

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

**Directors' report, Corporate Governance Disclosures and**  
**Audited Financial Statements**  
**31 December 2018**

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

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

**DIRECTORS' REPORT**

The directors have pleasure in presenting their report together with the audited financial statements of the Etiqa General Takaful Berhad ("the Company") for the financial period from 18 July 2017 (date of incorporation) to 31 December 2018.

**PRINCIPAL ACTIVITIES**

The Company is principally engaged in the management of general takaful business. The Company was granted the licence by Bank Negara Malaysia on 1 January 2018.

**RESULTS**

**RM'000**

Net profit for the financial period from 18 July 2017 (date of incorporation)  
to 31 December 2018

153,156

There were no material transfers to or from reserves or provisions during the financial period 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 period were not substantially affected by any item, transaction or event of a material and unusual nature.

**DIVIDENDS**

The directors do not recommend the payment of any final dividend in respect of the current financial period.

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**MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS")**

The Maybank Group ESS is governed by the by-laws approved by the shareholders of the ultimate holding company, Malayan Banking Berhad ("MBB"), at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011 and had expired on 23 June 2018. It is in force for a maximum period of seven (7) years from the effective date and is administered by the ESS Committee. The ESS consists of two (2) types of performance-based awards in the form of Employee Share Option Scheme ("ESOS") and Restricted Share Unit ("RSU").

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

The Maybank Group ESGP is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 5 April 2017. It was awarded to the participating Maybank Group who fulfill the eligibility criteria. The ESGP was implemented on 14 December 2018 and it is in force for a period of seven (7) years from the effective date and is administered by the ESGP Committee. The ESGP consists of two (2) types of performance-based awards namely as Employees' Share Grant Plan of the Maybank Group ("ESGP") and Maybank Group Cash-settled Performance-based Employee's Share Grant Plan ("CESGP").

The maximum number of ordinary shares in MBB available under the ESS should not exceed 3.5% of the total number of issued and paid-up capital of MBB at any point of time during the duration of the scheme.

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**DIRECTORS**

The directors of the Company in office since the date of incorporation to the date of this report are:

Dato' Majid Mohamad (Chairman) (appointed on 1 January 2018)  
Mr. Philippe Pol Arthur Latour (Vice Chairman) (appointed on 1 January 2018)  
Dato' Mohamed Rafique Merican  
Mohd Wahiduddin Merican (appointed on 1 January 2018)  
Dato' Johan Ariffin (appointed on 1 January 2018)  
Dr. Abdul Rahim Abdul Rahman (appointed on 1 January 2018)  
Mr. Koh Heng Kong (appointed on 1 January 2018)  
Encik Kamaludin Ahmad (First Director) (resigned on 1 January 2018)  
Encik Ahmad Rizlan Azman (First Director) (resigned on 1 January 2018)

Pursuant to Section 205 (3)(a) of the Companies Act 2016, the following directors shall retire at the forth coming Annual General Meeting ("AGM") of the Company and, being eligible, offer themselves for re-election:

Dato' Majid Mohamad (Chairman)  
Mr. Philippe Pol Arthur Latour (Vice Chairman)  
Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican  
Dato' Johan Ariffin  
Dr. Abdul Rahim Abdul Rahman  
Mr. Koh Heng Kong

**DIRECTORS' BENEFITS**

Neither at the end of the financial period, nor at any time during that financial period from 18 July 2017 (date of incorporation) to 31 December 2018, 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 ESOS, RSU, ESGP and CESGP pursuant to the Maybank Group ESS.

Since the date of incorporation, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, as disclosed in Notes 27 and 36 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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**DIRECTORS' INDEMNITY**

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

**Premium paid for D&O policy**

<b>Limit of Liability Group Policy</b>	<b>2018 Gross Premium (RM'000)</b>
RM250 million	1,135

**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 period in shares, ESOS, RSU, and ESGP of the Ultimate Holding Company, MBB, during the financial period were as follows:

<b>Ultimate Holding Company</b>	<b>As at Date of Appointment</b>	<b>Numbers of ordinary shares</b>		<b>As at 31.12.2018</b>
		<b>Issued pursuant to RSU</b>	<b>DRP*</b>	
<b>Direct Interest:</b>				
Dato' Johan Ariffin	305,162	-	3,467	308,629
Dato' Mohamed Rafique Merican				
Mohd Wahiduddin Merican	169,442	66,702	-	236,144

\*DRP = Dividend Reinvestment Plan

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**DIRECTORS' INTERESTS (CONTD.)**

Number of shares options from ESOS over ordinary shares							
	Original Exercise Price RM	Granted	Vested as at 1.1.2018	Vested during the financial year	No. of ESOS Exercised	No. of ESOS Expired	Vested as at 31.12.2018
Dato' Mohamed Rafique Merican							
Mohd Wahiduddin Merican	9.47	966,000	966,000	-	(966,000)	-	-

			Number of RSU of ordinary shares			
	Grant Date	Granted as at 1.1.2018	Outstanding as at 31.12.2018	Vested during the financial year	Not vested during the financial year	Outstanding as at 31.12.2018
Dato' Mohamed Rafique Merican						
Mohd Wahiduddin Merican	30.04.2015	75,000	75,000	(66,702)	(8,298)	

During the financial period, the Ultimate Holding Company has awarded the ESGP shares to the following director:

	<b>Award date</b>	<b>Number of ESGP shares awarded</b>
Dato' Mohamed Rafique Merican		
Mohd Wahiduddin Merican	14.12.2018	104,000

The remaining RSU which were granted to the director have not vested as at 31 December 2018. The remaining RSU will be vested and exercisable upon fulfillment of vesting conditions or predetermined performance metrics including service period, performance targets and performance period.

Other than as disclosed above, none of the directors in office at the end of the financial period had any interest in shares of the Company or its related corporations during the financial period from 18 July 2017 (date of incorporation) to 31 December 2018.

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**CORPORATE GOVERNANCE**

The Company has complied with the prescriptive requirements of and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance as disclosed from page 9 to 28.

**FINANCIAL HOLDING COMPANY**

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

**IMMEDIATE AND ULTIMATE HOLDING COMPANIES**

The directors regard MAHB, a company incorporated in Malaysia, as the Company's immediate holding company and MBB, a company incorporated in Malaysia, as the ultimate holding company.

**OTHER STATUTORY INFORMATION**

- (a) Before the statement of financial position and income statement of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts;
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and
  - (iii) to ascertain that there was adequate provision for takaful certificate liabilities in accordance with the valuation methods prescribed specified in Part B of the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") for takaful operators issued by BNM.
- (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.



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**OTHER STATUTORY INFORMATION (CONTD.)**

- (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 date of incorporation which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Company which has arisen since the date of incorporation.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period 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 period and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial period in which this report is made.
- (g) For the purpose of paragraphs (e)(ii) and (f)(i), contingent or other liabilities do not include liabilities arising from contracts of takaful underwritten in the ordinary course of business of the Company.

**SIGNIFICANT EVENT**

There were no significant events which have occurred during the financial period other than disclosed in Note 1 to the financial statements that would require adjustment or disclosure in the financial statements.

**SUBSEQUENT EVENT**

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

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**AUDITORS**

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

The auditors' remuneration are as disclosed in Note 26 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 February 2019.



DATO' MAJID MOHAMAD



DATO' MOHAMED RAFIQUE MERICAN  
MOHD WAHIDUDDIN MERICAN

**ETIQA GENERAL TAKAFUL BERHAD**  
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**CORPORATE GOVERNANCE DISCLOSURES**

**(1) INTRODUCTION**

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

The Company's CG Framework is premised upon the following statutory provisions, best practices and guidelines:

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

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

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

**(a) Board Composition**

Currently, the Board consists of six (6) Directors, comprising:

- (i) one (1) Executive Director ("ED");
- (ii) one (1) Non-Independent Non-Executive Directors ("NINED"); and
- (iii) four (4) Independent Non-Executive Directors ("INED").

The Composition of the Board meets the requirement of having a majority of independent directors as set out in the BNM CG Policy. Dato' Majid Mohamad, an INED, is the Chairman of the Board, while Dato' Mohamed Rafique Merican is the only ED on the Board and the NINED is nominee of Ageas Insurance International N.V. ("Ageas"), a shareholder of MAHB.

The Board is committed in ensuring diversity and inclusiveness in its composition and deliberations and the Company 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.

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(a) Board Composition (Contd.)**

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

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

<b>Members of the Board</b>	<b>Designation</b>	<b>Number of Board Meetings attended</b>	<b>%</b>
Dato' Majid Mohamad* (Chairman)	INED	8/8	100
Mr. Philippe Pol Arthur Latour* (Vice Chairman)	NINED	7/8	88
Dato' Mohamed Rafique Merican*	ED	7/8	88
Dato' Johan Ariffin*	INED	8/8	100
Dr. Abdul Rahim Abdul Rahman*	INED	7/8	88
Mr. Koh Heng Kong*	INED	8/8	100
Encik Kamaludin Ahmad^	First Director	-	-
Encik Ahmad Rizlan Azman^	First Director	-	-

\* appointed on 1 January 2018

^ resigned on 1 January 2018

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(a) Board Composition (Contd.)**

**Profile of Directors**

<b>Name/Designation/Age/ Nationality</b>	<b>Background/ Experience</b>	<b>Other Directorship within the Group</b>
<b>Dato' Majid Mohamad</b> Independent Non- Executive Director Chairman 64 years of age Malaysian	Banking & Insurance	<ul style="list-style-type: none"> <li>• Director of Maybank Ageas Holdings Berhad</li> <li>• Chairman of Etiqa Family Takaful Berhad</li> </ul>
<b>Mr. Philippe Pol Arthur Latour</b> Non-Independent Non- Executive Director Vice-Chairman 59 years of age Belgian	Insurance	<ul style="list-style-type: none"> <li>• Director of Etiqa Life Insurance Berhad</li> <li>• Director of Etiqa General Insurance Berhad</li> <li>• Director of Etiqa Family Takaful Berhad</li> </ul>
<b>Dato' Mohamed Rafique Merican</b> Executive Director 53 years of age Malaysian	Banking	<ul style="list-style-type: none"> <li>• Director of Etiqa Family Takaful Berhad</li> </ul>
<b>Dato' Johan Ariffin</b> Independent Non- Executive Director 59 years of age Malaysian	Property Development & Banking	<ul style="list-style-type: none"> <li>• Director of Maybank Ageas Holdings Berhad</li> <li>• Director of Etiqa Life Insurance Berhad</li> <li>• Director of Etiqa General Insurance Berhad</li> <li>• Director of Etiqa Family Takaful Berhad</li> </ul>
<b>Dr. Abdul Rahim Abdul Rahman</b> Independent Non- Executive Director 51 years of age Malaysian	Academician	<ul style="list-style-type: none"> <li>• Director of Etiqa Family Takaful Berhad</li> </ul>

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(a) Board Composition (Contd.)**

**Profile of Directors (Contd.)**

<b>Name/Designation/Age/ Nationality</b>	<b>Background/ Experience</b>	<b>Other Directorship within the Group</b>
<b>Mr. Koh Heng Kong</b> Independent Non- Executive Director 66 years of age Malaysian	Insurance	• Director of Etiqa General Insurance Berhad

Detailed profile of each Director is available on the Group's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)). Directors' interests in shares and share options in the ultimate holding company, Malayan Banking Berhad ("MBB") or ("Maybank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial period ended 31 December 2018 ("FPE 2018").

**(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 which is available on the Group's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)).

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(c) Board Committees Composition and Roles and Responsibilities**

The Company has leveraged on MAHB Group Board Committees ("MAHB") to assist the Board in carrying out effective oversight of the operations and business affairs of the Company, namely:

- (i) Nomination & Remuneration Committee;
- (ii) Audit Committee of the Board;
- (iii) Risk Management Committee;
- (iv) Investment Committee;
- (v) Board Oversight Committee of Information Technology; and

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

- (vi) Group Shariah Committee.

**(i) Nomination and Remuneration Committee**

The Nomination and Remuneration Committee ("NRC") was established on 1 September 2018. Prior to this, the Company leveraged on the Group NRC at Maybank.

The NRC consists of a majority of INEDs and chaired by an INED.

The primary objective of the NRC are to establish a documented, formal and transparent procedure for the nomination and appointment of new directors, Chief Executive Officer ("CEO"), Shariah Committee members, senior management and Company Secretary.

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 recommendation of the NRC based on the assessment undertaken for the financial period, the Board is satisfied that all the INEDs of the Board have met the independence criteria set out under the BNM CG Policy as well as Maybank's Directors' Independence Policy adopted by the Group. NRC engaged a consultant firm to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board and individual Directors.

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(c) Board Committees Composition and Roles and 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 will always have a steady pool of talent whenever there is a need to appoint new directors, not only to ensure continuity in meeting its long term goals and to ensure that the knowledge, experience and skillset of the Board members would be well suited to meet the demands of the ever-changing landscape of the takaful industry.

In addition, the NRC is also responsible to provide a formal and transparent procedure in developing remuneration policies for directors, CEO and senior management and ensuring compensation is competitive and consistent with the Company's culture, objectives and strategy, but most importantly, the industry standards.

The roles and responsibilities of NRC are set out in its Terms of Reference which are available on the Group's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)).

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

Members of the NRC	Designation	Number of NRC Meetings attended	%
Datuk Mohd Najib Abdullah (Chairman) <sup>1</sup>	INED	2/2	100
Mr. Gary Lee Crist <sup>2</sup>	NINED	2/2	100
Dato' Johan Arifin	INED	2/2	100

<sup>1</sup> Director of MAHB and its wholly-owned subsidiaries, Etiqa Life Insurance Berhad and Etiqa General Insurance Berhad.

<sup>2</sup> Director of MAHB



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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(c) Board Committees Composition and Roles and Responsibilities (Contd.)**

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

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

ACB supports the Board in ensuring reliable and transparent financial reporting, oversees the effectiveness of the internal audit functions, review 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 taken in a timely manner to ensure the Group's operations run in an effective and efficient manner as well as to safeguard the Group's assets and stakeholders' interests.

The roles and responsibilities of the ACB are set out in its Terms of Reference which are available on the Company's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)).

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

Members of the ACB	Designation	Number of ACB Meetings attended	%
Mr. Loh Lee Soon (Chairman) <sup>1</sup>	INED	8/8	100
Mr. Gary Lee Crist <sup>2</sup>	NINED	7/8	88
Mr. Koh Heng Kong	INED	8/8	100
Mr. Wong Pakshong Kat Jeong	INED	8/8	100
Colin Stewart <sup>3</sup>			

<sup>1</sup> Director of Etiqa Life Insurance Berhad and Etiqa General Insurance Berhad, wholly-owned subsidiaries of MAHB.

<sup>2</sup> Director of MAHB

<sup>3</sup> Director of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad, and Etiqa Insurance Pte Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(c) Board Committees Composition and Roles and Responsibilities (Contd.)**

**(iii) Risk Management Committee**

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

The RMC assists the Board in 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 formulating 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 are available on the Group's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)).

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

Members of the RMC	Designation	Number of RMC Meetings attended	%
Mr. Koh Heng Kong (Chairman)	INED	9/9	100
Mr. Gary Lee Crist <sup>1</sup>	NINED	8/9	89
Mr. Wong Pakshong Kat Jeong Colin Stewart <sup>2</sup>	INED	9/9	100

<sup>1</sup> Director of MAHB

<sup>2</sup> Director of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(c) Board Committees Composition and Roles and Responsibilities (Contd.)**

**(iv) Investment Committee**

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

The Board established the IC as a governance body to oversee investment related activities.

The roles and responsibilities of IC are set out in its Terms of Reference which are available on the Company's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)).

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

<b>Members of the IC</b>	<b>Designation</b>	<b>Number of IC Meetings attended</b>	<b>%</b>
Dato' Amirul Feisal Wan Zahir (Chairman) <sup>1</sup>	ED	4/4	100
Dato' Mohamed Rafique Merican	ED	4/4	100
Mr. Philippe Pol Arthur Latour	NINED	4/4	100

<sup>1</sup> Director of MAHB

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(c) Board Committees Composition and Roles and Responsibilities (Contd.)**

**(v) Board Oversight Committee of Information Technology**

The Board Oversight Committee of Information Technology ("BOC IT") consists of five (5) members and chaired by an INED.

BOC IT is a governance body which carries an oversight function for technology related activities to provide differentiation and competitive advantage to the Group, improve productivity of people and processes, address risks of technology resourced, obsolescence and ensure all IT initiatives are adequately funded and resourced.

BOC IT was revamped and renamed to Board Oversight Committee of Innovation & Technology effective from 1 January 2019 to focus on innovation in technology related activities.

The roles and responsibilities of the BOC IT are set out in its Terms of Reference which are available on the Group's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)).

The composition of the BOC IT and the attendance of its members at meetings during the financial period are as follows:

Members of the BOC IT	Designation	Number of BOC IT Meetings attended	%
Mr. Loh Lee Soon (Chairman) <sup>1</sup>	INED	7/7	100
Mr. Philippe Pol Arthur Latour	NINED	4/7	57
Encik Kamaludin Ahmad <sup>2</sup>	Member	7/7	100
Encik Mohd Suhail Amar Suresh <sup>3</sup>	Member	7/7	100
Mr. Hans Van Wuijckhuijse <sup>4</sup>	Member	7/7	100

<sup>1</sup> Director of Etiqa Life Insurance Berhad and Etiqa General Insurance Berhad, wholly-owned subsidiaries of MAHB.

<sup>2</sup> Director of Group CEO of MAHB

<sup>3</sup> Director of Group Chief Technology Officer, Maybank

<sup>4</sup> Director of Regional Director, Business Development Ageas Asia

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(c) Board Committees Composition and Roles and Responsibilities (Contd.)**

**(vi) Group Shariah Committee**

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

The Board of the Company (referred to as "Takaful Operators") set up Group SC in compliance with the Islamic Financial Services Act 2013, which will oversee the operations of Takaful Operators to ensure that they are in line with the principles of Shariah.

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

<b>Members of the Group SC</b>	<b>Designation</b>	<b>Number of Group SC Meetings attended</b>	<b>%</b>
Dr. Ahcene Lahsasna	Chairman	9/9	100
Dr. Ismail Mohd @ Abu Hassan^	Member	5/5	100
Dr. Mohammad Deen Mohd Napiah^	Member	5/5	100
Dr. Sarip Abdul	Member	9/9	100
Prof Dr. Rusni Hassan	Member	8/9	89
Prof Dr. Abdul Rahim Abdul Rahman	INED	9/9	100
Prof Dato' Dr. Mohd Azmi Omar*	Member	4/5	80
Dato' Dr. Anhar Opir*	Member	5/5	100

*\* appointed on 1 May 2018*

*^ resigned on 31 May 2018*

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(d) Directors' Training**

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

During the financial period, all the Board members have attended various training programmes and workshops on issues relevant to the Company, including key training programmes for new Directors, namely the Induction Programme (in-house training) and Financial Institutions Directors' Education ("FIDE").

**(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 Company's business strategy and operational matters. New Directors are required to attend the programme as soon as possible after they have been appointed. The programme includes intensive one-on-one session with the Senior Management Committee members/Head of Departments, that 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 the Annual Board Assessment conducted at the beginning of each financial period.

**ETIQA GENERAL TAKAFUL BERHAD**  
**(Incorporated in Malaysia)**
**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**
**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**
**(d) Directors' Training (Contd.)**
**(ii) Training Attended (Contd.)**

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

Training attended by Directors	DMM <sup>1</sup>	PL <sup>2</sup>	DRM <sup>3</sup>	DJA <sup>4</sup>	DAR <sup>5</sup>	KHK <sup>6</sup>
<b>A. Inhouse Training</b>						
1. Etiqa Compliance Conference 2018.	✓		✓	✓	✓	✓
2. Etiqa Board Risk Workshop.	✓		✓	✓	✓	✓
3. Etiqa Offsite presentation: (a) How Technology is Changing the Business Paradigm by Willis Towers Watson; (b) Using Technology to deliver what the customer wants; (c) Making Etiqa a high performance organization; and (d) Merger & Acquisition for Etiqa.	✓	✓	✓	✓	✓	✓
4. Maybank Compliance Training Program for Board Members and Senior Management.	✓	✓	✓	✓		✓
5. Maybank - Board Risk Workshop 2018.				✓		
6. Ageas Partnership Days 2018.	✓	✓		✓		✓
7. Ageas Investor Day 2018.		✓				
8. Ageas Finance and Risk Offsite.		✓				
9. Ageas Singularity Digital Safari.		✓				
10. Ageas Management Forum 2018.		✓				
<b>B. External Training</b>						
1. FIDE Forum Board Conversations (Bank and Insurance/Takaful).	✓					
2. FIDE Forum – Managing Cyber Risks in Financial Institution.	✓					
3. FIDE Forum: Identifying Your Next Board Talent - Optimising Board Composition and Board Director Recruitment.				✓		
4. FIDE Forum Annual Dialogue with the Deputy Governor of BNM.	✓					
5. FIDE Luncheon Talk on I Think Malaysia.	✓					
6. FIDE Dinner Talk – The Director as Coach by Dr. Marshall Goldsmith.	✓					
7. FIDE Module A.					✓	
8. FIDE Module B.		✓			✓	
9. BNM Maqasid Shariah Dialogue Session.			✓			
10. PIDM Dialogue with the Board Members of Life Insurance Companies – Briefing on Differential Levy System Framework to the Board of Directors.				✓		
11. FT China Insurance Summit.		✓				
12. 3 <sup>rd</sup> Asean Insurance Summit.	✓					
13. The Takaful Rendezvous 2018.	✓					
14. "Takaful Minds & Its Algorithm in the Takaful Industry" - Session with Daluk Dr Mohd Daud Bakar.	✓			✓	✓	✓
15. Takaful Executive Development Program: Value Based Intermediation in Takaful.	✓			✓	✓	✓
16. Takaful Executive Development Program: Reinvigorating the Philosophy of Takaful.					✓	
17. Securities Commission Malaysia - World Bank - IOSCO Asia Pacific Hub Conference 2018.			✓			
18. IIFM Seminar on Islamic Financial Markets.	✓		✓			
19. INSEAD Digital Upskilling Program.			✓			
20. Fintech – Disruption to be embraced.	✓					
21. Win the Innovation Race : Unlocking the Creativity Power of Asians.	✓					
22. ICDM PowerTalk By Professor CK Low – Would A Business Judgement Rule Help Directors Sleep Better At Night?				✓		
23. Distinguished Board Leadership Series.	✓					
24. ALM, Investment and Capital Management Conference.		✓				
25. Bonds, Loans & Sukuk Middle East Conference 2018.			✓			
26. Global Forum on Remittances, Investment and Development Asia-Pacific 2018.			✓			
27. Utilisation of ERM for Commercial Sustainability, Agility and Resilience.				✓		
28. World Capital Market Symposium – Renaissance of Capitalism.	✓					
29. Investing In Integrated Strata Development Briefing: Understanding Owner's Rights and Obligations under the Strata Titles Act 1985 and Strata Management Act 2013.				✓		
30. 2018 Invest Malaysia – Connecting Strength Advancing Performance.	✓					
31. Malaysia: A New Dawn 2018 Conference.	✓			✓		✓
32. The Global Institute for Leadership Development 2018.			✓			✓
33. PNB - CEO Roundtable 2018.			✓			
34. Transformasi Nasional 2050 Dialogue Session.			✓			
35. Global Islamic Finance Forum 2018.			✓			
36. International Shari'ah Scholars Forum 2018.			✓		✓	
37. World Halal Conference 2018.			✓			

1 DMM - Dato' Majid Mohamed

2 PL - Mr. Philippe Pol Arthur Latour

3 DRM - Dato' Mohamed Rafique Merican

4 DJA - Dato' Johan Ariffin

5 DAR - Dr. Abdul Rahim Abdul Rahman

6 KHK - Mr. Koh Heng Kong

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(3) INTERNAL CONTROL FRAMEWORK**

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

**(4) REMUNERATION - QUALITATIVE DISCLOSURES**

**(a) Board Performance**

The Company leveraged on NRC at MAHB established on 1 September 2018. Prior to this, the Company leveraged on the Group NRC at Maybank.

In line with good corporate governance, the Board via the NRC has set out its intention to periodically review the Non-Executive Directors' ("NED") remuneration per MBB remuneration policy for Directors.

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

The remuneration package of NEDs consists of the following:

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



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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(4) REMUNERATION - QUALITATIVE DISCLOSURES (CONTD.)**

**(b) Senior Management Appointment and Performance**

NRC also recommends and assesses the nominee for the position of CEO and re-appointment of CEO as well as oversee the appointment and succession planning of the identified Senior Officers (Chief Financial Officer, Chief Risk Officer and Appointed Actuary) of the Company.

NRC is responsible to oversee performance evaluation of CEO and Senior Officers.

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

**(5) REMUNERATION - QUANTITATIVE DISCLOSURES**

**(a) Non-Executive Directors' Remuneration**

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

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)**

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

The details of Directors' and CEO's Remuneration for FPE 2018 are disclosed in the Notes 26 and 27 to the Company's Financial Statements.

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

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

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

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

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)**

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

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)**

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

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

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

**Key features of Remuneration Framework that Promotes Alignment between Risk and Rewards**

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

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

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

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

**STATEMENT OF CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)**

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

**Long-term Incentive Award – Employees' Share Grant Plan**

Maybank in December 2018, rolled out a new scheme under the Long-Term Incentive Award i.e. Employees Shares Grant Scheme ("ESGP") replacing the previous scheme that expired in June 2018. ESGP serves as a long-term incentive award for eligible Senior Management with the following objectives:

- To align to the Group's long-term strategic objectives to maximise shareholders' value through a high performance culture.
- To continue to attract, motivate and retain key talents in Senior Management level.
- To align the Group total rewards to the long-term value creation and time horizon of risk.
- To drive performance that is tied to long-term outcomes and business growth.
- To participate in the Group's business strategies for future growth of the Group.

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

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

**Corporate Governance – Remuneration practices**

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

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

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

**STATEMENT OF CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)**

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

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

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

OMRT is defined as:

(a) an officer who is a member of senior management of the Company and who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on its risk profile; or

(b) among the most highly remunerated officers in the Company.

Summary of FPE 2018 compensation outcome for those identified as Senior Officers and OMRT:


Remuneration	Unrestricted		Deferred	
Fixed Remuneration	No. of Pax	RM	No. of Pax	Units
<b>Material Risk Taker "Senior Officers"</b>				
Cash-based	1	885,000.00	Nil	Nil
Shares and share-linked instrument (ESOS etc)	1	40,602.00	Nil	Nil
<b>Other Material Risk Taker "OMRT"</b>				
Cash-based	Nil	Nil	Nil	Nil
Shares and share-linked instrument (ESOS etc)	Nil	Nil	Nil	Nil

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

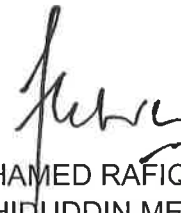
**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, Dato' Majid Mohamad and Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican, being two of the directors of Etiqa General Takaful Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 36 to 162 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of the results and the cash flows of the Company for the financial period from 18 July 2017 (date of incorporation) to 31 December 2018.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 February 2019.



DATO' MAJID MOHAMAD



DATO' MOHAMED RAFIQUE MERICAN  
MOHD WAHIDUDDIN MERICAN


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

I, Zaharudin Daud, being the Officer primarily responsible for the financial management of Etiqa General Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 36 to 162 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.

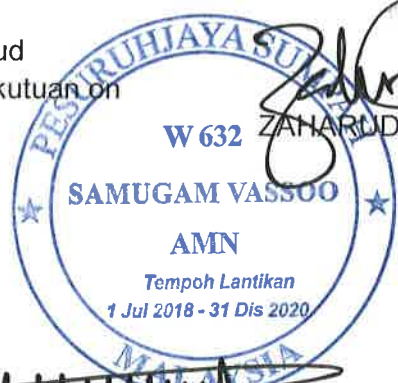
Subscribed and solemnly declared  
by the abovenamed Zaharudin Daud  
at Kuala Lumpur in Wilayah Persekutuan on  
18 February 2019

Before me,

Commissioner for Oaths



W 632 ZAHARUDIN DAUD



No. 10-1, Jalan Bangsar Utama 1,  
Bangsar Utama,  
59000 Kuala Lumpur.

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

**REPORT OF THE SHARIAH COMMITTEE**

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

We, Dr. Ahcene Lahsasna and Prof. Dr Abdul Rahim Abdul Rahman, being two of the members of the Shariah Committee of Etiqa General Takaful Berhad, do hereby report on behalf of the Committee that to the best of our knowledge and belief:

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial period ended 31 December 2018. 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 decisions resolved by us.

The management of the Company is 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 and Shariah audit which included examining, on a test basis, the relevant type of transactions, documentations and procedures adopted by the Company.

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 period ended 31 December 2018 that we have reviewed are in compliance with the Shariah principles;
2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
3. the sharing of surplus arising from the tabarru' fund (Participants' Risk Fund) conforms with the respective internal policies and approved by us;
4. all earnings that have been realised from sources or by means prohibited by the principles of Shariah have been put aside in a separate account for disposal to charitable causes; and
5. the calculation, payment and distribution of business zakat and distribution of Amal Jariah fund is in compliance with the principles of Shariah.



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

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

This opinion is rendered based on what has been presented to us by the management of the Company and its Shariah Division. All in all, we, the members of the Shariah Committee of Etiqa General Takaful Berhad, do hereby confirm that, in our level best, the operations of the Company for the financial period ended 31 December 2018 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.



DR. AHCENE LAHSASNA

Kuala Lumpur, Malaysia  
18 February 2019



PROF. DR. ABDUL RAHIM ABDUL RAHMAN

1239197-A

**Independent auditors' report to the member of Etiqa General Takaful Berhad  
(Incorporated in Malaysia)**

**Report on the Audit of Financial Statements**

*Opinion*

We have audited the financial statements of Etiqa General Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the financial period ended 31 December 2018, and summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 162.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and its cash flows for the period ended 31 December 2018 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

*Basis for Opinion*

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

*Independence and Other Ethical Responsibilities*

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

*Information Other than the Financial Statements and Auditors' Report Thereon*

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

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

1239197-A

**Independent auditors' report to the member of Etiqa General Takaful Berhad (Contd.)  
(Incorporated in Malaysia)**

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

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

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

*Responsibilities of the Directors for the Financial Statements*

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

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

*Auditor's 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.

1239197-A

**Independent auditors' report to the member of Etiqa General Takaful Berhad (Contd.)  
(Incorporated in Malaysia)**

*Auditor's Responsibilities for the Audit of the Financial Statements (Contd.)*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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**Independent auditors' report to the member of Etiqa General Takaful Berhad (Contd.)  
(Incorporated in Malaysia)**

**Other Matters**

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



Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
18 February 2019



Yeo Beng Yean  
No. 03013/10/2020 J  
Chartered Accountant

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

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

		2018		
	Note	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>ASSETS</b>				
Property, plant and equipment	3	-	-	-
Intangible assets	4	1,170	-	1,170
Investments	5	1,123,749	1,697,218	2,820,967
Financing receivables	7	-	-	-
Retakaful assets	8	-	232,173	232,173
Takaful receivables	9	-	96,596	96,596
Other receivables	10	99,284	19,569	53,137
Deferred tax assets	16	-	6,983	6,064
Current tax assets		-	3,883	3,883
Cash and bank balances		18,115	62,114	80,229
<b>Total assets</b>		<b>1,242,318</b>	<b>2,118,536</b>	<b>3,294,219</b>
<b>EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS</b>				
<b>Equity</b>				
Share capital	11	870,000	-	870,000
Reserves	12	158,386	-	158,386
<b>Total equity</b>		<b>1,028,386</b>	<b>-</b>	<b>1,028,386</b>
<b>Liabilities and Participants' Funds</b>				
Participants' funds	13	-	163,845	163,845
Takaful certificate liabilities	14	-	1,503,563	1,503,563
Expense liabilities	15	127,590	-	127,590
Deferred tax liabilities	16	919	-	-
Takaful payables	17	-	102,027	102,027
Other payables	18	52,100	349,101	335,485
Current tax liabilities		33,323	-	33,323
<b>Total liabilities and participants' funds</b>		<b>213,932</b>	<b>2,118,536</b>	<b>2,265,833</b>
<b>Total equity, liabilities and participants' funds</b>		<b>1,242,318</b>	<b>2,118,536</b>	<b>3,294,219</b>

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

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

**INCOME STATEMENT**  
**FOR THE PERIOD FROM 18 JULY 2017 (DATE OF INCORPORATION)**  
**TO 31 DECEMBER 2018**

18.7.2017 to 31.12.2018				
		Shareholder's fund	General takaful fund	Company
	Note	RM'000	RM'000	RM'000
<b>Operating revenue</b>	19	457,797	1,377,617	1,423,645
Gross earned contributions	20	-	1,249,513	1,249,513
Earned contributions ceded to retakaful	20	-	(121,303)	(121,303)
<b>Net earned contributions</b>	20	-	1,128,210	1,128,210
Fee and commission income	21	411,769	16,297	16,297
Investment income	22	46,028	68,242	114,270
Realised losses	23	(6,660)	(4,918)	(11,578)
Fair value losses	24	(1,783)	(1,720)	(3,503)
Other operating income, net	25	174	1,720	1,894
<b>Other revenue</b>		449,528	79,621	117,380
Gross claims paid		-	(728,707)	(728,707)
Claims ceded to retakaful		-	32,733	32,733
Gross change in certificate liabilities		-	63,398	(13,260)
Change in certificate liabilities ceded to retakaful		-	(29,087)	(29,087)
<b>Net claims incurred</b>		-	(661,663)	(738,321)
Management expenses	26	(189,318)	-	(189,318)
Change in expense liabilities	29	10,326	-	10,326
Fee and commission expenses	30	(119,581)	(411,924)	(119,736)
Tax borne by participants	31	-	2,824	2,824
<b>Other expenses</b>		(298,573)	(409,100)	(295,904)
<b>Operating profit before surplus transfers</b>		150,955	137,068	211,365
Surplus transferred to participants' funds		-	(76,658)	-
Surplus attributable to shareholders		60,410	(60,410)	-
<b>Profit before taxation</b>		211,365	-	211,365
Taxation	31	(51,870)	-	(51,870)
Zakat		(6,339)	-	(6,339)
<b>Net profit for the period</b>		153,156	-	153,156
<b>Basic and diluted earnings per share (sen):</b>	32	17.60	-	17.60

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

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD FROM 18 JULY 2017 (DATE OF INCORPORATION)**  
**TO 31 DECEMBER 2018**

<b>18.7.2017 to 31.12.2018</b>				
	<b>Note</b>	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Company RM'000</b>
<b>Net profit for the period</b>		153,156	-	153,156
<b>Other comprehensive income:</b>				
<b>Item that may be subsequently reclassified to income statement:</b>				
Net gains on Fair Value through Other Comprehensive Income ("FVOCI") financial assets:				
- Fair value changes		5,490	1,985	7,475
- Transfer to profit and loss upon disposal	23	1,391	2,314	3,705
Tax effects relating to components of other comprehensive income	16	(1,651)	(1,032)	(2,683)
Other comprehensive loss attributable to participants		-	(3,267)	(3,267)
<b>Other comprehensive income for the period, net of tax</b>		<b>5,230</b>	<b>-</b>	<b>5,230</b>
<b>Total comprehensive income for the period</b>		<b>158,386</b>	<b>-</b>	<b>158,386</b>

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



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

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD FROM 18 JULY 2017 (DATE OF INCORPORATION) TO 31 DECEMBER 2018**

	Attributable to Equity Holder of the Company				Total Equity RM'000
	Non-Distributable		Distributable		
	Share Capital RM'000	FVOCI Reserves RM'000	Retained Profits RM'000		
At 18 July 2017 (date of incorporation)	- *	-	-	-	- *
Net profit after tax for the period	-	-	153,156		153,156
Other comprehensive income for the period	-	5,230	-		5,230
Total comprehensive income for the period	-	5,230	153,156		158,386
Issue during the period <sup>1</sup>	870,000	-	-		870,000
At 31 December 2018	870,000	5,230	153,156		1,028,386

\*Representing RM1

<sup>1</sup> The Company was incorporated on 18 July 2017 with a share capital of RM1 comprising 1 ordinary share. On 20 December 2017, the Company increased its share capital to RM870,000,000 by the issuance of 869,999,999 ordinary shares.

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

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

**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM 18 JULY 2017 (DATE OF INCORPORATION)**  
**TO 31 DECEMBER 2018**

**18.7.2017**  
**to**  
**31.12.2018**  
**RM'000**

**CASH FLOW FROM OPERATING ACTIVITIES**

Profit before taxation and zakat:	211,365
Adjustments for:	
Amortisation of intangible assets	251
Fair value losses on financial assets at fair value through profit or loss ("FVTPL")	3,503
Realised gains on disposal of investments	11,578
Recovery of bad debts	(1,212)
Reversal of impairment losses on investments	(141)
Reversal of impairment losses on takaful receivables	(211)
Impairment losses on other receivables	634
Reversal of impairment losses on retakaful assets	(4)
Profit income	(115,233)
Gross dividend/distribution income	(2,018)
Net amortisation of premiums	2,353
Decrease in net contribution liabilities	60,770
Surplus transferred to participant's fund	76,658
Operating cash flows before working capital changes	248,293
Changes in working capital:	
Proceeds from sale of investments	1,198,074
Purchase of investments	(2,250,474)
Decrease in takaful receivables	38,808
Decrease in other receivables	41,284
Increase in takaful payables	(13,799)
Increase in other payables	9,287
Decrease in expense liabilities	(10,326)
Operating cash flows after working capital changes and carried forward	(738,853)

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

**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM 18 JULY 2017 (DATE OF INCORPORATION)**  
**TO 31 DECEMBER 2018**

**18.7.2017**  
**to**  
**31.12.2018**  
**RM'000**

**CASH FLOW FROM OPERATING ACTIVITIES (CONTD.)**

Brought forward	(738,853)
Changes in working capital:	
Increase in placements of deposits with financial institutions	(78,013)
Decrease in retakaful assets	29,092
Increase in claims liabilities	(63,399)
Profit income received	105,407
Gross dividend/distribution income received	1,927
Taxation paid	(19,279)
Hibah paid to participants	(60,408)
Net cash flows generated from operating activities	<u>(823,526)</u>

**CASH FLOW FROM INVESTING ACTIVITIES**

Purchase of intangible assets	<u>(204)</u>
Net cash flows used in investing activities	<u>(204)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Issuance of share capital	<u>870,000</u>
Net cash flows used in financing activities	<u>870,000</u>

<b>Increase in cash and cash equivalents</b>	<b>46,270</b>
<b>Cash and cash equivalents on the date of incorporation</b>	<b>-</b>
Transferred from Etiqa Family Takaful Berhad ("EFTB")	<u>33,959</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>80,229</u></b>

**Cash and cash equivalents comprise:**

Cash and bank balances of:	
Shareholder's fund	18,115
General takaful fund	<u>62,114</u>
	<u>80,229</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

**1. CORPORATE INFORMATION**

The Company is a public limited liability company, incorporated on 18 July 2017 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 and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad ("MAHB") and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

On 1 January 2018, the MAHB Group has successfully completed the Conversion of Composite Licences to Single Licences ("Licence Split") and surrendered the composite licences in exchange for the four single licences. Consequently, the general takaful business of Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad) was transferred to the Company.

On 1 January 2018, the Company was then granted the licence to underwrite general takaful business.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 February 2019.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

**(a) Statement of compliance**

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

There will be no comparative information and disclosure as the Company is a newly incorporated entity. Pursuant to the Companies Act 2016, the first set of financial statements for the newly incorporated entity shall be prepared within 18 months from the date of its incorporation which is this financial period ended 31 December 2018.

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.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.1 Basis of preparation (Contd.)**

**(a) Statement of compliance (Contd.)**

In preparing the Company-level financial statements, the balances and transactions of the shareholder's fund are amalgamated and combined with the general takaful fund. Interfund balances, transactions and unrealised gains or losses are eliminated in full during amalgamation. The accounting policies adopted for shareholder's and the takaful fund are uniform for like transactions and events in similar circumstances.

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

**Takaful 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 general takaful fund in line with the principles of Wakalah (agency), which is the main business model adopted by the Company. Under the Wakalah model, the takaful operator is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purpose outlined above.

In accordance with the Islamic Financial Services Act 2013 ("IFSA"), the assets and liabilities of the takaful funds 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 funds are consolidated with those of the takaful operator to represent the control possessed by the operator over the respective funds.

The inclusion of separate information of the takaful funds and the takaful operator together with the consolidated financial information of the Company in the statement of financial position, the income statement, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information required for Bank Negara Malaysia reporting.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.1 Basis of preparation (Contd.)**

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

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

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

The preparation of financial statements in conformity with MFRS 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 note 2.2(xiii) which present a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amounts of the general takaful liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 38.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies**

**(i) Property, plant and equipment and depreciation**

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

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

Work-in-progress are also 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 and equipment is computed on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Furniture, fittings, office equipment and renovations	20%
Computers and peripherals	14% - 25%
Electrical and security equipment	10%
Motor vehicles	25%

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

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.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(ii) Leases**

**(a) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Company all the risk and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risk and rewards incidental to ownership are classified as operating leases.

**(b) Operating leases - the Company as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

**(iii) Intangible assets**

Intangible assets include computer software and licences. Intangible assets acquired separately are measured on initial recognition at fair value. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Amortisation is charged to profit or loss. Work-in-progress are also not depreciated 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.



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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(iii) Intangible assets (Contd.)**

**Computer software and licenses**

The useful lives of computer software and licenses are amortised using the straight-line method over their estimated useful lives of 10 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

**(iv) Financial assets**

Financial assets are recognised in the statement of financial position when, and only when, the Company and/or the takaful fund become a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

**(a) Classification of financial assets**

Upon the implementations of MFRS 9 *Financial Instruments* on 1 January 2018, the Company and the takaful fund determine the classification of financial assets at initial recognition depending on the business model for managing the financial assets and the contractual cash flows characteristic. The categories include financial assets at fair value through profit or loss ("FVTPL"), fair value to other comprehensive income ("FVOCI") and amortised cost ("AC") financial assets.

**(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 Solely Payments of Principal and Interest ("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.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(iv) Financial assets (Contd.)**

**(a) Classification of financial assets (Contd.)**

**(i) Financial assets at FVTPL (Contd.)**

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.

**(ii) Financial Assets at FVOCI**

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

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, to measure changes through FVOCI i.e. without recycling profit or loss upon derecognition.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. 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. Other net gain and losses are recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. On derecognition, gain or losses accumulated in other comprehensive income are reclassified to profit or loss.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(iv) Financial assets (Contd.)**

**(a) Classification of financial assets (Contd.)**

**(iii) Financial Assets at AC**

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

Subsequent to initial recognition, financial assets at AC are measured at amortised cost using the effective interest 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) Business model assessment**

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(iv) Financial assets (Contd.)**

**(b) Business model assessment (Contd.)**

The Company and the takaful fund's business model are not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors and is determined by the key management personnel on the basis of both:

- the way that assets are managed and their performance is reported to them; and
- the contractual cash flow characteristics of the financial asset.

The expected frequency, value and timing of asset sales are also important aspects of the Company and the takaful fund's assessment. The Company and the takaful fund should assess its business models at each reporting period in order to determine whether the models have changed since the preceding period.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company and the takaful fund's original expectations, the Company and the takaful fund do 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:

- determined by the Company's senior management as a result of external or internal changes;
- significant to the Company's operations; and
- demonstrable to external parties.

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(iv) Financial assets (Contd.)**

**(c) The SPPI test**

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

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

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

**(d) Derecognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Company and the takaful fund have 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 and the takaful fund commit to purchase or sell the asset.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(v) Fair value of financial assets at FVTPL and FVOCI**

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 instrument that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are stated at cost and assessed for impairment at each reporting date.

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

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(v) Fair value of financial assets at FVTPL and FVOCI (Contd.)**

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument 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.

**(vi) Impairment**

**(a) Impairment of financial assets**

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

The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments, financial guarantee contracts, which will include loans, advances, financing, takaful receivables, debts instruments and deposits held by the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*.

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(vi) Impairment (Contd.)**

**(a) Impairment of financial assets (Contd.)**

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

**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 ECL and one that is based on lifetime ECLs. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. ECL is recognised in three stages as below:

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



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(vi) Impairment (Contd.)**

**(a) Impairment of financial assets (Contd.)**

**Forward-looking information and ECL measurement**

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

Loan, advance, and financing

The ECL on the loan portfolio of the Company is computed using a risk sensitive model, leveraging on the ECL coverage ratio calculated for comparable portfolios in MBB for Stage 1 and Stage 2 and individual assessment is applied for Stage 3.

Takaful receivables

The impairment on takaful receivables is 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 premium type's arrangement respectively. The impairment is to be calculated on the total outstanding balance including all aging buckets from current to 12 months and above. Roll rates is to be applied on the outstanding balance of the aging bucket which forms the base of the roll rate. A forward-looking factor is to be included in the calculation of ECL.

Financial assets at FVOCI and AC

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(vi) Impairment (Contd.)**

**(a) Impairment of financial assets (Contd.)**

Financial assets at FVOCI and AC (Contd.)

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

- Financial assets measured at FVTPL;
- Equity instruments;
- Local federal government and local central bank-issued bonds, Treasury Bills and Notes are considered low credit risk on the basis that both federal government and central bank have strong capacity in repaying the instruments upon maturity. In addition, there is no past historical lost experiences arising from these government securities in all jurisdictions in which the Company and the takaful fund operate.

**(b) Non-financial assets**

The Company and the takaful fund assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and the takaful fund 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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(vi) Impairment (Contd.)**

**(b) Non-financial assets (Contd.)**

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

**(vii) Retakaful assets**

The Company and the takaful fund, as the operator of the participants' funds, cede takaful risk in the normal course of its takaful business. Ceded retakaful arrangements do not relieve the Company and the takaful fund 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 arrangements, entered into by the Company and the takaful fund, that meet the classification requirements of takaful certificates as described in Note 2.2(xi) 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 certificate liabilities which have yet to be settled at the reporting date. Amounts recoverable from retakaful operators are measured consistently with the amounts associated with the underlying takaful certificate and the terms of the relevant retakaful arrangement.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(vii) Retakaful assets (Contd.)**

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

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

**(viii) Takaful receivables**

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

If there is objective evidence that a takaful receivable is impaired, the Company and the takaful fund reduce the carrying amount of the takaful receivable accordingly and recognises that impairment loss in profit or loss. Objective evidence of impairment for takaful receivables and the determination of consequential impairment losses are as described in Note 2.2(vi).

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

**(ix) Cash and cash equivalents**

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

**(x) Equity instruments**

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xi) Product classification**

The Company and the takaful fund, as the operator of the participants' funds, issue certificates that contain takaful underwriting risk or both financial and takaful underwriting 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 variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Takaful underwriting risk is risk other than financial risk.

A takaful certificate is a certificate under which the participants' fund has accepted significant takaful risk from the participants by agreeing to compensate the participants if a specified uncertain future event (the insured event) adversely affects the participants. As a general guideline, the Company and the takaful fund define whether significant takaful risk has been accepted by comparing benefits paid or payable on the occurrence of an insured event against benefits paid or payable if the insured event does not occur. If the ratio of the former exceeds the latter by 5% or more, the takaful underwriting risk accepted is deemed to be significant.

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

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xi) Product classification (Contd.)**

Takaful and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a 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:
  - (i) performance of a specified pool of contracts or a specified type of contract; or
  - (ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - (iii) the profit or loss of the Company, fund or other entity that issues the contract.

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

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xi) Product classification (Contd.)**

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

**(xii) Shareholder's fund**

**Expense liabilities**

The expense liabilities of the shareholder's fund consist of expense liabilities of the general takaful fund which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the takaful certificates and recognised in profit or loss.

**(a) Expense liabilities of general takaful fund**

Expense liabilities in relation to the Company's general takaful business are reported as the higher of the aggregate of the provision for unearned wakalah fees ("UWF") and the unexpired expense reserves ("UER") and a Provision of Risk Margin for Adverse Deviation ("PRAD"), as prescribed by BNM.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xii) Shareholder's fund (Contd.)**

**Expense liabilities (Contd.)**

**Provision for unearned wakalah fees**

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing general takaful certificates that relate to the unexpired periods of certificates at the end of the reporting period. The method used in computing UWF is consistent with the method used to reflect the actual unearned contribution reserves ("UCR").

**Unexpired expense reserves**

UER consists of the best estimate value of the unexpired expense reserves at the valuation date and a PRAD as prescribed by BNM. The best estimate UER is determined based on the expected claims handling expenses to be incurred as well as the expected expenses in maintaining certificates with unexpired risks. The method used in computing UER is consistent with the calculation of unexpired risk reserves ("URR").

**(b) Liability adequacy test**

At each reporting date, the Company reviews expense liabilities of the shareholder's fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of shareholder's fund for all managed takaful certificates.

In performing this review, the Company considers all contractual cash flows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in profit or loss.



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xiii) General takaful fund**

The general takaful fund is maintained in accordance with the IFSA 2013 and consists of FVOCI reserves and any surplus/deficit attributable to participants which represents the participants' share in the net surplus/deficit of the general takaful fund. Any deficit in the general takaful fund will be made good by the shareholder's fund via a benevolent loan or Qard. Surplus is distributable in accordance with the terms and conditions prescribed by the Shariah Committee of the Company and as approved by the Appointed Actuary.

The general takaful underwriting results are determined for each class of business after taking into account retakaful, changes in takaful certificate liabilities, wakalah fees and management expenses.

**(a) Contribution income**

Contribution income is recognised in the financial period in respect of risks assumed during that particular financial period. Contributions from direct business are recognised during the financial period upon the issuance of debit notes. Contributions in respect of risks incepted for which debit notes have not been issued as of the reporting date are accrued at that date.

Inward facultative retakaful contributions are recognised in the financial period in respect of the facultative risks accepted during that particular financial period, as in the case of direct certificates, following the individual risks' inception dates.

Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators.

Outward retakaful contributions are recognised in the same financial period as the original certificate to which the retakaful relates.

**(b) General takaful certificate liabilities**

The general takaful certificate liabilities of the Company comprise claim liabilities and contribution liabilities.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xiii) General takaful fund (Contd.)**

**(b) General takaful certificate liabilities (Contd.)**

**Contribution liabilities**

Contribution liabilities represent the Company's future obligations on takaful certificates as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful certificates and is recognised as contribution income.

In accordance with the valuation requirements of the RBCT Framework, contribution liabilities are reported at the higher of the aggregate of the UCR for all lines of business or the best estimate value of the URR at the end of the financial period and a provision of risk margin for adverse deviation ("PRAD") as prescribed by BNM.

**- *Unearned contribution reserves***

UCR represent the portion of the contributions of takaful certificates written, net of the related retakaful contributions ceded to qualified retakaful operators, that relate to the unexpired periods of the certificates at the reporting date.

In determining UCR at the reporting date, the method that most accurately reflects the actual unearned contribution is used as follows:

- 25% method for marine cargo and aviation cargo, and transit business; and
- all other classes of general business, using time-apportionment basis over the period of the risks, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding contributions, not exceeding limits specified by BNM as follows:

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xiii) General takaful fund (Contd.)**

**(b) General takaful certificate liabilities (Contd.)**

**Contribution liabilities (Contd.)**

**- *Unearned contribution reserves (Contd.)***

Motor and bond	10%
Fire, engineering, aviation and marine hull	15%
Workmen compensation and employers' liability:	
- Foreign workers	10%
- Others	25%
Other classes	25%

**Wakalah**

The UCR for wakalah business is calculated on contribution income with a further deduction for wakalah management expense to reflect the wakalah business principle.

**- *Unexpired risk reserves ("URR")***

The URR is a prospective estimate of the expected future payments arising from future events covered under certificates in force as at the reporting date and also includes allowance for expenses, including overheads and costs of retakaful, expected to be incurred during the unexpired period in administering these certificates and settling the relevant claims, and expected future contribution refunds. URR is estimated via an actuarial valuation performed by a Appointed Actuary.

**Claim liabilities**

Claim liabilities represent the Company's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities are the estimated provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") and related claims handling costs. Claim liabilities are measured at best estimate value and include a PRAD as prescribed by BNM.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xiii) General takaful fund (Contd.)**

**(b) General takaful certificate liabilities (Contd.)**

**Claim liabilities (Contd.)**

Liabilities for outstanding claims are recognised upon notification by participants.

Claim liabilities are determined based upon valuations performed by the Appointed Actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns. Claim liabilities are not discounted.

**(c) Liability adequacy test**

At each reporting date, the Company reviews all takaful certificate liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the general takaful fund, contractual or otherwise, with respect to takaful certificates issued. In performing this review, the Company estimates all contractual cash flows and compares this against the carrying value of takaful certificate liabilities. Any deficiency is recognised in the income statement.

**(d) Claim expenses**

Claim expenses represent compensation paid or payable on behalf of the certificate holders in relation to a specific loss event that has occurred. They include claims, handling costs and settlement costs and arise from events that have occurred up to the end of the reporting year even if they had not been reported to the Company.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xiii) General takaful fund (Contd.)**

**(e) Commission expenses/acquisition costs**

Commission expenses net of income derived from retakaful, which are costs directly incurred in securing contributions on takaful certificates net of income derived from ceding retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Mudharabah principle

Commission expenses are borne by the general takaful fund with the resulting underwriting surplus/deficit after expenses shared between the Company and the participants as advised by the Shariah Committee.

Wakalah principle

Commission expenses are borne by the shareholder's fund. This is in accordance with the principles of Wakalah as approved by the Shariah Committee and agreed between the participants and the Company.

**(xiv) Takaful payables**

Takaful payables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

**(xv) Financial liabilities**

Financial liabilities are recognised in the statement of financial position when, and only when, the Company and the takaful fund 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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xv) Financial liabilities (Contd.)**

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

The Company and the takaful fund's other financial liabilities include takaful payables and other payables and subordinated obligation. Other payables are subsequently measured at amortised cost using the effective profit method.

Subsequent to initial recognition, subordinated obligation is recognised at amortised cost using the effective profit method. Subordinated obligation is classified as a current liability unless the Company has a conditional right to defer settlement of the liability for at least 12 months after the reporting date.

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, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**(xvi) Offsetting of Financial Assets and Financial Liabilities**

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xvii) Measurement and impairment of Qard**

In the event where the assets of the takaful funds are insufficient to meet the liabilities, the shareholder's fund is required to rectify the deficit of the takaful funds via a Qard, which is a profit free loan. The Qard shall be repaid from future surpluses of the takaful fund. In the shareholder's fund, the Qard is stated at cost less impairment losses, if any, whereas in the takaful funds, the Qard is stated at cost.

At each reporting date, the balance of the Qard and the ability of the affected funds to generate sufficient surpluses to repay the shareholder's fund is assessed. The likelihood that the Qard will be repaid and the duration of time that will be required to repay the Qard is determined and ascertained via projected cash flows which take into account past experience of the affected fund. The projected cash flows are then discounted to determine the recoverable value of the Qard.

If the carrying amount of the Qard exceeds its recoverable amount, the difference is recognised as an impairment loss and the Qard is written down to its recoverable amount. Impairment losses are subsequently reversed in profit or loss if objective evidence exists that the Qard is no longer impaired.

**(xviii) Other revenue recognition**

Revenue is recognised when the Company and the takaful fund satisfy a performance obligation by transferring a promised good or service to a customer. Generally, satisfaction of a performance obligation occurs when/as the Group and 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 and the takaful fund 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 of time.

When/as a performance obligation is satisfied, the Company and the takaful fund 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).

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xviii) Other revenue recognition (Contd.)**

**(a) Dividend income**

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

**(b) Profit income**

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

**(c) Fund management fees**

Fund management fees are recognised at a point of time when services are rendered.

**(d) Wakalah fees**

Wakalah fees represent fees charged by the shareholder's fund to manage takaful certificates issued by the general takaful fund under the principle of Wakalah and are recognised at a point of time as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Shariah.

**(xix) Fee and commission income**

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

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

**(xx) Employee benefits**

**(a) Short-term benefits**

Wages, salaries, bonuses and social security contributions ("SOCSSO") are recognised as an expense in the period in which the associated services are rendered by employees.



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xx) Employee benefits (Contd.)**

**(a) Short-term benefits (Contd.)**

Short-term accumulating compensated absences such as paid annual leave are recognised 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 when the absences occur.

**(b) 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.

**(c) Share-based compensation**

- ESOS

The ESOS is an equity-settled, share-based compensation plan that allows the Directors and employees of the Company to acquire shares of MBB. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the amount due to MBB over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, MBB revises its estimates of the number of options that are expected to become exercisable over the vesting period.

- Restricted share units ("RSU")

Senior management personnel of the MBB group, including personnel of the Company, are entitled to performance-based restricted shares as consideration for services rendered. The RSU may be settled by way of issuance and transfer of new MBB shares or by cash at the absolute discretion of the ESS Committee.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xx) Employee benefits (Contd.)**

**(c) Share-based compensation (Contd.)**

**- Restricted share units ("RSU") (Contd.)**

The total fair value of RSU granted to senior management employees is recognised as an employee cost with a corresponding increase in the reserve within MBB's equity over the vesting period and taking into account the probability that the RSU will vest.

The Company's share of the RSU is recognised as an employee cost with a corresponding increase in the amount due to MBB. The fair value of RSU is measured at grant date, taking into account, the market vesting conditions upon which the RSU were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be awarded on the vesting date.

At each reporting date, MBB revises its estimates of the number of RSU that are expected to be awarded on vesting date.

**- Employees' Share Grant Plan ("ESGP Shares")**

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

The total fair value of ESGP Shares granted to eligible employees is recognised as an employee cost with a corresponding increase in the reserve within equity over the vesting period and taking into account the probability that the ESGP Shares will vest. 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, the Bank will recognise the impact of the actual numbers of ESGP Shares vested as compared to original estimates.

**ETIQA GENERAL TAKAFUL BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xx) Employee benefits (Contd.)**

**(c) Share-based compensation (Contd.)**

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

The CESGP is awarded to the eligible Executive Directors and employees of the participating MBB 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 MBB Reference Shares will be transferred to the eligible employees.

**(xxi) Foreign currencies**

**(a) Functional and presentation currency**

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

The financial statements are presented in RM, which is also the Company's functional and presentation currency.

**(b) Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xxi) Foreign currencies (Contd.)**

**(b) Foreign currency transactions (Contd.)**

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the 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.

**(xxii) Income tax**

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as an income or an expense and included in profit or loss, except when it arises from a transaction which is recognised directly in equity/takaful certificate liabilities, in which case the deferred tax is also recognised directly in other comprehensive income/takaful certificate liabilities.

**(xxiii) Zakat**

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

**ETIQA GENERAL TAKAFUL BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.3 Standards and Annual Improvements to Standards Issued but Not Yet Effective**

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

Description	Effective for annual periods beginning on or after
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle:	
(i) Amendments to MFRS 3 <i>Business Combinations</i> and MFRS 11 <i>Joint Arrangements</i>	1 January 2019
(ii) Amendments to MFRS 112 <i>Income Tax</i>	1 January 2019
(iii) Amendments to MFRS 123 <i>Borrowing Costs</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
MFRS 10 <i>Consolidated Financial Statements</i> (Amendments to MFRS10) and MFRS 128 <i>Investment in Associates and Joint Ventures</i> (Amendments to MFRS 128): Sale or Contribution of Assets between an investor and its Associate or Joint venture (Amendments to MFRS128)	To be announced by MASB

The Company does not expect that the adoption of the above pronouncements will have significant financial implications in future financial statements other than below:

**MFRS 16 Leases**

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

**ETIQA GENERAL TAKAFUL BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.3 Standards and Annual Improvements to Standards Issued but Not Yet Effective (Contd.)**

**MFRS 16 Leases (Contd.)**

**(i) Lessee**

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

**(ii) Lessor**

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Company is in the process of assessing the financial implication for adopting the new standard and plan to adopt the new standard on the required effective date.

The Company has chosen to apply the standard using the modified restropective approach and has established a project team to study the implication. The final impacts are still being assessed and will be adjusted as necessary.

**ETIQA GENERAL TAKAFUL BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.3 Standards and Annual Improvements to Standards Issued but Not Yet Effective (Contd.)**

**MFRS 17 *Insurance Contracts***

MFRS 17 will replace MFRS 4 *Insurance Contracts* that was issued in 2005. MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured at every reporting period (the fulfilment cash flows);
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the profit & loss, but are recognised directly on the statement of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.3 Standards and Annual Improvements to Standards Issued but Not Yet Effective (Contd.)**

***MFRS 17 Insurance Contracts (Contd.)***

The standard is effective for annual periods beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. An entity shall apply MFRS 17 based on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application for estimating the CSM, as defined by MFRS 108 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

(i) Modified retrospective approach

Based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.

(ii) Fair value approach

The CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date).

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

The Company has established a project team, with assistance from the Actuarial, Finance, Risk, IT and various departments to study the implication and to evaluate the potential impact of adopting this standard on the required effective date.



**ETIQA GENERAL TAKAFUL BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.4 Adoption of accounting policies - MFRS 9 *Financial Instruments***

The adoption of this standard resulted in changes in adjustments to the financial assets and financial liabilities which were transferred from EFTB (formerly known as Etiqa Takaful Berhad). The accounting policies that relate to the classification, measurement and impairment of transferred financial assets and financial liabilities were also amended to comply with this standard.

**(a) Classification of financial assets and financial liabilities**

The following table shows the original measurement categorised in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the financial assets and financial liabilities transferred to the Company as at 1 January 2018.

<b>Financial assets</b>	<b>Note</b>	<b>Original classifica- tion under MFRS 139</b>	<b>New classifica- tion under MFRS 9</b>	<b>Original carrying amount under MFRS 139 RM'000</b>	<b>New carrying amount under MFRS 9 RM'000</b>
Malaysian government papers	A	AFS	FVOCI	340,197	340,197
Debt securities	A	AFS	FVOCI	1,142,232	1,142,232
Equity securities	B	AFS	FVTPL	12,668	12,668
Deposits with financial institutions	C	LAR	AC	202,251	202,251
Other receivables	C	LAR	AC	15,897	15,897
				<b>1,713,245</b>	<b>1,713,245</b>

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.4 Adoption of accounting policies - MFRS 9 *Financial Instruments* (Contd.)**

**(a) Classification of financial assets and financial liabilities (Contd.)**

The following table shows the original measurement categorised in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the financial assets and financial liabilities transferred to the Company as at 1 January 2018. (Contd.)

		Original classifica- tion under MFRS 139	New classifica- tion under MFRS 9	Original carrying amount under MFRS 139 RM'000	New carrying amount under MFRS 9 RM'000
Financial liabilities	Note				
Other payables		LAR	AC	346,231	346,231
				<b>346,231</b>	<b>346,231</b>

**Notes:**

- A These instruments are managed within a business model of collecting contractual cash flows (SPPI test) and selling the financial assets. Malaysian government papers and debt securities are held to meet everyday liquidity needs. The Company seeks to minimise the costs of managing liquidity needs and therefore actively manage the return on the portfolio. Returns consist of collecting contractual payments as well as gains and losses from the sale of financial assets.
- B Equity securities including non-trading equities (i.e. unquoted shares) are measured at FVTPL under MFRS 9 as these instruments do not meet SPPI test and the Company has not elected to measure at FVOCI. For non-trading equities the valuation is made reference to the net tangible assets based on latest available audited financial statements of the company. However, the Company do not have non-trading equities as at 31 December 2018.
- C Deposits with financial institutions, takaful receivables and other receivables previously classified as LAR are held to collect contractual cashflows and give rise to cashflows representing solely payments of principal and interest. These are now classified and measured at amortised cost.

**ETIQA GENERAL TAKAFUL BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.4 Adoption of accounting policies - MFRS 9 *Financial Instruments* (Contd.)**

**(b) Financial effects arising from adoption of MFRS 9 Financial Instruments**

- (i) The adoption of MFRS 9 has also resulted in the following financial effects to the related statements of financial position items of the Company:

	Original classification under MFRS 139 RM'000	Classifica- tion and measure- ment RM'000	Expected credit losses RM'000	1 January 2018 RM'000
<b>General takaful fund</b>				
<b>Assets:</b>				
Takaful receivables	100,620	-	(510)	100,110
Deferred tax assets	5,069	-	122	5,191
<b>Liabilities:</b>				
<b>Liabilities</b>				
<b>Participants' funds</b>				
- Accumulated surplus	196,302	(136)	(1,416)	194,750
- AFS reserves	(12,753)	12,753	-	-
- FVOCI reserves	-	(12,617)	1,028	(11,589)

- (ii) The following table analyses the impact, net of tax, of transition to MFRS 9 on the transferred participants' funds of the Company:

	<b>RM'000</b>
<b>General takaful fund/Company</b>	
<b>Participants' funds - Accumulated surplus</b>	
As at 1.1.2018 (upon transfer of assets from EFTB)	196,302
Transfer from participants' funds - FVOCI reserves	(136)
Recognition of ECL	(1,538)
Deferred tax in respect of ECL	122
ECL, net of tax	(1,416)
As at 1.1.2018 (restated)	<u><u>194,750</u></u>
<b>Participants' funds - FVOCI reserves</b>	
As at 1.1.2018 (upon transfer of assets from EFTB)	(12,753)
Transfer to participants' funds - accumulated surplus	136
Recognition of ECL	1,028
As at 1.1.2018 (restated)	<u><u>(11,589)</u></u>

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

**3. PROPERTY, PLANT AND EQUIPMENT**

**General takaful fund/Company**

**Furniture,  
fittings, office  
equipment and  
renovations  
RM'000**

**2018**

**Cost**

At 18 July 2017 (date of incorporation)

-

Transferred from EFTB

23

At 31 December 2018

23

**Accumulated Depreciation**

At 18 July 2017 (date of incorporation)

-

Transferred from EFTB

23

At 31 December 2018

23

**Net Book Value at 31 December 2018**

-

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

**4. INTANGIBLE ASSETS**

**Shareholder's fund**

**Computer  
software and  
licences  
RM'000**

**2018**

**Cost**

At 18 July 2017 (date of incorporation)

-

Transferred from EFTB (Note 44)

3,030

Additions

204

At 31 December 2018

3,234

**Accumulated amortisation**

At 18 July 2017 (date of incorporation)

-

Transferred from EFTB (Note 44)

1,813

Amortisation charge for the period

251

At 31 December 2018

2,064

**Net Book Value at 31 December 2018**

1,170

**General takaful fund**

**Computer  
software and  
licences  
RM'000**

**2018**

**Cost**

At 18 July 2017 (date of incorporation)

-

Transferred from EFTB (Note 44)

5,536

At 31 December 2018

5,536

**Accumulated amortisation**

At 18 July 2017 (date of incorporation)

-

Transferred from EFTB (Note 44)

5,536

At 31 December 2018

5,536

**Net Book Value at 31 December 2018**

-

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

**4. INTANGIBLE ASSETS (CONTD.)**

**Company**

**Computer  
software and  
licences  
RM'000**

**2018**

**Cost**

At 18 July 2017 (date of incorporation)

-

Transferred from EFTB (Note 44)

8,566

Additions

204

At 31 December 2018

8,770

**Accumulated amortisation**

At 18 July 2017 (date of incorporation)

-

Transferred from EFTB (Note 44)

7,349

Additions

251

At 31 December 2018

7,600

**Net Book Value at 31 December 2018**

1,170

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

**5. INVESTMENTS**

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>2018</b>			
Malaysian government papers	2,003	334,707	336,710
Debt securities	948,124	1,151,260	2,099,384
Equity securities	26,070	30,175	56,245
Structured products (Note 6)	-	48,365	48,365
Deposits with financial institutions	147,552	132,711	280,263
	<u>1,123,749</u>	<u>1,697,218</u>	<u>2,820,967</u>

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

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>2018</b>			
Fair value through profit or loss ("FVTPL")			
- Designated upon initial recognition	-	56,637	56,637
- Held for trading ("HFT")	26,070	30,175	56,245
Fair value through other comprehensive income ("FVOCI")	950,127	1,477,695	2,427,822
Amortised cost ("AC")	147,552	132,711	280,263
	<u>1,123,749</u>	<u>1,697,218</u>	<u>2,820,967</u>

The following investments will mature after 12 months:

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>2018</b>			
FVTPL			
- Designated upon initial recognition	-	56,637	56,637
FVOCI	834,748	1,384,064	2,218,812
	<u>834,748</u>	<u>1,440,701</u>	<u>2,275,449</u>

Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
---------------------------------	-----------------------------------	-------------------

- Designated upon initial recognition

At fair value:

At fair value:  
Unquoted debt securities

in Malaysia

Structured product (Note 6)

-	8,272	8,272
-	48,365	48,365
-	56,637	56,637

## 2018

At fair value:

At fair value:  
Quoted equity securities

### Quoted equity in Malaysia

26,070	30,175	56,245
26,070	30,175	56,245
26,070	86,812	112,882

Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
---------------------------------	-----------------------------------	-------------------

## 2018

At fair value:

At tail value.  
Malaysian government papers

Unquoted debt securities in

Malaysia

2,003	334,707	336,710
948,124	1,142,988	2,091,112
<u>950,127</u>	<u>1,477,695</u>	<u>2,427,822</u>



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

**5. INVESTMENTS (CONTD.)**

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Company RM'000</b>
<b>(iii) AC</b>			
<b>2018</b>			
Islamic investment accounts with:			
Licensed financial institutions	105,111	109,311	214,422
Others	42,441	23,400	65,841
	<u>147,552</u>	<u>132,711</u>	<u>280,263</u>

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

**6. STRUCTURED PRODUCT**

With the adoption of MFRS 9 *Financial Instruments* on 1 January 2018, structured products of the Company are classified as FVTPL. MFRS 9 removes the bifurcation of embedded derivatives concept for financial assets. Hybrid financial assets would be classified and measured in their entirety at FVTPL rather than being subject to complex requirements under MFRS 139 *Financial Instruments: Recognition and Measurement*.

The notional amount, recorded at 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:

**General takaful fund/Company**

	<b>Principal/ Notional Amount RM'000</b>	<b>Net Carrying Amount RM'000</b>
<b>2018</b>		
<b>Financial assets at FVTPL</b>		
Structured deposits	50,000	48,365
Total structured product		<u>48,365</u>

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

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

**7. FINANCING RECEIVABLES**

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>2018</b>			
Corporate loans	-	3,331	3,331
Allowance for impairment losses (Note 39)	-	(3,331)	(3,331)
	<u>-</u>	<u>(3,331)</u>	<u>(3,331)</u>
	-	-	-

**8. RETAKAFUL ASSETS**

**General takaful fund/Company**

	<b>2018</b> <b>RM'000</b>
Retakaful operators' share of:	
Claims liabilities	188,007
Contribution liabilities	44,166
Retakaful assets (Note 14)	<u>232,173</u>

**9. TAKAFUL RECEIVABLES**

**General takaful fund/Company**

	<b>2018</b> <b>RM'000</b>
Due contributions including agents/ brokers, cedants and co-takaful business	95,205
Due from retakaful operators	7,854
	<u>103,059</u>
Allowance for impairment losses (Note 39)	(6,463)
	<u>96,596</u>

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

**9. TAKAFUL RECEIVABLES (CONTD.)**

Certain takaful receivables have been offset against the amount due to the same counterparties as follows:

	<b>Gross carrying amount RM'000</b>	<b>Gross amount recognised in takaful payables offset in Statement of Financial Position RM'000</b>	<b>Net amounts in the Statement of Financial Position RM'000</b>
<b>General takaful fund</b>			
<b>2018</b>			
Due contributions including agents/ brokers, cedants and co-takaful business	104,193	(8,988)	95,205
Due from retakaful operators	7,874	(20)	7,854
	<u>112,067</u>	<u>(9,008)</u>	<u>103,059</u>

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

**10. OTHER RECEIVABLES**

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2018</b>			
Sundry receivables, deposits and prepayments	24,893	153	25,046
Allowance for impairment losses (Note 39)	(634)	-	(634)
	<u>24,259</u>	<u>153</u>	<u>24,412</u>
Investment profit and dividend receivable	8,590	17,072	25,662
Amounts due from:			
General takaful fund*	65,716	-	-
Amounts due from stockbrokers	719	2,344	3,063
	<u>99,284</u>	<u>19,569</u>	<u>53,137</u>

\* The amounts due from the general takaful are non-trade in nature, unsecured, not subject to any profit elements and repayable upon demand.

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

**10. OTHER RECEIVABLES (CONTD.)**

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

Included in other receivables are balances due from related parties amounting to RM238,543.

**11. SHARE CAPITAL**

Shareholder's fund/Company	No. of shares '000	Amount RM'000
<b>2018</b>		
<b>Issued and fully paid:</b>		
<u>Ordinary shares</u>		
At 18 July 2017 (date of incorporation)	- *	- *
Issued during the period*	870,000	870,000
At 31 December 2018	<u>870,000</u>	<u>870,000</u>

\* The Company was incorporated on 18 July 2017 with a share capital of RM1 comprising 1 ordinary share. On 20 December 2017, the company increased its share capital to RM870,000,000 by the issuance of 869,999,999 ordinary shares.

**12. RESERVES**

	Shareholder's fund/Company RM'000
<b>2018</b>	
<b>Non-distributable:</b>	
FVOCI reserves (Note (i))	5,230
<b>Distributable:</b>	
Retained profits (Note (ii))	<u>153,156</u>
	<u>158,386</u>

- (i) The FVOCI reserves arose from changes in the fair value of the investments classified as FVOCI financial assets.
- (ii) The entire distributable retained profits may be distributed to the shareholders under the single-tier system.

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**13. PARTICIPANTS' FUND**

	<b>2018</b> <b>RM'000</b>
<b>General takaful fund/Company</b>	
Accumulated surplus (Note (i))	172,167
FVOCI reserves (Note (ii))	(8,322)
	<u>163,845</u>
(i) Accumulated surplus	
Transferred from EFTB (Note 44)	196,302
Effect of adopting MFRS 9 (Note 2.4(b)(ii))	(1,552)
	<u>194,750</u>
Surplus arising during the period	76,658
Paid / payable to participants during the period	(99,241)
At 31 December 2018	<u>172,167</u>
(ii) FVOCI reserves	
Transferred from EFTB (Note 44)	(12,753)
Effect of adopting MFRS 9 (Note 2.4(b)(ii))	1,164
	<u>(11,589)</u>
Fair value changes	1,985
Transfer to profit and loss upon disposal	2,314
Deferred tax on fair value changes (Note 16)	(1,032)
At 31 December 2018	<u>(8,322)</u>

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**14. TAKAFUL CERTIFICATE LIABILITIES**

**General takaful fund**

	<b>Gross RM'000</b>	<b>Retakaful RM'000 (Note 8)</b>	<b>Net RM'000</b>
<b>2018</b>			
Claims liabilities (Note (i))	869,254	(188,007)	681,247
Contribution liabilities (Note (ii))	634,309	(44,166)	590,143
	<u>1,503,563</u>	<u>(232,173)</u>	<u>1,271,390</u>

**(i) Claims liabilities**

	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>2018</b>			
At 18 July 2017 (date of incorporation)	-	-	-
Transferred from EFTB (Note 44)	932,653	(217,094)	715,559
Claims incurred in the current accident period	725,826	(26,665)	699,161
Movement in claims incurred in prior accident period	(43,133)	18,764	(24,369)
Claims paid during the period	(728,707)	32,733	(695,974)
Movements in PRAD	(17,385)	4,255	(13,130)
At 31 December 2018	<u>869,254</u>	<u>(188,007)</u>	<u>681,247</u>

**(ii) Contribution liabilities**

	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>2018</b>			
At 18 July 2017 (date of incorporation)	-	-	-
Transferred from EFTB (Note 44)	574,447	(45,074)	529,373
Contributions written during the period	1,309,375	(120,395)	1,188,980
Contributions earned during the period	(1,249,513)	121,303	(1,128,210)
At 31 December 2018	<u>634,309</u>	<u>(44,166)</u>	<u>590,143</u>

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**15. EXPENSE LIABILITIES**

	2018 RM'000
<b>Shareholder's fund/Company</b>	
UWF of general takaful fund	127,590
	<u>127,590</u>
	2018 RM'000
At 18 July 2017 (date of incorporation)	-
Transferred from EFTB (Note 44)	137,916
Wakalah fee received during the period (Note 21)	411,769
Wakalah fee earned during the period	(422,095)
Movement in UWF (Note 29)	(10,326)
At 31 December 2018	<u>127,590</u>

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**16. DEFERRED TAXATION**

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>2018</b>			
At 18 July 2017 (date of incorporation)	-	-	-
Transferred from EFTB (Note 44)	-	5,069	5,069
Effect of adopting MFRS 9 (Note 2.4 (b)(ii))	-	122	122
	-	5,191	5,191
Recognised in:			
Income statement (Note 31)	732	-	732
Tax borne by participants (Note 31)	-	2,824	2,824
Other comprehensive income/ participants' fund	(1,651)	(1,032)	(2,683)
At 31 December 2018	(919)	6,983	6,064



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**16. DEFERRED TAXATION (CONTD.)**

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

	<b>2018</b>
	<b>RM'000</b>
<b>Shareholder's fund</b>	
Deferred tax assets	732
Deferred tax liabilities	(1,651)
	<u>(919)</u>

The components and movements of deferred tax liabilities and assets of the shareholder's fund during the financial period prior to offsetting are as follows:

**(i) Deferred tax assets**

	Fair value adjustment RM'000	Impairment on ECL financial assets RM'000	Net amortisation of premiums on investments RM'000	Total RM'000
<b>2018</b>				
At 18 July 2017 (date of incorporation)				
Recognised in:				
Income statement	429	162	141	732
At 31 December 2018	<u>429</u>	<u>162</u>	<u>141</u>	<u>732</u>

**(ii) Deferred tax liabilities**

	FVOCI reserves RM'000	Total RM'000
<b>2018</b>		
At 18 July 2017 (date of incorporation)	-	-
Recognised in:		
Other comprehensive income	(1,651)	(1,651)
At 31 December 2018	<u>(1,651)</u>	<u>(1,651)</u>

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**16. 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 shown in the statement of financial position has been determined after appropriate offsetting as follows:

General takaful fund	2018 RM'000
Deferred tax assets	6,983
	<u>6,983</u>

The components and movements of deferred tax assets/(liabilities) of the general takaful fund during the financial period prior to offsetting are as follows:

**(i) Deferred tax assets**

2018	Net accretion of discounts on investments RM'000	Fair value adjustment RM'000	Impairment on takaful receivables RM'000	FVOCI reserves RM'000	Impairment on investments RM'000	Takaful certificate liabilities RM'000	Total RM'000
At 18 July 2017	-	-	-	-	-	-	-
(date of incorporation)	952	-	-	4,028	887	26	5,893
Transferred from EFTB (Note 44)	-	43	122	(43)	-	-	122
Effect of adopting MFRS 9	952	43	122	3,985	887	26	6,015
Recognised in:							
Tax borne by participants	234	466	1,430	-	(151)	21	2,000
Other comprehensive income	-	-	-	(1,032)	-	-	(1,032)
At 31 December 2018	1,186	509	1,552	2,953	736	47	6,983

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16. DEFERRED TAXATION (CONTD.)

(ii) Deferred tax liabilities

	Others RM'000	Total RM'000
2018		
At 18 July 2017 (date of incorporation)	-	-
Transferred from EFTB (Note 44)	(824)	(824)
Recognised in:		
Tax borne by participants	(824)	(824)
At 31 December 2018	824	824
	-	-

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**17. TAKAFUL PAYABLES**

<b>General takaful fund/Company</b>	<b>2018 RM'000</b>
Amounts due to agents/brokers, cedants and co-takaful business	63,736
Amounts due to retakaful operators	38,291
	<u>102,027</u>

Certain takaful payables have been offset against the amount due to the same counterparties as follows:

	<b>Gross carrying amount RM'000</b>	<b>Gross amount recognised in takaful receivables offset in Statement of Financial Position RM'000</b>	<b>Net amounts in the Statement of Financial Position RM'000</b>
<b>2018</b>			
<b>General takaful fund</b>			
Due contributions including agents/ brokers, cedants and co-takaful business	72,724	(8,988)	63,736
Due from retakaful operators	38,311	(20)	38,291
	<u>111,035</u>	<u>(9,008)</u>	<u>102,027</u>

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

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**18. OTHER PAYABLES**

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2018</b>			
Amounts due to:			
Shareholder's fund*	-	65,716	-
Unclaimed monies	-	29,608	29,608
Service tax payable	-	16,220	16,220
Mudharabah payable	-	203,648	203,648
Amount due to ultimate holding company*	1,386	-	1,386
Amount due to holding company*	1,214	-	1,214
Amount due to related parties*	10,985	-	10,985
Zakat payable	6,339	-	6,339
Provisions for expenses	3,941	-	3,941
Sundry payables and accrued liabilities	28,235	33,909	62,144
	<u>52,100</u>	<u>349,101</u>	<u>335,485</u>

\* Amounts due to related companies and the shareholder's fund are non-trade in nature, unsecured, not subject to any profit elements and are repayable upon demand.

Included in other payables are balances due to related parties amounting to RM1,088,358.

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**19. OPERATING REVENUE**

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>18.7.2017 to 31.12.2018</b>			
Wakalah fees (Note 21)	411,769	-	-
Investment income (Note 22)	46,028	68,242	114,270
Gross contributions (Note 20)	-	1,309,375	1,309,375
	<u>457,797</u>	<u>1,377,617</u>	<u>1,423,645</u>

**20. NET EARNED CONTRIBUTION**

	<b>18.7.2017 to 31.12.2018 RM'000</b>
<b>General takaful fund/Company</b>	
Gross contribution	1,309,375
Change in unearned contribution reserves	(59,862)
	<u>1,249,513</u>
Contributions ceded to retakaful operators	(120,395)
Change in unearned contribution reserves	(908)
	<u>(121,303)</u>
<b>Net earned contributions</b>	<u>1,128,210</u>

**21. FEE AND COMMISSION INCOME**

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>18.7.2017 to 31.12.2018</b>			
Wakalah fee income from:			
General takaful fund	411,769	-	-
Retakaful commission income	-	15,830	15,830
Others	-	467	467
<b>Total fee and commission income</b>	<u>411,769</u>	<u>16,297</u>	<u>16,297</u>

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**22. INVESTMENT INCOME**

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>18.7.2017 to 31.12.2018</b>			
<b>Financial assets at FVTPL:</b>			
- Designated upon initial recognition			
Profit income	-	3,438	3,438
- HFT			
Dividend income:			
Quoted equity securities in Malaysia	1,056	962	2,018
<b>Financial assets at FVOCI:</b>			
Profit income	42,215	61,302	103,517
<b>Financial assets at AC:</b>			
Profit income	3,627	4,651	8,278
Net amortisation of premiums	(642)	(1,711)	(2,353)
Investment related expenses	(228)	(400)	(628)
<b>Total investment income</b>	<b>46,028</b>	<b>68,242</b>	<b>114,270</b>

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**23. REALISED LOSSES**

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>18.7.2017 to 31.12.2018</b>			
<b>Financial assets at FVTPL</b>			
- HFT			
Realised losses:			
Quoted equity securities	(8,051)	(7,232)	(15,283)
	<u>(8,051)</u>	<u>(7,232)</u>	<u>(15,283)</u>
<b>Financial assets at FVOCI</b>			
Realised gains:			
Malaysian government papers	211	201	412
Unquoted debt securities	1,180	2,113	3,293
	<u>1,391</u>	<u>2,314</u>	<u>3,705</u>
<b>Total realised losses</b>	<u>(6,660)</u>	<u>(4,918)</u>	<u>(11,578)</u>

**24. FAIR VALUE LOSSES**

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>18.7.2017 to 31.12.2018</b>			
<b>Financial assets at FVTPL:</b>			
- Designated upon initial recognition	-	(1,363)	(1,363)
- HFT	(1,783)	(357)	(2,140)
<b>Total fair value losses</b>	<u>(1,783)</u>	<u>(1,720)</u>	<u>(3,503)</u>



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**25. OTHER OPERATING INCOME, NET**

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>18.7.2017 to 31.12.2018</b>			
<b>Other income</b>			
Reversal of impairment losses on:			
- Investments	-	262	262
- Takaful receivables	-	211	211
- Retakaful assets	-	4	4
Bad debts recovery	-	1,212	1,212
Realised gain on foreign exchange	-	1	1
Sundry income	1,619	44	1,663
	<u>1,619</u>	<u>1,734</u>	<u>3,353</u>
<b>Other expenses</b>			
Allowance for impairment losses on:			
- Investments	(121)	-	(121)
- Other receivables	(634)	-	(634)
Sundry expenditure	(690)	(14)	(704)
	<u>(1,445)</u>	<u>(14)</u>	<u>(1,459)</u>
<b>Total other operating income, net</b>	<u>174</u>	<u>1,720</u>	<u>1,894</u>

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**26. MANAGEMENT EXPENSES**

	18.7.2017 to 31.12.2018 RM'000
<b>Shareholder's fund/Company</b>	
Employee benefits expenses (Note (a))	99,839
Directors' fee and remuneration (Note 27)	857
Shariah Committee's remuneration (Note 28)	197
Auditors' remuneration:	
- statutory audits	261
- regulatory services	19
Amortisation of intangible assets (Note 4)	251
Auto assist service	5,674
Bank and financing charges	11,415
Electronic data processing expenses	9,284
Entertainment expenses	155
Legal fees	660
Maybank shared services - IT	6,232
Office facilities expenses	640
Other management fees	3,077
Postage and stamp duties	1,875
Printing and stationery	2,312
Professional fees	84
Promotional and marketing costs	30,068
Rental of offices/premises	5,810
Training expenses	1,001
Travelling expenses	580
Utilities, assessment and maintenance	1,587
Other expenses	7,440
<b>Total management expenses</b>	<b>189,318</b>

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**26. MANAGEMENT EXPENSES (CONTD.)**

(a) Employee benefits expenses

	<b>18.7.2017 to 31.12.2018 RM'000</b>
<b>Shareholder's fund/Company</b>	
Wages, salaries and bonus	72,524
EPF	11,758
SOCSSO	552
Share based compensation	36
Other benefits	14,969
	<u>99,839</u>

Included in employee benefits expenses is remuneration paid to the Chief Executive Office of the Company amounting to RM1,107,117 detailed as follows:

	<b>18.7.2017 to 31.12.2018 RM'000</b>
Salaries	540
Bonus	300
EPF	142
Other emoluments	125
	<u>1,107</u>

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**27. DIRECTORS' FEES AND REMUNERATION**

	18.7.2017 to 31.12.2018 RM'000
<b>Shareholder's fund/Company</b>	
Executive director:	
Fees	119
Other emoluments	13
	<u>132</u>
Non executive directors:	
Fees	650
Other emoluments	75
	<u>725</u>
<b>Total directors' fees and remuneration</b>	<u>857</u>

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

	Benefits Fees RM'000	Other Emoluments RM'000	Total RM'000
Executive director:			
Dato' Mohamed Rafique Merican	119	13	132
Mohd Wahiduddin Merican	<u>119</u>	<u>13</u>	<u>132</u>
Non-executive directors:			
Dato' Majid Mohamad (Chairman)	174	15	189
Mr Philippe Pol Arthur Latour (Vice Chairman)	119	14	133
Dato' Johan Ariffin	119	15	134
Dr. Abdul Rahim Abdul Rahman	119	13	132
Mr. Koh Heng Kong	119	18	137
	<u>650</u>	<u>75</u>	<u>725</u>
<b>Total directors' fees and remuneration</b>	<u>769</u>	<u>88</u>	<u>857</u>

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**28. SHARIAH COMMITTEE'S REMUNERATION**

	18.7.2017 to 31.12.2018 RM'000
<b>Shareholder's fund/Company</b>	
Fees	154
Other emoluments	43
	<u>197</u>

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

	<b>Fees RM'000</b>	<b>Other Emoluments RM'000</b>	<b>Total RM'000</b>
Shariah committee:			
Dr. Ahcene Lahsasna	28	7	35
Dr. Ismail Mohd @ Abu Hassan	9	3	12
Dr. Mohammad Deen Mohd Napiah	9	3	12
Dr. Sarip Adul	24	7	31
Prof Dr. Rusni Hassan	24	7	31
Prof Dr. Abdul Rahim Abdul Rahman	24	7	31
Prof Dato' Dr Mohd Azmi Omar	18	4	22
Dato' Dr Anhar Opir	18	5	23
	<u>154</u>	<u>43</u>	<u>197</u>

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**29. CHANGE IN EXPENSE LIABILITIES**

**18.7.2017  
to  
31.12.2018  
RM'000**

**Shareholder's fund/Company**

Increase in UWF of general takaful fund (Note 15)

(10,326)

(10,326)

**30. FEE AND COMMISSION EXPENSES**

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Company RM'000</b>
<b>18.7.2017 to 31.12.2018</b>			
Commission expenses	119,581	120	119,701
Wakalah fee expense	-	411,769	-
Others	-	35	35
	<u>119,581</u>	<u>411,924</u>	<u>119,736</u>

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**31. INCOME TAX EXPENSE**

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>18.7.2017 to 31.12.2018</b>			
Malaysian income tax:			
Tax expense for the period	52,602	-	52,602
Deferred taxation:			
Relating to origination and reversal of temporary differences (Note 16)	(732)	(2,824)	(732)
	<u>51,870</u>	<u>(2,824)</u>	<u>51,870</u>

The domestic income tax for shareholder's and general takaful funds are calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the financial period.

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

	<b>18.7.2017 to 31.12.2018 RM'000</b>
<b>Company</b>	
Profit before taxation	<u>211,365</u>
Taxation at Malaysian statutory tax rate of 24%	50,728
Income not subject to tax	(369)
Expenses not deductible for tax purposes	1,511
Tax expense for the financial period	<u>51,870</u>

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**32. EARNINGS PER SHARE**

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

	<b>18.7.2017 to 31.12.2018</b>
Profit attributable to equity shareholder (RM '000)	<u>153,156</u>
Number of ordinary shares in issue ('000)	<u>870,000</u>
Basic and diluted earnings per share (sen)	<u>17.60</u>

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



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**33. OPERATING LEASE COMMITMENTS**

As at the reporting date, the Company leases office premises under lease agreements that are not cancellable within a year. The leases contain renewable options.

Future minimum lease payments for leases with initial or remaining terms of one year or more are as follows:

	<b>2018</b> <b>RM'000</b>
Within 1 year	5,712
After 1 year but not more than 5 years	20,576
	<u>26,288</u>

Rental expenses recognised in the income statement during the financial period are disclosed in Note 26.

**34. SEGMENTAL INFORMATION ON CASH FLOW**

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Company RM'000</b>
<b>18.7.2017 to 31.12.2018</b>			
Net cash flow generated from/(used in):			
Operating activities	(851,681)	28,155	(823,526)
Investing activities	(204)	-	(204)
Financing activities	870,000	-	870,000
	<u>18,115</u>	<u>28,155</u>	<u>46,270</u>
Net (decrease)/increase in cash and cash equivalents:			
At 18 July 2017 (date of incorporation)	-	-	-
Transferred from EFTB	-	33,959	33,959
At 31 December 2018	<u>18,115</u>	<u>62,114</u>	<u>80,229</u>

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**35. SHARED BASED COMPENSATION**

**ESS**

The Maybank Group ESS is governed by the by-laws approved by the shareholders of MBB at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It is in force for a maximum period of seven (7) years from the effective date and it is administered by the ESS Committee. The ESS consists of two (2) types of performance-based awards in the form of the ESOS and the RSU. The ESS was expired on 23 June 2018.

The Maybank Group Cash-settled Performance-based Employees' Share Scheme ("CESS") is governed by the guidelines approved by the members of the ESS Committee on 15 June 2011.

The maximum number of ordinary shares in MBB available under the ESS should not exceed 10% of the total number of issued and paid-up capital of MBB at any point of time during the duration of the scheme. Other principal features of the ESS are as follows:

- (i) The employees eligible to participate in the ESS must be employed on a full time basis and on the payroll of the Participating Maybank Group and is confirmed in service.

Participating Maybank Group includes MBB and its overseas branches and subsidiaries of which the Company is included, but excluding listed subsidiaries, overseas subsidiaries and dormant subsidiaries.

- (ii) The entitlement under the ESS for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of MBB in a general meeting.
- (iii) The ESS shall be valid for a period of seven (7) years from the effective date.

Notwithstanding the above, MBB may terminate the ESS at any time during the duration of the scheme subject to:

- consent of MBB's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of the termination; and
- written consent of all participants of ESS who have yet to exercise their ESS option, either in part or in whole, and all participants whose RSU Agreement are still subsisting.

Upon the termination of the ESS, all unexercised ESS and/or unvested RSU shall be deemed to have been cancelled and be null and void.

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**35. SHARED BASED COMPENSATION (CONTD.)**

**ESS (Contd.)**

- (iv) The ESS consists of the ESOS, the RSU and the CESS. Personnels of the Company are eligible only for the ESOS and RSU but are not eligible for the CESS.

- **ESOS**

Under the ESOS award, MBB may from time to time within the offer period, offer to eligible employees a certain number of options at the Offer Date. Subject to acceptance, the participants will be granted the ESOS which can then be exercised within a period of five (5) years to subscribe for fully paid-up ordinary shares in MBB, provided all the conditions including performance-related conditions are duly and fully satisfied.

- **RSU**

Under the RSU award, MBB may from time to time within the offer period, invite selected participants to enter into an agreement with MBB, whereupon MBB shall agree to award the scheme shares to the participants, subject to fulfilling the relevant service and performance objectives and provided all performance-related conditions are duly and fully satisfied. The scheme's shares as specified under the RSU award will only vest based on a three (3) year cliff vesting schedule or a two (2) year cliff vesting schedule in the case of supplemental RSU award, provided all the RSU vesting conditions are fully and duly satisfied.

- (v) Key features of the ESOS award are as follows:

- Number of ESOS granted, vested and awarded are as follows:

Grant date	Number of Grant	Number of share options ('000)						
		Original Grant	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Fifth Tranche	Sixth Tranche
23.6.2011	ESOS First Grant*	405,309 <sup>#</sup>	80,871	42,136	78,885	74,254	69,860	34,955
30.4.2012	ESOS Second Grant**	62,339 <sup>#</sup>	6,187	12,874	12,002	10,809	9,425	4,687
30.4.2013	ESOS Third Grant	53,594 <sup>#</sup>	9,200	10,523	9,198	7,861	7,382	-
30.4.2014	ESOS Fourth Grant	54,028 <sup>#</sup>	9,752	10,592	9,019	8,531	8,177	-
30.4.2015	ESOS Fifth Grant	48,170 <sup>#</sup>	11,439	11,260	10,475	9,746	-	-
30.9.2015	ESOS Special Grant	992 <sup>#</sup>	309	216	108	-	-	-

<sup>#</sup>The number of share options granted are based on the assumptions that the eligible employees met average performance targets.

\*The ESOS quantum allotted under the sixth tranche of ESOS First Grant is prorated based on six months

\*\*The ESOS quantum allotted under the first and fifth tranche of ESOS Second Grant is prorated based on six months period. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December.

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**35. SHARED BASED COMPENSATION (CONTD.)**

**ESS (Contd.)**

(v) Key features of the ESOS award are as follows (Contd.):

- The subscription price of the ESOS shall be at the Volume Weighted Average Market Price ("VWAMP") of MBB Shares for the five (5) market days immediately preceding the offer date with no entitlement to any discount.
- In the implementation of ESS, MBB has established a Trust of which to be administered by the Trustee. To enable the Trustee to subscribe for new shares for the purposes of the ESS implementation, the Trustee will be entitled from time to time to accept funding and/or assistance from MBB.

(vi) Key features of the RSU award are as follows:

- The RSU granted will be vested and awarded upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.
- The scheme shares on RSU may be settled by way of issuance and transfer of new MBB Shares or by cash at the absolute discretion of the ESS Committee. The new MBB Shares to be issued and transferred to eligible employees pursuant to physical settlement will not require any payment to MBB by the RSU participants.
- In the case of settlement by way of cash, the RSU vesting price will be based on the value of the scheme shares with no entitlement to any discount, taking into account the VWAMP of MBB Shares for the five (5) market days immediately preceding the RSU vesting date.
- The ESS Committee may, from time to time during the ESS period, make further RSU grant designated as Supplemental RSU Grant ("SRSU Grant") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits and such SRSU Grant may contain terms and conditions which may vary from earlier RSU Grant made to selected senior management. The SRSU Grant will be vested on a two (2) to three (3) years cliff vesting schedule.

**ESGP and CESGP**

The Maybank Group has implemented a new employee's share scheme named as the Maybank Group ESGP and the scheme was awarded to the participating Maybank Group who fulfill the eligibility criteria. The ESGP is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017.

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**35. SHARED BASED COMPENSATION (CONTD.)**

**ESGP and CESGP (Contd.)**

The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee. The ESGP consists of two (2) types of performance-based awards ESGP Shares and CESGP. The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

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

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

Other principal features of the ESGP are as follows:

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

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

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**36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES 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 the Directors and Chief Executive Officer of the Company.

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

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

- (i) Significant transactions of the Company with related parties during the financial period were as follows:

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>Income/(expenses):</b>			
<b>2018</b>			
Ultimate holding company:			
Commission and fee expenses	(26,730)	-	(26,730)
Bank charges	(470)	-	(470)
Investment expenses	(239)	(390)	(629)
Immediate holding company:			
Gross takaful contribution income	-	41	41
Shared service costs	(7,919)	-	(7,919)

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

- (i) Significant transactions of the Company with related parties during the financial period were as follows (Contd.):

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>Income/(expenses)(Contd.):</b>			
<b>2018</b>			
Fellow subsidiaries within the MAHB Group:			
Gross takaful contribution income	-	14	14
Rental expense	(5,087)	-	(5,087)
Shared service costs	(76,146)	-	(76,146)
Other related companies within the MBB Group:			
Gross takaful contribution income	-	1,987	1,987
Maybank shared service IT expenses	(6,232)	-	(6,232)
Commission and fee expenses	(3,084)	-	(3,084)
Profit income on deposits	816	996	1,812

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

- (i) Significant transactions of the Company with related parties during the financial period were as follows (Contd.):

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>Income/(expenses)(Contd.):</b>			
<b>2018</b>			
Companies related to a company with significant influence over the MBB Group:			
Gross takaful contribution income	-	7,575	7,575
Claims paid	-	(105)	(105)

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

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>2018</b>			
Ultimate holding company:			
Bank balances	18,433	57,083	75,516
Amount due to ultimate holding company	(1,348)	-	(1,348)
Other payables	(55)	(63)	(118)
Immediate holding company:			
Amount due to holding company	(1,214)	-	(1,214)
Fellow subsidiaries within the MAHB Group:			
Amount due to other related companies	(10,985)	-	(10,985)



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

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

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
<b>2018</b>			
Other related companies within the MBB Group:			
Fixed deposits and call deposits	107,710	20,331	128,041
Income and profit due and accrued	86	153	239
Other payables	(970)	-	(970)
	<hr/>	<hr/>	<hr/>
Companies related to a company with significant influence over the MBB Group:			
Claims liabilities	-	(956)	(956)
	<hr/>	<hr/>	<hr/>

- (iii) Key management personnel compensation

- (a) The remuneration of key management personnel during the period was as follows:

	2018 RM'000
<b>Short-term employee benefits</b>	
Fees	769
Salaries and bonuses	840
EPF	142
Other emoluments	213
	<hr/>
	1,964

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**37. INTEGRATED RISK MANAGEMENT FRAMEWORK**

The Integrated Risk Management Framework 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"), Etiqa Family Takaful Berhad ("EFTB"), Etiqa Life Insurance Berhad (ELIB), Etiqa General Takaful Bhd ("EGTB") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the Group".

Six (6) key building blocks have been set which serve as the foundation for 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, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholder value.

**Principles**

The approach to risk management is premised on the following seven (7) broad principles:

- Establish Risk Appetite and Strategy
- Assign Adequate Capital
- Ensure Governance and Oversight Function
- Promote Strong Risk Culture
- Establish Adequate Risk Framework and Policies
- Establish Risk management Practices and Processes
- Ensure Sufficient Resources and System Infrastructures

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**37. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Risk Appetite and Strategy**

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

Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the risk appetite to ensure that the projected revenues arising from business transactions are consistent with the risk profile and risk appetite established.

**Governance and Risk Oversight**

The Company continuously enhances its integrated risk management approach towards effective management of enterprise-wide risks. The management of risk broadly takes place at different hierarchical levels and is emphasised through various levels of Committees, business lines, control and reporting functions.

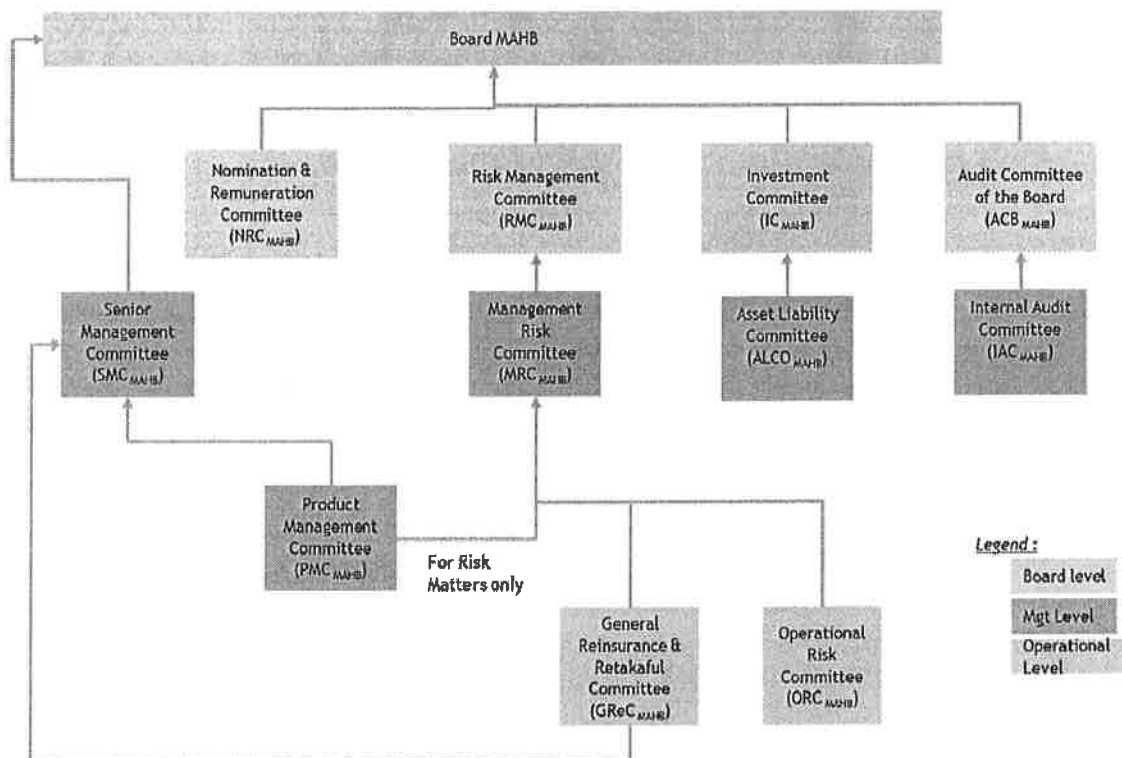
The risk governance model provides a formalised, transparent and effective governance structure which promotes active involvement of the Board and Senior Management in the risk management process to ensure a uniform view of risk across the Company.

The risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the governance bodies involved in the risk management function. The Risk Management function is built around a number of Boards and Committees that have been set-up, including the Boards, the Risk Management Committee ("RMC") and the Management Risk Committee ("MRC").

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**37. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Governance and Risk Oversight (Contd.)**



The risk governance structure in place aims to ensure appropriate accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the three (3) lines of defence which include the risk taking units, risk control units and internal audit.

**Board**

The MAHB Board, together with the ELIB, EFTB, EGIB, EGTB and EIPL Boards, have the final responsibility for all business activities, including risk management. The Boards have delegated specific matters to sub-Board Committee, such as Shariah matters to Shariah Committee (SC), risk matters to the Risk Management Committee (RMC), Audit matters to the Audit Committee of the Board (ACB) and investment matters to the Investment Committee (IC).

The following management level committees are established to support the Board in terms of risk governance on the business activities.

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**37. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**SMC**

The responsibility of the SMC is to assure the Board that the components of the Company take appropriate decisions regarding risk and return and to make sure adequate controls exist and are fully operational.

**MRC**

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

**ALCO**

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

**IAC**

The IAC is responsible for the monitoring and follow-up of audit findings.

**PMC**

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

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

**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.

**GReC**

GReC acts as the risk governance body in relation to the retakaful management of the General Takaful policies. The scope of the GReC covers General Retakaful, Inwards and Outwards Retakaful for the Takaful Group.

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**37. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Risk Culture**

Risk culture is a vital component in strengthening the Company's risk governance structure and forms a fundamental tenet of strong risk culture management. It serves as the foundation upon which a strong enterprise wide risk management structure is built.

It 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 the businesses objectives and attitude towards risk taking and risk management through risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

The risk culture can be strengthened by 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.

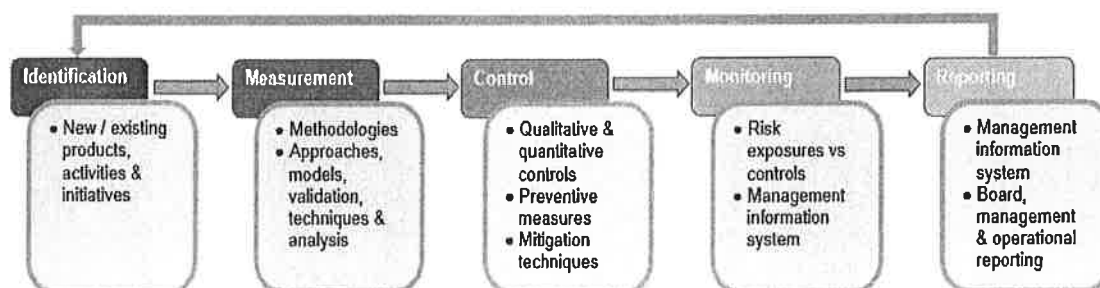
In line with the evolving market environment and dynamics within the Company and across industries, a strong risk culture requires constant attention to ensure that the material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

**Risk Management Practices and Processes**

Risk management practices and processes are a fundamental component of the risk principles. It is essential in enabling systematic identification, measurement, control, monitoring and reporting of risk exposures.

To enable an effective execution of risk management practices and processes, a common risk language is an imperative pre-requisite in facilitating a consistent and uniform approach in reference to risks across the Company.

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



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**37. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Resource and System Infrastructure**

Appropriate system infrastructure and resources are the foundation and enabler to effective risk management practices and processes. As a result, the Company should equip itself with necessary resources, infrastructures and support to perform its roles efficiently.

**Resources**

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

The personnel within risk management department should possess the requisite skills, qualifications, experience and competencies compatible with the nature, scale and complexity of the Company's business activities.

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these 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 risks. 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 the effective management of risk can be performed appropriately.

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

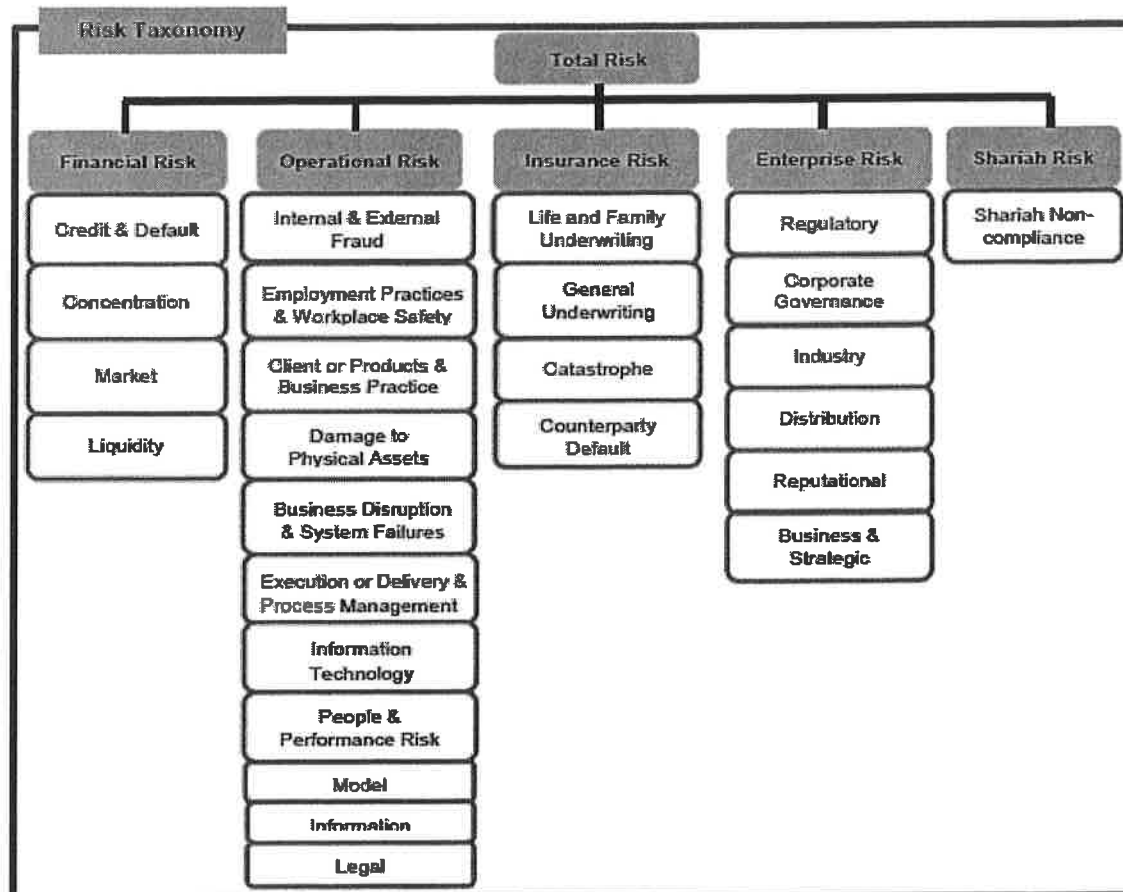
**Risk Taxonomy**

The major risk categories are listed in the Risk Taxonomy which consists of Financial, Takaful, Operational, Enterprise Risk and Shariah Risk. Risk Management Department works hand-in-hand with Compliance Department, Legal Department and Shariah Division on risk related matters.

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**37. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Risk Taxonomy (Contd.)**





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**38. TAKAFUL RISK**

Takaful risk relates to the inherent risk associated with the underwriting activities of General Takaful business. Such risks include pricing, reserving, product, underwriting, catastrophe and retakaful counterparty default. Analyses are performed to ensure that takaful risks remain within the company's risk appetite. Recommendations are provided to relevant stakeholders after identifying and evaluating significant trends.

Retakaful offers financial protection to insurers against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with retakaful companies are the counterparty risk of retakaful operators failing to honor their obligations. The Company monitors the ability of all current and prospective retakaful operators to meet their obligations under exceptional but plausible adverse events on a monthly basis.

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

**(i) General Takaful Underwriting Risk**

Underwriting risk reflects the adverse changes in the level, trend or volatility/fluctuation of claims settlement experience in terms of timing, frequency and severity of insured events that is different the expectation/best estimate assumptions, either from pricing or reserving, therefore affecting the profitability of underwriting portfolio.

**(ii) Catastrophe Risk**

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

**(iii) Counterparty Default Risk**

The counterparty default risk reflects possible losses due to unexpected default of counterparties and debtors. The scope of the counterparty default risk category includes risk-mitigating contracts, such as retakaful arrangements, securitisations and derivatives, and receivables from intermediaries. It does not include the defaults for financial instruments, which are covered under Credit & Default Risk (in Financial Risk Taxonomy).

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**38. TAKAFUL RISK (CONTD.)**

**(a) General takaful fund**

The table below discloses contribution written by type of contract.

	2018		
	Gross RM'000	Retakaful RM'000	Net RM'000
Motor	912,271	(6,328)	905,943
Fire	195,868	(56,503)	139,365
Marine, Aviation, Cargo and Transit	13,866	(11,570)	2,296
Miscellaneous	187,370	(45,994)	141,376
	<u>1,309,375</u>	<u>(120,395)</u>	<u>1,188,980</u>

**(i) Key assumptions and methods**

The estimation of the claim liabilities of the general takaful fund is based on BNM/RH/GL 004-21 *Guidelines on Valuation Basis for Liabilities of General Takaful Business* as issued by BNM. It requires all general takaful operators to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The claim liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and the ultimate costs of claims. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

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

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**38. TAKAFUL RISK (CONTD.)**

**(a) General takaful fund (Contd.)**

**(i) Key assumptions and methods (Contd.)**

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

The methodology used in deriving the provision for expenses is consistent with the prior year. Loadings are applied directly to the central estimate of claim liabilities, the central estimate of URR and the UCR, to derive the expense liabilities.

**(ii) Sensitivity analysis**

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

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

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**38. TAKAFUL RISK (CONTD.)**

**(a) General takaful fund (Contd.)**

**(ii) Sensitivity analysis (Contd.)**

	% change in key assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
<b>2018</b>					
Incurred Claims Ratio	+ 5%	62,476	56,411	56,411	42,872
	- 5%	(62,476)	(56,411)	(56,411)	(42,872)

**(iii) Claims development table**

The following tables show the estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the Company believes the estimate of total claims liabilities as at the financial period end are adequate. The Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

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38. TAKAFUL RISK (CONTD.)

(a) General takaful fund (Contd.)

(iii) Claims development table (Contd.)

Gross analysis of claims development for 2018:

	Before 2012 RM'000	As at 31 December						2018 RM'000	Total RM'000
		2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000		
Accident year									
At the end of accident year		479,285	565,662	589,933	660,739	783,911	724,824	725,826	
1 year later		466,666	554,495	617,750	639,081	816,040	723,792		
2 years later		458,241	564,434	608,081	608,828	817,518			
3 years later		463,180	569,810	601,915	616,600				
4 years later		459,482	575,192	592,831					
5 years later		462,151	545,569						
6 years later		455,204							
Estimate of gross cumulative claims to date (A)		455,204	545,569	592,831	616,600	817,518	723,792	725,826	

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**38. TAKAFUL RISK (CONTD.)**

**(a) General takaful fund (Contd.)**

**(iii) Claims development table (Contd.)**

**Gross analysis of claims development for 2018 (Contd.):**

	Before 2012 RM'000	As at 31 December						Total RM'000
		2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	
<b>Accident year</b>								
At the end of accident year		187,973	238,771	231,130	264,533	310,865	345,399	343,275
1 year later		366,008	405,337	470,575	461,390	578,438	569,587	
2 years later		413,088	463,144	532,800	544,056	657,527		
3 years later		432,662	488,313	557,757	585,241			
4 years later		440,634	500,352	572,230				
5 years later		446,638	522,387					
6 years later		448,828						
<b>Gross cumulative claims paid to date (B)</b>		<b>448,828</b>	<b>522,387</b>	<b>572,230</b>	<b>585,241</b>	<b>657,527</b>	<b>569,587</b>	<b>343,275</b>
Best estimate gross claim liabilities (A) - (B)	14,796	6,376	23,182	20,601	31,359	159,991	154,205	793,061
PRAD (C)								76,193
Gross takaful claim liabilities as at 31 December 2018 (A) - (B) + (C)								<u>869,254</u>

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ETIQA GENERAL TAKAFUL BERHAD  
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38. TAKAFUL RISK (CONTD.)

(a) General takaful fund (Contd.)

(iii) Claims development table (Contd.)

Net analysis of claims development for 2018:

Accident year	Before 2012 RM'000	As at 31 December						Total RM'000
		2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
At the end of accident year		456,465	506,657	532,858	630,670	708,666	699,503	699,161
1 year later		447,504	477,414	506,414	610,264	664,057	699,550	
2 years later		441,755	486,131	496,700	586,008	664,219		
3 years later		446,237	488,639	490,130	589,008			
4 years later		442,678	492,758	483,011				
5 years later		444,549	483,230					
6 years later		438,822						
<b>Estimate of net cumulative claims to date (A)</b>		<b>438,822</b>	<b>483,230</b>	<b>483,011</b>	<b>589,008</b>	<b>664,219</b>	<b>699,550</b>	<b>699,161</b>

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**ETIQA GENERAL TAKAFUL BERHAD**  
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**38. TAKAFUL RISK (CONTD.)**

**(a) General takaful fund (Contd.)**

**(iii) Claims development table (Contd.)**

**Net analysis of claims development for 2018 (Contd.):**

	Before 2012 RM'000	As at 31 December						Total RM'000
		2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	
<b>Accident year</b>								
At the end of accident year		186,608	235,297	227,238	259,797	307,415	340,963	340,369
1 year later		356,576	383,436	386,400	449,210	521,478	559,277	
2 years later		399,389	433,014	435,687	525,894	599,827		
3 years later		417,899	456,352	458,229	562,333			
4 years later		425,427	466,121	471,323				
5 years later		430,113	472,146					
6 years later		432,413						
<b>Net cumulative claims paid to date (B)</b>		<b>432,413</b>	<b>472,146</b>	<b>471,323</b>	<b>562,333</b>	<b>599,827</b>	<b>559,277</b>	<b>340,369</b>
Best estimate net claim liabilities (A) - (B)	6,383	6,409	11,084	11,688	26,675	64,392	140,273	358,792
PRAD (C)								
Net takaful claim liabilities as at 31 December 2018 (A) - (B) + (C)								
								<u>55,551</u>
								<u>681,247</u>



**ETIQA GENERAL TAKAFUL BERHAD**  
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**39. FINANCIAL RISKS**

**(i) Credit Risk**

Credit risk refers to 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, underwriting, trading and investment activities from both on- and off-balance sheet transactions, if any.

Credit or spread risk and ultimately default risk result from the intrinsic quality of the issuer of debt securities and the impact it has on the value of these instruments. Changes in the level or in the volatility of both spreads as a result of changes in the underlying credit quality define the risk of investment default.

Credit risk arises when a borrower or counterparty is no longer able to pay their debt. The Company's exposure to credit risk arises mainly from fixed income investment activities.

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

- (a) The Risk Management and Investment Management Department, actively aim to prevent undue concentration by ensuring its credit portfolio is diversified and marketable credit portfolio;
- (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 to impending problems in a timely manner.

**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. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements. In respect of bifurcated derivatives relating to structured products categorised as AFS financial assets, the bifurcated derivatives are considered together with the host contract for the purposes of financial risk exposures and management.

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit exposure (Contd.)**

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2018</b>			
<b>Financial assets at FVTPL:</b>			
<b>- Designated upon initial recognition</b>			
Unquoted debt			
securities in Malaysia	-	8,272	8,272
Structured product	-	48,365	48,365
<b>Financial assets at FVOCI</b>			
Malaysian government papers	2,003	334,707	336,710
Unquoted debt			
securities in Malaysia	948,124	1,142,988	2,091,112
<b>Financial assets at AC</b>			
Islamic investment accounts with:			
Licensed financial institutions	105,111	109,311	214,422
Others	42,441	23,400	65,841
Retakaful assets	-	232,173	232,173
Takaful receivables	-	96,596	96,596
Other receivables	99,284	19,569	53,137
Cash and bank balances	18,115	62,114	80,229
	<u>1,215,078</u>	<u>2,077,495</u>	<u>3,226,857</u>

**ETIQA GENERAL TAKAFUL BERHAD**  
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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit quality of financial assets**

The four 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.

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

Risk category is as described below:

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

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

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

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

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

**Impaired/ defaulted** : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.3(v)(d).

**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.

**ETIQA GENERAL TAKAFUL BERHAD**  
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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit exposure by rating (Contd.)**

The table below provides information regarding the credit quality of the Company by classifying assets according to the Company's risk category.

**Shareholder's fund**

**2018**

	<b>Sovereign RM'000</b>	<b>Very low RM'000</b>	<b>Low RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>Financial assets at FVOCI:</b>					
Malaysian government papers	2,003	-	-	-	2,003
Debt securities	257,217	306,502	384,405	-	948,124
<b>Financial assets at AC:</b>					
Islamic investment accounts with:					
Licensed financial institutions	-	105,111	-	-	105,111
Other	-	-	42,441	-	42,441
Other receivables	31	2,665	3,447	93,141	99,284
Cash and bank balances	-	18,115	-	-	18,115
	<b>259,251</b>	<b>432,393</b>	<b>430,293</b>	<b>93,141</b>	<b>1,215,078</b>

**ETIQA GENERAL TAKAFUL BERHAD**  
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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit quality of financial assets (Contd.)**

**General takaful fund**

**2018**

**Financial assets at FVTPL:**

**(i) Designated upon initial recognition**  
Debt securities and structured deposits

**Financial assets at FVOCI:**

Malaysian government papers

Debt securities

**Financial assets at AC:**

Islamic investment accounts with:

Licensed financial institutions

Other

Retakaful assets\*

Takaful receivables

Other receivables

Cash and bank balances

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
	-	48,365	-	8,272	-	-	56,637
	334,707	-	-	-	-	-	334,707
	91,008	471,181	555,525	25,274	-	-	1,142,988
	-	87,073	22,238	-	-	-	109,311
	-	3,000	20,400	-	-	-	23,400
	-	-	2,474	7,364	-	178,169	188,007
	-	3,104	-	1,144	727	91,621	96,596
	3,678	6,118	6,060	224	-	3,489	19,569
	-	57,083	2,992	-	-	2,039	62,114
	<b>429,393</b>	<b>675,924</b>	<b>609,689</b>	<b>42,278</b>	<b>727</b>	<b>275,318</b>	<b>2,033,329</b>

\* Excluding contribution liabilities.

**ETIQA GENERAL TAKAFUL BERHAD**  
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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Investment assets - Reconciliation of allowance account**

**Significant increase in credit risk**

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

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

**Expected credit loss**

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

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company is required to estimate the probability of default occurring in the 12 month after the reporting date and in each subsequent year throughout the expected life of the financial instruments. The lifetime ECL allowance that is measured for the Company during the year is mostly due to the debt security which has been classified as Watchlist ("WL") or downgraded bond whichever it is assessed at the reporting date.

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

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Reconciliation of allowance account**

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

**Shareholder's fund**

Stage 1	Stage 2	Stage 3	
12-month ECL RM'000	Lifetime ECLs- not credit impaired RM'000	Lifetime ECLs- credit impaired RM'000	Total ECL RM'000

**Financial assets at FVOCI**

Sovereign	242,949	16,271	-	259,220
Very low	231,802	74,700	-	306,502
Low	384,405	-	-	384,405
<b>Carrying amount - fair value</b>	<b>859,156</b>	<b>90,971</b>	<b>-</b>	<b>950,127</b>
<b>Expected Credit Loss</b>	<b>(572)</b>	<b>(107)</b>	<b>-</b>	<b>(679)</b>

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Reconciliation of allowance account (Contd.)**

**General takaful fund**

<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
<b>12-month ECL RM'000</b>	<b>Lifetime ECLs- not credit impaired RM'000</b>	<b>Lifetime ECLs- credit impaired RM'000</b>	<b>Total ECL RM'000</b>

**Financial assets at FVOCI**

<b>Sovereign</b>	425,715	-	-	425,715
<b>Very low</b>	446,196	24,985	-	471,181
<b>Low</b>	550,477	5,048	-	555,525
<b>Medium</b>	25,274	-	-	25,274
<b>Carrying amount - fair value</b>	<b>1,447,662</b>	<b>30,033</b>	<b>-</b>	<b>1,477,695</b>
<b>Expected Credit Loss</b>	<b>(1,030)</b>	<b>(58)</b>	<b>-</b>	<b>(1,088)</b>



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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Reconciliation of allowance account (Contd.)**

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

Stage 1	Stage 2	Stage 3	
12-month ECL RM'000	Lifetime ECLs- not credit impaired RM'000	Lifetime ECLs- credit impaired RM'000	Total ECL RM'000

**Shareholder's fund**

**2018**

**Financial assets at FVOCI**

At 18 July 2017 (date of incorporation)	-	-	-	-
Effect of adopting MFRS 9	411	147	-	558
Amount written off	(16)	(4)	-	(20)
New financial assets originated at purchased	261	13	-	274
Financial assets derecognised during the period	(84)	(49)	-	(133)
At 31 December 2018	572	107	-	679

<b>Other receivables</b>	<b>Total</b>
<b>RM'000</b>	<b>RM'000</b>
(Note 10)	

**2018**

At 18 July 2017 (date of incorporation)	-	-
(Reversal of)/allowance for impairment losses during the period	634	634
At 31 December 2018	634	634

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Reconciliation of allowance account (Contd.)**

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

Stage 1	Stage 2	Stage 3	Total ECL RM'000
12-month ECL RM'000	Lifetime ECLs- not credit impaired RM'000	Lifetime ECLs- credit impaired RM'000	

**General takaful fund**

**Financial assets at FVOCI**

At 18 July 2017

(date of incorporation)	-	-	-	-
Effect of adopting MFRS 9	1,033	317	-	1,350
Amount written off	(15)	(2)	-	(17)
New financial assets originated at purchased	388	23	-	411
Financial assets derecognised during the period	(376)	(280)	-	(656)
At 31 December 2018	1,030	58	-	1,088

Financing receivables RM'000 (Note 7)	Retakaful assets RM'000 (Note 8)	Takaful receivables RM'000 (Note 9)	Total RM'000
--	---	--	-----------------

At 18 July 2017

(date of incorporation)	-	-	-	-
Transferred from EFTB	3,331	4	6,164	9,499
Effect of adopting MFRS 9	-	-	510	510
New financial assets originated at purchased	-	-	-	-
Financial assets derecognised (Reversal of)/allowance for impairment losses during the period	-	(4)	(211)	(215)
At 31 December 2018	3,331	-	6,463	9,794

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Financial effect of collateral held**

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

<b>Type of financing receivables</b>	<b>Type of collaterals</b>
Corporate loans	Charges over properties, lands being financed and bank guarantees

**(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 its inability (or perceived inability) or unexpected higher cost to meet its obligations.

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

The Company measures and manages liquidity risk following the philosophy 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; and
- (b) The Investment Management Department ensures that the established investment limits set takes care of reasonable liquidity requirements at all times.

**Maturity Profiles**

The following table summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable. For takaful certificates liabilities and retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised takaful liabilities.

Contribution liabilities, the retakaful share of contribution liabilities, FVOCI reserves and expense liabilities relating to general takaful have been excluded from the analysis as there are no contractual obligations to make payments on those liabilities.

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**39. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (Contd.)**

**Maturity Profiles (Contd.)**

Shareholder's 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
<b>2018</b>						
Financial investments:						
FVOCI	950,127	158,186	436,764	762,179	-	1,357,129
AC	147,552	147,552	-	-	-	147,552
FVTPL	26,070	-	-	-	26,070	26,070
Other receivables	99,284	99,284	-	-	-	99,284
Cash and bank balances	18,115	18,115	-	-	-	18,115
<b>Total assets</b>	<b>1,241,148</b>	<b>423,137</b>	<b>436,764</b>	<b>762,179</b>	<b>26,070</b>	<b>1,648,150</b>
Other payables	52,100	52,100	-	-	-	52,100
<b>Total liabilities</b>	<b>52,100</b>	<b>52,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,100</b>

*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).*

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**39. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (Contd.)**

**Maturity Profiles (Contd.)**

<b>General takaful fund</b>	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2018</b>						
Financial investments:						
FVOCI	1,477,695	158,749	1,032,004	690,487	-	1,881,240
AC	132,711	132,711	-	-	-	132,711
FVTPL	86,812	508	2,540	59,778	30,175	93,001
Retakaful assets*	188,007	150,514	37,469	24	-	188,007
Takaful receivables	96,596	96,596	-	-	-	96,596
Other receivables	19,569	19,569	-	-	-	19,569
Cash and bank balances	62,114	62,114	-	-	-	62,114
<b>Total assets</b>	<b>2,063,504</b>	<b>620,761</b>	<b>1,072,013</b>	<b>750,289</b>	<b>30,175</b>	<b>2,473,238</b>
Participants' fund**	172,167	172,167	-	-	-	172,167
Takaful certificate liabilities*	869,254	582,527	285,009	1,718	-	869,254
Takaful payables	102,027	102,027	-	-	-	102,027
Other payables	349,101	349,101	-	-	-	349,101
<b>Total liabilities</b>	<b>1,492,549</b>	<b>1,205,822</b>	<b>285,009</b>	<b>1,718</b>	<b>-</b>	<b>1,492,549</b>

\* Excluding contribution liabilities and retakaful operators' share of contribution liabilities.

\*\* Excluding FVOCI reserves.

*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).*

**ETIQA GENERAL TAKAFUL BERHAD**  
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**39. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk**

Market risk is the risk of loss or of adverse changes in the Company's financial situation resulting, directly or indirectly, from fluctuations or volatility of market prices of financial instruments.

Market risk comprises of three (3) types of risk:

- (a) foreign exchange rates (currency risk);
- (b) market profit yields (profit rate risk); and
- (c) equity price risk.

The Company has three main key features in its market risk management practices and policies, as below:

- (a) A Company-wide market risk policy exists which sets out the evaluation and determination of components of market risk for the Company. Compliance with the policy is monitored and reported monthly to the RMC and exposures and breaches are reported as soon as practicable.
- (b) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policy after taking cognisance of regulatory requirements in respect of the maintenance of assets and solvency.
- (c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company's exposure to market risk on 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.

**ETIQA GENERAL TAKAFUL BERHAD**  
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**39. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (Contd.)**

**(a) Currency Risk**

Currency 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.

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 certificate liabilities.

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

**(b) Profit Rate Risk**

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

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

The Company measures and manages profit rate risk mainly based on the following three philosophies and principles, as below:

- (a) Actively aim to match the liability duration with the asset duration, without compromising credit quality;
- (b) Set the benchmark for asset duration in line with risk appetite; and
- (c) Use Key Risk Indicators ("KRI") to alert the organisation to impending problems in a timely manner.

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

**ETIQA GENERAL TAKAFUL BERHAD**  
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**39. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (Contd.)**

**(b) Profit Rate Risk (Contd.)**

Funds	Changes in variables	2018	
		Impact on profit before tax RM'000	Impact on equity* RM'000
Shareholders	+100 basis points	2,607	1,981
	-100 basis points	(2,607)	(1,981)
General takaful	+100 basis points	1,358	1,032
	-100 basis points	(1,358)	(1,032)

\* Impact on equity is computed after tax of 24%.

**(c) Equity Price Risk**

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial 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 market prices, which principally comprise all investment securities.

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 incur over time.



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**39. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (Contd.)**

**(c) Equity Price Risk (Contd.)**

**Market Indices - Bursa Malaysia**

<b>Funds</b>	<b>Changes in variables</b>	<b>2018</b>
		<b>Impact on equity* RM'000</b>
Shareholders	+10%	(46,656)
	-10%	46,656
General takaful	+10%	(25,028)
	-10%	25,028

\* Impact on equity is computed after tax of 24%.

**(iv) Concentration Risk**

Concentration risk refers to the risk associated with the potential losses that are substantial enough to threaten the financial condition of the Company and its core operations causing material adverse impact to the earnings, capital or total assets.

This covers exposure to excessive concentration in any type of Market Risk, Credit Risk or Liquidity Risk. Concentration risk relates to non-diversified portfolios and arises due to high exposure to single companies or an aggregate of exposures to a number of positively correlated companies, for example within one sector or region.

The Company's risk policy requires it to manage such risks by setting and monitoring diversification plans and limits on investments in each country, sector, ratings, market and issuer, having regards to also such limits stipulated by BNM.

The Company complied with BNM stipulated limits during the financial period and had no significant concentration risk.

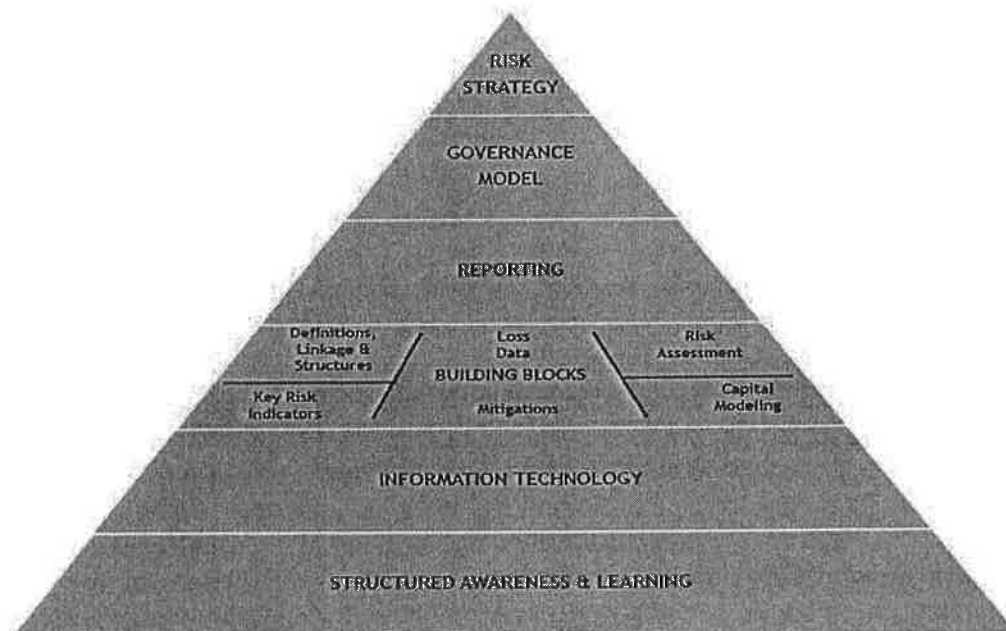
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**40. OPERATIONAL RISKS**

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

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

The methodology and components adopted in operational risk are summarised in the diagram below.



The continuous review and monitoring of the risks and the control effectiveness are vital for an effective operational risk management. Hence, specific tools and methodologies to identify, assess, measure, control, monitor and report the operational risks that affect Etiqa are established. Those include among other things: Risk and Control Self-assessment, Key Risk Indicators, Incident Management & Data Collection, Information Technology and through awareness and learning programme.

**Operational Risk Taxonomy**

**(i) Internal Fraud**

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

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**40. OPERATIONAL RISKS (CONTD.)**

**Operational Risk Taxonomy (Contd.)**

**(ii) External Fraud**

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

**(iii) Employment Practices and Workplace Safety**

- (i) Employee relations - failure to maintain positive employer-employee relationships that contributes to unsatisfactory productivity, demotivation, and low morale;
- (ii) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees; and
- (iii) Diversity & discrimination - failure to provide equalities in the employment practice.

**(iv) Client or Products and Business Practices**

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

**(v) Damage to Physical Assets**

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

**(vi) Business Disruption and System Failures**

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

**(vii) Execution or Delivery and Process Management**

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

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**40. OPERATIONAL RISKS (CONTD.)**

**Operational Risk Taxonomy (Contd.)**

**(viii) Information Technology Risk**

Risk which impacts confidentiality, availability and integrity of information and services related to information technology as well as cyber Risk that can lead to losses due to cyber-crime and cyber terrorism.

**(ix) People & 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.

**(x) Model Risk**

Risk of a model not performing the tasks or capture the risks it was designed to.

**(xi) Information Risk**

Risk of loss of information from day-to-day operations could lead to financial risk, operational risk, reputational risk, legal risk and regulatory sanctions.

**(xii) Legal Risk**

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

**Shariah Non Compliance Risk**

Shariah non-compliance risk is defined as the risk of losses in the value of a fund due to the non-compliance of specific assets with Shariah rules and principles. This would result in mandatory charitable donations of income arising on a non-compliant asset, or illiquidity arising due to an excess of sellers in the market. The Shariah rules and principles are determined by the Shariah Committee or other regulatory council.

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 Management (2nd Line), Shariah Risk Review & Shariah Risk Management function (3rd Line), and Shariah Audit (4th Line).

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**41. ENTERPRISE RISK**

Enterprise risk covers the external and internal factors that can impact the Group's ability to meet its current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave and can also be due to poor internal decision making and management or due to loss of reputation.

**(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.

**(ii) Corporate Governance Risk**

Risk of failure in the process and structure used to direct and manage the business and affairs of MAHB Group 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) Industry Risk**

Risk arising from changes in opportunities, threats, competitors and other conditions affecting the attractiveness of an industry.

**(iv) Distribution Risk**

This is the risk of a loss due to distribution plans deviating adversely from expectations, especially in reliance on external parties and partners for the distribution and may include causes such as lack of alignment of incentives, poor relationship management and lack of sufficient bargaining power in the relationship.

**(v) Reputational Risk**

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

**(vi) 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.

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**42. 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.

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.

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**42. FAIR VALUES MEASUREMENTS (CONTD.)**

**(a) Valuation principles (Contd.)**

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

- Level 1 : Active Market – Quoted price

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

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

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

Examples of Level 2 financial instruments include corporate and other government bonds, less liquid equities and over the counter ("OTC") derivatives.

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

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

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

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**42. FAIR VALUES MEASUREMENTS (CONTD.)**

**(b) Valuation techniques**

**(i) Cash and cash equivalents and other receivables/payables**

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

**(ii) Financing receivables**

Financing receivables are granted at 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(viii) and Note 2.2(xiv). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

**(iv) Investments**

Investments have been accounted for in accordance with the accounting policies as disclosed in Notes 2.2(iv) and Note 2.2(v). The carrying amounts and fair values of investments are disclosed in Note 5 of the financial statements.



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**42. FAIR VALUES MEASUREMENTS (CONTD.)**

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

**Shareholder's Fund**

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant Unobservable inputs RM'000	
<b>2018</b>				
<b><u>Assets</u></b>				
<b>Financial assets at FVTPL</b>				
<b>(i) Held for trading (HFT)</b>				
Equity securities	26,070	-	-	26,070
<b>Financial assets at FVOCI</b>				
Malaysian government papers	-	2,003	-	2,003
Debt securities	-	948,124	-	948,124
<b>Total assets</b>	<b>26,070</b>	<b>950,127</b>	<b>-</b>	<b>976,197</b>

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**42. FAIR VALUES MEASUREMENTS (CONTD.)**

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

**General takaful fund**

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Non Observable inputs RM'000	
<b>2018</b>				
<b><u>Assets</u></b>				
<b>Financial assets at FVTPL</b>				
<b>(i) Designated upon initial recognition</b>				
Debt securities and structured products	-	56,637	-	56,637
<b>(ii) Held for trading (HFT)</b>				
Equity securities	30,175	-	-	30,175
<b>Financial assets at FVOCI</b>				
Malaysian government papers	-	334,707	-	334,707
Debt securities	-	1,142,988	-	1,142,988
<b>Total assets</b>	<b>30,175</b>	<b>1,534,332</b>	<b>-</b>	<b>1,564,507</b>

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determine 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 period. There were no transfers between Level 1 and Level 2 for the Company during the financial period ended 31 December 2018.

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**43. REGULATORY CAPITAL REQUIREMENT**

The capital structure of the Company as at 31 December 2018, as prescribed under the RBCT Framework, is provided below:

<b>Company</b>	<b>2018 RM'000</b>
<b>Eligible Tier 1 Capital</b>	
Paid up share capital	870,000
Valuation surplus in takaful funds	172,167
Retained earnings	153,156
	<u>1,195,323</u>
<b>Tier 2 Capital</b>	
FVOCI reserves	(3,092)
	<u>(3,092)</u>
Amount deducted from capital	<u>(8,152)</u>
Total Capital Available	<u>1,184,079</u>

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**44. ASSETS TRANSFERRED FROM ETIQA FAMILY TAKAFUL BERHAD ("EFTB")**

On 1 January 2018, the general takaful business were transferred into the Company from EFTB upon successful completion of the Licence Split.

**Statement of financial position disclosures**

The major classes of assets and liabilities transferred in upon incorporation of the Company as at 1 January 2018 are as follows:

	Note	Shareholder's Fund RM'000	General Takaful Fund RM'000	Company RM'000
<b>Assets</b>				
Property, plant and equipment	3	-	-	-
Intangible assets	4	1,217	-	1,217
Investments		-	1,697,348	1,697,348
Retakaful assets	14	-	262,168	262,168
Takaful receivables		-	100,620	100,620
Other receivables		137,100	15,897	152,997
Deferred tax assets	16	-	5,069	5,069
Current tax assets		-	3,883	3,883
Cash and bank balances		-	33,959	33,959
<b>Total Assets</b>		<b>138,317</b>	<b>2,118,944</b>	<b>2,257,261</b>
<b>Liabilities</b>				
Participants' funds	13	-	183,549	183,549
Takaful certificate liabilities	14	-	1,507,100	1,507,100
Expense liabilities	15	137,916	-	137,916
Takaful payables		-	82,465	82,465
Other payables		401	345,830	346,231
<b>Total Liabilities</b>		<b>138,317</b>	<b>2,118,944</b>	<b>2,257,261</b>

**45. COMPARATIVE FIGURES**

There are no comparative figures as this is the first set of audited financial statements prepared by the Company since its incorporation.