56,157) | - | - | - | - | (56,157) |
| Experience adjustments | | 374,941 | 9,923 | - | - | - | - | 384,864 |
| **Changes that relate to future services** | | | | | | | | |
| Certifcates initially recognised in the year | 10 (c) | (388,280) | 166,914 | 221,366 | 221,627 | - | (261) | - |
| Changes in estimate that adjust the CSM | | 128,841 | (103,657) | (25,184) | 65,328 | (65,714) | (24,798) | - |
| **Changes that relate to past services** | | | | | | | | |
| Adjustments to liabilities for incurred claims | 19 | (196,655) | (8,284) | - | - | - | - | (204,939) |
| **Takaful Service Result** | | (81,153) | 8,739 | 55,880 | 233,614 | (113,224) | (64,510) | (16,534) |
| **Finance expenses/(income) from takaful certificates issued** | 27 | 494,846 | (12) | - | - | - | - | 494,834 |
| **Total amount recognised in profit or loss** | | 413,693 | 8,727 | 55,880 | 233,614 | (113,224) | (64,510) | 478,300 |
| **Cash Flows** | | | | | | | | |
| Contributions received | | 2,491,162 | - | - | - | - | - | 2,491,162 |
| Claims and other expenses paid | | (1,494,590) | - | - | - | - | - | (1,494,590) |
| Takaful acquisition cash flows | | (625,355) | - | - | - | - | - | (625,355) |
| **Total cash flows** | | 371,217 | - | - | - | - | - | 371,217 |
| Other movements | | 53,039 | - | - | - | - | - | 53,039 |
| Transfer to other liabilities | (i) | (17,520) | - | - | - | - | - | (17,520) |
| **Net balance as at end of the year** | | 12,000,714 | 583,248 | 1,400,426 | 677,862 | 484,680 | 237,884 | 13,984,388 |
| **Takaful certificate liabilities as at 31 December** | | 12,000,714 | 583,248 | 1,400,426 | 677,862 | 484,680 | 237,884 | 13,984,388 |

**10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

**b. Analysis by measurement component of takaful certificate not measured at PAA (contd.)**

The table below presents a roll-forward of the net asset or liability showing estimates of the present value of future cash flows, risk adjustment, CSM and the impact on the current year of the transition approaches adopted to establishing CSMs for Family Takaful certificate issued. (contd.)

**2023**

| | Note | Estimate of the present value of future cash flows RM'000 | Risk adjustments for non-financial risk RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Family Takaful Fund** | | | | |
| **Takaful certificate liabilities as at 1 January** | | 12,082,225 | 419 | 12,082,644 |
| **Changes that relate to current services** | | | | |
| Experience adjustments* | | 294,403 | 8,384 | 302,787 |
| **Changes that relate to past services** | | | | |
| Adjustments to liabilities for incurred claims* | 19 | (51,361) | (736) | (52,097) |
| **Takaful Service Result** | | 243,042 | 7,648 | 250,690 |
| Finance expenses/(income) from takaful certificates issued | 27 | 514,782 | (13) | 514,769 |
| **Total amount recognised in profit or loss** | | 757,824 | 7,635 | 765,459 |
| **Cash Flows** | | | | |
| Contributions received | | 1,834,313 | - | 1,834,313 |
| Claims and other expenses paid | | (1,428,800) | - | (1,428,800) |
| Takaful acquisition cash flows | | (319,683) | - | (319,683) |
| **Total cash flows** | | 85,830 | - | 85,830 |
| Other movements | | 283,446 | - | 283,446 |
| Transfer to other liabilities | (i) | (13,952) | - | (13,952) |
| **Net balance as at end of the financial year** | | 13,195,373 | 8,054 | 13,203,427 |
| **Takaful certificate liabilities as at 31 December** | | 13,195,373 | 8,054 | 13,203,427 |

**10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

**b. Analysis by measurement component of takaful certificate not measured at PAA (contd.)**

The table below presents a roll-forward of the net asset or liability showing estimates of the present value of future cash flows, risk adjustment, CSM and the impact on the current year of the transition approaches adopted to establishing CSMs for Family Takaful certificate issued. (contd.)

**2023**

| | | | | | CSM | | | |
|---|---|---|---|---|---|---|---|---|
| **Company** | **Note** | **Estimate of the present value of future cash flows RM'000** | **Risk adjustments for non-financial risk RM'000** | **Total CSM RM'000** | **New Certificates and certificates measured under the full retrospective approach at transition RM'000** | **Certificates measured under the modified retrospective approach at transition RM'000** | **Certificates measured under the fair value approach at transition RM'000** | **Total RM'000** |
| **Takaful certificate liabilities as at 1 January** | | 10,300,708 | 564,740 | 1,159,864 | 211,519 | 644,848 | 303,497 | 12,025,312 |
| **Changes that relate to current services** | | | | | | | | |
| CSM recognised for services provided | 18 | - | - | (127,431) | (30,540) | (53,596) | (43,295) | (127,431) |
| Change in the risk adjustment for non-financial risks | 18 | - | (55,549) | - | - | - | - | (55,549) |
| Experience adjustments* | | 155,269 | 8,384 | - | - | - | - | 163,653 |
| **Changes that relate to future services** | | | | | | | | |
| Certificates initially recognised in the year | 10 (c) | (362,960) | 146,982 | 215,978 | 213,561 | - | 2,417 | - |
| Changes in estimate that adjust the CSM | | (6,848) | (89,287) | 96,135 | 49,708 | 6,652 | 39,775 | - |
| **Changes that relate to past services** | | | | | | | | |
| Adjustments to liabilities for incurred claims* | 19 | (51,361) | (736) | - | - | - | - | (52,097) |
| **Takaful Service Result** | | (265,900) | 9,794 | 184,682 | 232,729 | (46,944) | (1,103) | (71,424) |
| Finance expenses/(income) from takaful certificates issued | 27 | 624,774 | (13) | - | - | - | - | 624,761 |
| **Total amount recognised in profit or loss** | | 358,874 | 9,781 | 184,682 | 232,729 | (46,944) | (1,103) | 553,337 |
| **Cash Flows** | | | | | | | | |
| Contributions received | | 2,133,502 | - | - | - | - | - | 2,133,502 |
| Claims and other expenses paid | | (1,337,336) | - | - | - | - | - | (1,337,336) |
| Takaful acquisition cash flows | | (544,959) | - | - | - | - | - | (544,959) |
| **Total cash flows** | | 251,207 | - | - | - | - | - | 251,207 |
| Other movements | | 283,450 | - | - | - | - | - | 283,450 |
| Transfer to other liabilities | (i) | (13,954) | - | - | - | - | - | (13,954) |
| **Net balance as at end of the year** | | 11,180,285 | 574,521 | 1,344,546 | 444,248 | 597,904 | 302,394 | 13,099,352 |
| **Takaful certificate liabilities as at 31 December** | | 11,180,285 | 574,521 | 1,344,546 | 444,248 | 597,904 | 302,394 | 13,099,352 |

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

**Notes:**

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

**10. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

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

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

| | Certificates issued Non-onerous / Total | |
|---|---|---|
| | Family Takaful Fund | Company |
| **2024** | RM'000 | RM'000 |
| **Takaful certificate liabilities** | | |
| Estimates of present value of future cash inflows | (3,350,833) | (2,229,207) |
| Estimate of present value of future cash outflows: | 3,350,833 | 1,840,927 |
| Benefits payable and other expenses | 2,993,904 | 1,592,675 |
| Takaful acquisition cash flows | 356,929 | 248,252 |
| Risk adjustment for non-financial risks | - | 166,914 |
| CSM | - | 221,366 |
| Losses on onerous certificates at initial recognition | - | - |
| **2023** | | |
| **Takaful certificate liabilities** | | |
| Estimates of present value of future cash inflows | (2,841,865) | (1,918,313) |
| Estimate of present value of future cash outflows: | 2,841,865 | 1,555,353 |
| Benefits payable and other expenses | 2,517,808 | 1,332,406 |
| Takaful acquisition cash flows | 324,057 | 222,947 |
| Risk adjustment for non-financial risks | - | 146,982 |
| CSM | - | 215,978 |
| Losses on onerous certificates at initial recognition | - | - |

**d. Expected release of CSM**

The disclosure of when the CSM is expected to be released to profit or loss in future years is presented below:

| | Less than 1 year RM'000 | 1 - 2 years RM'000 | 2 - 3 years RM'000 | 3 - 4 years RM'000 | 4 - 5 years RM'000 | 5 - 10 years RM'000 | More than 10 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2024** | | | | | | | | |
| **Takaful certificates issued** | 135,052 | 122,731 | 110,750 | 99,849 | 89,884 | 336,413 | 505,747 | 1,400,426 |
| **2023** | | | | | | | | |
| **Takaful certificates issued** | 127,677 | 118,192 | 106,231 | 95,447 | 85,779 | 319,719 | 491,501 | 1,344,546 |

## 11. OTHER ASSETS

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Sundry receivables, deposits and prepayments | 13,943 | 32,623 |
| Allowance for impairment losses (Note 43) | (507) | (2,990) |
| | 13,436 | 29,633 |
| Income and profit due and accrued* | 155,455 | 185,760 |
| Amount due from other related company** (Note 40(ii)) | - | 1,195 |
| Amount due from stockbrokers | 46,083 | 47,315 |
| | 201,538 | 234,270 |
| **Total other assets** | 214,974 | 263,903 |
| **2023** | | |
| Sundry receivables, deposits and prepayments | 10,177 | 23,557 |
| Allowance for impairment losses (Note 43) | (507) | (2,987) |
| | 9,670 | 20,570 |
| Income and profit due and accrued* | 160,562 | 190,581 |
| Amount due from other related company** (Note 40(ii)) | - | 170 |
| Amount due from stockbrokers | 2,106 | 2,896 |
| | 162,668 | 193,647 |
| **Total other assets** | 172,338 | 214,217 |

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

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

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

## 12. CURRENT TAX ASSETS

**Company**

| **2024** | **RM'000** |
|---|---|
| At 1 January 2024 | 79,295 |
| Reversal during the year: | |
| YA 2011 | (8,886) |
| YA 2012 | (16,338) |
| YA 2013 | (11,031) |
| At 31 December 2024 | 43,040 |

| **2023** | **RM'000** |
|---|---|
| At 1 January 2023 | 79,675 |
| Reversal during the year: | |
| YA 2016 (offset YA2023 installment) | (380) |
| At 31 December 2023 | 79,295 |

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

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

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

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

In respect to the Company's appeal, both the SCIT and the High Court rejected the Company's appeal on 19 February 2021 and 14 September 2022, respectively. Following these unfavorable judgments, Etiqa filed an appeal with the Court of Appeal. After a hearing on 24 July 2024, the Court of Appeal, on 28 November 2024, deliberated that the Inland Revenue Board of Malaysia (IRBM) did not have the merit to impose an additional assessment on Etiqa for the Years of Assessment (YA) 2008, 2009, and 2014. However, for YA2011, YA2012, and YA2013, the court ruled in favor of the IRBM, and Etiqa's appeal was disallowed, resulting in a total reversal of RM36,254,504 in the currents year for YA2011, YA2012 and YA2013. The court has also deliberated that the penalty imposed by IRBM is incorrect hence the additional penalty imposed is to be refunded to Etiqa.

## 12. CURRENT TAX ASSETS (CONTD.)

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

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

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

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

## 13. SHARE CAPITAL

| **Company** | **No. of shares '000** | **Amount RM'000** |
|---|---|---|
| **Issued and fully paid:** | | |
| Ordinary shares | | |
| **2024** | | |
| At 1 January/31 December | 100,000 | 100,000 |
| **2023** | | |
| At 1 January/31 December | 100,000 | 100,000 |

## 14. RESERVES

| Company | Note | 2024 RM'000 | 2023 RM'000 |
|---|---|---|---|
| **Non-distributable:** | | | |
| FVOCI reserve | (i) | 18,019 | 4,665 |
| **Distributable:** | | | |
| Retained profits | (ii) | 2,588,739 | 2,643,470 |
| **Total reserves** | | 2,606,758 | 2,648,135 |

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

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

## 15. DEFERRED TAXATION

| Deferred tax (liabilities)/assets | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| At 1 January | (25,809) | 26,224 |
| Recognised in: | | |
| Profit or loss | | |
| Taxation (Note 34) | - | 47,699 |
| Tax expense attributable to participants (Note 33) | (7,804) | (7,804) |
| Other comprehensive income | (5,011) | (9,226) |
| At 31 December | (38,624) | 56,893 |
| **2023** | | |
| At 1 January | 13,458 | 59,832 |
| Recognised in: | | |
| Profit or loss | | |
| Taxation (Note 34) | - | 20,828 |
| Tax expense attributable to participants (Note 33) | (20,463) | (20,463) |
| Other comprehensive income | (18,804) | (33,973) |
| At 31 December | (25,809) | 26,224 |

## 15. DEFERRED TAXATION (CONTD.)

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

| | 2024 | 2023 |
|---|---|---|
| **Family Takaful fund** | **RM'000** | **RM'000** |
| Deferred tax assets | 6,329 | 5,784 |
| Deferred tax liabilities | (44,953) | (31,593) |
| | (38,624) | (25,809) |

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

**(i) Deferred tax assets**

| | FVOCI reserve RM'000 | Net Amortisation of premiums on investments RM'000 | Impairment of FVOCI financial assets RM'000 | Unrealised currency exchange RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **2024** | | | | | |
| At 1 January | - | 5,638 | 146 | - | 5,784 |
| Recognised in: | | | | | |
| Profit or loss | | | | | |
| Tax credit/(expense) attributable to participants | - | 573 | (28) | - | 545 |
| At 31 December | - | 6,211 | 118 | - | 6,329 |
| **2023** | | | | | |
| At 1 January | 8,795 | 4,805 | 98 | 31 | 13,729 |
| Recognised in: | | | | | |
| Profit or loss | | | | | |
| Tax credit/(expense) attributable to participants | - | 833 | 48 | (31) | 850 |
| Other comprehensive income | (8,795) | - | - | - | (8,795) |
| At 31 December | - | 5,638 | 146 | - | 5,784 |

## 15. DEFERRED TAXATION (CONTD.)

### Family Takaful fund (contd.)

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

**(ii) Deferred tax liabilities**

| | FVOCI reserve RM'000 | Fair value adjustment RM'000 | Unrealised currency exchange RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2024** | | | | |
| At 1 January | (10,009) | (21,578) | (6) | (31,593) |
| Recognised in: | | | | |
| Profit or loss | | | | |
| Tax (expense)/credit attributable to participants | - | (8,353) | 4 | (8,349) |
| Other comprehensive income | (5,011) | - | - | (5,011) |
| At 31 December | (15,020) | (29,931) | (2) | (44,953) |
| | | | | |
| **2023** | | | | |
| At 1 January | - | (271) | - | (271) |
| Recognised in: | | | | |
| Profit or loss | | | | |
| Tax expense attributable to participants | - | (21,307) | (6) | (21,313) |
| Other comprehensive income | (10,009) | - | - | (10,009) |
| At 31 December | (10,009) | (21,578) | (6) | (31,593) |

## 15. DEFERRED TAXATION (CONTD.)

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

| Company | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Deferred tax assets | 117,295 | 69,347 |
| Deferred tax liabilities | (60,402) | (43,123) |
| | 56,893 | 26,224 |

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

**(i) Deferred tax assets**

| | Accelerated capital allowance RM'000 | Others RM'000 | Provision for bonus RM'000 | Impairment of FVOCI financial assets RM'000 | Net amortisation of premiums on investments RM'000 | Takaful certificate liabilities RM'000 | Lease liabilities RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2024** | | | | | | | | |
| At 1 January | 2,697 | 1,042 | 3,532 | 312 | 10,686 | 51,065 | 13 | 69,347 |
| Recognised in: | | | | | | | | |
| Profit or loss | | | | | | | | |
| Taxation | 184 | (1) | 2,172 | (59) | 452 | 44,654 | 1 | 47,403 |
| Tax (expense)/credit attributable to participants | - | - | - | (28) | 573 | - | - | 545 |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| At 31 December | 2,881 | 1,041 | 5,704 | 225 | 11,711 | 95,719 | 14 | 117,295 |

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**(Incorporated in Malaysia)**

## 15. DEFERRED TAXATION (CONTD.)

**Company (contd.)**

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

**(i) Deferred tax assets (contd.)**

| | Lease liabilities RM'000 | Others RM'000 | Accelerated capital allowance RM'000 | Provision for bonus RM'000 | FVOCI reserve RM'000 | Impairment of FVOCI financial assets RM'000 | Net amortisation of premiums on investments RM'000 | Takaful certificate liabilities RM'000 | Unrealised currency exchange RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | | | | |
| At 1 January | 14 | 1,118 | 1,960 | 604 | 22,488 | 197 | 8,684 | 26,510 | 69 | 61,644 |
| Recognised in: | | | | | | | | | | |
| Profit or loss | | | | | | | | | | |
| Taxation | (1) | (76) | 737 | 2,928 | - | 67 | 1,169 | 24,555 | (46) | 29,333 |
| Tax credit/(expense) attributable to participants | - | - | - | - | - | 48 | 833 | - | (23) | 858 |
| Other comprehensive income | - | - | - | - | (22,488) | - | - | - | - | (22,488) |
| At 31 December | 13 | 1,042 | 2,697 | 3,532 | - | 312 | 10,686 | 51,065 | - | 69,347 |

## 15. DEFERRED TAXATION (CONTD.)

**Company (contd.)**

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

**(ii) Deferred tax liabilities**

| | FVOCI reserve RM'000 | Fair value adjustment RM'000 | Unrealised currency exchange RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2024** | | | | |
| At 1 January | (11,485) | (31,624) | (14) | (43,123) |
| Recognised in: | | | | |
| Profit or loss | | | | |
| Taxation | - | 293 | 3 | 296 |
| Tax (expense)/credit attributable to participants | - | (8,353) | 4 | (8,349) |
| Other comprehensive income | (9,226) | - | - | (9,226) |
| At 31 December | (20,711) | (39,684) | (7) | (60,402) |
| **2023** | | | | |
| At 1 January | - | (1,812) | - | (1,812) |
| Recognised in: | | | | |
| Profit or loss | | | | |
| Taxation | - | (8,505) | - | (8,505) |
| Tax expense attributable to participants | - | (21,307) | (14) | (21,321) |
| Other comprehensive income | (11,485) | - | - | (11,485) |
| At 31 December | (11,485) | (31,624) | (14) | (43,123) |

## 16. OTHER LIABILITIES

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Proposal deposits | 5,243 | 5,243 |
| Lease liabilities (Note 4) | - | 510 |
| Provision for restoration/dismantling costs | - | 76 |
| Amount due to Shareholder's fund* | 22,719 | - |
| Unclaimed monies | 106,285 | 106,307 |
| Service tax payable | 13,548 | 13,548 |
| Amount due to related companies* (Note 40(ii)): | | |
| - ultimate holding company | - | 10,016 |
| - immediate and penultimate holding companies | - | 5,174 |
| - other related companies | 247 | 1,524 |
| Amount due to stockbrokers | 13,322 | 13,322 |
| Zakat payable | - | 16,613 |
| Provision for expenses | - | 24,665 |
| Sundry payables and accrued liabilities** | 87,079 | 118,951 |
| Other components of takaful certificate liabilities | 67,392 | 67,392 |
| **Total other liabilities** | 315,835 | 383,341 |
| | | |
| **2023** | | |
| Proposal deposits | 9,992 | 9,992 |
| Lease liabilities (Note 4) | - | 692 |
| Provision for restoration/dismantling costs | - | 76 |
| Amount due to Shareholder's fund* | 21,191 | - |
| Unclaimed monies | 105,805 | 105,827 |
| Service tax payable | 9,522 | 9,522 |
| Amount due to related companies* (Note 40(ii)): | | |
| - ultimate holding company | - | 9,993 |
| - immediate and penultimate holding companies | - | 2,483 |
| - other related companies | 249 | 2,167 |
| Amount due to stockbrokers | 1,656 | 1,664 |
| Zakat payable | - | 14,039 |
| Provision for expenses | - | 38,766 |
| Sundry payables and accrued liabilities** | 68,680 | 118,037 |
| Other components of takaful certificate liabilities | 54,598 | 54,598 |
| **Total other liabilities** | 271,693 | 367,856 |

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

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

## 17. DERIVATIVES

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

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Principal/ Notional Amount RM'000 | Asset RM'000 (A) | Liability RM'000 (B) | Principal/ Notional Amount RM'000 | Asset RM'000 (A) | Liability RM'000 (B) |
| **Family Takaful fund/Company** | | | | | | |
| **Hedging derivative:** | | | | | | |
| Forward foreign exchange contract (Note 37) | 73,336 | 1 | 605 | - | - | - |
| Total derivative | | 1 | 605 | | - | - |

The fair value of the derivative at the end of the previous financial year was derived based on valuation techniques from market observable inputs and were revalued at the reporting date based on valuations provided by the respective counterparties. An analysis of the fair value measurement bases used in the determination of the fair values of the derivative are further disclosed in Note 46.

Hedging derivative:
Forwards are customised contracts transacted with a specific counterparty who agrees to buy or sell a specified asset at a pre-agreed rate at a specified future date. The contracts are settled at gross at a specified future date and are considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. It also bears market risks related to the underlying investment. The Company enters into forward foreign exchange contracts for the purpose of hedging part of its investment portfolio in Chinese Yuan ("CNY") denominated equities securities, United States dollar ("USD") denominated debt security and mutual funds.

## 18. TAKAFUL REVENUE

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

| | Note | 2024 Family Takaful Fund RM'000 | 2024 Company RM'000 | 2023 Family Takaful Fund RM'000 | 2023 Company RM'000 |
|---|---|---|---|---|---|
| **Certificates not measured under the PAA** | | | | | |
| Amounts relating to changes in the liability for remaining coverage | | | | | |
| - Expected claims and takaful service expenses incurred in the year | (i) | 1,051,085 | 855,311 | 955,641 | 779,490 |
| - Change in the risk adjustment for non-financial risks | (ii) | - | 56,157 | - | 55,549 |
| - Amount of CSM recognised in profit or loss | (iii) | - | 140,302 | - | 127,431 |
| Amounts relating to recovery of Takaful acquisition cash flows | (iv) | 124,084 | 81,113 | 101,277 | 67,238 |
| Experience adjustments | | - | 87,871 | - | 52,569 |
| **Takaful revenue from certificates not measured under the PAA** | 10(a) | 1,175,169 | 1,220,754 | 1,056,918 | 1,082,277 |
| **Takaful revenue from certificates measured under the PAA** | 10(a) | 474,343 | 474,241 | 409,148 | 409,250 |
| **Total Takaful revenue** | | 1,649,512 | 1,694,995 | 1,466,066 | 1,491,527 |

**Notes:**

(i) Expected Takaful service expenses incurred in the year comprise of claims and other expenses which the Company expects to pay on covered events that occurred during the year. Refer to Note 2.2(ix)(f) for the full list of the cash flows included.

(ii) Change in risk adjustment shows amount of risk which expired during the year. Refer to Note 2.1(d)(iii) for the details of accounting policy.

(iii) The CSM is recognised in profit or loss over the coverage period of the corresponding group of certificates based on the established coverage units. Refer to Note 2.2(ix)(f).

(iv) Acquisition cash flows are allocated on a straight-line basis over the coverage period of the groups of certificates. Refer to Note 2.2(ix)(f) for details of accounting policy.

## 19. TAKAFUL SERVICE EXPENSES

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

| **2024** | | **PAA** | | **Non-PAA** | | **Total** | |
|---|---|---|---|---|---|---|---|
| | | **Family Takaful Fund** | **Company** | **Family Takaful Fund** | **Company** | **Family Takaful Fund** | **Company** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Incurred claims and other directly attributable expenses | | 490,819 | 507,595 | 714,256 | 822,562 | 1,205,075 | 1,330,157 |
| Incurred claims | | 490,500 | 490,500 | 583,936 | 583,936 | 1,074,436 | 1,074,436 |
| Incurred maintenance expenses | | 319 | 17,095 | 26,214 | 157,450 | 26,533 | 174,545 |
| Others | | - | - | 104,106 | 81,176 | 104,106 | 81,176 |
| Incurred wakalah fees | (i) | - | - | 93,470 | - | 93,470 | - |
| Incurred surplus to Shareholder's Fund | (ii) | 9,562 | - | 361,293 | - | 370,855 | - |
| Incurred surplus to participants | (ii) | 9,562 | 9,562 | 386,785 | 386,785 | 396,347 | 396,347 |
| Incurred unallocated surplus | | (43,649) | (43,649) | 119,334 | 119,334 | 75,685 | 75,685 |
| Amortisation of acquisition cash flows | (iii) | 61,092 | 71,321 | 124,084 | 81,113 | 185,176 | 152,434 |
| Losses on onerous certificates and reversal of losses on onerous certificates | | - | - | - | (635) | - | (635) |
| Changes that relate to the past service - adjustment to the LIC | 10(a) | (52,895) | (52,895) | (204,939) | (204,939) | (257,834) | (257,834) |
| **Total takaful service expenses** | 10(a) | 474,491 | 491,934 | 1,594,283 | 1,204,220 | 2,068,774 | 1,696,154 |

## 19. TAKAFUL SERVICE EXPENSES (CONTD.)

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

| **2023** | | **PAA** | | **Non-PAA** | | **Total** | |
|---|---|---|---|---|---|---|---|
| | | **Family Takaful Fund** | **Company** | **Family Takaful Fund** | **Company** | **Family Takaful Fund** | **Company** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Incurred claims and other directly attributable expenses | | 416,037 | 440,517 | 667,991 | 777,090 | 1,084,028 | 1,217,607 |
| Incurred claims* | | 415,669 | 415,669 | 610,014 | 610,014 | 1,025,683 | 1,025,683 |
| Incurred maintenance expenses | | 368 | 24,848 | 25,638 | 157,181 | 26,006 | 182,029 |
| Others | | - | - | 32,339 | 9,895 | 32,339 | 9,895 |
| Incurred wakalah fees | (i) | - | - | 95,344 | - | 95,344 | - |
| Incurred surplus to Shareholder's Fund | (ii) | 6,518 | - | 282,867 | - | 289,385 | - |
| Incurred surplus to participants | (ii) | 6,602 | 6,602 | 231,605 | 231,605 | 238,207 | 238,207 |
| Incurred unallocated surplus | | 49,343 | 49,343 | (19,377) | (19,377) | 29,966 | 29,966 |
| Amortisation of acquisition cash flows | (i), (iii) | 54,503 | 10,778 | 101,275 | 68,412 | 155,778 | 79,190 |
| Losses on onerous certificates and reversal of losses on onerous certificates | | - | - | - | 5,220 | - | 5,220 |
| Changes that relate to the past service - adjustment to the LIC* | 10(a) | (121,483) | (121,483) | (52,097) | (52,097) | (173,580) | (173,580) |
| **Total takaful service expenses** | 10(a) | 411,520 | 385,757 | 1,307,608 | 1,010,853 | 1,719,128 | 1,396,610 |

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

**Notes:**

(i) The wakalah fees paid to the Shareholder's Fund during the financial year is RM160,452,000 (2023: RM143,725,000).

(ii) The surplus paid to the Shareholder's fund and certificate holder during the financial year were RM289,385,000 (2023: RM132,067,000) and RM214,613,000 (2023: RM73,621,000) respectively.

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

## 20. NET (EXPENSES)/INCOME FROM RETAKAFUL CERTIFICATES HELD

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

| | | 2024 | | | 2023* | | |
|---|---|---|---|---|---|---|---|
| | | PAA | Non-PAA | Total | PAA | Non-PAA | Total |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Family Takaful fund/Company** | | | | | | | |
| **Amounts relating to the changes in the assets for remaining coverage** | | | | | | | |
| Expected recovery for takaful service expenses incurred in the financial year | (i) | - | (59,951) | (59,951) | - | (53,058) | (53,058) |
| Net cost recognised in profit or loss | | (27,761) | - | (27,761) | (20,704) | - | (20,704) |
| **Allocation of retakaful contributions** | 9(a) | (27,761) | (59,951) | (87,712) | (20,704) | (53,058) | (73,762) |
| **Amounts recoverable for incurred claims and other expenses** | | | | | | | |
| Amounts recoverable for claims and other expenses incurred in the year* | | 26,290 | 85,021 | 111,311 | 23,741 | 82,210 | 105,951 |
| Incurred unallocated surplus | | 4,247 | (14,009) | (9,762) | (2,812) | 20,920 | 18,108 |
| Changes that relate to past services - adjustment to AIC* | | (2,776) | (13,832) | (16,608) | (225) | (53,425) | (53,650) |
| **Amounts recoverable from retakaful operators** | 9(a) | 27,761 | 57,180 | 84,941 | 20,704 | 49,705 | 70,409 |
| **Net expense from retakaful ceritificates held** | 9(a), 9(b) | - | (2,771) | (2,771) | - | (3,353) | (3,353) |

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

**Notes:**

(i) Expected recovery for Takaful service expenses incurred in the year comprise recovery for claims and other expenses which the Family Takaful Fund/Company expects to receive from retakaful operators on covered events occurred during the year. Refer to Note 2.2(ix)(f) for the full list of the cash flows included.

(ii) Net cost recognised in profit or loss during the coverage period of the corresponding groups of retakaful certificates held based on established coverage units. Refer to Note 2.2(ix)(f).

(iii) Change in risk adjustment reflects the amount of risk which has expired during the year. Refer to Note 2.1(d)(iii) for the details of accounting policy.

## 21. PROFIT REVENUE FROM FINANCIAL ASSETS NOT MEASURED AT FVTPL

| | Family Takaful Fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Profit income | | |
| (i) Financial Assets at FVOCI | | |
| - Malaysian government papers | 13,430 | 21,239 |
| - Debt securities | 237,869 | 299,519 |
| (ii) Financial Assets at AC | | |
| - Deposits with financial institutions | 40,363 | 43,666 |
| (iii) Financing receivables | - | 187 |
| **Total profit revenue from financial assets not measured at FVTPL** | 291,662 | 364,611 |
| **2023** | | |
| Profit income | | |
| (i) Financial Assets at FVOCI | | |
| - Malaysian government papers | 10,395 | 15,989 |
| - Debt securities | 235,119 | 297,757 |
| (ii) Financial Assets at AC | | |
| - Deposits with financial institutions | 41,462 | 45,235 |
| (iii) Financing receivables | - | 317 |
| (iv) Other profit income | 80 | 80 |
| **Total profit revenue from financial assets not measured at FVTPL** | 287,056 | 359,378 |

## 22. NET FAIR VALUE GAINS ON FINANCIAL ASSETS MEASURED AT FVTPL

| | Family Takaful Fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Realised gains on financial assets, net | 69,102 | 83,686 |
| Fair value gains/(losses) on investments: | | |
| - Malaysian government papers | 650 | 650 |
| - Equity securities | 55,604 | 60,299 |
| - Debt securities | 32,427 | 35,117 |
| - Unit and property trust funds | 26,900 | 26,900 |
| - Structured products | 2,316 | 2,316 |
| - Derivative | (604) | (604) |
| Total net fair value gains on investments | 117,293 | 124,678 |
| **Total net fair value gains on financial assets measured at FVTPL** | 186,395 | 208,364 |
| **2023** | | |
| Realised gains on financial assets, net | (28,572) | (31,697) |
| Fair value gains/(losses) on investments: | | |
| - Malaysian government papers | 11,862 | 11,862 |
| - Equity securities | 46,312 | 48,867 |
| - Debt securities | 205,186 | 235,824 |
| - Unit and property trust funds | 16,907 | 16,907 |
| - Structured products | (3,315) | (3,315) |
| Total net fair value gains on investments | 276,952 | 310,145 |
| **Total net fair value gains on financial assets measured at FVTPL** | 248,380 | 278,448 |

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

| | Family Takaful Fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Fair value gains on: | | |
| - Malaysian government papers | 5,914 | 6,207 |
| - Debt securities | 4,012 | 4,379 |
| **Total net fair value gains on derecognition of financial assets measured at FVOCI** | 9,926 | 10,586 |
| **2023** | | |
| Fair value gains/(losses) on: | | |
| - Malaysian government papers | 948 | 1,388 |
| - Debt securities | (1,396) | (1,391) |
| **Total net fair value losses on derecognition of financial assets measured at FVOCI** | (448) | (3) |

## 24. OTHER INVESTMENT INCOME

| | Family Takaful Fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Dividend/distribution income: | | |
| Equity securities | 25,182 | 28,311 |
| Profit income from financial assets measured at FVTPL | 293,011 | 331,902 |
| Rental income, net | - | 59 |
| Net amortisation of premiums | (18,035) | (23,601) |
| Investment related expenses, net | (4,031) | (4,897) |
| Obligations on financial assets sold under repurchase agreements | - | (1) |
| **Total other investment income** | 296,127 | 331,773 |
| **2023** | | |
| Dividend/distribution income: | | |
| Equity securities | 22,542 | 26,574 |
| Profit income from financial assets measured at FVTPL | 277,667 | 316,563 |
| Rental income, net | - | 29 |
| Net amortisation of premiums | (19,311) | (25,072) |
| Investment related expenses, net | (3,806) | (4,687) |
| **Total other investment income** | 277,092 | 313,407 |

## 25. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

| | Family Takaful Fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Reversal of impairment losses on: | | |
| - investments | 419 | 664 |
| - financing receivables | - | 7 |
| **Total net reversal of impairment losses on financial assets** | 419 | 671 |
| **2023** | | |
| Impairment losses on: | | |
| - investments | (658) | (936) |
| - financing receivables | 16 | 294 |
| **Total net allowance for impairment losses on financial assets** | (642) | (642) |

## 26. NET FOREIGN EXCHANGE (LOSSES)/GAINS

| | Family Takaful Fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Net realised losses | (4,171) | (6,272) |
| Net unrealised losses | (6,635) | (6,800) |
| **Total net foreign exchange losses** | (10,806) | (13,072) |
| **2023** | | |
| Net realised losses | (1,095) | (1,172) |
| Net unrealised gains | 2,085 | 2,179 |
| **Total net foreign exchange gains** | 990 | 1,007 |

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## 27. FINANCE INCOME/(EXPENSES) FROM TAKAFUL CERTIFICATES ISSUED

| 2024 | PAA | | Non-PAA | | Total | |
|---|---|---|---|---|---|---|
| | Family Takaful Fund | Company | Family Takaful Fund | Company | Family Takaful Fund | Company |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Takaful finance (expenses)/income from takaful certificates issued** | | | | | | |
| Changes in fair value of underlying assets of Family takaful fund | (23,635) | (23,635) | 39,031 | (126,476) | 15,396 | (150,111) |
| Profit accreted to takaful certificates using current financial assumptions | (2,702) | (2,702) | (368,264) | (368,264) | (370,966) | (370,966) |
| Effect of changes in profit rates and other financial assumptions | (28) | (28) | (94) | (94) | (122) | (122) |
| **Takaful finance expenses from takaful certificates issued (Note 10(a))** | (26,365) | (26,365) | (329,327) | (494,834) | (355,692) | (521,199) |
| **Represented by:** | | | | | | |
| Amount recognised in profit or loss | (26,365) | (26,365) | (329,327) | (494,834) | (355,692) | (521,199) |
| **Net investment result and net finance (expenses)/income:** | | | | | | |
| Represented by: | | | | | | |
| Amount recognised in profit or loss | | | | | | |
| Net investment income | (23,635) | (23,635) | (739,556) | (739,556) | (763,191) | (763,191) |
| Finance (expense)/income from takaful certificates issued | (2,730) | (2,730) | 410,229 | 244,722 | 407,499 | 241,992 |
| | (26,365) | (26,365) | (329,327) | (494,834) | (355,692) | (521,199) |

## 27. FINANCE INCOME/(EXPENSES) FROM TAKAFUL CERTIFICATES ISSUED (CONTD.)

| **2023** | **PAA** | | **Non-PAA** | | **Total** | |
|---|---|---|---|---|---|---|
| | **Family Takaful Fund** | **Company** | **Family Takaful Fund** | **Company** | **Family Takaful Fund** | **Company** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Takaful finance (expenses)/income from takaful certificates issued** | | | | | | |
| Changes in fair value of underlying assets of Family takaful fund | (22,659) | (22,659) | (167,440) | (277,432) | (190,099) | (300,091) |
| Profit accreted to takaful certificates using current financial assumptions | (2,540) | (2,540) | (347,327) | (347,327) | (349,867) | (349,867) |
| Effect of changes in profit rates and other financial assumptions | 6 | 6 | (2) | (2) | 4 | 4 |
| **Takaful finance expenses from takaful certificates issued (Note 10(a))** | (25,193) | (25,193) | (514,769) | (624,761) | (539,962) | (649,954) |
| **Represented by:** | | | | | | |
| Amount recognised in profit or loss | (25,193) | (25,193) | (514,769) | (624,761) | (539,962) | (649,954) |
| **Net investment result and net finance (expenses)/income:** | | | | | | |
| Represented by: | | | | | | |
| Amount recognised in profit or loss | | | | | | |
| Net investment income | (22,659) | (22,659) | (769,200) | (769,200) | (791,859) | (791,859) |
| Finance (expense)/income from takaful certificates issued | (2,534) | (2,534) | 254,431 | 144,439 | 251,897 | 141,905 |
| | (25,193) | (25,193) | (514,769) | (624,761) | (539,962) | (649,954) |

## 28. FINANCE INCOME/(EXPENSES) FROM RETAKAFUL CERTIFICATES HELD

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **PAA** | **Non-PAA** | **Total** | **PAA** | **Non-PAA** | **Total** |
| **Family Takaful fund/Company** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Takaful finance income/(expenses) from retakaful certificates held** | | | | | | |
| Effect of changes in profit rates and other financial assumptions (Note 9(a)) | - | 2,765 | 2,765 | - | 3,352 | 3,352 |
| Changes in non-performance risk of retakaful operators (Note 9(a)) | 1 | 5 | 6 | 1 | - | 1 |
| **Takaful finance income from retakaful certificates held** | 1 | 2,770 | 2,771 | 1 | 3,352 | 3,353 |
| **Represented by:** | | | | | | |
| Amount recognised in profit or loss | 1 | 2,770 | 2,771 | 1 | 3,352 | 3,353 |

## 29. OTHER INCOME/EXPENSES , NET

| | Family Takaful Fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Realised gains on disposal of Property, plant and equipment | - | 8 |
| Sundry income | 9,035 | 9,587 |
| **Total other income** | 9,035 | 9,595 |
| **(B) Total other expenses (Note 30)** | - | (4,650) |
| **Total other income, net** | 9,035 | 4,945 |
| **2023** | | |
| Realised gains on disposal of Property, plant and equipment | - | 1 |
| Reversal of impairment losses on: | | |
| - other assets | - | 40 |
| Sundry income | 5,389 | 6,130 |
| **Total other income** | 5,389 | 6,171 |
| **(B) Total other expenses (Note 30)** | (4,330) | (9,775) |
| **Total other income/(expenses), net** | 1,059 | (3,604) |

## 30. OTHER EXPENSES

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

**Family Takaful Fund**

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Takaful service expenses* | | | | Takaful service expenses* | | | |
| | Expenses attributed to takaful acquisition cash flows RM'000 | Other directly attributable expenses RM'000 | Other expenses RM'000 | Total RM'000 | Expenses attributed to takaful acquisition cash flows RM'000 | Other directly attributable expenses RM'000 | Other expenses RM'000 | Total RM'000 |
| **Commission expenses (A)** | - | - | - | - | - | 644 | - | 644 |
| **Other expenses** | | | | | | | | |
| Employee benefits expense (a) | - | 18,580 | - | 18,580 | - | 17,386 | - | 17,386 |
| Auditors' remuneration: | | | | | | | | |
| - regulatory related services | - | 20 | - | 20 | - | 20 | - | 20 |
| Other finance cost | - | 16 | - | 16 | - | 29 | - | 29 |
| Other management fees | - | 246 | - | 246 | - | 287 | - | 287 |
| Outside Services & Others | - | 136 | - | 136 | - | 7 | - | 7 |
| Professional fees | - | 56 | - | 56 | - | 71 | - | 71 |
| Short term leases | - | 1,041 | - | 1,041 | - | 1,020 | - | 1,020 |
| Small value assets | - | 1 | - | 1 | - | 5 | - | 5 |
| Office facilities expenses | - | 92 | - | 92 | - | 115 | - | 115 |
| Electronic data processing expenses | - | 2,062 | - | 2,062 | - | 1,977 | - | 1,977 |
| Information technology outsourcing | - | 1,636 | - | 1,636 | - | 1,475 | - | 1,475 |
| Postage and stamp duties | - | 211 | - | 211 | - | 79 | - | 79 |
| Printing and stationery | - | 232 | - | 232 | - | 98 | - | 98 |
| Promotional and marketing costs | - | (8) | - | (8) | - | 5 | - | 5 |
| Training expenses | - | (36) | - | (36) | - | 181 | - | 181 |
| Utilities, assessment and maintenance | - | 254 | - | 254 | - | 326 | - | 326 |
| Carried forward | - | 24,539 | - | 24,539 | - | 23,081 | - | 23,081 |

## 30. OTHER EXPENSES (CONTD.)

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

**Family Takaful Fund (Contd.)**

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Takaful service expenses* | | | | Takaful service expenses* | | | |
| | Expenses attributed to takaful acquisition cash flows RM'000 | Other directly attributable expenses RM'000 | Other expenses RM'000 | Total RM'000 | Expenses attributed to takaful acquisition cash flows RM'000 | Other directly attributable expenses RM'000 | Other expenses RM'000 | Total RM'000 |
| Brought forward | - | 24,539 | - | 24,539 | - | 23,081 | - | 23,081 |
| Travelling expenses | - | 47 | - | 47 | - | 43 | - | 43 |
| Legal fees | - | (1) | - | (1) | - | - | - | - |
| Licence, subscriptions and levies | - | 57 | - | 57 | - | 76 | - | 76 |
| Contract staff services | - | 199 | - | 199 | - | 231 | - | 231 |
| Certificate Related Expenses | - | 13 | - | 13 | - | (16) | - | (16) |
| Others | - | 794 | - | 794 | - | 931 | - | 931 |
| **Total other expenses (B)** | - | 25,648 | - | 25,648 | - | 24,346 | - | 24,346 |
| <u>**Other operating expenses**</u> | | | | | | | | |
| Sundry expenditure | - | 885 | - | 885 | - | 1,016 | 4,330 | 5,346 |
| **Total other operating expenses (C)** | - | 885 | - | 885 | - | 1,016 | 4,330 | 5,346 |
| **Total other expenses (A) + (B) + (C)** | - | 26,533 | - | 26,533 | - | 26,006 | 4,330 | 30,336 |

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Represented by:** | | |
| Takaful service expenses | 26,533 | 26,006 |
| Other expenses | - | 4,330 |
| | 26,533 | 30,336 |

* Takaful service expenses included acquisition and maintenance expenses which are directly attributable to group of Takaful certificate. Takaful acquisition cash flow is subjected to amortisation in accordance to Note 2.1(d)(i).

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## 30. OTHER EXPENSES (CONTD.)

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

**Company**

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Takaful service expenses* | | | | Takaful service expenses* | | | |
| | Expenses attributed to takaful acquisition cash flows RM'000 | Other directly attributable expenses RM'000 | Other expenses RM'000 | Total RM'000 | Expenses attributed to takaful acquisition cash flows RM'000 | Other directly attributable expenses RM'000 | Other expenses RM'000 | Total RM'000 |
| Commission expenses (A) | 160,043 | 41,328 | - | 201,371 | 91,354 | 45,070 | - | 136,424 |
| **Other expenses** | | | | | | | | |
| Employee benefits expense (a) | 52,810 | 71,378 | 2,776 | 126,964 | 42,228 | 76,936 | 3,595 | 122,759 |
| Directors' fees and remuneration (Note 31) | - | - | 828 | 828 | - | - | 892 | 892 |
| Shariah committee's remuneration (Note 32) | - | 282 | - | 282 | - | 344 | - | 344 |
| Auditors' remuneration: | | | | | | | | |
| - statutory audits | - | 1,052 | - | 1,052 | - | 2,024 | - | 2,024 |
| - regulatory related services | - | 157 | - | 157 | - | 157 | - | 157 |
| - other services | - | - | - | - | - | 64 | - | 64 |
| Amortisation of intangible assets (Note 5) | - | 1,619 | - | 1,619 | - | 1,514 | - | 1,514 |
| Assured medical fees | 3,024 | - | - | 3,024 | 3,140 | - | - | 3,140 |
| Other finance cost | - | 8,735 | 1 | 8,736 | - | 8,435 | 42 | 8,477 |
| Depreciation of property, plant and equipment (Note 3) | - | 61 | - | 61 | - | 73 | - | 73 |
| Right-of-use expenses: | | | | | | | | |
| -Depreciation (Note 4) | - | 187 | - | 187 | - | 174 | - | 174 |
| -Lease liabilities profit (Note 4) | - | 16 | - | 16 | - | 9 | - | 9 |
| Profit expenses | - | 1 | - | 1 | - | - | - | - |
| Other management fees | 97 | 661 | - | 758 | 51 | 876 | 4 | 931 |
| Outside Services & Others | - | 853 | - | 853 | - | 289 | - | 289 |
| Professional fees | - | 339 | - | 339 | - | 338 | - | 338 |
| Carried forward | 55,931 | 85,341 | 3,605 | 144,877 | 45,419 | 91,233 | 4,533 | 141,185 |

## 30. OTHER EXPENSES (CONTD.)

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

**Company (Contd.)**

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Takaful service expenses* | | | | Takaful service expenses* | | | |
| | Expenses attributed to takaful acquisition cash flows RM'000 | Other directly attributable expenses RM'000 | Other expenses RM'000 | Total RM'000 | Expenses attributed to takaful acquisition cash flows RM'000 | Other directly attributable expenses RM'000 | Other expenses RM'000 | Total RM'000 |
| Brought forward | 55,931 | 85,341 | 3,605 | 144,877 | 45,419 | 91,233 | 4,533 | 141,185 |
| Short term leases | 2,577 | 3,741 | 45 | 6,363 | 2,116 | 3,873 | 51 | 6,040 |
| Small value assets | - | 4 | - | 4 | - | 7 | - | 7 |
| Office facilities expenses | - | 476 | - | 476 | - | 546 | - | 546 |
| Electronic data processing expenses | 2,099 | 12,454 | - | 14,553 | 1,734 | 11,308 | - | 13,042 |
| Expensed Assets | - | 1 | - | 1 | - | 1 | - | 1 |
| Information technology outsourcing | 3,288 | 9,863 | - | 13,151 | 2,795 | 8,384 | - | 11,179 |
| Postage and stamp duties | 449 | 1,243 | 25 | 1,717 | 360 | 843 | 20 | 1,223 |
| Printing and stationery | - | 1,039 | - | 1,039 | - | 260 | - | 260 |
| Promotional and marketing costs | 52,064 | (9) | 576 | 52,631 | 37,486 | 5 | 807 | 38,298 |
| Training expenses | 524 | 1,341 | 1 | 1,866 | 415 | 1,915 | 2 | 2,332 |
| Utilities, assessment and maintenance | - | 1,215 | 4 | 1,219 | - | 1,584 | 5 | 1,589 |
| Entertainment | - | - | 277 | 277 | - | - | 229 | 229 |
| Travelling expenses | 968 | 285 | 37 | 1,290 | 660 | 369 | 29 | 1,058 |
| Tax services expense | - | - | - | - | - | - | - | - |
| Legal fees | - | 309 | - | 309 | - | 68 | - | 68 |
| Licence, subscriptions and levies | - | 1,062 | - | 1,062 | - | 1,178 | - | 1,178 |
| Contract staff services | 846 | 1,301 | - | 2,147 | 416 | 1,739 | 3 | 2,158 |
| Certificate Related Expenses | 24,876 | 7,515 | 404 | 32,795 | 24,616 | 7,952 | 550 | 33,118 |
| Branch Rationalisation Expenses | - | - | - | - | - | - | - | - |
| Others | - | 971 | 173 | 1,144 | - | 293 | 141 | 434 |
| **Total other expenses (B)** | 143,622 | 128,152 | 5,147 | 276,921 | 116,017 | 131,558 | 6,370 | 253,945 |

## 30. OTHER EXPENSES (CONTD.)

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

**Company (Contd.)**

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Takaful service expenses* | | | | Takaful service expenses* | | | |
| | Expenses attributed to takaful acquisition cash flows RM'000 | Other directly attributable expenses RM'000 | Other expenses RM'000 | Total RM'000 | Expenses attributed to takaful acquisition cash flows RM'000 | Other directly attributable expenses RM'000 | Other expenses RM'000 | Total RM'000 |
| **Other operating expenses** | | | | | | | | |
| Assets written off | - | - | | - | - | - | | - |
| Sundry expenditure | 370 | 5,065 | (497) | 4,938 | 34 | 5,401 | 3,405 | 8,840 |
| **Total other operating expenses (C)** | 370 | 5,065 | (497) | 4,938 | 34 | 5,401 | 3,405 | 8,840 |
| **Total other expenses (A) + (B) + (C)** | 304,035 | 174,545 | 4,650 | 483,230 | 207,405 | 182,029 | 9,775 | 399,209 |

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Represented by:** | | |
| Takaful service expenses | 478,580 | 389,434 |
| Other expenses | 4,650 | 9,775 |
| | 483,230 | 399,209 |

* Takaful service expenses included acquisition and maintenance expenses which are directly attributable to group of Takaful certificate. Takaful acquisition cash flow is subjected to amortisation in accordance to Note 2.1(d)(i).

## 30. OTHER EXPENSES (CONTD.)

(a) Employee Benefits Expense:

| | Family Takaful Fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Wages, salaries and bonuses | 14,047 | 95,411 |
| Employees Provident Fund ("EPF") | 2,385 | 15,072 |
| Social Security Contributioons ("SOCSO") | 85 | 715 |
| Employees' Share Grant Plan ("ESGP") | 439 | 2,449 |
| Other benefits | 1,623 | 13,317 |
| | 18,579 | 126,964 |
| **2023** | | |
| Wages, salaries and bonuses | 13,875 | 95,011 |
| EPF | 2,164 | 14,732 |
| SOCSO | 66 | 691 |
| ESGP | 98 | 1,573 |
| Other benefits | 1,182 | 10,752 |
| | 17,385 | 122,759 |

Included in Employer Benefits Expense is CEO's remuneration amounting to RM1,865,000 (2023:RM1,644,000) as disclosed in Note 30(b) below.

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

| Company | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Salary | 954 | 885 |
| Bonus | 450 | 350 |
| EPF | 232 | 205 |
| ESGP | 140 | 124 |
| Other emoluments | 89 | 80 |
| | 1,865 | 1,644 |

## 31. DIRECTORS' FEES AND REMUNERATION

| | 2024<br>RM'000 | 2023<br>RM'000 |
|---|---|---|
| **Family Takaful Fund/Company** | | |
| Non-executive directors: | | |
| Fees | 689 | 740 |
| Other emoluments | 139 | 152 |
| | 828 | 892 |

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

| | Fees<br>RM'000 | Other emoluments<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|
| **2024** | | | |
| Non-executive directors: | | | |
| Dato' Majid Bin Mohamad (Chairman) | 185 | 35 | 220 |
| Mr. Ajay Kumar Garg (Vice Chairman)* | 126 | 19 | 145 |
| Mr. Wong Pakshong Kat Jeong Colin Stewart | 126 | 25 | 151 |
| Professor Dr. Azman Bin Mohd Noor | 126 | 25 | 151 |
| Encik Mohd Din Bin Merican | 126 | 35 | 161 |
| | 689 | 139 | 828 |
| **2023** | | | |
| Non-executive directors: | | | |
| Dato' Majid Bin Mohamad (Chairman) | 180 | 33 | 213 |
| Mr. Ajay Kumar Garg* | 20 | 2 | 22 |
| Mr. Andrew King Sun Cheung | 100 | 18 | 118 |
| Dato' Johan Bin Ariffin | 80 | 16 | 96 |
| Mr. Wong Pakshong Kat Jeong Colin Stewart | 120 | 22 | 142 |
| Professor Dr. Azman Bin Mohd Noor | 120 | 27 | 147 |
| Encik Mohd Din Bin Merican | 120 | 34 | 154 |
| | 740 | 152 | 892 |

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

## 32. SHARIAH COMMITTEE'S REMUNERATION

| | 2024<br>RM'000 | 2023<br>RM'000 |
|---|---|---|
| **Family Takaful Fund/Company** | | |
| Fees | 170 | 173 |
| Other emoluments | 112 | 171 |
| | 282 | 344 |

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

| | Fees<br>RM'000 | Other emoluments<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|
| **2024** | | | |
| Shariah committee: | | | |
| Prof Dr. Azman Mohd Noor (Chairman) | 40 | 23 | 63 |
| Prof Emeritus Dato’ Dr. Mohd Azmi Omar | 33 | 23 | 56 |
| Dr. Muhammad Najib Abdullah (Appointed w.e.f 4 April 2024) | 26 | 19 | 45 |
| Prof Dr. Sharifah Faigah Syed Alwi (Appointed w.e.f 1 June 2024) | 21 | 15 | 36 |
| Prof Dato' Dr. Ahmad Hidayat Buang (Appointed w.e.f 1 July 2024) | 18 | 12 | 30 |
| Prof Dr. Aznan bin Hasan (Retired w.e.f 31 May 2024) | 12 | 9 | 21 |
| Prof Datin Dr. Rusni Hassan (Resigned w.e.f 29 February 2024) | 5 | 4 | 9 |
| Prof Dr. Abdul Rahim Abdul Rahman (Resigned w.e.f 30 June 2024) | 15 | 7 | 22 |
| | 170 | 112 | 282 |
| **2023** | | | |
| Shariah committee: | | | |
| Prof Dr. Azman Mohd Noor (Chairman) | 33 | 28 | 61 |
| Prof Dr. Aznan bin Hasan | 29 | 30 | 59 |
| Prof Datin Dr. Rusni binti Hassan | 28 | 29 | 57 |
| Prof Dr. Abdul Rahim bin Abdul Rahman | 28 | 29 | 57 |
| Prof Emeritus Dato’ Dr. Mohd Azmi Omar | 28 | 29 | 57 |
| Sahibus Samahah Dato' Dr. Mohamad Sabri Haron (Retired w.e.f 31 December 2023) | 27 | 26 | 53 |
| | 173 | 171 | 344 |

## 33. TAX EXPENSE ATTRIBUTABLE TO PARTICIPANTS

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Family Takaful fund/Company** | | |
| Deferred taxation: | | |
| Relating to origination and reversal of temporary differences (Note 15) | 7,804 | 20,463 |
| | 7,804 | 20,463 |

**Taxation of family takaful business**

The income tax for the Family Takaful fund is calculated based on the statutory rate of 8% (2023: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

## 34. TAXATION

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

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Company** | | |
| **Profit or loss** | | |
| Income tax: | | |
| Tax expense for the financial year | 139,519 | 93,742 |
| Under/(over)provision of taxation in prior financial years | 34,274 | (3,110) |
| Deferred taxation: | | |
| Relating to origination and reversal of temporary differences (Note 15) | (47,699) | (20,828) |
| | 126,094 | 69,804 |

## 34. TAXATION (CONTD.)

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Statement of Comprehensive Income:** | | |
| **Family Takaful fund** | | |
| Deferred income tax related to other comprehensive income: | | |
| Fair value changes on financial assets at FVOCI | | |
| - debt securities | 3,019 | 18,283 |
| - equity securities | 1,992 | 521 |
| | 5,011 | 18,804 |
| **Company** | | |
| Deferred income tax related to other comprehensive income: | | |
| Fair value changes on financial assets at FVOCI | | |
| - debt securities | 5,606 | 32,897 |
| - equity securities | 3,620 | 1,076 |
| | 9,226 | 33,973 |

**Reconciliation between tax expense and accounting profit**

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

| Company | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Profit before taxation and zakat | 377,716 | 372,491 |
| Taxation at Malaysian statutory tax rate of 24% | 90,652 | 89,398 |
| Income not subject to tax | (806) | (18,013) |
| Expenses not deductible for tax purposes | 3,951 | 1,529 |
| Effect of zakat deduction and approved donation | (1,977) | - |
| Under/(over) provision of taxation in prior years | 34,274 | (3,110) |
| Tax expense for the financial year | 126,094 | 69,804 |

## 35. EARNINGS PER SHARE

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

| | 2024 | 2023 |
|---|---|---|
| Profit attributable to ordinary shareholder (RM'000) | 237,269 | 290,208 |
| Weighted average number of ordinary shares in issue (units '000) | 100,000 | 100,000 |
| Basic and diluted earnings per share (sen) | 237.27 | 290.21 |

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

## 36. DIVIDENDS

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Recognised during the financial year** | | |
| Final dividend in respect of financial year ended 31 December 2023 - 292.00 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares | 292,000 | - |
| Final dividend in respect of financial year ended 31 December 2022 - 175.66 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares | - | 175,660 |

## 37. OTHER COMMITMENTS AND CONTINGENCIES

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Company** | | |
| **Family Takaful Fund/Company** | | |
| **Derivative financial assets:** | | |
| Foreign exchange related contracts (Note 17) | | |
| Less than a year | 9,300 | - |
| **Derivative financial liabilities:** | | |
| Foreign exchange related contracts (Note 17) | | |
| Less than a year | 64,036 | - |

## 38. SEGMENTAL INFORMATION ON CASH FLOWS

| | Family Takaful Fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Net cash flows generated from/(used in): | | |
| Operating activities | 557,484 | 892,949 |
| Investing activities | (500,589) | (542,627) |
| Financing activities | - | (292,198) |
| Net decrease in cash and cash equivalents: | 56,895 | 58,124 |
| At 1 January 2024 | 23,200 | 23,681 |
| At 31 December 2024 | 80,095 | 81,805 |
| **2023** | | |
| Net cash flows generated from/(used in): | | |
| Operating activities | 528,187 | 683,131 |
| Investing activities | (563,793) | (543,575) |
| Financing activities | - | (175,847) |
| Net increase in cash and cash equivalents: | (35,606) | (36,291) |
| At 1 January 2023 | 58,806 | 59,972 |
| At 31 December 2023 | 23,200 | 23,681 |

## 39. SHARE-BASED COMPENSATION

ESGP and CESGP

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

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

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

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

Other principal features of the ESGP are as follows:

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

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

## 39. SHARE-BASED COMPENSATION (CONTD.)

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

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

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

## 40. SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

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

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

| **Income/(expenses):** | **Family Takaful fund RM'000** | **Company RM'000** |
|---|---|---|
| **2024** | | |
| Ultimate holding company: | | |
| Gross contribution income | 13,016 | 13,016 |
| Other income | - | 453 |
| Commission and fee expenses | - | (12,664) |
| Bank charges | (15) | (410) |
| Other expenses | (246) | (729) |
| ESGP | - | (1,434) |
| Claims paid | (11,340) | (11,340) |
| Immediate and penultimate holding companies: | | |
| Gross contribution income | 403 | 403 |
| Shared services costs | - | (29,056) |
| Claims paid | (432) | (432) |
| Remuneration of a seconded employee | - | (78) |
| Other expenses | - | (448) |
| Dividend paid | - | (292,000) |

## 40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

| Income/(expenses)(contd.): | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **2024 (contd.)** | | |
| Fellow subsidiaries within the MAHB Group: | | |
| Gross contribution income | 972 | 972 |
| Rental income | - | 59 |
| Rental expenses | - | (5,587) |
| Shared services costs | - | (17,497) |
| Fellow subsidiaries within the EIHSB Group: | | |
| Gross contribution income | 39 | 39 |
| Shared services costs | - | (698) |
| Other related companies within the Maybank Group: | | |
| Gross contribution income | 7,903 | 7,903 |
| Profit income | 12,323 | 14,949 |
| Other income | - | 22 |
| Information technology outsourcing | (1,650) | (13,265) |
| Commission and fee expenses | - | (99,151) |
| Obligations on financial assets sold under repurchase agreements | - | (1) |
| Investment expenses | (2,964) | (3,622) |
| Claims paid | (7,024) | (7,024) |
| Companies with significant influence over the Maybank Group: | | |
| Gross contribution income | 13,415 | 13,415 |
| Claims paid | (1,356) | (1,356) |
| **2023** | | |
| Ultimate holding company: | | |
| Gross contribution income | 11,015 | 11,015 |
| Other income | - | 660 |
| Commission and fee expenses | - | (13,821) |
| Bank charges | (25) | (421) |
| Other expenses | (287) | (904) |
| ESGP | - | (1,023) |
| Claims paid | (9,376) | (9,376) |

## 40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **Income/(expenses)(contd.):** | | |
| **2023 (contd.)** | | |
| Immediate and penultimate holding companies: | | |
| Gross contribution income | 349 | 349 |
| Shared services costs | - | (18,556) |
| Claims paid | (638) | (638) |
| Remuneration of a seconded employee | - | (243) |
| Other expenses | - | (343) |
| Dividend paid | - | (175,660) |
| Fellow subsidiaries within the MAHB Group: | | |
| Gross contribution income | 887 | 887 |
| Rental income | - | 56 |
| Rental expenses | - | (5,365) |
| Claims paid | (2,056) | (2,056) |
| Shared services costs | - | (26,252) |
| Fellow subsidiaries within the EIHSB Group: | | |
| Gross contribution income | 31 | 31 |
| Shared services costs | - | (357) |
| Other related companies within the Maybank Group: | | |
| Gross contribution income | 23,121 | 23,121 |
| Profit income | 19,453 | 21,912 |
| Other income | - | 32 |
| Information technology outsourcing | (1,475) | (11,178) |
| Commission and fee expenses | - | (77,817) |
| Investment expenses | (2,815) | (3,472) |
| Claims paid | (11,479) | (11,479) |
| Companies with significant influence over the Maybank Group: | | |
| Gross contribution income | 12,246 | 12,246 |
| Claims paid | (1,970) | (1,970) |

## 40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| Ultimate holding company: | | |
| Bank balances | 51,770 | 53,480 |
| Outstanding contributions | (3) | (3) |
| Claim liabilities | (4,198) | (4,198) |
| Sundry payables and accrued liabilities | - | 12,353 |
| Amount due to ultimate holding company (Note 16) | - | (10,016) |
| Immediate and penultimate holding companies: | | |
| Amount due to penultimate holding companies (Note 16) | - | (5,174) |
| Fellow subsidiaries within the MAHB Group: | | |
| Amount due from other related companies (Note 11) | - | 1,195 |
| Amount due to other related companies (Note 16) | - | (1,093) |
| Fellow subsidiaries within the EIHSB Group: | | |
| Amount due to other related companies (Note 16) | - | (129) |

## 40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **2024 (contd.)** | | |
| Other related companies within the Maybank Group: | | |
| Income due and accrued | 1,308 | 1,535 |
| Fixed and call deposits | 422,668 | 532,045 |
| Outstanding contributions | 104 | 104 |
| Claim liabilities | (80) | (80) |
| Derivatives | (391) | (391) |
| Sundry receivables, deposits and prepayments | - | (912) |
| Amount due to other related companies (Note 16) | (247) | (302) |
| Companies with significant influence over the Maybank Group: | | |
| Outstanding contributions | 13,911 | 13,911 |
| **2023** | | |
| Ultimate holding company: | | |
| Bank balances | 9,244 | 9,725 |
| Outstanding contributions | 231 | 231 |
| Claim liabilities | (2,934) | (2,934) |
| Sundry payables and accrued liabilities | - | (8,225) |
| Amount due to ultimate holding companies (Note 16) | - | (9,993) |
| Immediate and penultimate holding companies: | | |
| Amount due to immediate holding companies (Note 16) | - | (2,483) |

## 40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **2023 (contd.)** | | |
| Fellow subsidiaries within the MAHB Group: | | |
| Amount due from other related companies (Note 11) | - | 170 |
| Amount due to other related companies (Note 16) | - | (1,777) |
| Fellow subsidiaries within the EIHSB Group: | | |
| Amount due to other related companies (Note 16) | - | (83) |
| Other related companies within the Maybank Group: | | |
| Income due and accrued | 7,165 | 7,345 |
| Fixed and call deposits | 441,293 | 523,710 |
| Outstanding contributions | 911 | 911 |
| Claim liabilities | (1,966) | (1,966) |
| Sundry receivables, deposits and prepayments | - | 4,070 |
| Sundry payables and accrued liabilities | - | (909) |
| Amount due to other related companies (Note 16) | (249) | (307) |
| Companies with significant influence over the Maybank Group: | | |
| Outstanding contributions | 539 | 539 |

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

## 40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(iii) Key management personnel compensation

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

| | 2024<br>RM'000 | 2023<br>RM'000 |
|---|---|---|
| **Short-term employee benefits** | | |
| Fees | 689 | 740 |
| Salaries, allowances and bonuses | 1,449 | 1,280 |
| Contribution to EPF and pension scheme | 232 | 205 |
| Share based compensation | 140 | 124 |
| Other emoluments | 182 | 187 |
| | 2,692 | 2,536 |

Further details on the remuneration of key management personnel, being the non-executive directors of the Company are as disclosed in Notes 30 and 31 of the financial statements.

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

| **Award date** | 2024<br>Units '000 | 2023<br>Units '000 |
|---|---|---|
| At 1 January | 564 | 514 |
| Awarded | 45 | 50 |
| At 31 December | 609 | 564 |

## 41. ENTERPRISE RISK MANAGEMENT FRAMEWORK

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

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


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

## 41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Principles

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

- Maintains 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 Unfavourable Effects Through Stress Testing
- Ensure Sufficient Resources and System Infrastructures

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

### Risk Culture

At the heart or foundation of the ERM structure is the Risk Culture. It is a vital component in strengthening risk governance and forms a fundamental tenet of strong risk management. Risk Culture serves as the foundation upon which a strong enterprise wide risk management structure is built. 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 business objectives and attitude towards risk taking and risk management through the risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

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 Policy
- 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 and levels 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 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 or not 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 as well as robust and includes the role of the Board, Risk Committees and Senior Management with well defined, transparent and consistent lines of responsibilities.

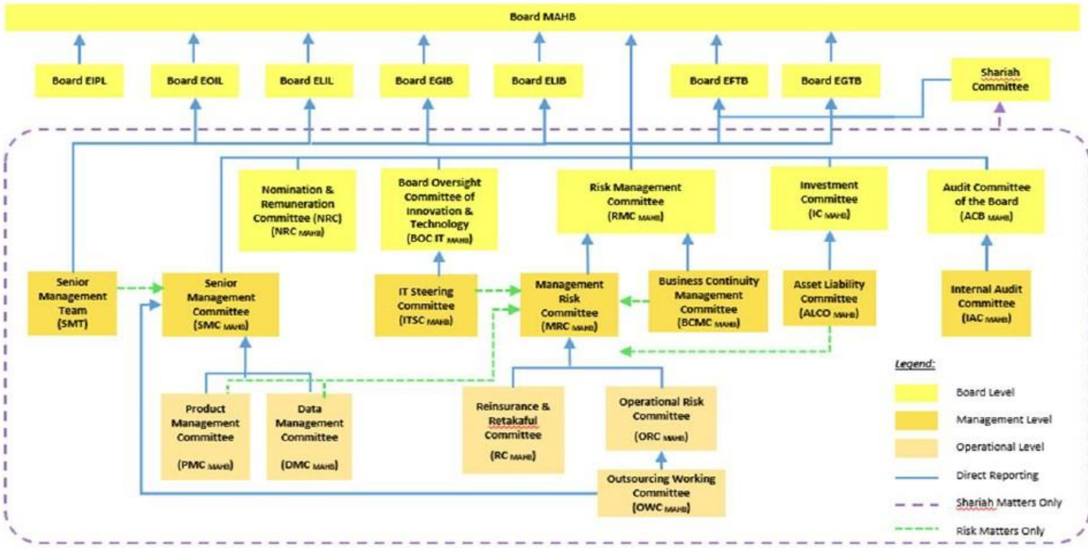
The risk governance model provides a formalised, transparent and effective governance structure which promotes active involvement of the Board of Directors and the Senior Management in the risk management process to ensure a uniform view of risk across MAHB Group. It also places accountability and ownership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

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

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

## 41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Governance and Risk Oversight (contd.)




Note:

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

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

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

### Lines of Defense

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.

### MAHB Board

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

## 41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Governance and Risk Oversight (contd.)

**Board Oversight Committee of Innovation and Technology ("BOC IT")**

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

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

**Senior Management Committee ("SMC")**

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

**Management Risk Committee ("MRC")**

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

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

## 41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Governance and Risk Oversight (contd.)

#### Internal Audit Committee ("IAC")

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

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

#### Operational Risk Committee ("ORC")

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

#### Product Management Committee ("PMC")

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

#### Data Management Committee ("DMC")

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

#### Retakaful Committee ("RC")

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

## 41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Governance and Risk Oversight (contd.)

### 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.

### Fire Committee ("FC")

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

### Motor Committee ("MC")

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

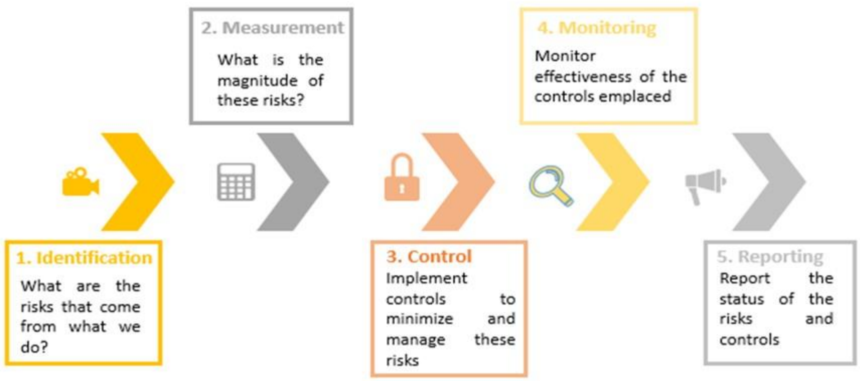
### Business Continuity Management Committee ("BCMC")

The BCMC is responsible to ensure that the Business Continuity Management ("BCM') Framework (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.

## 41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Risk Management Practices and Processes

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




### Stress Test

Stress Test should be used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavourable effects on the 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.

### Resource and System Insfrastructure

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

## 41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Resources

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

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

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

### System Infrastructure

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

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

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

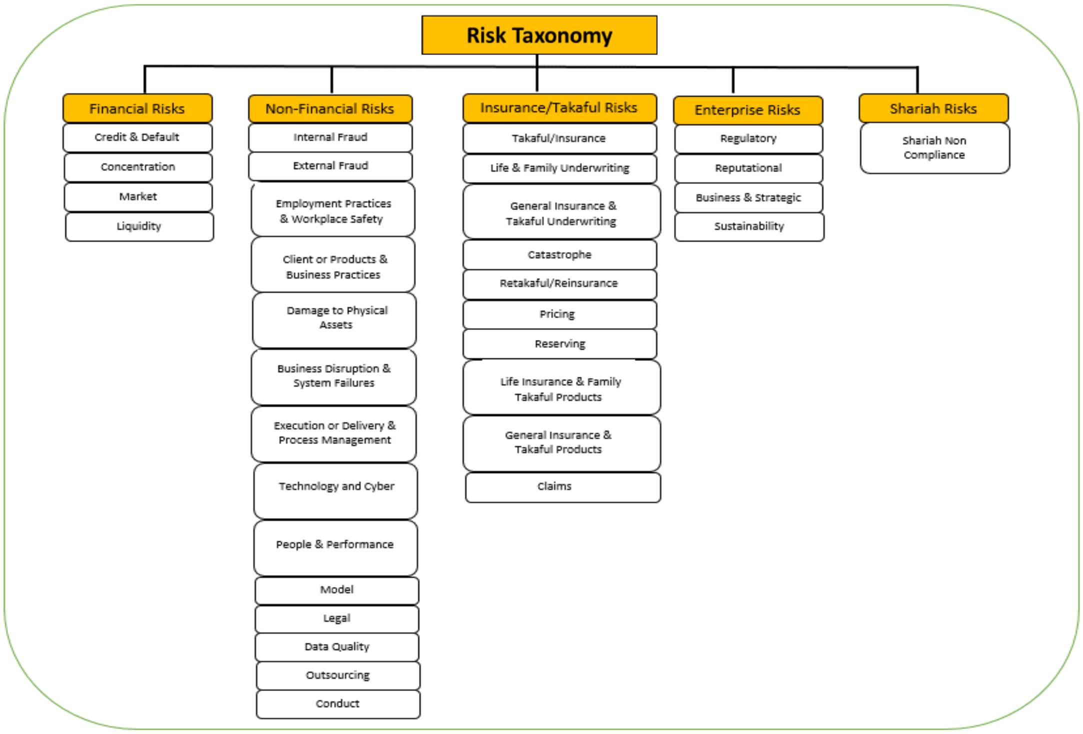
### Risk Taxonomy

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

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

## 41. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

### Risk Taxonomy (contd.)




## 42. TAKAFUL RISK

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

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

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

## 42. TAKAFUL RISK (CONTD.)

### (i) Underwriting Risk

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

### (ii) Pricing Risk

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

### (iii) Retakaful Risk

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

### (iv) Products Risk

Product risk is a risk of loss or adverse impact arising from the development of new products and management of new and existing products. Product related risks including enterprise risks, takaful risks, financial risks, operational & IT risk, technology risk, legal risk, compliance risk, AML/CFT risk and Shariah 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 takaful liabilities businesses due to over-exposures to extreme or exceptional events (e.g. pandemic outbreaks, flood, etc.), which can cause an accumulated loss or a single large loss.

### (vii) Claims Risk

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

## 42. TAKAFUL RISK (CONTD.)

### (a) Family Takaful Certificates

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

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Family Takaful fund RM'000 | Company RM'000 | Family Takaful fund RM'000 | Company RM'000 |
| **<u>Family Takaful certificates issued</u>** | | | | |
| **Direct :** | | | | |
| Credit | 7,183,478 | 7,466,254 | 6,629,933 | 6,810,862 |
| Non credit | 3,133,467 | 2,683,383 | 3,152,732 | 2,732,484 |
| Annuity | 655,231 | 848,928 | 691,578 | 891,369 |
| Investment Linked Takaful | 686,696 | 630,201 | 528,895 | 464,348 |
| Group Yearly Renewable Term | 217,456 | 197,855 | 144,965 | 97,688 |
| Unallocated Surplus | 2,248,915 | 2,248,915 | 2,123,986 | 2,123,986 |
| Others | 106,706 | 106,706 | 76,303 | 76,299 |
| **Total direct** | 14,231,949 | 14,182,242 | 13,348,392 | 13,197,036 |

**Family Takaful Fund/Company**

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **<u>Family retakaful certificates held</u>** | | |
| Proportional Family Takaful | 301,395 | 264,770 |
| Proportional Takafulink | 3,854 | 10,091 |
| Non-proportional Excess of Loss | 2,166 | 4,911 |
| **Total retakaful** | 307,415 | 279,772 |

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

## 42. TAKAFUL RISK (CONTD.)

### (a) Family Takaful Certificate (contd.)

#### (ii) Key Assumptions

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

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

(a) Discount rate
The discount rates used in the determination of PRF cashflows are based on the yield observed on Government Investment Issues ("GII") of the appropriate duration plus an illiquidity premium. It is determined using bottom-up approach, extrapolating from the last available market data point to the ultimate forward rate.

(b) Mortality and morbidity rates
Mortality and morbidity rates represent the expected claims experience of the takaful operator. The takaful operator determines the mortality rates based on the Company's own experience. Morbidity rates are determined using retakaful rates, adjusted to reflect the takaful operator's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

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

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

## 42. TAKAFUL RISK (CONTD.)

### (a) Family Takaful Certificates (contd.)

#### (ii) Sensitivity analysis

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

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

| | Change in assumptions | Impact on Takaful service result before retakaful certificates held RM'000 | Impact on Takaful service result RM'000 | Impact on equity before retakaful certificates held** RM'000 | Impact on equity** RM'000 |
|---|---|---|---|---|---|
| | | <--------------------------- Increase/(decrease) | | | ------------------------------> |
| **Company** | | | | | |
| **Family Takaful certificates issued** | | | | | |
| **2024** | | | | | |
| Discount rate* | -1% | (32,541) | (31,119) | (24,731) | (23,650) |
| Mortality and morbidity rates | 10% (adverse) | (24,587) | (17,041) | (18,686) | (12,951) |
| Lapse and surrender rates | 10% (adverse) | (5,273) | (5,415) | (4,008) | (4,115) |
| Expenses | +10% | (6,768) | (6,768) | (5,144) | (5,144) |

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

## 42. TAKAFUL RISK (CONTD.)

### (a) Family Takaful Certificate (contd.)

#### (ii) Sensitivity analysis (contd.)

| | Change in assumptions | Impact on Takaful service result before retakaful certificates held RM'000 | Impact on Takaful service result RM'000 | Impact on equity before retakaful certificates held** RM'000 | Impact on equity** RM'000 |
|---|---|---|---|---|---|
| | | <---------------------------- Increase/(decrease) | | | -------------------------------> |
| **Company** | | | | | |
| **Family Takaful certificates issued** | | | | | |
| **2023** | | | | | |
| Discount rate* | -1% | (28,955) | (27,857) | (22,006) | (21,171) |
| Mortality and morbidity rates | 10% (adverse) | (18,787) | (12,952) | (14,278) | (9,844) |
| Lapse and surrender rates | 10% (adverse) | (4,762) | (4,869) | (3,619) | (3,701) |
| Expenses | +10% | (5,986) | (5,986) | (4,550) | (4,550) |

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

## 42. TAKAFUL RISK (CONTD.)

### (a) Family Takaful Certificate (contd.)

#### (ii) Sensitivity analysis (contd.)

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

| | Change in assumptions | Impact on CSM before retakaful certificates held RM'000 | Impact on CSM after retakaful certificates held RM'000 |
|---|---|---|---|
| | | <------ Increase/(decrease) | -------> |
| **Company** | | | |
| **2024** | | | |
| Discount rate* | -1% | (321,936) | (305,856) |
| Mortality and morbidity rates | 10% (adverse) | (280,063) | (194,760) |
| Lapse and surrender rates | 10% (adverse) | (52,148) | (53,748) |
| Expenses | +10% | (77,116) | (77,116) |
| **2023** | | | |
| Discount rate* | -1% | (299,822) | (286,300) |
| Mortality and morbidity rates | 10% (adverse) | (232,340) | (160,513) |
| Lapse and surrender rates | 10% (adverse) | (46,993) | (48,308) |
| Expenses | +10% | (73,462) | (73,462) |

* excludes impact of fixed income financial assets.

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

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

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

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

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

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

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

## 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 statements of financial position and items such as future commitments and contract assets. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

| | Family Takaful fund RM'000 | Company RM'000 |
|---|---|---|
| **2024** | | |
| **Financial assets at FVTPL:** | | |
| **- Designated upon initial recognition** | | |
| Malaysian government papers | 323,975 | 323,975 |
| Unquoted debt securities in Malaysia | 5,658,468 | 6,410,504 |
| Structured products | 99,001 | 99,001 |
| **- HFT****** | | |
| Malaysian government papers | 46,004 | 46,004 |
| Unquoted debt securities in Malaysia | 181,948 | 181,948 |
| **Financial assets at FVOCI:** | | |
| Malaysian government papers | 345,708 | 590,784 |
| Unquoted debt securities in Malaysia | 5,335,343 | 6,719,912 |
| **Financial assets at AC:** | | |
| Islamic investment accounts with : | | |
| Licenced financial institutions | 561,357 | 670,733 |
| Others | 530,361 | 534,236 |
| Financing receivables | - | 9,362 |
| Retakaful certificate assets* | 9,484 | 9,484 |
| Other assets** | 214,974 | 263,339 |
| Derivative assets | 1 | 1 |
| Cash and bank balances*** | 80,095 | 81,805 |
| | 13,386,719 | 15,941,088 |

* Comprise of receivable from retakaful, net of impairment.
** Excluding non-financial assets such as prepayments and deposits.
*** Excluding petty cash.
**** Included in the above balances are investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borned by the participants.

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**Credit Exposure (contd.)**

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

* Comprise of receivable from retakaful, net of impairment.
** Excluding non-financial assets such as prepayments and deposits.
*** Excluding petty cash.
**** Included in the above balances are investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borned by the participants.

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**Credit quality of financial assets**

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

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

Risk categories are as described below:

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

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

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

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

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

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

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

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

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**Credit exposure by rating**

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

**Family Takaful fund**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2024** | | | | | | | |
| **Financial assets at FVTPL:** | | | | | | | |
| **(i) Designated upon initial recognition** | | | | | | | |
| Malaysian government papers | 323,975 | - | - | - | - | - | 323,975 |
| Unquoted debt securities in Malaysia | 1,964,887 | 1,445,629 | 2,138,028 | 109,924 | - | - | 5,658,468 |
| Structured products | - | 99,001 | - | - | - | - | 99,001 |
| **(ii) Held-for-trading (HFT)****** | | | | | | | |
| Malaysian government papers | 46,004 | - | - | - | - | - | 46,004 |
| Unquoted debt securities in Malaysia | 5,829 | 66,508 | 109,611 | - | - | - | 181,948 |
| **Financial assets at FVOCI:** | | | | | | | |
| Malaysian government papers | 345,708 | - | - | - | - | - | 345,708 |
| Unquoted debt securities in Malaysia | 1,914,845 | 1,825,081 | 1,505,353 | 90,064 | - | - | 5,335,343 |

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**Credit exposure by rating (contd.)**

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

**Family Takaful fund (contd.)**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2024 (contd.)** | | | | | | | |
| **Financial assets at AC:** | | | | | | | |
| Islamic investment accounts with: | | | | | | | |
| Licenced financial institutions | - | 538,392 | 22,965 | - | - | - | 561,357 |
| Others | - | 480,011 | 50,350 | - | - | - | 530,361 |
| Retakaful certificate assets* | - | 9,484 | - | - | - | - | 9,484 |
| Other assets** | 50,683 | 53,128 | 48,848 | 1,899 | - | 60,416 | 214,974 |
| Derivative assets | - | 1 | - | - | - | - | 1 |
| Cash and bank balances*** | - | 60,637 | 17,955 | 1,503 | - | - | 80,095 |
| | 4,651,931 | 4,577,872 | 3,893,110 | 203,390 | - | 60,416 | 13,386,719 |

* Comprise of receivable from retakaful, net of impairment.
** Excluding non-financial assets such as prepayments and deposits.
*** Excluding petty cash.
**** Included in the above balances are investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borned by the participants.

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**Credit exposure by rating (contd.)**

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

**Company**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2024** | | | | | | | |
| **Financial assets at FVTPL:** | | | | | | | |
| **- Designated upon initial recognition** | | | | | | | |
| Malaysian government papers | 323,975 | - | - | - | - | - | 323,975 |
| Unquoted debt securities in Malaysia | 2,181,137 | 1,628,448 | 2,490,995 | 109,924 | - | - | 6,410,504 |
| Structured products | - | 99,001 | - | - | - | - | 99,001 |
| **- Held for trading**** | | | | | | | |
| Malaysian government papers | 46,004 | - | - | - | - | - | 46,004 |
| Unquoted debt securities in Malaysia | 5,829 | 66,508 | 109,611 | - | - | - | 181,948 |
| **Financial assets at FVOCI:** | | | | | | | |
| Malaysian government papers | 590,784 | - | - | - | - | - | 590,784 |
| Unquoted debt securities in Malaysia | 2,148,732 | 2,393,472 | 2,087,644 | 90,064 | - | - | 6,719,912 |

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**Credit exposure by rating (contd.)**

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

**Company (contd.)**

| | Sovereign RM'000 | Very Low RM'000 | Low RM'000 | Medium RM'000 | High RM'000 | Unrated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2024 (contd.)** | | | | | | | |
| **Financial assets at AC:** | | | | | | | |
| Islamic investment accounts with: | | | | | | | |
| Licenced financial institutions | - | 647,768 | 22,965 | - | - | - | 670,733 |
| Others | - | 483,834 | 50,350 | - | - | 52 | 534,236 |
| Financing receivables | - | - | - | - | - | 9,362 | 9,362 |
| Retakaful certificate assets* | - | 9,484 | - | - | - | - | 9,484 |
| Other assets** | 58,991 | 63,824 | 60,043 | 1,899 | - | 78,582 | 263,339 |
| Derivative assets | - | 1 | - | - | - | - | 1 |
| Cash and bank balances*** | - | 62,347 | 17,955 | 1,503 | - | - | 81,805 |
| | 5,355,452 | 5,454,687 | 4,839,563 | 203,390 | - | 87,996 | 15,941,088 |

* Comprise of receivable from retakaful, net of impairment.
** Excluding non-financial assets such as prepayments and deposits.
*** Excluding petty cash.
**** Included in the above balances are investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borned by the participants.

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

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**Credit exposure by rating (contd.)**

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

**Family Takaful fund**

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

**43. FINANCIAL RISKS (CONTD.)**

**(i) Credit & Default Risk (contd.)**

**Credit exposure by rating (contd.)**

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

**Family Takaful fund (contd.)**

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

* Comprise of receivable from retakaful, net of impairment
** Excluding non-financial assets such as prepayments and deposits.
*** Excluding petty cash.
**** Included in the above balances are investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borned by the participants.

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**Credit exposure by rating (contd.)**

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

**Company**

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

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**Credit exposure by rating (contd.)**

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

**Company (contd.)**

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

* Comprise of receivable from retakaful, net of impairment
** Excluding non-financial assets such as prepayments and deposits.
*** Excluding petty cash.
**** Included in the above balances are investments of the investment linked funds for which there is no credit exposure to the Company as the credit risk is borned by the participants.

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

**Expected credit loss**

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

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company are 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 Family Takaful fund’s financial assets measured by credit quality, based on the Company's risk categories:

**Family Takaful fund**

| | Stage 1<br>12-month ECL<br>RM'000 | Stage 2<br>Lifetime ECL not credit impaired<br>RM'000 | Stage 3<br>Lifetime ECL credit impaired<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **2024** | | | | |
| **Financial assets at FVOCI** | | | | |
| Sovereign | 2,260,553 | - | - | 2,260,553 |
| Very low | 1,797,121 | 27,961 | - | 1,825,082 |
| Low | 1,270,377 | 234,975 | - | 1,505,352 |
| Medium | 90,064 | - | - | 90,064 |
| **Total carrying amount** | 5,418,115 | 262,936 | - | 5,681,051 |
| **Total ECL** | (395) | (1,239) | - | (1,634) |

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

| | Stage 1<br>12-month ECL<br>RM'000 | Stage 2<br>Lifetime ECL not credit impaired<br>RM'000 | Stage 3<br>Lifetime ECL credit impaired<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **2024** | | | | |
| **Financial assets at FVOCI** | | | | |
| At 1 January 2024 | 849 | 1,204 | - | 2,053 |
| Net adjustment of loss allowance | - | - | - | - |
| Writeback (ECL Writeback) | (492) | (207) | | (699) |
| New financial assets originated or purchased | 83 | 242 | - | 325 |
| Financial assets that have been derecognised | (45) | - | - | (45) |
| Allowance for impairment loss (Note 25) | (454) | 35 | - | (419) |
| At 31 December 2024 | 395 | 1,239 | - | 1,634 |

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**<u>Financial assets - reconciliation of allowance account (contd.)</u>**

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

**Family Takaful fund**

| | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| | 12-month ECL RM'000 | Lifetime ECL not credit impaired RM'000 | Lifetime ECL credit impaired RM'000 | Total RM'000 |
| **2023** | | | | |
| **Financial assets at FVOCI** | | | | |
| Sovereign | 2,366,723 | - | - | 2,366,723 |
| Very low | 1,838,857 | - | - | 1,838,857 |
| Low | 1,024,435 | 214,668 | - | 1,239,103 |
| Medium | 39,632 | - | - | 39,632 |
| **Total carrying amount** | 5,269,647 | 214,668 | - | 5,484,315 |
| **Total ECL** | (849) | (1,204) | - | (2,053) |

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

| | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| | 12-month ECL RM'000 | Lifetime ECL not credit impaired RM'000 | Lifetime ECL credit impaired RM'000 | Total RM'000 |
| **2023** | | | | |
| **Financial assets at FVOCI** | | | | |
| At 1 January 2023 | 243 | 1,152 | - | 1,395 |
| Net adjustment of loss allowance | 578 | 55 | - | 633 |
| New financial assets originated or purchased | 39 | - | - | 39 |
| Financial assets that have been derecognised | (11) | (3) | - | (14) |
| Allowance for impairment loss (Note 25) | 606 | 52 | - | 658 |
| At 31 December 2023 | 849 | 1,204 | - | 2,053 |

## 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 (contd.):

**Company**

| | Stage 1 12-month ECL RM'000 | Stage 2 Lifetime ECL not credit impaired RM'000 | Stage 3 Lifetime ECL credit impaired RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2024** | | | | |
| **Financial assets at FVOCI** | | | | |
| Sovereign | 2,739,515 | - | - | 2,739,515 |
| Very low | 2,365,512 | 27,961 | - | 2,393,473 |
| Low | 1,805,044 | 282,600 | - | 2,087,644 |
| Medium | 90,064 | - | - | 90,064 |
| **Total carrying amount** | 7,000,135 | 310,561 | - | 7,310,696 |
| **Total ECL** | (544) | (1,533) | - | (2,077) |

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

**Company**

| | Stage 1 12-month ECL RM'000 | Stage 2 Lifetime ECL not credit impaired RM'000 | Stage 3 Lifetime ECL credit impaired RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2024** | | | | |
| **Financial assets at FVOCI** | | | | |
| At 1 January 2024 | 1,198 | 1,543 | - | 2,741 |
| Net adjustment of loss allowance | - | - | - | - |
| Writeback (ECL Writeback) | (683) | (293) | - | (976) |
| New financial assets originated or purchased | 107 | 283 | - | 390 |
| Financial assets that have been derecognised | (78) | - | - | (78) |
| Allowance for impairment loss (Note 25) | (654) | (10) | - | (664) |
| At 31 December 2024 | 544 | 1,533 | - | 2,077 |

## 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 (contd.):

**Company**

| | Stage 1<br>12-month ECL<br>RM'000 | Stage 2<br>Lifetime ECL not credit impaired<br>RM'000 | Stage 3<br>Lifetime ECL credit impaired<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **2023** | | | | |
| **Financial assets at FVOCI** | | | | |
| Sovereign | 2,776,506 | - | - | 2,776,506 |
| Very low | 2,428,714 | - | - | 2,428,714 |
| Low | 1,523,799 | 262,456 | - | 1,786,255 |
| Medium | 39,632 | - | - | 39,632 |
| **Total carrying amount** | 6,768,651 | 262,456 | - | 7,031,107 |
| **Total ECL** | (1,198) | (1,543) | - | (2,741) |

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

**Company**

| | Stage 1<br>12-month ECL<br>RM'000 | Stage 2<br>Lifetime ECL not credit impaired<br>RM'000 | Stage 3<br>Lifetime ECL credit impaired<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **2023** | | | | |
| **Financial assets at FVOCI** | | | | |
| At 1 January 2023 | 334 | 1,471 | - | 1,805 |
| Net adjustment of loss allowance | 818 | 75 | - | 893 |
| New financial assets originated or purchased | 58 | - | - | 58 |
| Financial assets that have been derecognised | (12) | (3) | - | (15) |
| Allowance for impairment loss (Note 25) | 864 | 72 | - | 936 |
| At 31 December 2023 | 1,198 | 1,543 | - | 2,741 |

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**Other financial assets - reconciliation of allowance account**

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

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

**Family Takaful fund**

| | Not Credit Impaired | | | Credit Impaired | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Financing receivables RM'000 | Retakaful certificate assets* RM'000 | Other assets** RM'000 | Financing receivables RM'000 | Retakaful certificate assets* RM'000 | Other assets** RM'000 | Financing receivables RM'000 (Note 8) | Retakaful certificate assets* RM'000 | Other assets** RM'000 (Note 11) |
| Gross carrying amount | | | | | | | | | |
| At 1 January 2023 | - | 10,298 | 136,311 | 16 | 689 | 507 | 16 | 10,987 | 136,818 |
| (Decrease)/increase | - | (7,454) | 36,027 | (16) | 40 | - | (16) | (7,414) | 36,027 |
| At 31 December 2023 | - | 2,844 | 172,338 | - | 729 | 507 | - | 3,573 | 172,845 |
| (Decrease)/increase | - | 5,996 | 42,636 | - | 48 | - | - | 6,044 | 42,636 |
| At 31 December 2024 | - | 8,840 | 214,974 | - | 777 | 507 | - | 9,617 | 215,481 |
| Lifetime ECL | | | | | | | | | |
| At 1 January 2023 | - | - | - | 16 | 159 | 507 | 16 | 159 | 507 |
| Increase/(decrease) | - | 2 | - | (16) | (36) | - | (16) | (34) | - |
| At 31 December 2023 | - | 2 | - | - | 123 | 507 | - | 125 | 507 |
| (Decrease)/increase | - | (2) | - | - | 10 | - | - | 8 | - |
| At 31 December 2024 | - | - | - | - | 133 | 507 | - | 133 | 507 |

* Comprise of receivable from retakaful, net of impairment.
** Excluding non-financial assets such as prepayments and deposits.

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

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

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

**Company**

| | Not Credit Impaired | | | Credit Impaired | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Financing receivables RM'000 | Retakaful certificate assets* RM'000 | Other assets** RM'000 | Financing receivables RM'000 | Retakaful certificate assets* RM'000 | Other assets* RM'000 | Financing receivables RM'000 (Note 8) | Retakaful certificate assets* RM'000 | Other assets** RM'000 (Note 11) |
| Gross carrying amount | | | | | | | | | |
| At 1 January 2023 | 11,239 | 10,298 | 170,110 | 2,116 | 689 | 2,383 | 13,355 | 10,987 | 172,493 |
| (Decrease)/increase | (1,029) | (7,454) | 43,519 | (273) | 40 | 309 | (1,302) | (7,414) | 43,828 |
| At 31 December 2023 | 10,210 | 2,844 | 213,629 | 1,843 | 729 | 2,692 | 12,053 | 3,573 | 216,321 |
| (Decrease)/increase | (840) | 5,996 | 49,423 | 2 | 48 | 585 | (838) | 6,044 | 50,008 |
| At 31 December 2024 | 9,370 | 8,840 | 263,052 | 1,845 | 777 | 3,277 | 11,215 | 9,617 | 266,329 |
| Lifetime ECL | | | | | | | | | |
| At 1 January 2023 | 38 | - | 10 | 2,116 | 159 | 3,017 | 2,154 | 159 | 3,027 |
| (Decrease)/increase | (21) | 2 | (9) | (273) | (36) | (31) | (294) | (34) | (40) |
| At 31 December 2023 | 17 | 2 | 1 | 1,843 | 123 | 2,986 | 1,860 | 125 | 2,987 |
| (Decrease)/increase | (8) | (2) | - | 1 | 10 | 3 | (7) | 8 | 3 |
| At 31 December 2024 | 9 | - | 1 | 1,844 | 133 | 2,989 | 1,853 | 133 | 2,990 |

* Comprise of receivable from retakaful, net of impairment.
** Excluding non-financial assets such as prepayments and deposits.

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**<u>Other financial assets - reconciliation of allowance account</u>**

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

**Family Takaful fund**

| | Financing receivables RM'000 (Note 8) | Retakaful certificate assets* RM'000 | Other assets** RM'000 (Note 11) | Total RM'000 |
|---|---|---|---|---|
| **2024** | | | | |
| At 1 January 2024 | - | 125 | 507 | 632 |
| Net adjustment of loss allowance | - | 8 | - | 8 |
| At 31 December 2024 | - | 133 | 507 | 640 |
| **2023** | | | | |
| At 1 January 2023 | 16 | 159 | 507 | 682 |
| Net adjustment of loss allowance | (16) | (34) | - | (50) |
| At 31 December 2023 | - | 125 | 507 | 632 |

* Comprise of receivable from retakaful, net of impairment.
** Excluding non-financial assets such as prepayments and deposits.

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

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

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

**Company**

| | Financing receivables RM'000 (Note 8) | Retakaful certificate assets* RM'000 | Other assets** RM'000 (Note 11) | Total RM'000 |
|---|---|---|---|---|
| **2024** | | | | |
| At 1 January 2024 | 1,860 | 125 | 2,987 | 4,972 |
| Net adjustment of loss allowance | (7) | 8 | 3 | 4 |
| At 31 December 2024 | 1,853 | 133 | 2,990 | 4,976 |
| **2023** | | | | |
| At 1 January 2023 | 2,154 | 159 | 3,027 | 5,340 |
| Net adjustment of loss allowance | (294) | (34) | (40) | (368) |
| At 31 December 2023 | 1,860 | 125 | 2,987 | 4,972 |

* Comprise of receivable from retakaful, net of impairment.
** Excluding non-financial assets such as prepayments and deposits.

## 43. FINANCIAL RISKS (CONTD.)

### (i) Credit & Default Risk (contd.)

**Financial effect of collateral held**

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

| Type of financing receivables | Types of collateral |
|---|---|
| Secured staff/non-staff financing | Charges over residential properties and motor vehicles |

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigates credit risk, held for financing receivables is 100% as at 31 December 2024 (2023: 100%). Secured financing receivables amounting to RM9,348,000 as at 31 December 2024 (2023: RM10,179,000).

### (ii) Liquidity Risk

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

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

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

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

## 43. FINANCIAL RISKS (CONTD.)

### (ii) Liquidity risk (contd.)

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

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

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

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

**Maturity Profiles**

The following table summarises the Maturity Profile of the financial assets and financial liabilities and Takaful assets/liabiliities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable. For Takaful certificates liabilities and retakaful assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised Takaful liabilities.

## 43. FINANCIAL RISKS (CONTD.)

### (ii) Liquidity Risk (contd.)

**Maturity Profiles (contd.)**

**Family Takaful fund**

| | Carrying value RM'000 | Up to a year RM'000 | 1 - 5 years RM'000 | > 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2024** | | | | | | |
| Financial assets at: | | | | | | |
| FVTPL | 7,076,116 | 704,693 | 2,792,856 | 5,733,467 | 766,721 | 9,997,737 |
| FVOCI | 5,816,694 | 376,209 | 2,193,826 | 6,097,076 | 135,643 | 8,802,754 |
| AC | 1,091,718 | 1,098,326 | - | - | - | 1,098,326 |
| Retakaful certificate assets, net* | 307,415 | 25,315 | 88,058 | 384,009 | - | 497,382 |
| Other assets** | 214,974 | 214,974 | - | - | - | 214,974 |
| Derivative assets | 1 | 1 | - | - | - | 1 |
| Cash and bank balances*** | 80,095 | - | - | - | 80,095 | 80,095 |
| **Total assets** | 14,587,013 | 2,419,518 | 5,074,740 | 12,214,552 | 982,459 | 20,691,269 |
| Takaful certificate liabilities, net**** | 14,231,949 | 6,707,747 | 1,837,670 | 8,917,338 | - | 17,462,755 |
| Derivative liabilities | 605 | 605 | - | - | - | 605 |
| Other liabilities | 315,835 | 315,835 | - | - | - | 315,835 |
| **Total liabilities** | 14,548,389 | 7,024,187 | 1,837,670 | 8,917,338 | - | 17,779,195 |

* Including AIC and receivables from retakaful, net of impairment.
** Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
*** Excluding petty cash.
**** Including LIC and receivables from co-retakaful, net of impairment.

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.)**

**Company**

| | Carrying value RM'000 | Up to a year RM'000 | 1 - 5 years RM'000 | > 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2024** | | | | | | |
| Financial assets at: | | | | | | |
| FVTPL | 7,864,142 | 767,161 | 3,225,373 | 6,269,933 | 802,710 | 11,065,177 |
| FVOCI | 7,485,112 | 453,685 | 3,045,532 | 7,537,484 | 174,416 | 11,211,117 |
| AC | 1,204,969 | 1,211,602 | - | - | - | 1,211,602 |
| Financing receivables | 9,362 | 1,098 | 4,723 | 4,706 | - | 10,527 |
| Retakaful certificate assets, net* | 307,415 | 25,315 | 88,058 | 384,009 | - | 497,382 |
| Other assets** | 263,339 | 263,339 | - | - | - | 263,339 |
| Derivative assets | 1 | 1 | - | - | - | 1 |
| Cash and bank balances*** | 81,805 | - | - | - | 81,805 | 81,805 |
| **Total assets** | 17,216,145 | 2,722,201 | 6,363,686 | 14,196,132 | 1,058,931 | 24,340,950 |
| Takaful certificate liabilities, net**** | 14,182,242 | 6,335,582 | 2,028,685 | 7,688,390 | - | 16,052,657 |
| Derivative liabilities | 605 | 605 | - | - | - | 605 |
| Other liabilities | 383,341 | 383,341 | - | - | - | 383,341 |
| **Total liabilities** | 14,566,188 | 6,719,528 | 2,028,685 | 7,688,390 | - | 16,436,603 |

* Including AIC and receivables from retakaful, net of impairment.
** Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
*** Excluding petty cash.
**** Including LIC and receivables from co-retakaful, net of impairment.

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.)**

**Family Takaful fund**

| | Carrying value RM'000 | Up to a year RM'000 | 1 - 5 years RM'000 | > 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Financial assets at: | | | | | | |
| FVTPL | 6,551,275 | 545,773 | 2,947,878 | 5,333,290 | 564,140 | 9,391,081 |
| FVOCI | 5,595,063 | 297,037 | 2,101,165 | 6,301,450 | 110,748 | 8,810,400 |
| AC | 1,024,246 | 1,030,727 | - | - | - | 1,030,727 |
| Retakaful certificate assets, net* | 279,772 | 47,536 | 69,442 | 325,873 | - | 442,851 |
| Other assets** | 172,338 | 160,561 | - | - | 11,777 | 172,338 |
| Cash and bank balances*** | 23,200 | - | - | - | 23,200 | 23,200 |
| **Total assets** | 13,645,894 | 2,081,634 | 5,118,485 | 11,960,613 | 709,865 | 19,870,597 |
| Takaful certificate liabilities, net**** | 13,348,392 | 6,258,695 | 1,774,659 | 8,911,956 | - | 16,945,310 |
| Other liabilities | 271,693 | 271,693 | - | - | - | 271,693 |
| **Total liabilities** | 13,620,085 | 6,530,388 | 1,774,659 | 8,911,956 | - | 17,217,003 |

* Including AIC and receivables from retakaful, net of impairment.
** Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
*** Excluding petty cash.
**** Including LIC and receivables from co-retakaful, net of impairment.

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.)**

**Company**

| | Carrying value RM'000 | Up to a year RM'000 | 1 - 5 years RM'000 | > 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Financial assets at: | | | | | | |
| FVTPL | 7,354,462 | 584,311 | 3,402,379 | 5,932,675 | 596,070 | 10,515,435 |
| FVOCI | 7,173,841 | 371,453 | 2,960,573 | 7,573,570 | 142,734 | 11,048,330 |
| AC | 1,155,216 | 1,161,947 | - | - | - | 1,161,947 |
| Financing receivables | 10,193 | 1,064 | 4,863 | 5,633 | - | 11,560 |
| Retakaful certificate assets, net* | 279,772 | 47,536 | 69,442 | 325,873 | - | 442,851 |
| Other assets** | 213,334 | 201,558 | - | - | 11,776 | 213,334 |
| Cash and bank balances*** | 23,681 | - | - | - | 23,681 | 23,681 |
| **Total assets** | 16,210,499 | 2,367,869 | 6,437,257 | 13,837,751 | 774,261 | 23,417,138 |
| Takaful certificate liabilities, net**** | 13,197,036 | 5,929,728 | 1,929,618 | 7,280,564 | - | 15,139,910 |
| Other liabilities | 367,856 | 367,856 | - | - | - | 367,856 |
| **Total liabilities** | 13,564,892 | 6,297,584 | 1,929,618 | 7,280,564 | - | 15,507,766 |

* Including AIC and receivables from retakaful, net of impairment.
** Excluding non-financial assets such as prepayments, deposits and service tax recoverable.
*** Excluding petty cash.
**** Including LIC and receivables from co-retakaful, net of impairment.

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) Profit Rates Risk (including the credit spread risk);
(c) Equity Price Risk; and
(d) Property Risk.

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

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

(b) Compliance to policies are monitored; exposures and breaches are reported as soon as practicable.

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

The Company also issues investment-linked investment certificates for a number of products. For investment-linked business, the participants bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company’s exposure to Market Risk for this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analysis disclosed for each component of Market Risk in the following pages do not include analysis on the impact of such risks on the investment-linked funds.

#### (a) Foreign Exchange Risk

Foreign Exchange Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company’s primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to US Dollar, Australian Dollar and Hong Kong Dollar.

## 43. FINANCIAL RISKS (CONTD.)

### (iii) Market Risk (contd.)

#### (a) Foreign Exchange Risk (contd.)

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the IFSA 2013, and hence, primarily denominated in the same currency (the local RM) as its takaful and investment certificate liabilities.

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

#### (b) Profit Rate Risk

Profit Rate Risk is the risk that the fair value of future cash flows of a financial instrument or Takaful certificate or retakaful certificate will fluctuate because of changes in market profit rates.

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

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

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

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

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

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

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

## 43. FINANCIAL RISKS (CONTD.)

### (iii) Market Risk (contd.)

#### (b) Profit Rate Risk (contd.)

The Company's exposure to profit rate risk sensitive Takaful and retakaful certificates and financial instruments are, as follows

| | Changes in profit rate | Impact on carrying value RM'000 | Impact on CSM RM'000 | Impact on profit/ equity* RM'000 |
|---|---|---|---|---|
| | | ----------------(Decrease)/increase------------- | | |
| **Company** | | | | |
| **2024** | | | | |
| Takaful certificates and | +100bps | (516,632) | 268,505 | 20,985 |
| retakaful certificates, net | -100bps | 597,829 | (303,972) | (23,509) |
| Financial Instruments | +100bps | (482,787) | (185,284) | (54,970) |
| at FVTPL | -100bps | 558,379 | 214,713 | 62,002 |
| Financial Instruments | +100bps | (585,870) | - | - |
| at FVOCI | -100bps | 675,055 | - | - |
| Financial Instruments | +100bps | (1,706) | - | - |
| at AC | -100bps | 1,646 | - | - |
| **2023** | | | | |
| Takaful certificates and | +100bps | (511,050) | 251,080 | 18,818 |
| retakaful certificates, net | -100bps | 606,925 | (285,028) | (21,049) |
| Financial Instruments | +100bps | (458,594) | (186,222) | (54,384) |
| at FVTPL | -100bps | 531,985 | 216,323 | 61,086 |
| Financial Instruments | +100bps | (575,113) | - | - |
| at FVOCI | -100bps | 680,394 | - | - |
| Financial Instruments | +100bps | (1,596) | - | - |
| at AC | -100bps | 1,534 | - | - |

* Impact on Company's Profit/Equity is stated net of corporate tax of 24%

## 43. FINANCIAL RISKS (CONTD.)

### (iii) Market Risk (contd.)

#### (c) Equity Price Risk

Equity Price Risk is the risk that the fair value of an equity instrument or Takaful certificate or retakaful certificate 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 and unit trust NAV to equity.

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

The Company's exposure to equity price risk sensitive Takaful and retakaful certificates and equity instruments are, as follows:

| | Change in market indices | Impact on carrying value RM'000 | Impact on CSM RM'000 | Impact on profit/ equity* RM'000 |
|---|---|---|---|---|
| | | <---------(Decrease)/increase---------> | | |
| **Company** | | | | |
| **2024** | | | | |
| Takaful certificates and | +10% | 11,382 | 3,977 | 385 |
| retakaful certificates, net | -10% | (11,368) | (3,991) | (386) |
| Financial Instruments | +10% | 45,710 | 11,838 | 5,347 |
| at FVTPL | -10% | (45,710) | (11,838) | (5,347) |
| Financial Instruments | +10% | 17,442 | - | - |
| at FVOCI | -10% | (17,442) | - | - |

## 43. FINANCIAL RISKS (CONTD.)

### (iii) Market Risk (contd.)

#### (c) Equity Price Risk (contd.)

The Company's exposure to equity price risk sensitive Takaful and retakaful certificates and equity instruments are, as follows:

| | Change in market indices | Impact on carrying value RM'000 | Impact on CSM RM'000 | Impact on profit/ equity* RM'000 |
|---|---|---|---|---|
| | | <---------(Decrease)/increase | | ---------> |
| **Company** | | | | |
| **2023** | | | | |
| Takaful certificates and | +10% | 10,676 | 3,305 | 327 |
| retakaful certificates, net | -10% | (10,668) | (3,314) | (327) |
| Financial Instruments | +10% | 36,056 | 8,507 | 4,515 |
| at FVTPL | -10% | (36,056) | (8,507) | (4,515) |
| Financial Instruments | +10% | 14,273 | - | - |
| at FVOCI | -10% | (14,273) | - | - |

* Impact on Company's Equity is stated net of corporate 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.

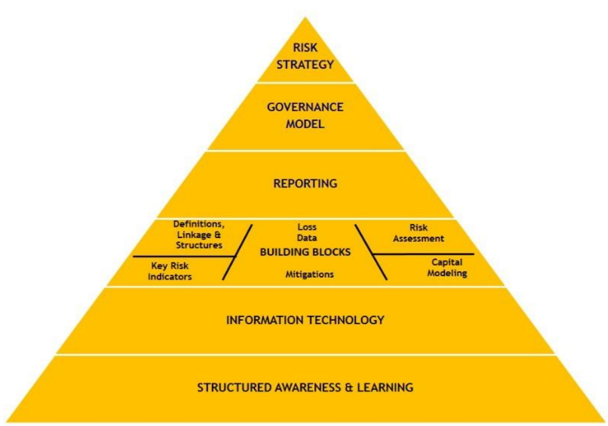
The Company's quantitative controls to manage concentration risk is through diversification. A minimum level of diversification is realised by observing the single counterparty limits. The single counterparty exposure limit represents maximum concentration of a particular counterparty. The limit exists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



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

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.

**(iii) Employment Practices and Workplace Safety**

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

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

(c) Diversity & discrimination - failure to provide 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.

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

### Non-Financial Risk Taxonomy (contd.)

#### (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 unauthorized 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.

#### (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.

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

### Non-Financial Risk Taxonomy (contd.)

**(x) Model Risk**

Model risk is the risk arising from of a model that does not operate as intended resulting in adverse consequences (e.g. financial loss, poor business or strategic decisions, reputational damage) arising from inappropriate decisions based on incorrect or misused model outputs.

**(xi) Legal Risk**

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

**(xii) Data Quality Risk**

Risk of poor quality data in terms of data integrity, compliance and timeliness, thus rendering the data unreliable and unfit for its intended usage in operations, analytics and reporting needs.

**(xii) Outsourcing Risk**

Risk of loss due to internal control failure of third parties or failure of third parties performing in a manner consistent with their contracted scope of engagement with MAHB group for the provision of the intended services/deliverables.

**(xii) Conduct Risk**

The risk of an organization or an individual's activities having a detrimental impact on customers or negatively impacting the market and/or shareholder value.

### Shariah Non-compliance Risk

Shariah Non-compliance Risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which an Islamic financial institution may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia, standards on Shariah matters issued by Bank Negara Malaysia pursuant to section 29(1) of Islamic Financial Services Act 2013 or decisions or advice of the Shariah committee.

The end-to-end Shariah Compliant governance is executed through four (4) Lines of Defence that cater both pre-execution and post-execution matters. These are being managed by Business Unit (1st Line), Shariah Research & Advisory (2nd Line), Shariah Review & Shariah Risk Management function (3rd Line), and Shariah Audit (4th Line).

## 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.

### (i) Regulatory Risk

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

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

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

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

## 45. ENTERPRISE RISK (CONTD.)

### (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 takaful risks.

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

## 46. FAIR VALUES MEASUREMENTS

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

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy; and
(d) Transfers between Level 1 and Level 2 in the fair value hierarchy.

### (a) Valuation principles

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

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

## 46. FAIR VALUES MEASUREMENTS (CONTD.)

### (a) Valuation principles (contd.)

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

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

- Level 1: Active Market – Quoted price

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

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

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

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

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

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

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

### (b) Valuation techniques

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

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

## 46. FAIR VALUES MEASUREMENTS (CONTD.)

### (b) Valuation techniques (contd.)

#### (ii) Financing receivables

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

#### (iii) Takaful receivables and payables

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

#### (iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Notes 2.2(iv) and Note 2.2(v). The carrying amounts and fair values of investments are disclosed in Note 6 to the financial statements.

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

**Family Takaful fund**

| | Fair value measurement using: | | |
|---|---|---|---|
| **2024** | **Level 1 Quoted price in active markets RM'000** | **Level 2 Significant observable inputs RM'000** | **Total RM'000** |
| **Financial assets at FVTPL** | | | |
| **(i) Designated upon initial recognition** | | | |
| Malaysian government papers | - | 323,975 | 323,975 |
| Debt securities | - | 5,658,468 | 5,658,468 |
| Structured products | - | 99,001 | 99,001 |
| **(ii) HFT** | | | |
| Malaysian government papers | - | 46,004 | 46,004 |
| Equity securities | 594,485 | - | 594,485 |
| Debt securities | - | 181,948 | 181,948 |
| Unit and property trust funds | - | 172,235 | 172,235 |

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(Incorporated in Malaysia)

## 46. FAIR VALUES MEASUREMENTS (CONTD.)

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

**Family Takaful fund (contd.)**

| | Fair value measurement using: | | |
|---|---|---|---|
| | Level 1 Quoted price in active markets RM'000 | Level 2 Significant observable inputs RM'000 | Total RM'000 |
| **2024 (contd.)** | | | |
| **Financial assets at FVOCI** | | | |
| Malaysian government papers | - | 345,708 | 345,708 |
| Equity securities | 135,643 | - | 135,643 |
| Debt securities | - | 5,335,343 | 5,335,343 |
| Derivative assets | - | 1 | 1 |
| | 730,128 | 12,162,683 | 12,892,811 |
| **2023** | | | |
| **Financial assets at FVTPL** | | | |
| **(i) Designated upon initial recognition** | | | |
| Malaysian government papers | - | 167,120 | 167,120 |
| Debt securities | - | 5,505,597 | 5,505,597 |
| Structured products | - | 96,685 | 96,685 |
| **(ii) HFT** | | | |
| Malaysian government papers | - | 53,792 | 53,792 |
| Equity securities | 465,341 | - | 465,341 |
| Debt securities | - | 163,940 | 163,940 |
| Unit and property trust funds | - | 98,800 | 98,800 |
| **Financial assets at FVOCI** | | | |
| Malaysian government papers | - | 435,013 | 435,013 |
| Equity securities | 110,748 | - | 110,748 |
| Debt securities | - | 5,049,302 | 5,049,302 |
| | 576,089 | 11,570,249 | 12,146,338 |

## 46. FAIR VALUES MEASUREMENTS (CONTD.)

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

**Company**

| | Fair value measurement using: Level 1 Quoted price in active markets RM'000 | Level 2 Significant observable inputs RM'000 | Total RM'000 |
|---|---|---|---|
| **2024** | | | |
| **Financial assets at FVTPL** | | | |
| **(i) Designated upon initial recognition** | | | |
| Malaysian government papers | - | 323,975 | 323,975 |
| Debt securities | - | 6,410,504 | 6,410,504 |
| Structured products | - | 99,001 | 99,001 |
| **(ii) HFT** | | | |
| Malaysian government papers | - | 46,004 | 46,004 |
| Equity securities | 630,475 | - | 630,475 |
| Debt securities | - | 181,948 | 181,948 |
| Unit and property trust funds | - | 172,235 | 172,235 |
| **Financial assets at FVOCI** | | | |
| Malaysian government papers | - | 590,784 | 590,784 |
| Equity securities | 174,416 | - | 174,416 |
| Debt securities | - | 6,719,912 | 6,719,912 |
| Derivative assets | - | 1 | 1 |
| | 804,891 | 14,544,364 | 15,349,255 |

## 46. FAIR VALUES MEASUREMENTS (CONTD.)

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

**Company (contd.)**

| | Fair value measurement using: | | |
|---|---|---|---|
| | **Level 1 Quoted price in active markets RM'000** | **Level 2 Significant observable inputs RM'000** | **Total RM'000** |
| **2023** | | | |
| **Financial assets at FVTPL** | | | |
| **(i) Designated upon initial recognition** | | | |
| Malaysian government papers | - | 167,120 | 167,120 |
| Debt securities | - | 6,276,854 | 6,276,854 |
| Structured products | - | 96,685 | 96,685 |
| **(ii) HFT** | | | |
| Malaysian government papers | - | 53,792 | 53,792 |
| Equity securities | 497,271 | - | 497,271 |
| Debt securities | - | 163,940 | 163,940 |
| Unit and property trust funds | - | 98,800 | 98,800 |
| **Financial assets at FVOCI** | | | |
| Malaysian government papers | - | 577,211 | 577,211 |
| Equity securities | 142,734 | - | 142,734 |
| Debt securities | - | 6,453,896 | 6,453,896 |
| | 640,005 | 13,888,298 | 14,528,303 |

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

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

## 47. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2024 and 31 December 2023, as prescribed under the RBCT Framework, is provided below:

**Company**

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Eligible Tier 1 Capital** | | |
| Paid up share capital | 100,000 | 100,000 |
| Valuation surplus in takaful funds | 2,161,646 | 2,063,103 |
| Retained earnings | 2,596,647 | 2,533,005 |
| | 4,858,293 | 4,696,108 |
| **Tier 2 Capital** | | |
| FVOCI reserve | 197,753 | 122,839 |
| | 197,753 | 122,839 |
| Amount deducted from capital | (106,732) | (102,676) |
| Total Capital Available | 4,949,314 | 4,716,271 |

## 48. SHARIAH DISCLOSURES

Shariah principles are the foundation of the practice of Islamic Finance through the observance of the tenets, conditions and principles espoused by Shariah to ensure all the operations and activities of the Company complies with Shariah rules and principles at all times.

The Company has put in place a sound Shariah governance framework to ensure strict adherence to Shariah requirements in its processes. A dedicated Shariah Committee ("SC") provides Shariah oversight on all material Shariah non-compliant risks across the Company. Supporting the SC are the Shariah Risk Management and Shariah Review and Compliance ("SRC") functions that respectively identify, measure, monitor and control Shariah non-compliance risks, and provides regular assessment on the compliance of the operations, business, affairs and activities of the Company with Shariah requirements.

Underpinning the governance framework are the detailed policies and procedures that include the required steps to ensure that each transaction executed by the Company complies with Shariah requirements. A dedicated internal audit team was also established to provide the required check and balance in ensuring strict compliance with the policies and procedures.

## 48. SHARIAH DISCLOSURES (CONTD.)

Any transaction classified as potential Shariah non-compliant will be escalated to the SC for deliberation and decision whether any Shariah requirements have been breached. Shariah Risk Management will track on the incident and rectification status, and ensure timely reporting to the SC, Board and BNM. For Shariah non-compliant transactions, any related income earned will be purified by channeling the amount to charity or given back to the customer, as determined by the SC.

The nature of transactions deliberated to SC for Shariah non-compliance are as follows:

(i) Shariah non-compliant earnings

| **2024** | **Number of occurrences** | **RM'000** |
|---|---|---|
| Holding of security that has subsequently been considered Shariah Non-compliant (Tencent Holdings Ltd.) | 1 | 4 |
| Profit earned from the usage of conventional collection bank account in Bank Simpanan Nasional ("BSN") | - | *- |
| | 1 | 4 |

*Representing RM334.00.

| **2023** | **Number of occurrences** | **RM'000** |
|---|---|---|
| Holding of security that has subsequently been considered Shariah Non-compliant (China Yangtze Power) | 1 | 8 |
| Profit earned from the usage of conventional collection bank account in Bank Simpanan Nasional ("BSN") | 1 | 2 |
| | 2 | 10 |

## 48. SHARIAH DISCLOSURES (CONTD.)

Apart from the purification of income from Shariah non-compliant earnings, the Company has instituted several rectification measures relating to systems, processes and procedures to enhance control mechanism and minimise recurrence of Shariah non-compliant incidents.

The rectification action plans are as follows:

| Nature of earnings | Measures undertaken | Status |
|---|---|---|
| Holding of security that has subsequently been considered Shariah Non-compliant (Tencent Holdings Ltd.) | The Shariah Non-compliant earnings from the selling of the security has been transferred to Amal Jariah Fund. | Pending distribution of charity funds. |
| Holding of security that has subsequently been considered Shariah Non-compliant (China Yangtze Power) | The Shariah Non-compliant earnings from the selling of the security has been transferred to Amal Jariah Fund. | Pending distribution of charity funds. |
| Profit earned from the usage of conventional bank account Bank Simpanan Nasional ("BSN") for collection bank account. | Profit generated from the usage of the conventional bank account has been transferred to Amal Jariah Fund. | Pending distribution of charity funds. |

(i) Sources and uses of charity funds

| | 2024<br>RM '000 | 2023<br>RM '000 |
|---|---|---|
| **Sources of charity funds** | | |
| Shariah non-compliant prohibited income | 4 | 10 |
| Total sources of charity funds during the year | 4 | 10 |
| **Uses of charity funds** | | |
| Contribution to non-profit organisation | - | - |
| Total uses of charity funds during the year | - | - |
| Undistributed charity funds as at 31 December | 4 | 10 |