

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

**Directors' Report and Audited Financial Statements**  
**31 December 2019**

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## **DIRECTORS' REPORT**

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2019.

## **PRINCIPAL ACTIVITIES**

The Company is principally engaged in the management of family takaful and takaful investment-linked business.

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

## **RESULTS**

**RM'000**

Net profit for the financial year	<u>203,519</u>
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There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

## **DIVIDENDS**

The amount of dividend paid by the Company since 31 December 2018 was as follows:

**RM'000**

In respect of financial year ended 31 December 2018, final dividends of:

- 75 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	<u>75,000</u>
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The final dividend was declared on 4 April 2019 and paid on 25 April 2019.

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

Maybank Group ESGP is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017. It was awarded to the participating Maybank Group employees who fulfill the eligibility criteria. 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 namely as Employees' Share Grant Plan ("ESGP Share") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

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

**DIRECTORS**

The directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Majid Mohamad (Chairman)

Mr. Andrew King Sun Cheung (Vice Chairman) (Appointed as Director w.e.f. 7 February 2020)

Dato' Johan Ariffin

Mr. Wong Pakshong Kat Jeong Colin Stewart

Dr. Abdul Rahim Abdul Rahman (Ceased as Director w.e.f 23 September 2019)

Dato' Mohamed Rafique Merican

Mohd Wahiduddin Merican (Ceased as Director w.e.f 31 January 2020)

Mr. Philippe Pol Arthur Latour (Ceased as Director w.e.f. 7 February 2020)

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

**DIRECTORS' BENEFITS**

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

## **DIRECTORS' BENEFITS (CONTD.)**

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, as disclosed in Note 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.

## **DIRECTORS' INDEMNITY**

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

### **Premium paid for D&O policy**

<b>Coverage</b>	<b>Premium paid</b>	
<b>Limit of Liability - Group Policy</b>	<b>2019 Gross Premium (RM'000)</b>	<b>2018 Gross Premium (RM'000)</b>
RM 250 Million	1,108	1,160

## **DIRECTORS' INTERESTS**

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

	<b>Number of ordinary shares</b>		
	<b>As at 1 January 2019</b>	<b>Issued pursuant to DRP*</b>	<b>As at 31 December 2019</b>
<b>Ultimate Holding Company</b>			
<b>Direct Interest:</b>			
Dato' Johan Ariffin	308,629	6,558	315,187
Dato' Mohamed Rafique Merican			
Mohd Wahiduddin Merican	236,144	5,000	241,144

\*DRP = Dividend Reinvestment Plan

**DIRECTORS' INTERESTS (CONTD.)**

	<b>Number of ordinary shares</b>		
	<b>As at 1 January 2019</b>	<b>Acquired during the year</b>	<b>As at 31 December 2019</b>
<b>Indirect Interest:</b>			
Wong Pakshong Kat Jeong Colin Stewart <sup>1</sup>	34,253	-	34,253

<sup>1</sup> Shares in Maybank held by spouse

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

	<b>Award date</b>	<b>Number of ESGP shares awarded</b>	<b>Vesting year</b>
Dato' Mohamed Rafique Merican	14 December 2018	104,000	2021
Mohd Wahiduddin Merican	30 September 2019	104,000	2022
		<u>208,000</u>	

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

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

## **CORPORATE GOVERNANCE**

The Company has complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance as disclosed from pages 8 to 24.

## **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 Maybank, 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 there were no known bad debts and 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 prescribed valuation methods specified in Part B of the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") issued by BNM.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any 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.

**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 end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

**SIGNIFICANT EVENTS**

There were no significant events which have occurred during the financial year other than as disclosed in Note 44 to the financial statements.

**SUBSEQUENT EVENTS**

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


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#### AUDITORS

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

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 12 February 2020.



DATO' MAJID MOHAMAD



DATO' JOHAN ARIFFIN

## **CORPORATE GOVERNANCE DISCLOSURES**

### **(1) INTRODUCTION**

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

As at 31 December 2019, the Board consisted of five (5) Directors, comprising of:-

- (i) two (2) Non-Independent Non-Executive Directors ("NINED"); and
- (ii) three (3) Independent Non-Executive Directors ("INED").

The composition of the Board meets the requirement of having a majority of independent directors as set out in the BNM CG Policy. Dato' Majid Mohamad, an INED, is the Chairman of the Board and Mr. Philippe Pol Arthur Latour, a NINED, is a nominee of Ageas Insurance International N.V. ("Ageas"), a shareholder of MAHB.

The Board is committed to ensuring diversity and inclusiveness in its composition and 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.

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(a) Board Composition (contd.)**

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

Members of the Board	Designation	Number of Board Meetings attended	%
Dato' Majid Mohamad ( <i>Chairman</i> )	INED	10/10	100
Mr. Philippe Pol Arthur Latour ( <i>Vice Chairman</i> )	NINED	9/10	90
Dato' Mohamed Rafique Merican			
Mohd Wahiduddin Merican	NINED	8/10	80
Dato' Johan Ariffin	INED	10/10	100
Dr. Abdul Rahim Abdul Rahman	INED <sup>1</sup>	3/7	43
Mr. Wong Pakshong Kat Jeong			
Colin Stewart	INED	10/10	100

<sup>1</sup> Ceased as Director w.e.f 23 September 2019

**Profile of Directors**

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorship within the Group
<b>Dato' Majid Mohamad</b> Independent Non-Executive Director Chairman 65 years of age Malaysian	Banking & Insurance	<ul style="list-style-type: none"> <li>• Director of Maybank Ageas Holdings Berhad</li> <li>• Chairman of Etiqa General Takaful Berhad</li> </ul>
<b>Mr. Philippe Pol Arthur Latour</b> Non-Independent Non-Executive Director Vice-Chairman 60 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 General Takaful Berhad</li> </ul>

**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>Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican</b> Non-Independent Non-Executive Director 54 years of age Malaysian	Banking	• Director of Etiqa General Takaful Berhad
<b>Dato' Johan Ariffin</b> Independent Non-Executive Director 60 years of age Malaysian	Property Development & Banking	• Director of Maybank Ageas Holdings Berhad • Director of Etiqa Life Insurance Berhad • Director of Etiqa General Insurance Berhad ( <i>Ceased as Director w.e.f. 1 March 2019</i> ) • Director of Etiqa General Takaful Berhad • Chairman of Etiqa Insurance Pte Ltd ( <i>Incorporated in Singapore</i> ) ( <i>Appointed w.e.f. 23 April 2019</i> )
<b>Dr. Abdul Rahim Abdul Rahman</b> Independent Non-Executive Director 52 years of age Malaysian	Academician	• Director of Etiqa General Takaful Berhad ( <i>Ceased as Director w.e.f. 23 September 2019</i> )
<b>Mr. Wong Pakshong Kat Jeong Colin Stewart</b> Independent Non-Executive Director 60 years of age Singaporean	Insurance	• Director of Etiqa Life Insurance Berhad • Director of Etiqa Insurance Pte Ltd ( <i>Incorporated in Singapore</i> )

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 year ended 31 December 2019 ("FYE 2019").

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(b) Roles and Responsibilities of the Board**

The business and affairs of the Company are managed under the direction and oversight of the Board, which also has the responsibility to periodically review and approve the overall strategies, business, organisation and significant policies of the Company. The Board also sets the core values 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)).

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

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

- (i) Nomination and Remuneration Committee;
- (ii) Audit Committee of the Board;
- (iii) Risk Management Committee;
- (iv) Investment Committee;
- (v) Board Oversight Committee of Innovation & Technology
- (vi) Board Oversight Committee for Development; 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:

- (vii) Group Shariah Committee.

**(i) Nomination and Remuneration Committee**

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

The primary objectives 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.

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

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

The Board via the NRC assesses the independence of INEDs prior to their appointments and re-appointments as part of the annual Fit and Proper Assessment exercise. Pursuant to the recommendation of the NRC based on the assessment undertaken for the financial year, 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 engages a consulting firm to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board and individual directors.

The NRC plays a major role in the recruitment and selection process of potential candidates, which includes procuring from time to time the curriculum vitae of prospective candidates discreetly to ensure that the Board 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 Group's culture, objectives and strategy and the industry standards.

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

Members of the NRC	Designation	Number of NRC Meetings attended	%
Dato' Johan Ariffin ( <i>Chairman</i> )	INED <sup>1</sup>	7/7	100
Datuk Mohd Najib Abdullah	INED <sup>2</sup>	7/7	100
Mr. Gary Lee Crist	NINED <sup>3</sup>	7/7	100
Dato' Majid Mohamad	INED <sup>4</sup>	0/0	N/A

<sup>1</sup> Appointed as Chairman w.e.f 8 February 2019

<sup>2</sup> Ceased as Chairman w.e.f 31 December 2018. INED of MAHB, Etiqa Life Insurance Berhad and Etiqa General Insurance Berhad, wholly-owned subsidiaries of MAHB

<sup>3</sup> NINED of MAHB

<sup>4</sup> Appointed as member w.e.f 1 December 2019

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

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

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

The ACB supports the Board in ensuring reliable and transparent financial reporting, oversees the effectiveness of the internal audit functions, reviews related-party transactions and conflicts of interest situations, assesses the suitability, objectivity and independence of the Group's appointed external auditors and independently assesses 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 Group'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 year are as follows:

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

<sup>1</sup> INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of MAHB.

<sup>2</sup> NINED of MAHB.

<sup>3</sup> INED of Etiqa General Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB.

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

##### (iii) Risk Management Committee

The Risk Management Committee ("RMC") consists of a majority of INEDs and 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 year are as follows:

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

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

<sup>2</sup> NINED of MAHB.

##### (iv) Investment Committee

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

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

The roles and responsibilities of the IC 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)).

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**(iv) Investment Committee (contd.)**

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

Members of the IC	Designation	Number of IC Meetings attended	%
Dato' Amirul Feisal Wan Zahir (Chairman)	ED <sup>1</sup>	4/4	100
Dato' Mohamed Rafique Merican	NINED	3/4	75
Mohd Wahiduddin Merican		4/4	100
Mr. Philippe Pol Arthur Latour	NINED	4/4	100

<sup>1</sup> ED of MAHB.

**(v) Board Oversight Committee of Innovation & Technology**

The Board Oversight Committee of Innovation & Technology ("BOC IT") consists of four (4) members and chaired by an INED.

The BOC IT is a governance body which carries an oversight function for innovation and 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 year are as follows:

Members of the BOC IT	Designation	Number of BOC IT Meetings attended	%
Mr. Loh Lee Soon (Chairman)	INED <sup>1</sup>	7/7	100
Encik Kamaludin Ahmad	Member <sup>2</sup>	7/7	100
Encik Mohd Suhail Amar Suresh	Member <sup>3</sup>	6/7	86
Mr. Valer Merenyi	Member <sup>4</sup>	4/4	100
Mr. Vincent Rocard	Member <sup>5</sup>	3/3	100

<sup>1</sup> INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of MAHB

<sup>2</sup> CEO of MAHB

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

<sup>4</sup> Regional Director, Digital Strategy and Solutions, Ageas (Appointed as member w.e.f. 1 January 2019; ceased as member w.e.f 30 June 2019)

<sup>5</sup> Regional Director, Digital Strategy and Solutions, Ageas (Appointed as member w.e.f 1 July 2019)

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**(vi) Board Oversight Committee for Development**

The Board Oversight Committee for Development ("BOC Development") consists of four (4) members and chaired by an INED.

The BOC Development is a governance body which carries an oversight function for development activities within the Group.

The roles and responsibilities of the BOC Development 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 Development and the attendance of its members at meetings during the financial year are as follows:

<b>Members of the BOC Development</b>	<b>Designation</b>	<b>Number of BOC Development Meetings attended</b>	<b>%</b>
Dato' Johan Ariffin ( <i>Chairman</i> )	INED	8/8	100
Mr. Loh Lee Soon	INED <sup>1</sup>	7/8	88
Encik Kamaludin Ahmad	Member <sup>2</sup>	7/8	88
Mr. Goh Teong Yam	Member <sup>3</sup>	6/7	86

<sup>1</sup> INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of the Company.

<sup>2</sup> CEO of MAHB

<sup>3</sup> Head, Group Property, Maybank (Appointed as member w.e.f 28 January 2019)

**(vii) Group Shariah Committee**

As at 31 December 2019, the Group Shariah Committee ("Group SC") consists of five (5) members.

The Board of both the Company and Etiqa General Takaful Berhad, a related company (collectively 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 roles and responsibilities of the Group SC 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)).

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**(vii) Group Shariah Committee (contd.)**

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

Members of the Group SC	Designation	Number of Group SC Meetings attended	%
Dr. Ahcene Lahsasna	Chairman <sup>1</sup>	7/7	100
Assoc. Prof. Dr. Aznan Hasan	Chairman <sup>2</sup>	7/7	100
Dr. Sarip Abdul	Member	12/13	92
Prof Dr. Rusni Hassan	Member	11/13	85
Prof Dr. Abdul Rahim Abdul Rahman	INED <sup>3</sup>	11/13	85
Prof Dato' Dr. Mohd Azmi Omar	Member	11/13	85
Dato' Dr. Anhar Opir	Member <sup>4</sup>	9/11	82

<sup>1</sup> Ceased as Chairman and member w.e.f 31 May 2019

<sup>2</sup> Appointed as Chairman w.e.f 1 June 2019

<sup>3</sup> Ceased as Director w.e.f 23 September 2019

<sup>4</sup> Ceased as member w.e.f 31 October 2019

**(d) Directors' Training**

The Board acknowledges the importance of continuing 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 year, all the Board members have attended various training programmes and workshops on issues relevant to the Group, including key training programmes for new Directors, namely the Induction Programme ("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 Group's business strategy and operational matters. New Directors are required to attend the programme as soon as possible after they have been appointed. The programme includes intensive one-on-one session with the Senior Management Committee members/Heads of Departments, that wherein new Directors would be briefed and brought up to speed on the challenges and issues faced by the Group.

**ETIQA FAMILY TAKAFUL BERHAD**
**199301011506 (266243-D)**
**(Incorporated in Malaysia)**
**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**
**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**
**(d) Directors' Training (contd.)**
**(ii) Training Attended**

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 year.

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

Training attended by Directors	DMM <sup>1</sup>	PL <sup>2</sup>	DRM <sup>3</sup>	DJA <sup>4</sup>	DAR <sup>5</sup>	WPC <sup>6</sup>
<b>A. Inhouse Training</b>						
1. Etiqa Board Risk Workshop 2019	√					√
2. Etiqa Strategic Outlook: Business as Usual and Business Unusual	√		√	√		√
3. Etiqa Takaful Executive Development ("TED") Program 2019: Future-Ready Leadership and Succession Planning	√					√
4. Etiqa TED Program 2019: Forum on Integrity as the Pillar of Shariah Compliance Culture in Islamic Financial Institutions – Moving Forward	√			√	√	
5. Etiqa TED Program 2019: Etiqa's Role in Preserving Environmental Sustainability	√					
6. Etiqa: Takaful Business Surplus Workshop					√	
7. Etiqa: Retakaful Operations					√	
8. Etiqa Investment Management					√	
9. Etiqa: IFRS 17: Overview and Its Impact to Etiqa	√					√
10. Etiqa: Workshop on Malaysian Financial Reporting Standard					√	
11. Ageas Partnership Days 2019	√	√	√	√		√
12. Ageas AIC Conference		√				
13. Ageas Finance and Risk Offsite		√				
14. Ageas Management Forum 2019		√				
<b>B. External Training</b>						
1. BNM: FIDE Forum – Reading The Signs: The Next Financial Crisis and Potential Impact on Asia	√			√		
2. BNM: 2018 CRR Communication						√
3. BNM: Dialogue with BNM Deputy Governor on draft Risk Management in Technology Policy	√					
4. BNM: FIDE: Focus Group Discussion in Preparing for BNM FIDE Dialogue	√					
5. BNM: BNM Annual Report Launch by Governor	√		√			
6. BNM: FIDE & Isira : VBI – Directors Role	√					
7. BNM: KL Islamic Financial Forum - Technology	√					
8. BNM: MyFintech Week (MFW)	√					
9. BNM: Kamijal Kewangan Kuala Terengganu			√			
10. BNM, AIBIM & MTA: Islamic Finance Rendezvous Series 2019			√			
11. BNM, AIBIM & MTA: Islamic Finance Rendezvous Series Johor			√			
12. BNM: Regional Conference on Climate Change			√			
13. Bursa Malaysia Sustainability Advocacy Programme: Workshop on The Recommendations of the Task Force on Climate-Related Financial Disclosures				√		
14. Bursa Malaysia: Invest Malaysia	√		√			
15. PIAM: IT Risk Management Training for Board Members' of Member Companies	√					
16. Asia Insurance Review: The Takaful Rendezvous 2019	√					
17. Asia Insurance Review: Asia CEO Insurance Summit	√					
18. Forum on Development of the IAIS Insurance Capital Standard v.2						√
19. Asian Actuarial Conference						√
20. Ernest & Young: MFRS 17 Understanding its Impact and Consequences	√					√
21. Malaysia Takaful Association: Malaysian Financial Reporting Standard (MFRS 17)					√	
22. Malaysia Takaful Association & Association of Shariah Advisors in Islamic Finance: Muzakarah for Shariah Advisors of Takaful Operators 2019 (M-SAT 2019)					√	
23. Sime Darby Property Berhad: Economy Update In EU / UK				√		
24. INCEIF: IFRS Round Table Discussion on Disaster and Conflict – Challenges for Islamic Finance	√					
25. CERT: Kuala Lumpur Islamic Finance Forum 2019			√			
26. Dubai International Financial Centre & The Financial Times: Global Financial Forum 2019			√			
27. IIF: 2019 International Institute of Finance Annual Membership Meeting			√			
28. Securities Commission: Capital Market Directors Programme			√			
29. Securities Commission: IOSCO Asia Pacific Hub Conference 2019			√			
30. INSEAD International Directors Programme Module 1		√				
31. INSEAD International Directors Programme Module 2		√				
32. INSEAD International Directors Programme Module 3		√				
33. Sime Darby Property Berhad: Training for Directors a. Update on Accounting Standards b. Malaysian Anti-Corruption Commission Act c. Reputation Resilience & Crisis Management : Out of Control but in Command – How to Manage the New Realities of Business				√		
34. PNB Leadership Forum 2019: Governance to Performance			√	√		
35. PNB Corporate Summit	√					√
36. PNB Board Workshop on IT Blueprint				√		
37. PNB: Strategic Assets Allocation (SAA) Workshop				√		
38. PNB: Minggu Amanah Saham Malaysia 2019			√			
39. 10 <sup>th</sup> World Congress of Council on Tall Buildings and Urban Habitat				√		
40. World Bank Group: Constructing & Financing Affordable Housing across Asia			√			
41. Institute and Faculty of Actuaries & Singapore Actuarial Society: Professional Skills Training						√
42. Global Halal Summit, Malaysia International Halal Showcase and World Halal Conference			√			

<sup>1</sup> DMM - Dato' Majid Mohamad

<sup>2</sup> PL - Mr. Philippe Poi Arthur Latour

<sup>3</sup> DRM - Dato' Mohamed Rafique Merican

<sup>4</sup> DJA - Dato' Johan Ariffin

<sup>5</sup> DAR - Dr. Abdul Rahim Abdul Rahman

<sup>6</sup> WPC - Mr. Wong Pakshong Kat Jeong Colin Stewart

## **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. The Company's dealings with the public are always conducted fairly, honestly and professionally.

### **(4) REMUNERATION - QUALITATIVE DISCLOSURES**

#### **(a) Board Performance**

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

The Board believes that one area that the Board needs to focus on in order to remain effective in 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 NED consists of fees and meeting allowances which are based on a fixed sum as determined by the NRC and the Board, and subsequently approved by the shareholders.

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

The 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.

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

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

## CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

### (5) REMUNERATION - QUANTITATIVE DISCLOSURES

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

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

<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
· Shariah Committee	
- Chairman	60,000
- Member	50,000
<b>(ii) Meeting Allowance</b>	
· per meeting attended	2,000

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

The details of Directors' and CEO's remuneration for FYE 2019 are disclosed in the Notes 26 and 27 to the Company's financial statements.

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

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

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

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

<b>Key elements</b>	<b>Purpose</b>
<b>Fixed Pay</b>	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.
<b>Variable Pay</b>	<p><b>Variable Bonus</b></p> <ul style="list-style-type: none"> <li>▪ Reinforce pay-for-performance culture and adherence to the 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 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><b>Long-term Incentive Award</b></p> <ul style="list-style-type: none"> <li>▪ The Long-term Incentive Award is offered within the suite of Total Rewards for eligible Talents. An approved customized Share Grant Plan is offered to eligible Senior Management who has direct line of sight in driving, leading and executing the Group's business strategies and objectives.</li> </ul> <p><b>Clawback Provision</b></p> <ul style="list-style-type: none"> <li>▪ The Board, based on risk management issues, financial misstatement, fraud and gross negligence or wilful misconduct, has the discretion to make potential adjustment or clawback on Variable Bonus and Long-term Incentive Awards.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>▪ Provides employees with financial protection, access to health care, paid time-off, staff loans at preferential rates, programmes to support work/life balance, etc. for a diverse workforce. The benefits programmes which blend all elements including cost optimisation and employee/job needs, are reviewed regularly with proactive actions taken to remain competitive in the increasingly dynamic business landscape and continuously enrich employees, as part of total rewards strategy.</li> </ul>
<b>Development and Career Opportunities</b>	<ul style="list-style-type: none"> <li>▪ Continue to invest in the personal and professional growth of employees. Opportunities provided to employees to chart their careers across different businesses and geographies.</li> </ul>

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

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.

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

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

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

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

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

Performance Management principles ensure Key Performance Indicators ("KPI") continue to focus on outcomes delivered that are aligned to the business plans. Each of the Senior Officers and Other Material Risk Takers ("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.

**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.

**Corporate Governance – Remuneration Practices**

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

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

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

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

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

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

- (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 financial year ended 2019 compensation outcome for those identified as Senior Officers and OMRTs:

Remuneration	Unrestricted		Deferred	
Fixed Remuneration	No. of pax	RM'000	No. of pax	RM
Material Risk Taker ("Senior Officers")				
Cash-based	1	865	Nil	Nil
Shares and share-linked instruments (ESOS etc.)				
Other	Nil			
Other Material Risk Taker ("OMRT")				
Cash-based	3	1,272	Nil	Nil
Shares and share-linked instruments (ESOS etc.)				
Other	Nil			

Notes: The figures above exclude the Long- Term Incentive Award (combination of cash and shares) awarded in 2019 as the amount, conditional upon fulfillment of payment/vesting criteria have not taken effect.

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

We, Dato' Majid Mohamad and Dato' Johan Ariffin, being two of the directors of Etiqa Family Takaful Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 32 to 176 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 2019 and of the results and the cash flows of the Company for the financial year 31 December 2019.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 February 2020.



DATO' MAJID MOHAMAD

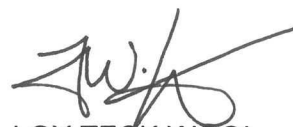


DATO' JOHAN ARIFFIN

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

I, Loy Teck Wooi, being the Officer primarily responsible for the financial management of Etiqa Family Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 176 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.

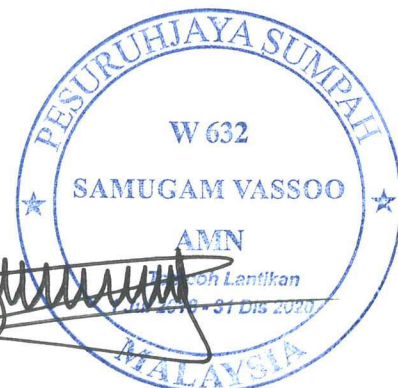
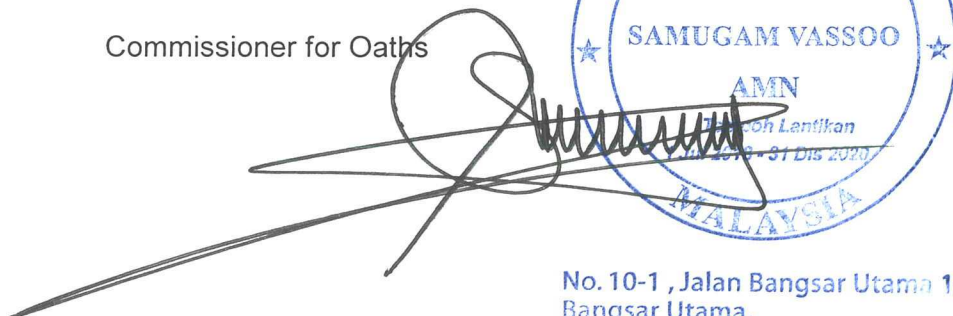
Subscribed and solemnly declared  
by the abovenamed Loy Teck Wooi  
at Kuala Lumpur in Wilayah Persekutuan  
on 12 February 2020



LOY TECK WOUI  
(MIA 29486)  
Financial Controller

Before me,

Commissioner for Oaths



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

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

**REPORT OF THE SHARIAH COMMITTEE**

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

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

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial year ended 31 December 2019. 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 has held responsible for ensuring that the Company conducts its business in accordance with Shariah rules and principles. It is our responsibility to express an independent opinion, based on our review of the operations of the Company.

We have assessed the work carried out by Shariah review 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 informations and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated the rules and principles of Shariah.

In our opinion:

1. the relevant contracts, transactions and dealings entered into by the Company during the financial year ended 31 December 2019 that we have reviewed are in compliance with the Shariah principles;
2. the allocation of profits 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. there is no Shariah non-compliant transactions and earnings encountered by us during the financial year ended 31 December 2019; 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 FAMILY TAKAFUL BERHAD  
199301011506 (266243-D)  
(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 Management. All in all, we, the members of the Shariah Committee of Etiqa Family Takaful Berhad, do hereby confirm that, in our level best, the operations of the Company for the financial year ended 31 December 2019 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.



ASSOCIATE PROFESSOR  
DR AZNAN HASAN



PROFESSOR DATO'  
DR MOHD AZMI OMAR

Kuala Lumpur, Malaysia  
12 February 2020

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

**Report on the Audit of Financial Statements**

*Opinion*

We have audited the financial statements of Etiqa Family Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the financial year ended 31 December 2019, and summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 176.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

*Basis for Opinion*

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

*Independence and Other Ethical Responsibilities*

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

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

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

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

Independent auditors' report to the member of  
Etiga Family Takaful Berhad (contd.)  
199301011506 (266243-D)  
(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.

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

*Auditors' Responsibilities for the Audit of the Financial Statements (contd.)*

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

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

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

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

#### Other matters

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



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

Kuala Lumpur, Malaysia  
12 February 2020



Ahmad Hammami Bin Muhyidin  
No. 03313/07/2021 J  
Chartered Accountant

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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

		2019			2018		
		Shareholder's fund	Family Takaful fund	Company	Shareholder's fund	Family Takaful fund	Company
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Property, plant and equipment	3	315	-	315	413	-	413
Right-of-use assets	4	678	-	678	-	-	-
Intangible assets	5	4,604	-	4,604	4,934	-	4,934
Investments	6	2,230,830	11,465,206	13,669,976	2,174,152	10,310,238	12,459,457
Financing receivables	7	15,567	-	15,567	16,406	-	16,406
Retakaful assets	8	-	111,198	111,198	-	73,802	73,802
Takaful receivables	9	-	120,399	120,399	-	75,591	75,591
Other assets	10	157,929	132,600	161,207	223,762	166,131	206,355
Deferred tax assets	17	-	-	-	4,126	1,767	5,893
Current tax assets		38,572	20,412	58,984	34,834	21,181	56,015
Cash and bank balances		5,922	120,189	126,111	43,664	103,532	147,196
Total Assets		2,454,417	11,970,004	14,269,039	2,502,291	10,752,242	13,046,062
EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS							
Equity							
Share capital	11	100,000	-	100,000	100,000	-	100,000
Reserves	12	1,698,548	-	1,692,488	1,544,746	-	1,540,813
Total Equity		1,798,548	-	1,792,488	1,644,746	-	1,640,813
Liabilities and Participants' Funds							
Participants' funds	13	-	3,690,961	3,690,961	-	3,233,339	3,233,339
Takaful certificate liabilities	14	-	7,804,488	7,784,488	-	7,053,776	7,032,776
Subordinated obligation	15	-	-	-	300,000	-	300,000
Expense liabilities	16	535,282	-	535,282	445,941	-	445,941
Deferred tax liabilities	17	28,764	48,526	77,290	-	-	-
Takaful payables	18	1,949	29,785	31,734	12,428	33,515	45,943
Other liabilities	19	89,874	396,244	356,796	97,987	431,612	346,061
Profit payable on subordinated obligation	15	-	-	-	1,189	-	1,189
Total Liabilities and Participants' Funds		655,869	11,970,004	12,476,551	857,545	10,752,242	11,405,249
Total Equity, Liabilities and Participants' Funds		2,454,417	11,970,004	14,269,039	2,502,291	10,752,242	13,046,062

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

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

		2019			2018		
		Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
Note							
<b>Operating revenue</b>	20	<b>460,270</b>	<b>2,165,901</b>	<b>2,261,414</b>	<b>441,114</b>	<b>2,036,241</b>	<b>2,135,862</b>
Gross earned contributions		-	1,674,739	1,674,739	-	1,569,424	1,569,424
Earned contributions ceded to retakaful		-	(72,215)	(72,215)	-	(67,953)	(67,953)
<b>Net earned contributions</b>		-	<b>1,602,524</b>	<b>1,602,524</b>	-	<b>1,501,471</b>	<b>1,501,471</b>
Fee and commission income	21	364,757	361	361	341,493	1,277	1,277
Investment income	22	95,513	491,162	586,675	99,621	466,817	566,438
Realised gains/(losses)	23	11,887	37,107	48,994	(26,364)	(158,172)	(184,536)
Fair value gains	24	108,821	418,905	525,599	14,667	53,759	68,726
Other operating (expenses)/income, net	25	(10,994)	10,145	(849)	-	(1,415)	(1,415)
<b>Other revenue</b>		<b>569,984</b>	<b>957,680</b>	<b>1,160,780</b>	<b>429,417</b>	<b>362,266</b>	<b>450,490</b>
Gross benefits and claims paid		-	(1,115,368)	(1,115,368)	-	(889,852)	(889,852)
Claims ceded to retakaful		-	58,967	58,967	-	47,778	47,778
Gross change in certificate liabilities		-	(722,942)	(980,821)	-	(251,244)	(517,711)
Change in certificate liabilities ceded to retakaful		-	37,396	37,396	-	(5,283)	(5,283)
<b>Net benefits and claims</b>		-	<b>(1,741,947)</b>	<b>(1,999,826)</b>	-	<b>(1,098,601)</b>	<b>(1,365,068)</b>
Management expenses	26	(171,164)	(26,780)	(197,944)	(166,216)	(23,617)	(189,833)
Change in expense liabilities		(89,341)	-	(89,341)	(21,433)	-	(21,433)
Fee and commission expenses	29	(131,988)	(365,505)	(132,736)	(119,454)	(342,252)	(120,213)
Profit on subordinated obligation		(5,536)	-	(5,536)	(13,560)	-	(13,560)
Tax borne by participants	30	-	(33,183)	(33,183)	-	560	560
<b>Other expenses</b>		<b>(398,029)</b>	<b>(425,468)</b>	<b>(458,740)</b>	<b>(320,663)</b>	<b>(365,309)</b>	<b>(344,479)</b>
<b>Operating profit before surplus transfers</b>		<b>171,955</b>	<b>392,789</b>	<b>304,738</b>	<b>108,754</b>	<b>399,827</b>	<b>242,414</b>
Surplus transferred to participants' funds		-	(257,879)	-	-	(266,467)	-
Surplus attributable to shareholder		134,910	(134,910)	-	133,360	(133,360)	-
<b>Profit before taxation</b>		<b>306,865</b>	<b>-</b>	<b>304,738</b>	<b>242,114</b>	<b>-</b>	<b>242,414</b>
Taxation	30	(96,474)	-	(96,474)	(50,161)	-	(50,161)
Zakat		(4,745)	-	(4,745)	(9,870)	-	(9,870)
<b>Net profit for the year</b>		<b>205,646</b>	<b>-</b>	<b>203,519</b>	<b>182,083</b>	<b>-</b>	<b>182,383</b>
<b>Basic and diluted earnings per share (sen)</b>	31			<b>203.52</b>			<b>110.58</b>

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

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019			2018		
		Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
Net profit for the year		205,646	-	203,519	182,083	-	182,383
Other comprehensive income:							
Item that may be subsequently reclassified to income statement							
Net gains on Fair Value through Other Comprehensive Income ("FVOCI"):							
Gains on fair value changes		31,918	280,927	312,845	673	32,480	33,153
Realised gains transferred to income statement	23	(1,450)	(15,895)	(17,345)	-	(3,828)	(3,828)
Tax effects relating to components of other comprehensive income	17	(7,312)	(17,878)	(25,190)	(161)	(1,899)	(2,060)
Other comprehensive loss attributable to participants		-	(247,154)	(247,154)	-	(26,753)	(26,753)
Other comprehensive income for the year, net of tax		23,156	-	23,156	512	-	512
Total comprehensive income for the year		228,802	-	226,675	182,595	-	182,895

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

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

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Attributable to Equity Holder of the Company			Total Equity RM'000
		Share Capital RM'000	Non-Distributable	Distributable	
			FVOCI Reserve RM'000	Retained Profits RM'000	
<b>At 1 January 2019</b>		100,000	512	1,540,301	1,640,813
Net profit for the year		-	-	203,519	203,519
Other comprehensive income for the year		-	23,156	-	23,156
Total comprehensive income for the year		-	23,156	203,519	226,675
Dividend on Ordinary Share	32	-	-	(75,000)	(75,000)
<b>At 31 December 2019</b>		<u>100,000</u>	<u>23,668</u>	<u>1,668,820</u>	<u>1,792,488</u>
<b>At 1 January 2018</b>		400,000	-	1,357,918	1,757,918
Net profit for the year		-	-	182,383	182,383
Other comprehensive income for the year		-	512	-	512
Total comprehensive income for the year		-	512	182,383	182,895
Capital reduction		(300,000)	-	-	(300,000)
<b>At 31 December 2018</b>		<u>100,000</u>	<u>512</u>	<u>1,540,301</u>	<u>1,640,813</u>

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

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

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation and zakat:		304,738	242,414
Adjustments for:			
Tax borne by participants	30	33,183	(560)
Depreciation of property, plant and equipment	26	138	197
Amortisation of intangible assets	26	792	653
Interest on lease liability	26	29	-
Depreciation of right-of-use assets	26	185	-
Fair value gains on investments	24	(525,599)	(68,726)
Realised (gains)/losses on disposal of investments	23	(48,993)	184,532
Realised (gains)/losses on property, plant and equipment	23	(1)	4
(Reversal)/allowance of impairment losses on investments	25	(141)	219
Allowance of impairment losses on takaful receivables	25	1,905	420
Allowance of impairment losses on other receivables	25	123	11
(Reversal)/allowance of impairment losses on financing receivables	25	(427)	228
(Recovery)/write off of takaful receivables	25	(143)	1,033
Write off of intangible asset	5	-	3,139
Profit income	22	(589,413)	(554,058)
Finance cost		5,536	13,560
Gross dividend/distribution income	22	(11,902)	(21,091)
Net amortisation of premiums	22	12,232	5,424
Surplus transferred to participant's fund	13	257,879	266,467
Operating cash flows before working capital changes		(559,879)	73,866
Changes in working capital:			
(Increase)/decrease in takaful receivables		(46,570)	1,628
Decrease in other assets		113,558	158,301
Decrease in takaful payables		(14,209)	(8,770)
Increase in other payables		(41,237)	(137,325)
Increase in expense liabilities		89,341	66,147
Decrease in financing receivables		1,266	563
Increase in placements of deposits with financial institutions		(298,441)	(106,560)
(Increase)/decrease in retakaful assets		(37,396)	5,283
Increase in takaful certificate liabilities		722,938	254,547
Operating cash flows after working capital changes and carried forward		(70,629)	307,680

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

**STATEMENT OF CASH FLOWS (CONTD.)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Note</b>	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>			
Brought forward		(70,629)	307,680
Profit income received		574,227	539,315
Gross dividend/distribution income received		12,772	20,944
Zakat paid		(7,702)	(3,766)
Taxation paid		(74,635)	(98,870)
Surplus paid to participants		(601)	(1,744)
Withholding tax borne by participants		(19,035)	(10,529)
Net cash flows generated from operating activities		<u>414,397</u>	<u>753,030</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of investments		4,305,073	5,506,762
Purchase of investments		(4,358,148)	(5,857,561)
Purchase of intangible assets	5	(462)	(2,768)
Purchase of property, plant and equipment	3	(40)	(119)
Net cash flows used in investing activities		<u>(53,577)</u>	<u>(353,686)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital reduction	11	-	(300,000)
Dividend paid	32	(75,000)	-
Payment of lease liabilities	4	(180)	-
Profit paid on subordinated obligation		(6,725)	(13,560)
Withdrawal on subordinated obligation	15	(300,000)	-
Net cash flows used in financing activities		<u>(381,905)</u>	<u>(313,560)</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(21,085)</b>	<b>85,784</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>147,196</b>	<b>61,412</b>
<b>Cash and cash equivalents at end of year</b>		<b><u>126,111</u></b>	<b><u>147,196</u></b>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances of:			
Shareholder's fund		5,922	43,664
Family Takaful fund		120,189	103,532
		<u>126,111</u>	<u>147,196</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**1. CORPORATE INFORMATION**

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

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

The principal activity of the Company are the management of family takaful and takaful investment-linked businesses.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 February 2020.

**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.

The Company have adopted those MFRSs, amendments to MFRSs and interpretation effective for the annual periods beginning on or after 1 January 2019 as disclosed in Note 2.3.

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

## **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 those of the Takaful funds. Interfund balances, transactions and unrealised gains or losses are eliminated in full during amalgamation. The accounting policies adopted for Shareholder's and Takaful funds are uniform for like transactions and events in similar circumstances.

The Takaful funds 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 licence to manage takaful business is withdrawn or surrendered.

#### **Takaful operation and its funds**

Under the concept of Takaful, individuals make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a takaful operator, the Company manages the Family Takaful funds 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.

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

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

##### **(a) Family Takaful certificate liabilities**

Note 2.2(xii) describes the measurement and recognition of the Family Takaful certificate liabilities, including a general explanation on the estimation methods used. Details of the key assumptions applied and a sensitivity analysis of the carrying amounts of the Family Takaful certificate liabilities to changes in assumptions are disclosed in Note 38 to the financial statements.

##### **(b) Impairment losses on financial assets, as described in note 2.2(vi).**

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

### **2.2 Summary of Significant Accounting Policies**

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

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

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

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

Furniture, fittings, office equipment and renovations	20% - 25%
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.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

#### **(ii) Intangible assets**

Intangible assets include software development costs, computer software and licences. Intangible assets acquired separately are measured on initial recognition at fair value. 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.

#### **(a) Software development costs**

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

#### **(b) Computer software and licenses**

The useful lives of computer software and licences 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.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

#### **(iii) Leases**

##### **(a) Classification**

A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased item to the Company. 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 risks and rewards incidental to ownership are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

##### **(b) Finance leases - the Company as Lessee**

The useful lives of all leasehold buildings are shorter than the lease terms of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Company at the end of their useful lives. Accordingly, all leasehold buildings are classified as finance lease in the financial statements.

Buildings held under finance lease are recognised as assets in the Company's statements of financial position and are measured in accordance with MFRS 116 Property, Plant and Equipment and MFRS 140 *Investment Properties*.

##### **(c) Operating leases - the Company as lessor**

Assets leased out under operating leases are presented in the statements of financial position according to the nature of the assets. Rental income from operating lease is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are included in the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (contd.)

#### (iii) Leases (contd.)

##### (d) Operating leases - the Company as Lessee

###### Before 1 January 2019

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and buildings elements in proportion to the relative fair values for leasehold interests in the land and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

###### Beginning 1 January 2019

Upon implementation of MFRS 16 Leases on 1 January 2019, the lessees are required to perform the right-of-use assessment to all the leases whether it shall be recorded as either under a single on-balance sheet model or recognition to profit or loss. The lease accounting is as follow:

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (contd.)

#### (iii) Leases (contd.)

##### (d) Operating leases - the Company as Lessee (contd.)

###### Beginning 1 January 2019 (contd.)

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

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

##### (b) Lease liabilities

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (contd.)

#### (iii) Leases (contd.)

##### (d) Operating leases - the Company as Lessee (contd.)

Beginning 1 January 2019 (contd.)

##### (b) Lease liabilities (contd.)

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

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

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

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

The Company has applied the following practical expedients permitted by the standard to leases:-

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (contd.)

#### (iii) Leases (contd.)

##### (d) Operating leases - the Company as Lessee (contd.)

Beginning 1 January 2019 (contd.)

##### (c) Significant judgement in determining the lease term of contracts with renewal options (contd.)

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

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

##### (iii) Leases with variable lease payments

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

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

#### (iv) Financial assets

##### (a) Date of recognition

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

##### (b) Initial and subsequent measurement

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

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

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

##### **(b) Initial and subsequent measurement (contd.)**

###### **(i) Business model assessment**

The Company and the takaful funds 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 funds 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 funds consider the timing, amount and volatility of cash flow requirements to support takaful liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company and the Takaful funds' 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 Takaful funds' assessment. The Company and the Takaful funds 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 Takaful funds' original expectations, the Company and the Takaful funds 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.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

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

##### **(b) Initial and subsequent measurement (contd.)**

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

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

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

A change in the Company and Takaful funds' business model will occur only when the Company and Takaful funds' 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.

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

As a second step of its classification process, the Company and the Takaful funds 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. To make the SPPI assessment, the Company and the Takaful funds 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.

###### **(c) Classification of financial assets**

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.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

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

##### **(c) Classification of financial assets (contd.)**

###### **(i) Financial assets at FVTPL**

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

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVTPL do not include exchange differences, interest/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 FVOCI are measured at fair value. Exchange differences, profit and dividend income on financial assets at FVOCI are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Other net gains and losses are recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. On derecognition, gains or losses accumulated in other comprehensive income are reclassified to profit or loss.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

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

##### **(c) Classification of financial assets (contd.)**

###### **(iii) Financial assets at AC**

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

Subsequent to initial recognition, financial assets at AC are measured at amortised cost using 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.

###### **(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 funds 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 funds commit to purchase or sell the asset.

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

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

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

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

#### **(v) Fair value of financial assets (contd.)**

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") are determined by reference to BNM's Interest Rate Swap. Over-the-counter derivatives comprise foreign exchange forward contracts, currency swap contracts and options. Over-the-counter derivatives are revalued at each reporting date, based on valuations provided by 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.

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) Financial assets**

The Company and the Takaful funds 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 and the Takaful funds. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts* with Customers and lease receivables under MFRS 16 *Leases*.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

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

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

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

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

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

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-months 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. The Company will generally be required to apply a 'three-stage' approach based on the change in credit quality since initial recognition:

<b>3 Stage approach</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
	<b>Performing</b>	<b>Under-performing</b>	<b>Non-performing</b>
<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

##### **(ii) 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.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

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

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

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

A forward looking ECL calculation should be based on an accurate estimation of current and future probability of default ("PD"), exposure of default ("EAD"), loss given default ("LGD") and discount factors.

##### Loans, advances and financing

The ECL on the loan portfolio (other than policy/Automated Contribution Facilities) of the Company is computed using a risk sensitive model, leveraging the ECL coverage ratio calculated for comparable portfolios from Maybank for Stage 1 and Stage 2 and individual assessment is applied for Stage 3. The policy/ACF loan are not expected to incur loss as any shortfall will be deducted from the cash surrender value. This implies that LGD is zero and no ECL is estimated.

##### Takaful receivables

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

##### Financial assets at FVOCI and AC

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

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

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

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

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

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

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

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

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

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

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

## **2. 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, cedes 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, 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.

At each reporting date, or more frequently, the Company and Takaful funds 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.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

#### **(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.

The impairment of takaful receivables is 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. Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

#### **(xi) Product classification**

The Company and the Takaful funds, as the operator of the participants' funds, issues certificates that contain takaful risk or both financial and takaful 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 certificate. Takaful 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 funds 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.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

#### **(xi) Product classification (contd.)**

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

Takaful certificate 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 funds may exercise its discretion as to the quantum and timing of payments to certificate holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within takaful certificate 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.

## **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 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 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) Family Takaful certificate liabilities**

Family Takaful certificates liabilities are recognised when certificates are in-force and contributions are due.

The Family Takaful certificate liabilities are derecognised when the certificate expires, discharged or cancelled.

The liabilities of the family takaful business are determined in accordance with Guidelines on Valuation Basis for Liabilities of Family Takaful Business and guidelines pertaining to the Valuation of Liabilities arising from Skim Anuiti Takaful KWSP ("SATK") Annuity Business. All family takaful liabilities except investment-linked certificates and yearly renewable family certificates have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and/or expenses less future gross considerations arising from the certificates, discounted at the risk-free discount rate. This method is known as the gross contribution valuation method.

For the family takaful risk fund, the expected future cash flows of benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of certificate reserves at a 75% confidence level is secured.

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

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

#### **(xii) Family Takaful certificate liabilities (contd.)**

For a yearly renewable family certificate covering death or survival contingencies, the liabilities have been valued based on the higher of unearned net contribution reserve and unexpired risk reserve. For a yearly renewable policies covering other contingencies such as medical, hospital or surgical benefits, the recognised liabilities comprise the best estimate contribution and claim liabilities with an appropriate allowance for PRAD.

#### **(xiii) Financial liabilities**

Financial liabilities are recognised in the statements of financial position when, and only when, the Company and the Takaful funds 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.

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

The Company's other financial liabilities include Takaful payables, 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.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

#### **(xiv) Expense liabilities**

The expense liabilities of the shareholder's fund consist of expense liabilities of the family takaful funds 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 Family Takaful fund**

The valuation of expense liabilities in relation to certificates of the family takaful fund is conducted separately by the Appointed Actuary. The method used to value expense liabilities is consistent with the method used to value takaful liabilities of the corresponding family takaful certificates. In valuing the expense liabilities, the present value of expected future expenses payable by the shareholder's fund in managing the takaful fund for the full contractual obligation of the takaful certificates less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's fund that can be determined with reasonable certainty, are taken into consideration. Expense liabilities are recognised when projected future expenses exceed the projected future income of takaful certificates.

The expected future cash flows are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of certificate reserves at a 75% confidence level is secured.

For a yearly renewable family certificate, expense liabilities in relation to certificates of the family takaful fund is reported as the higher of the aggregate of the provision for unearned wakalah fees ("UWF") and the unexpired expense reserves ("UER") with an appropriate allowance for Provision of Risk Margin for Adverse Deviation ("PRAD").

##### **(b) Provision for unearned wakalah fees**

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing family 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").

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

#### **(xiv) Expense liabilities (contd.)**

##### **(c) Unexpired expense reserves**

UER consists of the best estimate value of the unexpired expense reserves at the valuation date with an appropriate allowance for PRAD. The best estimate UER is determined based on 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").

#### **(xv) 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 affected takaful funds. 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 funds. 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.

#### **(xvi) 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.

#### **(xvii) 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.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

#### **(xviii) Contribution income**

Contribution income is recognised as soon as the amount of the contribution can be reliably measured in accordance with the principles of the Shariah as advised by the Shariah Committee. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured.

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

Net creation of units which represents contributions paid by participants as payment for a new contract, or subsequent payments to increase the amount of that contract, are reflected in profit or loss. Net creation of units is recognised on a receipt basis.

Creation/cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase/sell units have been received from participants.

#### **(xix) Benefits expenses**

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

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

- maturity and other certificate benefit payments due on specified dates are treated as claims payable on the due dates; and

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (contd.)

#### (xix) Benefits expenses (contd.)

- death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the assured or occurrence of the contingency covered.

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

#### (xx) Commission expenses and acquisition costs

Commission expenses, 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 that they give rise to income.

##### Mudharabah principle

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

##### Wakalah principle

Under the wakalah principle, commission expenses are borne by the shareholders' fund. This is in accordance with the principles of wakalah as approved by the Shariah Committee and agreed between the participants and the takaful operator.

#### (xxi) Other revenue recognition

##### Revenue from contract with customers

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (contd.)

#### (xxi) Other revenue recognition (contd.)

##### Revenue from contract with customers (contd.)

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

##### Other revenue

#### (a) Profit income

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

#### (b) Dividend income

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

#### (c) Rental income

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

#### (d) Fund management fees

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

#### (e) Management fees

Management fee is recognised at a point of time on an accrual basis for provision of bureau services and takaful related services to offshore reinsurers in accordance with the terms and conditions of the relevant agreements, when services are rendered.

#### (f) Wakalah fees

Wakalah fees represent fees charged by the shareholder's fund to manage takaful certificates issued by the family takaful funds 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.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

#### **(xxi) Other revenue recognition (contd.)**

##### Other revenue (contd.)

#### **(g) Fee and commission income**

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

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

Commission income is derived from retakaful in the course of ceding contribution to retakaful operators.

#### **(xxii) 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. 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) Other long term employee benefits**

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

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

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

#### **(xxii) Employee benefits (contd.)**

##### **(c) Defined contribution plan**

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

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

###### **(1) Employees' Share Grant Plan ("ESGP Shares")**

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (contd.)

#### (xxii) Employee benefits (contd.)

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

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

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

#### (xxiii) 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.

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

### **2.2 Summary of Significant Accounting Policies (contd.)**

#### **(xxiii) Foreign currencies (cont'd.)**

##### **(b) Foreign currency transactions (cont'd.)**

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

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.

#### **(xxiv) Income tax**

Income tax on profit or loss for the financial year 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 year and is measured using the tax rates that have been enacted as at the reporting date.

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

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.

#### **(xxv) Zakat**

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

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

### **2.3 Amendments to MFRS**

At the beginning of the current financial year, the Company adopted the following MFRS, amendments to MFRSs and Interpretation which are mandatory for the financial periods beginning on or after 1 January 2019:

MFRS 9 *Prepayment Features with Negative Compensation*  
 (Amendments to MFRS 9)

MFRS 16 *Leases*

MFRS 128 *Long-term Interests in Associates and Joint Ventures*  
 (Amendments to MFRS 128)

Annual Improvements to MFRSs 2015-2017 Cycle

(i) MFRS 3 *Business Combinations*

(ii) MFRS 11 *Joint Arrangements*

(iii) MFRS 112 *Income Taxes*

(iv) MFRS 123 *Borrowing Costs*

MFRS 119 *Plan Amendment, Curtailment or Settlement*  
 (Amendments to MFRS 119)

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

The adoption of these MFRS, amendments to MFRSs and Interpretation do not have any significant financial impacts on the Company. The effect of adopting MFRS 16 is described in Note 2.5.

### **2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective**

The following are Standards and amendments to Standards issued by the Malaysian Accounting Standards 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:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 3 - <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 - <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 7, MFRS 9 and MFRS 139 - <i>Interest Rate Benchmark Reform</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

### **2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (contd.)**

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

#### **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 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 or 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.
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

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

### **2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (contd.)**

#### **MFRS 17 *Insurance contracts* (contd.)**

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 retrospectively for estimating the CSM on the transition date. However, if full retrospective approach 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 Business sectors to study the implications and to evaluate the potential impact of adopting this standard on the required effective date. The Company believes that it is achieving the relevant milestones in adopting this new standard.

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

### **2.5 Changes in Accounting Policies - MFRS 16 Leases**

MFRS 16 replaces MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases — Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessee to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessor will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117 and IC interpretation 4 at the date of initial application. Therefore, MFRS 16 did not have any significant impact for leases where the Company is the lessor.

#### **Leases previously classified as operating lease - The Company as lessee**

On 1 January 2019, the Company have applied MFRS 16 for the first time using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying MFRS 16, to the retained earnings brought forward and not restating prior year comparatives information which remain as previously reported under MFRS 117 and related interpretations. The Company also made use of the transition practical expedient in the standard to not recognise lease arrangements for which the lease term ends within 12 months of the date of initial application. The Company have elected, on a lease-by-lease basis, to recognise the right-of-use assets at the amount equal to the lease liabilities, hence there were no impact to the retained earnings brought forward as at 1 January 2019.

#### **MFRS 16 Leases**

The Company elected the following transition practical expedients on a lease-by-lease basis for measurement purposes on first-time application of the standard:

- (1) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment;
- (2) Short-term lease contracts with a term not exceeding 12 months at the date of initial application are not recognised under MFRS 16;
- (3) Initial direct costs were excluded from the measurement of the right-of-use asset at the date of initial application; and
- (4) The Company used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.5 Changes in Accounting Policies - MFRS 16 Leases (contd.)

#### MFRS 16 Leases (contd.)

#### Financial effects arising from the adoption of MFRS 16 Leases

- (i) The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position items of the Company:

A reconciliation of the operating lease commitments as at 31 December 2018 to the lease liabilities recognised in the statement of financial position as at 1 January 2019 is shown as below:

#### Reconciliation of lease liabilities:

	RM'000
<b>Operating lease commitments as at 31 December 2018</b>	10,094
Current leases with a lease term of 12 months or less (short-term leases)	(8)
Leases of low-value-assets (low-value leases)	(3)
Out of scope	(9,783)
<b>Operating lease commitments as at 1 January 2019 (gross, without discounting)</b>	<u>300</u>
Reasonably certain extension or termination options	594
<b>Operating lease commitments as at 1 January 2019 (gross, without discounting)</b>	<u>894</u>
Effect of discounting at the incremental borrowing rate as of 1 January 2019	(83)
<b>Lease liabilities due to initial application of MFRS 16 as at 1 January 2019 (net, with discounting)</b>	<u><u>811</u></u>

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Changes in Accounting Policies - MFRS 16 Leases (contd.)

MFRS 16 Leases (contd.)

Financial effects arising from the adoption of MFRS 16 Leases (contd.)

- (ii) The quantitative impacts of the first-time application of MFRS 16 as of 31 December 2018/1 January 2019 on the Statement of Financial Position are shown below:

Shareholder's fund/Company

	MFRS 117 31 December 2018 RM'000	Modified retrospective application adjustments to MFRS 16 RM'000	MFRS 16 1 January 2019 RM'000
<b>ASSETS</b>			
Right-of-use assets	-	863	863
<b>LIABILITIES</b>			
Other liabilities - lease liabilities	-	811	811
Other liabilities - provision for restoration/dismantling cost	-	52	52

- (iii) The impact of the application of MFRS 16 to the Income Statement for the year ended 31 December 2019 are shown below:

	RM'000
Depreciation of right-of-use assets	185
Interest on lease liability	29

The adjustments from the initial application of MFRS 16 reflect the depreciation of ROU assets and ROU lease liability interest from the compounding of lease liabilities for leases categorised as operating leases until 31 December 2019.

- (iv) The impact of the application of MFRS 16 on the Statement of Cash Flows for the year ended 31 December 2019 are shown below:

	RM'000
Cash flows from operating activities	
- Depreciation	185
- Lease liability interest	29
Cash flows from financing activities	
- Payment of lease liabilities	180

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

**3. PROPERTY, PLANT AND EQUIPMENT**

**Shareholder's fund**

	<b>Furniture, fittings, office equipment and renovations RM'000</b>	<b>Computers and peripherals RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Work In Progress RM'000</b>	<b>Total RM'000</b>
<b>2019</b>					
<b>Cost</b>					
At 1 January 2019	4,122	581	323	-	5,026
Additions	40	-	-	-	40
Retirement	-	(32)	-	-	(32)
At 31 December 2019	<u>4,162</u>	<u>549</u>	<u>323</u>	<u>-</u>	<u>5,034</u>
<b>Accumulated Depreciation</b>					
At 1 January 2019	3,717	573	323	-	4,613
Charge for the year (Note 26)	135	3	-	-	138
Retirement	-	(32)	-	-	(32)
At 31 December 2019	<u>3,852</u>	<u>544</u>	<u>323</u>	<u>-</u>	<u>4,719</u>
<b>Net Book Value at 31 December 2019</b>	<u>310</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>315</u>
<b>2018</b>					
<b>Cost</b>					
At 1 January 2018	3,727	743	323	292	5,085
Additions	103	16	-	-	119
Retirement	-	(178)	-	-	(178)
Reclassification	292	-	-	(292)	-
At 31 December 2018	<u>4,122</u>	<u>581</u>	<u>323</u>	<u>-</u>	<u>5,026</u>
<b>Accumulated Depreciation</b>					
At 1 January 2018	3,524	743	323	-	4,590
Charge for the year (Note 26)	193	4	-	-	197
Retirement	-	(174)	-	-	(174)
At 31 December 2018	<u>3,717</u>	<u>573</u>	<u>323</u>	<u>-</u>	<u>4,613</u>
<b>Net Book Value at 31 December 2018</b>	<u>405</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>413</u>

**ETIQA FAMILY TAKAFUL BERHAD**  
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**3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

**Family Takaful fund**

	<b>Furniture, fittings, office equipment and renovations RM'000</b>	<b>Computers and peripherals RM'000</b>	<b>Total RM'000</b>
<b>2019/2018</b>			
<b>Cost</b>			
At 1 January/31 December	<u>33</u>	<u>5</u>	<u>38</u>
<b>Accumulated Depreciation</b>			
At 1 January/31 December	<u>33</u>	<u>5</u>	<u>38</u>
<b>Net Book Value</b>			
at 1 January/31 December	<u>-</u>	<u>-</u>	<u>-</u>

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

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

**Company**

	<b>Furniture, fittings, office equipment and renovations RM'000</b>	<b>Computers and peripherals RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Work In Progress RM'000</b>	<b>Total RM'000</b>
<b>2019</b>					
<b>Cost</b>					
At 1 January 2019	4,155	586	323	-	5,064
Additions	40	-	-	-	40
Retirement	-	(32)	-	-	(32)
At 31 December 2019	<u>4,195</u>	<u>554</u>	<u>323</u>	<u>-</u>	<u>5,072</u>
<b>Accumulated depreciation</b>					
At 1 January 2019	3,750	578	323	-	4,651
Charge for the year (Note 26)	135	3	-	-	138
Retirement	-	(32)	-	-	(32)
At 31 December 2019	<u>3,885</u>	<u>549</u>	<u>323</u>	<u>-</u>	<u>4,757</u>
<b>Net Book Value at 31 December 2019</b>	<u>310</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>315</u>
<b>2018</b>					
<b>Cost</b>					
At 1 January 2018	3,760	748	323	292	5,123
Additions	103	16	-	-	119
Retirement	-	(178)	-	-	(178)
Reclassification	292	-	-	(292)	-
At 31 December 2018	<u>4,155</u>	<u>586</u>	<u>323</u>	<u>-</u>	<u>5,064</u>
<b>Accumulated depreciation</b>					
At 1 January 2018	3,557	748	323	-	4,628
Charge for the year (Note 26)	193	4	-	-	197
Retirement	-	(174)	-	-	(174)
At 31 December 2018	<u>3,750</u>	<u>578</u>	<u>323</u>	<u>-</u>	<u>4,651</u>
<b>Net Book Value at 31 December 2018</b>	<u>405</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>413</u>

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

**Shareholder's fund/Company**

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

	<b>Premise RM'000</b>
<b>2019</b>	
<b>Cost</b>	
At 1 January 2019	-
Effect of adopting MFRS 16	863
At 1 January 2019, restated	863
Additions	-
At 31 December 2019	863
<b>Accumulated Depreciation</b>	
At 1 January 2019	-
Effect of adopting MFRS 16	-
At 1 January 2019, restated	-
Depreciation charge for the year (Note 26)	185
At 31 December 2019	185
<b>Net Book Value at 31 December 2019</b>	<b>678</b>

The movement of lease liabilities is disclosed as follows:

<b>2019</b>	
<b>Lease liabilities</b>	
At 1 January 2019	-
Effect of adopting MFRS 16	811
At 1 January 2019, restated	811
Accretion of interest (Note 26)	29
Settlement	(180)
At 31 December 2019 (Note 19)	660
<b>Lease liabilities by remaining maturity:</b>	
Less than 12 months	171
More than 12 months	489
Total	660

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**5. INTANGIBLE ASSETS**

**Shareholder's fund**

	<b>Computer software and licences RM'000</b>	<b>Software development in progress costs RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
<b>Cost</b>			
At 1 January 2019	13,655	-	13,655
Additions	454	8	462
At 31 December 2019	<u>14,109</u>	<u>8</u>	<u>14,117</u>
<b>Accumulated amortisation</b>			
At 1 January 2019	8,721	-	8,721
Amortisation charge for the year (Note 26)	792	-	792
At 31 December 2019	<u>9,513</u>	<u>-</u>	<u>9,513</u>
<b>Net Book Value at 31 December 2019</b>	<u>4,596</u>	<u>8</u>	<u>4,604</u>
<b>2018</b>			
<b>Cost</b>			
At 1 January 2018	14,508	1,337	15,845
Additions	1,431	-	1,431
Retirement	(591)	-	(591)
Transferred to EGTB	(3,030)	-	(3,030)
Reclassification	1,337	(1,337)	-
At 31 December 2018	<u>13,655</u>	<u>-</u>	<u>13,655</u>
<b>Accumulated amortisation</b>			
At 1 January 2018	9,887	-	9,887
Amortisation charge for the year (Note 26)	653	-	653
Retirement	(6)	-	(6)
Transferred to EGTB	(1,813)	-	(1,813)
At 31 December 2018	<u>8,721</u>	<u>-</u>	<u>8,721</u>
<b>Net Book Value at 31 December 2018</b>	<u>4,934</u>	<u>-</u>	<u>4,934</u>

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**5. INTANGIBLE ASSETS (CONTD.)**

**Family Takaful fund**

**Computer  
software and  
licences  
RM'000**

**2019/2018**

**Cost**

At 1 January/31 December

9,020

**Accumulated amortisation**

At 1 January/31 December

9,020

**Net Book Value**

at 1 January/31 December

-

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**5. INTANGIBLE ASSETS (CONTD.)**

**Company**

	<b>Computer software and licences RM'000</b>	<b>Software development in progress costs RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
<b>Cost</b>			
At 1 January 2019	22,675	-	22,675
Additions	454	8	462
At 31 December 2019	<u>23,129</u>	<u>8</u>	<u>23,137</u>
<b>Accumulated amortisation</b>			
At 1 January 2019	17,741	-	17,741
Amortisation charge for the year (Note 26)	792	-	792
At 31 December 2019	<u>18,533</u>	<u>-</u>	<u>18,533</u>
<b>Net Book Value at 31 December 2019</b>	<u>4,596</u>	<u>8</u>	<u>4,604</u>
<b>2018</b>			
<b>Cost</b>			
At 1 January 2018	23,528	1,337	24,865
Additions	1,431	-	1,431
Retirement	(591)	-	(591)
Transferred to EGTB	(3,030)	-	(3,030)
Reclassification	1,337	(1,337)	-
At 31 December 2018	<u>22,675</u>	<u>-</u>	<u>22,675</u>
<b>Accumulated amortisation</b>			
At 1 January 2018	18,907	-	18,907
Amortisation charge for the year (Note 26)	653	-	653
Retirement	(6)	-	(6)
Transferred to EGTB	(1,813)	-	(1,813)
At 31 December 2018	<u>17,741</u>	<u>-</u>	<u>17,741</u>
<b>Net Book Value at 31 December 2018</b>	<u>4,934</u>	<u>-</u>	<u>4,934</u>

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**6. INVESTMENTS**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2019</b>			
Malaysian government papers	95,666	356,978	452,644
Equity securities	49,216	400,084	449,300
Debt securities	1,870,125	9,791,900	11,662,025
Unit and property trust funds	932	7,425	8,357
Investment-linked units	26,060	-	-
Deposits with financial institutions	188,831	908,819	1,097,650
	<u>2,230,830</u>	<u>11,465,206</u>	<u>13,669,976</u>

<b>2018</b>			
Malaysian government papers	139,078	342,724	481,802
Equity securities	80,279	540,033	620,312
Debt securities	1,758,009	8,799,859	10,557,868
Unit and property trust funds	-	266	266
Investment-linked units	24,933	-	-
Deposits with financial institutions	171,853	627,356	799,209
	<u>2,174,152</u>	<u>10,310,238</u>	<u>12,459,457</u>

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

<b>2019</b>			
Fair value through profit or loss ("FVTPL"):			
- Designated upon initial recognition	1,287,506	6,326,192	7,613,698
- Held for trading ("HFT")	76,208	487,057	537,205
Fair value through other comprehensive income ("FVOCI")	678,285	3,750,713	4,428,998
Amortised cost ("AC")	188,831	901,244	1,090,075
	<u>2,230,830</u>	<u>11,465,206</u>	<u>13,669,976</u>

<b>2018</b>			
Fair value through profit or loss ("FVTPL"):			
- Designated upon initial recognition	1,621,808	5,882,543	7,504,351
- Held for trading ("HFT")	105,212	584,125	664,404
Fair value through other comprehensive income ("FVOCI")	275,279	3,216,214	3,491,493
Amortised cost ("AC")	171,853	627,356	799,209
	<u>2,174,152</u>	<u>10,310,238</u>	<u>12,459,457</u>

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**6. INVESTMENTS (CONTD.)**

The following investments will mature after 12 months:

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
FVTPL			
- Designated upon initial recognition	1,267,439	6,038,165	7,305,604
- HFT	-	71,973	71,973
FVOCI	673,282	3,720,744	4,394,026
	<u>1,940,721</u>	<u>9,830,882</u>	<u>11,771,603</u>

<b>2018</b>			
FVTPL			
- Designated upon initial recognition	1,606,768	5,661,486	7,268,254
- HFT	-	43,826	43,826
FVOCI	175,518	3,159,635	3,335,153
	<u>1,782,286</u>	<u>8,864,947</u>	<u>10,647,233</u>

**(i) FVTPL**

**- Designated upon initial recognition**

**2019**

**At fair value:**

Malaysian government papers	-	148,481	148,481
Unquoted debt securities in Malaysia	1,287,506	6,177,711	7,465,217
<b>Total financial assets designated as FVTPL upon initial recognition</b>	<u>1,287,506</u>	<u>6,326,192</u>	<u>7,613,698</u>

**2018**

**At fair value:**

Malaysian government papers	109,211	168,858	278,069
Unquoted debt securities in Malaysia	1,512,597	5,713,685	7,226,282
<b>Total financial assets designated as FVTPL upon initial recognition</b>	<u>1,621,808</u>	<u>5,882,543</u>	<u>7,504,351</u>

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**6. INVESTMENTS (CONTD.)**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>(i) FVTPL (contd.)</b>			
<b>- Held For Trading</b>			
<b>2019</b>			
<b><u>At fair value:</u></b>			
Malaysian government papers	-	9,502	9,502
Quoted equity securities in Malaysia	49,216	400,084	449,300
Unquoted debt securities in Malaysia	-	62,471	62,471
Quoted unit and property trust funds in Malaysia	26,992	7,425	8,357
Islamic investment accounts with: Licensed financial institutions	-	7,575	7,575
<b>Total HFT financial assets</b>	<b>76,208</b>	<b>487,057</b>	<b>537,205</b>
<b>2018</b>			
<b><u>At fair value:</u></b>			
Malaysian government papers	-	7,020	7,020
Quoted equity securities in Malaysia	80,279	540,033	620,312
Unquoted debt securities in Malaysia	-	36,806	36,806
Quoted unit and property trust funds Malaysia	24,933	266	266
<b>Total HFT financial assets</b>	<b>105,212</b>	<b>584,125</b>	<b>664,404</b>
<b>(ii) FVOCI</b>			
<b>2019</b>			
<b><u>At fair value:</u></b>			
Malaysian government papers	95,666	198,995	294,661
Unquoted debt securities in Malaysia	582,619	3,551,718	4,134,337
<b>Total FVOCI financial assets</b>	<b>678,285</b>	<b>3,750,713</b>	<b>4,428,998</b>
<b>2018</b>			
<b><u>At fair value:</u></b>			
Malaysian government papers	29,867	166,846	196,713
Unquoted debt securities in Malaysia	245,412	3,049,368	3,294,780
<b>Total FVOCI financial assets</b>	<b>275,279</b>	<b>3,216,214</b>	<b>3,491,493</b>

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**6. INVESTMENTS (CONTD.)**

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>(iii) AC</b>			
<b>2019</b>			
<b>Deposits and placements with financial institutions</b>			
Islamic investment accounts with:			
Licensed financial institutions	111,771	531,521	643,292
Others	77,060	369,723	446,783
<b>Total AC financial assets</b>	<b>188,831</b>	<b>901,244</b>	<b>1,090,075</b>
<b>2018</b>			
<b>Deposits and placements with financial institutions</b>			
Islamic investment accounts with:			
Licensed financial institutions	118,981	529,330	648,311
Others	52,872	98,026	150,898
<b>Total AC financial assets</b>	<b>171,853</b>	<b>627,356</b>	<b>799,209</b>

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

An analysis of the different fair value measurement basis used in the determination of the fair values of investments are further disclosed in Note 42.

**7. FINANCING RECEIVABLES**

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
Staff loans:			
Secured	15,324	-	15,324
Others	2,269	16	2,285
Allowance for impairment losses (Note 39)	(2,026)	(16)	(2,042)
	<b>15,567</b>	<b>-</b>	<b>15,567</b>
Receivable after 12 months	<b>14,310</b>	<b>-</b>	<b>14,310</b>

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**7. FINANCING RECEIVABLES (CONTD.)**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2018</b>			
Staff loans:			
Secured	16,196	-	16,196
Others	2,663	16	2,679
Allowance for impairment losses (Note 39)	(2,453)	(16)	(2,469)
	<u>16,406</u>	<u>-</u>	<u>16,406</u>
Receivable after 12 months	<u>15,128</u>	<u>-</u>	<u>15,128</u>

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

The weighted average effective profit rates during the financial year was 3.56% (2018: 3.53%) per annum.

**8. RETAKAFUL ASSETS**

Family Takaful fund/Company	2019 RM'000	2018 RM'000
Retakaful operators' share of takaful certificate liabilities (Note 14):		
Claims liabilities	9,928	10,772
Actuarial liabilities	101,270	63,030
<b>Total retakaful assets</b>	<u>111,198</u>	<u>73,802</u>

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**9. TAKAFUL RECEIVABLES**

<b>Family Takaful fund/Company</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Due contributions including agents/brokers, cedants and co-takaful balances	108,864	65,991
Due from retakaful operators	17,411	13,571
	<u>126,275</u>	<u>79,562</u>
Allowance for impairment losses (Note 39)	(5,876)	(3,971)
	<u>120,399</u>	<u>75,591</u>

Amounts of takaful receivables that have been offset against amounts due to the same counterparties are as follows:

	<b>Gross carrying amount RM'000</b>	<b>Gross amount offset in the Statement of Financial Position RM'000 (Note 18)</b>	<b>Net amounts in the Statement of Financial Position RM'000</b>
<b>2019</b>			
Due from retakaful operators	<u>51,591</u>	<u>(34,180)</u>	<u>17,411</u>
<b>2018</b>			
Due from retakaful operators	<u>40,126</u>	<u>(26,555)</u>	<u>13,571</u>

Included in due contributions including agents/brokers and co-takaful balances are balances due from other related companies amounting to RM2,769,000 (2018: RM806,000). The receivable amounts are subject to settlement terms stipulated in the takaful certificates. These balances are insecured, interest-free and repayable in the short term.

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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**10. OTHER ASSETS**

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
Sundry receivables, deposits and prepayments **	5,240	604	5,844
Allowance for impairment losses (Note 39)	(2,426)	(508)	(2,934)
	<u>2,814</u>	<u>96</u>	<u>2,910</u>
Income and profit due and accrued **	25,740	132,130	157,870
Amounts due from Family Takaful fund *	129,322	-	-
Amounts due from stockbrokers	53	374	427
	<u>155,115</u>	<u>132,504</u>	<u>158,297</u>
<b>Total Other Assets</b>	<u>157,929</u>	<u>132,600</u>	<u>161,207</u>
<b>2018</b>			
Sundry receivables, deposits and prepayments **	12,830	625	13,455
Allowance for impairment losses (Note 39)	(2,303)	(508)	(2,811)
	<u>10,527</u>	<u>117</u>	<u>10,644</u>
Income and profit due and accrued **	24,056	119,498	143,554
Amounts due from Family Takaful fund *	183,538	-	-
Amounts due from stockbrokers	5,641	46,516	52,157
	<u>213,235</u>	<u>166,014</u>	<u>195,711</u>
<b>Total Other Assets</b>	<u>223,762</u>	<u>166,131</u>	<u>206,355</u>

\* The amounts due from Family Takaful fund are non-trade in nature, unsecured, not subject to any profit elements and are repayable in the short-term.

\*\* Included in sundry receivables, deposits and prepayments and income and profit due and accrued are balances due from other related companies amounting to RM4,570,000 and RM1,006,000 (2018: RM9,114,000 and RM385,000) respectively.

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

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**11. SHARE CAPITAL**

Shareholder's fund/Company	No. of shares '000	Amount RM'000
<b>Issued and fully paid:</b>		
<u>Ordinary shares</u>		
<b>2019</b>		
At 1 January 2019/31 December 2019	<u>100,000</u>	<u>100,000</u>
<b>2018</b>		
At 1 January 2018	400,000	400,000
Capital reduction*	<u>(300,000)</u>	<u>(300,000)</u>
At 31 December 2018	<u>100,000</u>	<u>100,000</u>

- \* On 19 December 2017, the High Court has granted approval for EFTB to reduce its issues and paid-up capital from 400,000,000 ordinary shares to 100,000,000 ordinary shares amounting to RM400 million to RM100 million. Subsequently, MAHB received a capital repayment of RM300 million from EFTB upon the lodgement to Companies Commission of Malaysia ("CCM") on 21 March 2018.

**12. RESERVES**

Shareholder's fund/Company	Note	2019 RM'000	2018 RM'000
<b>Non-distributable:</b>			
FVOCI reserve	(i)	23,668	512
<b>Distributable:</b>			
Retained profits	(ii)	1,674,880	1,544,234
Less: Seed money elimination		<u>(6,060)</u>	<u>(3,933)</u>
		<u>1,668,820</u>	<u>1,540,301</u>
		<u>1,692,488</u>	<u>1,540,813</u>

- (i) The FVOCI reserve of the Company 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 shareholder under the single-tier system.

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**13. PARTICIPANTS' FUND**

<b>Family Takaful fund/Company</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
(i) Accumulated surplus	1,858,306	1,783,530
(ii) Surplus attributable to participants	1,582,032	1,446,340
(iii) FVOCI reserve	250,623	3,469
	<u>3,690,961</u>	<u>3,233,339</u>
 (i) Accumulated surplus		
At 1 January 2019/1 January 2018	1,783,530	1,716,953
Surplus arising during the year	257,879	266,467
Transfer to Shareholder's Fund		
- expense liabilities (Note 16)	-	(44,714)
Surplus attributable to participants during the year	(163,467)	(142,903)
Surplus paid to participants during the year	(601)	(1,744)
Withholding tax borne by participants	(19,035)	(10,529)
At 31 December 2019/31 December 2018	<u>1,858,306</u>	<u>1,783,530</u>
 (ii) Surplus attributable to participants		
At 1 January 2019/1 January 2018	1,446,340	1,303,437
Surplus attributable to participants during the year	163,467	142,903
Transfer to takaful certificate liabilities (Note 14(ii))	(27,775)	-
At 31 December 2019/31 December 2018	<u>1,582,032</u>	<u>1,446,340</u>
 (iii) FVOCI reserve		
At 1 January 2019/1 January 2018	3,469	(23,284)
Fair value changes	280,927	32,480
Realised gain transferred to income statement (Note 23)	(15,895)	(3,828)
Deferred tax on fair value changes (Note 17)	(17,878)	(1,899)
At 31 December 2019/31 December 2018	<u>250,623</u>	<u>3,469</u>

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**14. TAKAFUL CERTIFICATE LIABILITIES**

<b>Family Takaful fund/Company</b>	<b>Gross RM'000</b>	<b>Retakaful assets RM'000 (Note 8)</b>	<b>Net RM'000</b>
<b>2019</b>			
Family Takaful fund	7,804,488	(111,198)	7,693,290
Less: Seed money elimination	(20,000)	-	(20,000)
Company	<u>7,784,488</u>	<u>(111,198)</u>	<u>7,673,290</u>
<b>2018</b>			
Family Takaful fund	7,053,776	(73,802)	6,979,974
Less: Seed money elimination	(21,000)	-	(21,000)
Company	<u>7,032,776</u>	<u>(73,802)</u>	<u>6,958,974</u>

(i) The Family Takaful certificate liabilities and its movements are further analysed as follows:

<b>2019</b>			
Claims liabilities (Note (ii))	117,961	(9,928)	108,033
Actuarial liabilities (Note (ii))	7,491,538	(101,270)	7,390,268
NAV attributable to unit holders (Note (ii))	<u>194,989</u>	<u>-</u>	<u>194,989</u>
	<u>7,804,488</u>	<u>(111,198)</u>	<u>7,693,290</u>
<b>2018</b>			
Claims liabilities (Note (ii))	155,436	(10,772)	144,664
Actuarial liabilities (Note (ii))	6,734,718	(63,030)	6,671,688
NAV attributable to unit holders (Note (ii))	<u>163,622</u>	<u>-</u>	<u>163,622</u>
	<u>7,053,776</u>	<u>(73,802)</u>	<u>6,979,974</u>

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

**Family Takaful fund/Company (contd.)**

(ii) The movements of the Family Takaful certificate liabilities are as follows:

	<b>Claims Liabilities RM'000</b>	<b>Actuarial Liabilities RM'000</b>	<b>NAV Attributable to Unit holders RM'000</b>	<b>Gross Liabilities RM'000</b>	<b>Retakaful Assets RM'000</b>	<b>Net Liabilities RM'000</b>
<b>2019</b>						
At 1 January 2019	155,436	6,734,718	163,622	7,053,776	(73,802)	6,979,974
Net earned contributions	-	-	67,162	67,162	-	67,162
Other revenue	-	-	17,242	17,242	-	17,242
Claims intimated during the year	1,031,424	-	-	1,031,424	(58,123)	973,301
Claims paid during the year	(1,068,899)	-	(46,469)	(1,115,368)	58,967	(1,056,401)
Other expenses	-	-	(5,678)	(5,678)	-	(5,678)
Taxation	-	-	(890)	(890)	-	(890)
Transfer from participant's funds (Note 13(ii))	-	27,775	-	27,775	-	27,775
Increase in certificate reserves	-	729,045	-	729,045	(38,240)	690,805
At 31 December 2019	<u>117,961</u>	<u>7,491,538</u>	<u>194,989</u>	<u>7,804,488</u>	<u>(111,198)</u>	<u>7,693,290</u>

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

**Family Takaful fund/Company (contd.)**

(ii) The movements of the Family Takaful certificate liabilities are as follows (contd.):

	<b>Claims Liabilities RM'000</b>	<b>Actuarial Liabilities RM'000</b>	<b>NAV Attributable to Unit holders RM'000</b>	<b>Gross Liabilities RM'000</b>	<b>Retakaful Assets RM'000</b>	<b>Net Liabilities RM'000</b>
<b>2018</b>						
At 1 January 2018	163,743	6,529,879	105,607	6,799,229	(79,085)	6,720,144
Net earned contributions	-	-	99,662	99,662	-	99,662
Other revenue	-	-	4,571	4,571	-	4,571
Experience/benefit variation	3,304	-	(1)	3,303	-	3,303
Claims intimated during the year	850,954	-	-	850,954	(49,105)	801,849
Claims paid during the year	(862,565)	-	(27,287)	(889,852)	47,778	(842,074)
Other expenses	-	-	(20,301)	(20,301)	-	(20,301)
Taxation	-	-	1,371	1,371	-	1,371
Increase in certificate reserves	-	204,839	-	204,839	6,610	211,449
At 31 December 2018	<u>155,436</u>	<u>6,734,718</u>	<u>163,622</u>	<u>7,053,776</u>	<u>(73,802)</u>	<u>6,979,974</u>

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**15. SUBORDINATED OBLIGATION**

<b>Shareholder's fund/Company</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Tier 2 Capital Subordinated Sukuk	-	300,000
Profit payable on subordinated obligations	-	1,189

**Tier 2 Capital Subordinated Sukuk**

Issue date	: 30 May 2014
Tenure	: 10 years from issue date on 10 year non-callable 5 year basis (Due in 2024).
Profit payable	: 4.52% per annum payable semi-annually in arrears in May and November each year.
Redemption	: The company has redeemed the bond, in whole on 30 May 2019 (first call date) (Note 45)

The fair value of the subordinated obligations as at 31 December 2018 was RM 300,480,000 and is determined by reference to indicative ask-prices obtained from Bondweb provided by BPAM. The fair values of subordinated obligations are categorised under Level 2 of their fair value hierarchy as the valuations were mainly based on market observable inputs.

**16. EXPENSE LIABILITIES**

<b>Shareholder's fund/Company</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
At 1 January 2019/1 January 2018	445,941	379,794
Transfer from Family Takaful Fund - Annuity (Note 13(i))	-	44,714
Movement in UER	89,341	21,433
At 31 December 2019/31 December 2018	535,282	445,941

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**17. DEFERRED TAXATION**

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
At 1 January 2019	4,126	1,767	5,893
Recognised in:			
Income statement (Note 30)	(25,578)	-	(25,578)
Tax borne by participants (Note 30)	-	(32,415)	(32,415)
Other comprehensive income/ participants' fund	(7,312)	(17,878)	(25,190)
At 31 December 2019	<u>(28,764)</u>	<u>(48,526)</u>	<u>(77,290)</u>
	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2018</b>			
At 1 January 2018	8,220	3,963	12,183
Recognised in:			
Income statement (Note 30)	(3,933)	-	(3,933)
Tax borne by participants (Note 30)	-	(297)	(297)
Other comprehensive income/ participants' fund	(161)	(1,899)	(2,060)
At 31 December 2018	<u>4,126</u>	<u>1,767</u>	<u>5,893</u>

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**17. 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 follow:

<b>Shareholder's fund/Company</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Deferred tax assets	2,573	5,701
Deferred tax liabilities	(31,337)	(1,575)
	<u>(28,764)</u>	<u>4,126</u>

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

**(i) Deferred tax assets**

	<b>Impairment of FVOCI financial assets RM'000</b>	<b>Net amortisation of premiums on investments RM'000</b>	<b>Fair value adjustment RM'000</b>	<b>Impairment of financial receivables RM'000</b>	<b>Total RM'000</b>
<b>2019</b>					
At 1 January 2019	34	1,572	3,667	428	5,701
Recognised in:					
Income statement	11	528	(3,667)	-	(3,128)
At 31 December 2019	<u>45</u>	<u>2,100</u>	<u>-</u>	<u>428</u>	<u>2,573</u>

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**17. DEFERRED TAXATION (CONTD.)**

**Shareholder's fund/Company (contd.)**

**(i) Deferred tax assets (contd.)**

	Impairment of FVOCI financial assets RM'000	Net amortisation of premiums on investments RM'000	FVOCI reserve RM'000	Fair value adjustment RM'000	Impairment of financial receivables RM'000	Total RM'000
<b>2018</b>						
At 1 January 2018	612	1,770	-	6,574	534	9,490
Recognised in:						
Income statement	(578)	(198)	-	(2,907)	(106)	(3,789)
At 31 December 2018	<u>34</u>	<u>1,572</u>	<u>-</u>	<u>3,667</u>	<u>428</u>	<u>5,701</u>

**(ii) Deferred tax liabilities**

	FVOCI reserve RM'000	Fair value adjustment RM'000	Accelerated capital allowance RM'000	Total RM'000
<b>2019</b>				
At 1 January 2019	(161)	-	(1,414)	(1,575)
Recognised in:				
Income statement	-	(22,450)	-	(22,450)
Other comprehensive income	(7,312)	-	-	(7,312)
At 31 December 2019	<u>(7,473)</u>	<u>(22,450)</u>	<u>(1,414)</u>	<u>(31,337)</u>

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**17. DEFERRED TAXATION (CONTD.)**

**Shareholder's fund/Company (contd.)**

**(ii) Deferred tax liabilities (contd.)**

	<b>FVOCI reserve RM'000</b>	<b>Accelerated capital allowance RM'000</b>	<b>Total RM'000</b>
<b>2018</b>			
At 1 January 2018	-	(1,270)	(1,270)
Recognised in:			
Income statement	-	(144)	(144)
Other comprehensive income	(161)	-	(161)
At 31 December 2018	<u>(161)</u>	<u>(1,414)</u>	<u>(1,575)</u>

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**17. 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:

<b>Family Takaful fund/Company</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Deferred tax assets	3,309	2,857
Deferred tax liabilities	(51,835)	(1,090)
	<u>(48,526)</u>	<u>1,767</u>

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

**(i) Deferred tax assets**

	<b>Impairment of FVOCI financial assets RM'000</b>	<b>Amortisation of premiums on investments RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
At 1 January 2019	96	2,761	2,857
Recognised in:			
Tax borne by participants	(9)	461	452
At 31 December 2019	<u>87</u>	<u>3,222</u>	<u>3,309</u>

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**17. DEFERRED TAXATION (CONTD.)**

**Family Takaful fund/Company (contd.)**

**(i) Deferred tax assets (contd.)**

	<b>Impairment of FVOCI financial assets RM'000</b>	<b>Fair value adjustment RM'000</b>	<b>FVOCI reserve RM'000</b>	<b>Amortisation of premiums on investments RM'000</b>	<b>Total RM'000</b>
<b>2018</b>					
At 1 January 2018	1,782	1,538	1,651	-	4,971
Recognised in:					
Tax borne by participants	(1,686)	(1,538)	-	2,761	(463)
Participants' fund	-	-	(1,651)	-	(1,651)
At 31 December 2018	<u>96</u>	<u>-</u>	<u>-</u>	<u>2,761</u>	<u>2,857</u>

**(ii) Deferred tax liabilities**

	<b>Fair value adjustment RM'000</b>	<b>FVOCI reserve RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
At 1 January 2019	(842)	(248)	(1,090)
Recognised in:			
Tax borne by participants	(32,867)	-	(32,867)
Participants' fund	-	(17,878)	(17,878)
At 31 December 2019	<u>(33,709)</u>	<u>(18,126)</u>	<u>(51,835)</u>

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**17. DEFERRED TAXATION (CONTD.)**

**Family Takaful fund/Company (contd.)**

**(ii) Deferred tax liabilities (contd.)**

**2018**

At 1 January 2018

Recognised in:

Tax borne by participants

Participants' fund

At 31 December 2018

<b>Accretion of discounts on investments RM'000</b>	<b>Fair value adjustment RM'000</b>	<b>FVOCI reserve RM'000</b>	<b>Total RM'000</b>
(1,008)	-	-	(1,008)
1,008	(842)	-	166
-	-	(248)	(248)
-	(842)	(248)	(1,090)

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**18. TAKAFUL PAYABLES**

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
Amounts due to agents and brokers	1,949	21,299	23,248
Amounts due to retakaful operators	-	8,486	8,486
	<u>1,949</u>	<u>29,785</u>	<u>31,734</u>
<b>2018</b>			
Amounts due to agents and brokers	12,428	20,034	32,462
Amounts due to retakaful operators	-	13,481	13,481
	<u>12,428</u>	<u>33,515</u>	<u>45,943</u>

Amounts of takaful payables have been offset against amounts due from the same counterparties are as follows:

<b>Family Takaful fund</b>	<b>Gross carrying amount RM'000</b>	<b>Gross amount offset in the Statement of Financial Position RM'000 (Note 9)</b>	<b>Net amounts in the Statement of Financial Position RM'000</b>
<b>2019</b>			
Amounts due to retakaful operators	<u>42,666</u>	<u>(34,180)</u>	<u>8,486</u>
<b>2018</b>			
Amounts due to retakaful operators	<u>40,036</u>	<u>(26,555)</u>	<u>13,481</u>

Included in amounts due to agents and brokers are balances due to other related companies amounting to RM195,000 (2018: RM174,000). The amounts payable are subject to settlement terms stipulated in the takaful certificates.

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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**19. OTHER LIABILITIES**

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
Contribution deposits	100	71,368	71,468
ROU lease liabilities			
- lease liabilities (Note 4)	660	-	660
- provision for restoration/dismantling costs	52	-	52
Amounts due to Shareholder's fund*	-	129,322	-
Amount due to stockbrokers	-	644	644
Unclaimed monies	104	39,446	39,550
Service tax payable	-	3,805	3,805
Surplus payable to participants	-	16,048	16,048
Withholding tax payable	-	29,840	29,840
Amount due to related companies* (Note 37(ii)):			
- ultimate holding company*	4,816	-	4,816
- immediate holding company*	993	-	993
- other related companies*	5,121	167	5,288
Zakat payable	6,935	-	6,935
Provisions for expenses	34,221	-	34,221
Sundry payables and accrued liabilities **	36,872	105,604	142,476
<b>Total Other Liabilities</b>	<b>89,874</b>	<b>396,244</b>	<b>356,796</b>
<b>2018</b>			
Contribution deposits	223	52,081	52,304
Amounts due to Shareholder's fund*	-	183,538	-
Amount due to stockbrokers	-	2,069	2,069
Unclaimed monies	99	45,543	45,642
Service tax payable	-	417	417
Surplus payable to participants	-	16,695	16,695
Withholding tax payable	-	25,197	25,197
Amount due to related companies* (Note 37(ii)):			
- ultimate holding company*	4,744	-	4,744
- immediate holding company*	1,466	-	1,466
- other related companies*	4,238	376	4,614
Zakat payable	9,892	-	9,892
Provisions for expenses	32,573	-	32,573
Sundry payables and accrued liabilities **	44,752	105,696	150,448
<b>Total Other Liabilities</b>	<b>97,987</b>	<b>431,612</b>	<b>346,061</b>

\* Amounts due to holding companies, related companies and the Shareholder's and Family Takaful funds in the respective funds are non-trade in nature, unsecured, not subject to any profit elements and are repayable in the short term. The amounts payable are subject to settlement terms stipulated in the takaful certificates.

\*\* Included in sundry payables and accrued liabilities are balances due to other related companies amounting to RM19,599,000 (2018: RM27,277,000).

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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**20. OPERATING REVENUE**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2019</b>			
Gross contributions	-	1,674,739	1,674,739
Wakalah fees (Note 21)	364,757	-	-
Investment income (Note 22)	95,513	491,162	586,675
	<u>460,270</u>	<u>2,165,901</u>	<u>2,261,414</u>
<b>2018</b>			
Gross contributions	-	1,569,424	1,569,424
Wakalah fees (Note 21)	341,493	-	-
Investment income (Note 22)	99,621	466,817	566,438
	<u>441,114</u>	<u>2,036,241</u>	<u>2,135,862</u>

**21. FEE AND COMMISSION INCOME**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2019</b>			
Wakalah fee income from:			
Family takaful fund (Note 20)	364,757	-	-
Profit commission	-	361	361
<b>Total fee and commission income</b>	<u>364,757</u>	<u>361</u>	<u>361</u>
<b>2018</b>			
Wakalah fee income from:			
Family takaful fund (Note 20)	341,493	-	-
Profit commission	-	1,120	1,120
Others	-	157	157
<b>Total fee and commission income</b>	<u>341,493</u>	<u>1,277</u>	<u>1,277</u>

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**22. INVESTMENT INCOME**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2019</b>			
<b>Financial assets at FVTPL:</b>			
- Designated upon initial recognition			
Profit income	67,687	294,676	362,363
<b>- HFT</b>			
Profit income	-	3,470	3,470
Dividend income:			
Quoted equity securities in Malaysia	1,255	10,647	11,902
<b>Financial assets at FVOCI:</b>			
Profit income	19,156	164,046	183,202
<b>Financial assets at AC:</b>			
Profit income	9,231	30,587	39,818
Profit income from financing receivables	560	-	560
Rental income	68	-	68
Net amortisation of premiums	(2,058)	(10,174)	(12,232)
Investment related expenses	(386)	(2,090)	(2,476)
<b>Total investment income</b>	<b>95,513</b>	<b>491,162</b>	<b>586,675</b>
<b>2018</b>			
<b>Financial assets at FVTPL:</b>			
- Designated upon initial recognition			
Profit income	92,220	283,788	376,008
<b>- HFT</b>			
Profit income	-	2,446	2,446
Dividend income:			
Quoted equity securities in Malaysia	3,399	17,692	21,091
<b>Financial assets at FVOCI:</b>			
Profit income	861	147,891	148,752
<b>Financial assets at AC:</b>			
Profit income	4,675	21,361	26,036
Profit income from financing receivables	816	-	816
Net amortisation of premiums	(1,819)	(3,605)	(5,424)
Investment related expenses	(531)	(2,756)	(3,287)
<b>Total investment income</b>	<b>99,621</b>	<b>466,817</b>	<b>566,438</b>

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**23. REALISED GAINS/(LOSSES)**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2019</b>			
Property, plant and equipment	1	-	1
<b>Financial assets at FVTPL:</b>			
- Designated upon initial recognition			
Malaysian government papers	773	1,933	2,706
Debt securities	13,196	38,912	52,108
	<u>13,969</u>	<u>40,845</u>	<u>54,814</u>
<b>- HFT</b>			
Malaysian government papers	-	337	337
Equity securities	(3,573)	(20,882)	(24,455)
Debt securities	-	912	912
Unit and property trust funds	40	-	40
	<u>(3,533)</u>	<u>(19,633)</u>	<u>(23,166)</u>
<b>Financial assets at FVOCI:</b>			
Malaysian government papers	1,420	1,516	2,936
Equity securities	-	-	-
Debt securities	30	14,379	14,409
	<u>1,450</u>	<u>15,895</u>	<u>17,345</u>
<b>Total net realised gains</b>	<u>11,887</u>	<u>37,107</u>	<u>48,994</u>
<b>2018</b>			
Property, plant and equipment	(4)	-	(4)
<b>Financial assets at FVTPL:</b>			
- Designated upon initial recognition			
Malaysian government papers	(380)	(1,021)	(1,401)
Debt securities	2,154	9,226	11,380
	<u>1,774</u>	<u>8,205</u>	<u>9,979</u>

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**23. REALISED GAINS/(LOSSES) (CONTD.)**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2018 (contd.)</b>			
<b>Financial assets at FVTPL (contd.)</b>			
- HFT			
Malaysian government papers	-	156	156
Equity securities	(28,134)	(170,605)	(198,739)
Debt securities	-	209	209
Unit and property trust funds	-	35	35
	<u>(28,134)</u>	<u>(170,205)</u>	<u>(198,339)</u>
<b>Financial assets at FVOCI:</b>			
Malaysian government papers	-	(14)	(14)
Debt securities	-	3,842	3,842
	<u>-</u>	<u>3,828</u>	<u>3,828</u>
<b>Total net realised losses</b>	<u>(26,364)</u>	<u>(158,172)</u>	<u>(184,536)</u>

**24. FAIR VALUE GAINS**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2019</b>			
<b>Financial assets at FVTPL:</b>			
- Designated upon initial recognition	100,885	397,301	498,186
- HFT	7,936	21,604	27,413
<b>Total fair value gains</b>	<u>108,821</u>	<u>418,905</u>	<u>525,599</u>
<b>2018</b>			
<b>Financial assets at FVTPL:</b>			
- Designated upon initial recognition	20,848	53,407	74,255
- HFT	(6,181)	352	(5,529)
<b>Total fair value gains</b>	<u>14,667</u>	<u>53,759</u>	<u>68,726</u>

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**25. OTHER OPERATING (EXPENSES)/INCOME, NET**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2019</b>			
<b>Other income</b>			
Surrender charges	20	-	20
Reversal of impairment losses on:			
- Financing receivables	427	-	427
- Investments	-	188	188
Recovery of takaful receivables written off	-	143	143
Processing fee income	248	-	248
Sundry income	524	1,135	1,659
Hibah *	-	10,587	-
	<u>1,219</u>	<u>12,053</u>	<u>2,685</u>
<b>Other expenses</b>			
Allowance for impairment losses on:			
- Investments	(47)	-	(47)
- Takaful receivables	-	(1,905)	(1,905)
- Other receivables	(123)	-	(123)
Realised loss on foreign exchange	-	(3)	(3)
Sundry expenditure	(1,456)	-	(1,456)
Hibah *	(10,587)	-	-
	<u>(12,213)</u>	<u>(1,908)</u>	<u>(3,534)</u>
<b>Total other operating expenses, net</b>	<u>(10,994)</u>	<u>10,145</u>	<u>(849)</u>

\* Hibah is the out-right transfer from Shareholders' fund to Family Takaful fund. During the current financial year, Hibah amounted to RM10,587,000 was declared by Shareholder's fund to cover deficits in Maa'syi Waqaf Account ("MWA") of annuity fund, a part of Family Takaful fund.

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**25. OTHER OPERATING (EXPENSES)/INCOME, NET (CONTD.)**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2018</b>			
<b>Other income</b>			
Surrender charges	27	1	28
Reversal of impairment losses on:			
- Other receivables	-	2	2
Processing fee income	50	-	50
Gain on foreign exchange:			
- realised	53	-	53
- unrealised	-	38	38
Sundry income	859	184	1,043
	<u>989</u>	<u>225</u>	<u>1,214</u>
<b>Other expenses</b>			
Allowance for impairment losses on:			
- Financing receivables	(223)	(5)	(228)
- Investments	(147)	(72)	(219)
- Takaful receivables	-	(420)	(420)
- Other receivables	(13)	-	(13)
Write off of takaful receivables	-	(1,033)	(1,033)
Realised loss on foreign exchange	-	(54)	(54)
Sundry expenditure	(606)	(56)	(662)
	<u>(989)</u>	<u>(1,640)</u>	<u>(2,629)</u>
<b>Total other operating expenses, net</b>	<u>-</u>	<u>(1,415)</u>	<u>(1,415)</u>

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**26. MANAGEMENT EXPENSES**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2019</b>			
Employee benefits expenses (Note (a))	82,929	18,404	101,333
Directors' remuneration (Note 27)	865	-	865
Shariah Committee remuneration (Note 28)	356	-	356
Auditors' remuneration:			
- statutory audits	361	10	371
- regulatory services	19	-	19
- other services	198	-	198
Depreciation of property, plant and equipment (Note 3)	138	-	138
Right-of-use expenses: (Note 4)			
-Depreciation	185	-	185
-Interest on lease liability	29	-	29
Amortisation of intangible assets (Note 5)	792	-	792
Auto assist service	13	-	13
Bank and financing charges	2,374	1,864	4,238
Electronic data processing expenses	11,830	2,187	14,017
Entertainment expenses	238	34	272
Legal fees	166	2	168
Information technology outsourcing	4,796	297	5,093
Office facilities expenses	392	75	467
Other management fees	227	17	244
Postage and stamp duties	1,537	95	1,632
Printing and stationery	649	437	1,086
Professional fees	608	-	608
Promotional and marketing costs	41,174	9	41,183
Rental of offices/premises	4,129	1,064	5,193
Training expenses	1,409	187	1,596
Travelling expenses	1,081	111	1,192
Utilities, assessment and maintenance	1,413	254	1,667
Other expenses	13,256	1,733	14,989
<b>Total management expenses</b>	<b>171,164</b>	<b>26,780</b>	<b>197,944</b>

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

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2018</b>			
Employee benefits expenses (Note (a))	73,596	15,908	89,504
Directors' remuneration (Note 27)	841	-	841
Shariah Committee remuneration (Note 28)	197	-	197
Auditors' remuneration:			
- statutory audits	261	13	274
- regulatory services	19	-	19
- other services	224	316	540
Depreciation of property, plant and equipment (Note 3)	197	-	197
Amortisation of intangible assets (Note 5)	653	-	653
Auto assist service	230	-	230
Bank and financing charges	2,546	1,693	4,239
Electronic data processing expenses	9,897	1,134	11,031
Entertainment expenses	226	33	259
Interest expenses	14	14	28
Legal fees	43	3	46
Information technology outsourcing	3,311	1,050	4,361
Office facilities expenses	229	59	288
Other management fees	154	84	238
Postage and stamp duties	1,000	99	1,099
Printing and stationery	1,202	390	1,592
Professional fees	434	268	702
Promotional and marketing costs	50,834	-	50,834
Rental of offices/premises	4,643	831	5,474
Training expenses	954	57	1,011
Travelling expenses	1,146	124	1,270
Utilities, assessment and maintenance	941	209	1,150
Other expenses	12,424	1,332	13,756
<b>Total management expenses</b>	<b>166,216</b>	<b>23,617</b>	<b>189,833</b>

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

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
(a) Employee benefits expenses			
<b>2019</b>			
Wages, salaries and bonus	62,430	14,061	76,491
EPF	10,171	2,183	12,354
SOC SO	419	91	510
Share based compensation	811	203	1,014
Other benefits	9,098	1,866	10,964
	<u>82,929</u>	<u>18,404</u>	<u>101,333</u>
<b>2018</b>			
Wages, salaries and bonus	53,278	11,885	65,163
EPF	8,402	1,789	10,191
SOC SO	394	84	478
Share based compensation	29	7	36
Other benefits	11,493	2,143	13,636
	<u>73,596</u>	<u>15,908</u>	<u>89,504</u>

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

	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>Shareholder's fund/Company</b>		
Salaries	721	693
Bonus	419	185
Contribution to EPF	205	148
Share based compensation	85	-
Other emoluments	177	76
	<u>1,607</u>	<u>1,102</u>

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**27. DIRECTORS' REMUNERATION**

<b>Shareholder's fund/Company</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Non executive directors:		
Fees	748	750
Other emoluments	117	91
<b>Total directors' fees and remuneration</b>	<b>865</b>	<b>841</b>

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

	<b>Benefits Fees RM'000</b>	<b>Other Emoluments RM'000</b>	<b>Total RM'000</b>
<b>2019</b>			
Non-executive directors:			
Dato' Majid Mohamad (Chairman)	180	34	214
Mr. Philippe Pol Arthur Latour (Vice Chairman)	120	18	138
Dato' Mohamed Rafique Merican	120	16	136
Mohd Wahiduddin Merican			-
Dato' Johan Ariffin	120	23	143
Dr. Abdul Rahim Abdul Rahman	88	6	94
Mr. Wong Pakshong Kat Jeong			
Colin Stewart	120	20	140
	<b>748</b>	<b>117</b>	<b>865</b>
<b>2018</b>			
Non-executive directors:			
Dato' Majid Mohamad (Chairman)	174	22	196
Mr. Philippe Pol Arthur Latour (Vice Chairman)	119	13	132
Dato' Mohamed Rafique Merican			
Mohd Wahiduddin Merican	119	11	130
Dato' Johan Ariffin	119	17	136
Dr. Abdul Rahim Abdul Rahman	119	15	134
Mr. Wong Pakshong Kat Jeong			
Colin Stewart	100	13	113
	<b>750</b>	<b>91</b>	<b>841</b>

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**28. SHARIAH COMMITTEE'S REMUNERATION**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Shareholder's fund/Company</b>		
Fees	247	154
Other emoluments	109	43
	<u>356</u>	<u>197</u>

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

	<b>Fees</b>	<b>Other</b>	<b>Total</b>
	<b>RM'000</b>	<b>Emoluments</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>2019</b>			
Shariah committee:			
Assoc Prof Dr. Aznan Hasan (Chairman)	34	11	45
(Appointed w.e.f 1 June 2019)			
Dr. AHCENE LAHSASNA	20	11	31
(Ceased as Chairman w.e.f 31 May 2019)			
Dr. Sarip Bin Abdul	40	19	59
Prof Dr. Rusni Hassan	40	18	58
Prof Dr. Abdul Rahim Abdul Rahman	40	18	58
Prof Dato' Dr. Mohd Azmi Omar	40	18	58
Dato' Dr. Anhar Opir	33	14	47
(Ceased as member w.e.f 31 October 2019)			
	<u>247</u>	<u>109</u>	<u>356</u>

<b>2018</b>			
Shariah committee:			
Dr. AHCENE LAHSASNA (Chairman)	28	7	35
Dr. Ismail Mohd @ Abu Hassan	9	3	12
Dr. Mohammad Deen Mohd Napiah	9	3	12
Dr. Sarip Abdul	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. FEE AND COMMISSION EXPENSES**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2019</b>			
Commission expenses	131,988	748	132,736
Wakalah fee expenses	-	364,757	-
	<u>131,988</u>	<u>365,505</u>	<u>132,736</u>
<b>2018</b>			
Commission expenses	119,454	759	120,213
Wakalah fee expenses	-	341,493	-
	<u>119,454</u>	<u>342,252</u>	<u>120,213</u>

**30. INCOME TAX EXPENSE**

**Major components of income tax expense**

The major components of income tax expense for the financial year ended 31 December 2019 and 31 December 2018 are as follows :

Shareholder's fund/Company	2019 RM'000	2018 RM'000
<b><u>Income Statement</u></b>		
Income tax:		
Tax expense for the year	65,454	47,132
Under/(over) provision of tax in prior years	5,442	(904)
Deferred taxation:		
Relating to origination and reversal of temporary differences	25,578	3,933
Income tax expense recognised in Income Statement	<u>96,474</u>	<u>50,161</u>

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**30. INCOME TAX EXPENSE (CONTD.)**

**Reconciliation between tax expense and accounting profit**

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

	<b>2019</b>	<b>2018</b>
<b>Shareholder's fund/Company</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	306,865	242,114
Taxation at Malaysian statutory tax rate of 24%	73,648	58,107
Income not subject to tax	(78,176)	(86,378)
Expenses not deductible for tax purposes	97,072	80,122
Effect of zakat deduction and approved donation	(1,512)	(786)
Under/(over) provision of tax in prior years	5,442	(904)
Tax expense for the years	96,474	50,161

The domestic income tax for Shareholder's Fund are calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

**Taxation borne by policyholders**

	<b>2019</b>	<b>2018</b>
<b>Family Takaful fund/Company</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Income Statement</u></b>		
Income tax:		
Tax expense for the year	4	(764)
Under/(over) provision of tax in prior years	764	(93)
Deferred taxation:		
Relating to origination and reversal of temporary differences	32,415	297
Tax borne by participants recognised in Income Statement	33,183	(560)

The income tax for family takaful funds are calculated on the statutory rate of 8% (2018: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

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**30. INCOME TAX EXPENSE (CONTD.)**

**Statement of Comprehensive Income**

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
Deferred taxation:			
- Fair value changes on FVOCI investments	<u>7,312</u>	<u>17,878</u>	<u>25,190</u>
<b>2018</b>			
Deferred taxation:			
- Fair value changes on FVOCI investments	<u>161</u>	<u>1,899</u>	<u>2,060</u>

**31. EARNINGS PER SHARE**

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

	<b>2019</b>	<b>2018</b>
Profit attributable to ordinary shareholder (RM'000)	<u>203,519</u>	<u>182,383</u>
Weighted average number of ordinary shares in issue ('000)	<u>100,000</u>	<u>164,932</u>
Basic and diluted earnings per share (sen):	<u>203.52</u>	<u>110.58</u>

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**32. DIVIDENDS**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Recognised during the financial year</b>		
Final dividend for the year ended 31 December 2018:		
- 75 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	<u>75,000</u>	<u>-</u>

**33. OTHER COMMITMENTS AND CONTINGENCIES**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Shareholder's fund</b>		
Approved and contracted for:		
Property, plant and equipment	<u>-</u>	<u>45</u>

**34. SEGMENTAL INFORMATION ON CASH FLOW**

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
Net cash flow generated from/(used in):			
Operating activities	235,293	179,104	414,397
Investing activities	108,870	(162,447)	(53,577)
Financing activities	(381,905)	-	(381,905)
	<u>(37,742)</u>	<u>16,657</u>	<u>(21,085)</u>
Net increase/(decrease) in cash and cash equivalents:			
At 1 January 2019	43,664	103,532	147,196
At 31 December 2019	5,922	120,189	126,111
	<u>(37,742)</u>	<u>16,657</u>	<u>(21,085)</u>

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**34. SEGMENTAL INFORMATION ON CASH FLOW (CONTD.)**

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>2018</b>			
Net cash flow generated from/(used in):			
Operating activities	694,917	58,113	753,030
Investing activities	(353,686)	-	(353,686)
Financing activities	(313,560)	-	(313,560)
	<u>27,671</u>	<u>58,113</u>	<u>85,784</u>
Net increase in cash and cash equivalents:			
At 1 January 2018	15,993	45,419	61,412
At 31 December 2018	<u>43,664</u>	<u>103,532</u>	<u>147,196</u>
	<u>27,671</u>	<u>58,113</u>	<u>85,784</u>

**35. SHARE BASED COMPENSATION**

ESGP and CESGP

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

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

The ESGP Shares 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.

### **35. SHARE BASED COMPENSATION (CONTD.)**

#### ESGP and CESGP (contd.)

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 Maybank in a general meeting.
- (iii) The ESGP shall be valid for a period of seven (7) years from the effective date.

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

### **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 all the directors and the Chief Executive Officer of the Company.

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

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

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Company are as follows:

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

<b>Income/(expenses):</b>	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
Ultimate holding company:			
Gross contribution income	-	9,630	9,630
Other income	496	-	496
Commission and fee expenses	(5,795)	-	(5,795)
Bank charges	(95)	(360)	(455)
Claims paid	-	(11,102)	(11,102)
	<u>-</u>	<u>(11,102)</u>	<u>(11,102)</u>
Immediate and penultimate holding companies :			
Gross contribution income	-	1,070	1,070
Shared service costs	(7,640)	(17)	(7,657)
Claims paid	-	(8)	(8)
Remuneration of a seconded employee	(110)	-	(110)
Dividend paid	(75,000)	-	(75,000)
	<u>(75,000)</u>	<u>-</u>	<u>(75,000)</u>
Fellow subsidiaries within the MAHB Group:			
Gross contribution income	-	36	36
Rental income	68	-	68
Rental expenses	(5,142)	-	(5,142)
Claims paid	-	(166)	(166)
Shared service costs	(39,116)	-	(39,116)
	<u>(39,116)</u>	<u>-</u>	<u>(39,116)</u>

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

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

<b>Income/(expenses)(contd.):</b>	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
Other related companies within the Maybank Group:			
Gross contribution income	-	1,288	1,288
Profit income	3,788	8,944	12,732
Other income	23	-	23
Information technology outsourcing	(4,796)	(297)	(5,093)
Commission and fee expenses	(49,515)	-	(49,515)
Investment expenses	(448)	(2,413)	(2,861)
Claims paid	-	(463)	(463)
	<u>-</u>	<u>(463)</u>	<u>(463)</u>
Companies with significant influence over the Maybank Group:			
Gross contribution income	-	10,231	10,231
Claims paid	-	(7,953)	(7,953)
Profit paid on subordinated obligation	(1,476)	-	(1,476)
	<u>(1,476)</u>	<u>-</u>	<u>(1,476)</u>
<b>2018</b>			
Ultimate holding company:			
Gross contribution income	-	6,763	6,763
Other income	811	-	811
Commission and fee expenses	(19,592)	-	(19,592)
Claims paid	-	(6,314)	(6,314)
	<u>-</u>	<u>(6,314)</u>	<u>(6,314)</u>
Immediate and penultimate holding companies :			
Gross contribution income	-	776	776
Remuneration of a seconded employee	(149)	-	(149)
Shared service costs	(10,495)	-	(10,495)
	<u>(10,495)</u>	<u>-</u>	<u>(10,495)</u>

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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 year were as follows (contd.):

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>Income/(expenses)(contd.):</b>			
<b>2018 (contd.)</b>			
Fellow subsidiaries within the MAHB Group:			
Gross contribution income	-	63	63
Rental expenses	(4,847)	-	(4,847)
Shared service costs	<u>(39,284)</u>	<u>-</u>	<u>(39,284)</u>
Other related companies within the Maybank Group:			
Gross contribution income	-	1,462	1,462
Profit income	1,019	5,107	6,126
Other income	38	-	38
Information technology outsourcing	(3,311)	(1,050)	(4,361)
Commission and fee expenses	(29,464)	-	(29,464)
Investment expenses	(517)	(2,685)	(3,202)
Other expenses	(51)	-	(51)
Claims paid	<u>-</u>	<u>(306)</u>	<u>(306)</u>
Companies with significant influence over the Maybank Group:			
Gross contribution income	-	6,370	6,370
Claims paid	-	(4,891)	(4,891)
Profit on subordinated obligation	<u>(3,616)</u>	<u>-</u>	<u>(3,616)</u>

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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 investments placed with and amounts due from/(to) related companies represented by the following:

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
Ultimate holding company:			
Bank balances	5,922	111,838	117,760
Outstanding contributions (Note 9)	-	211	211
Claim liabilities (Note 18)	-	(25)	(25)
Sundry payables and accrued liabilities (Note 19)	(17,499)	-	(17,499)
Amount due to ultimate holding company (Note 19)	<u>(4,816)</u>	<u>-</u>	<u>(4,816)</u>
Immediate holding company:			
Claim liabilities (Note 18)	-	2	2
Amount due to immediate holding company (Note 19)	<u>(993)</u>	<u>-</u>	<u>(993)</u>
Fellow subsidiaries within the MAHB Group:			
Outstanding contributions (Note 9)	-	40	40
Claim liabilities (Note 18)	-	(25)	(25)
Amount due to other related companies (Note 19)	<u>(5,090)</u>	<u>-</u>	<u>(5,090)</u>
Other related companies within the Maybank Group:			
Income due and accrued (Note 10)	254	752	1,006
Fixed and call deposits (Note 6)	101,771	188,164	289,935
Outstanding contributions (Note 9)	-	99	99
Claim liabilities (Note 18)	-	(4)	(4)
Sundry receivables, deposits and prepayments (Note 10)	4,570	-	4,570
Sundry payables and accrued liabilities (Note 19)	(2,100)	-	(2,100)
Amount due to other related companies (Note 19)	<u>(31)</u>	<u>(167)</u>	<u>(198)</u>
Companies with significant influence over the Maybank Group:			
Outstanding contributions (Note 9)	-	2,419	2,419
Claim liabilities (Note 18)	<u>-</u>	<u>(143)</u>	<u>(143)</u>

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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 investments placed with and amounts due from/(to) related companies represented by the following (contd.):

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2018</b>			
Ultimate holding company:			
Bank balances	43,625	94,270	137,895
Outstanding contributions	-	417	417
Claim liabilities	-	(2)	(2)
Sundry receivables, deposits and prepayments (Note 10)	2,867	-	2,867
Sundry payables and accrued liabilities (Note 19)	(25,279)	-	(25,279)
Amount due to ultimate holding company (Note 19)	<u>4,744</u>	<u>-</u>	<u>4,744</u>
Immediate holding company:			
Amount due to immediate holding company (Note 19)	<u>(1,466)</u>	<u>-</u>	<u>(1,466)</u>
Fellow subsidiaries within the MAHB Group:			
Amount due to other related companies (Note 19)	<u>(4,163)</u>	<u>-</u>	<u>(4,163)</u>
Other related companies within the Maybank Group:			
Income due and accrued (Note 10)	58	327	385
Fixed and call deposits (Note 6)	39,961	155,732	195,693
Outstanding contributions	-	40	40
Claim liabilities	-	(7)	(7)
Sundry receivables, deposits and prepayments (Note 10)	6,247	-	6,247
Sundry payables and accrued liabilities (Note 19)	(1,998)	-	(1,998)
Amount due to other related companies (Note 19)	<u>(75)</u>	<u>(376)</u>	<u>(451)</u>
Companies with significant influence over the Maybank Group:			
Outstanding contributions	-	349	349
Claim liabilities	-	(165)	(165)
Subordinated obligation	<u>(80,317)</u>	<u>-</u>	<u>(80,317)</u>

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

(iii) Key management personnel compensation

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

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short-term employee benefits</b>		
Fees	748	750
Salaries, allowances and bonuses	1,140	878
Contribution to EPF and pension scheme	205	148
Share based compensation	85	-
Other emoluments	294	167
	<u>2,472</u>	<u>1,943</u>

(b) The movement in the number of RSU granted and vested to key management personnel were as follows:

	<b>2019</b>	<b>2018</b>
	<b>'000</b>	<b>'000</b>
At 1 January 2019/1 January 2018	-	75
Vested and exercisable		(67)
Expired	-	(8)
At 31 December 2019/31 December 2018	<u>-</u>	<u>-</u>

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

	<b>2019</b>	<b>2018</b>
	<b>'000</b>	<b>'000</b>
At 1 January	132	-
Awarded	132	132
At 31 December	<u>264</u>	<u>132</u>

The remuneration of other key management personnel, being the non-executive directors of the Company are as disclosed in Notes 26 & 27 of the financial statements.

### **37. INTEGRATED RISK MANAGEMENT FRAMEWORK**

The Integrated Risk Management Framework ("IRMF") encapsulates the governance structure to support the risk management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, committees and departments for the legal entities within Maybank Ageas Holdings Berhad ("MAHB"), being Etiqa General Insurance Berhad ("EGIB"), Etiqa Family Takaful Berhad ("EFTB"), Etiqa Life Insurance Berhad ("ELIB"), Etiqa General Takaful Bhd ("EGTB") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the Group".

Seven (7) 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

#### **Risk appetite and strategy**

The establishment of the Group'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 levels of risks that they are willing to accept in pursuit of their business objectives.

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

#### Risk appetite and strategy (contd.)

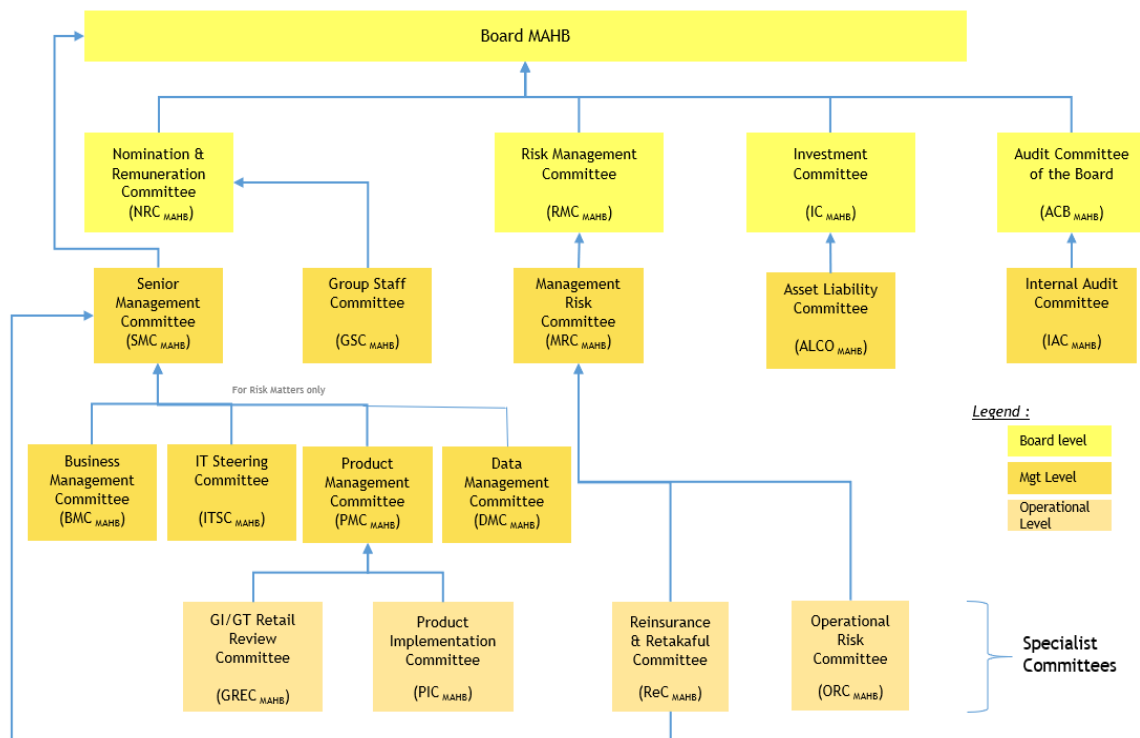
Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the risk appetite to ensure that the projected revenues arising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

#### Governance and risk oversight

The Group 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 Group.

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").



Note: The risk matters that can't be adequately addressed in management committees will be tabled to Management Risk Committee for further deliberation and review.

### **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-Boards Committees, 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").

Board Oversight Committee of Innovation and Technology ("BOC IT") was implemented by Board in Q3 2019 to oversee the innovations enabled by technology; Financial and Operational Excellence ("FOX") opportunities enabled by technology; critical innovation and technology projects including regulatory changes; and, ensure the relevant initiatives are adequately funded and resourced. The terms of reference of the relevant committees as well as IRMF are to be reviewed in 2020.

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

#### **(i) Senior Management Committee ("SMC")**

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

#### **(ii) Management Risk Committee ("MRC")**

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

#### **(iii) Asset Liability Committee ("ALCO")**

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

#### **(iv) Internal Audit Committee ("IAC")**

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

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

#### **Governance and Risk Oversight (contd.)**

##### **(v) Product Management Committee ("PMC")**

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

##### **(vi) Data Management Committee ("DMC")**

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

##### **(vii) Information Technology Steering Committee ("ITSC")**

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

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

##### **(i) Operational Risk Committee ("ORC")**

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

##### **(ii) General Reinsurance & Retakaful Committee ("GReC")**

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

Motor and Fire Committees were implemented at entity level to deliberate and formulate action plans on the management of Motor and Fire businesses respectively.

#### **Risk culture**

Risk culture is a vital component in strengthening the Group'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.

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

#### **Risk culture (contd.)**

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.

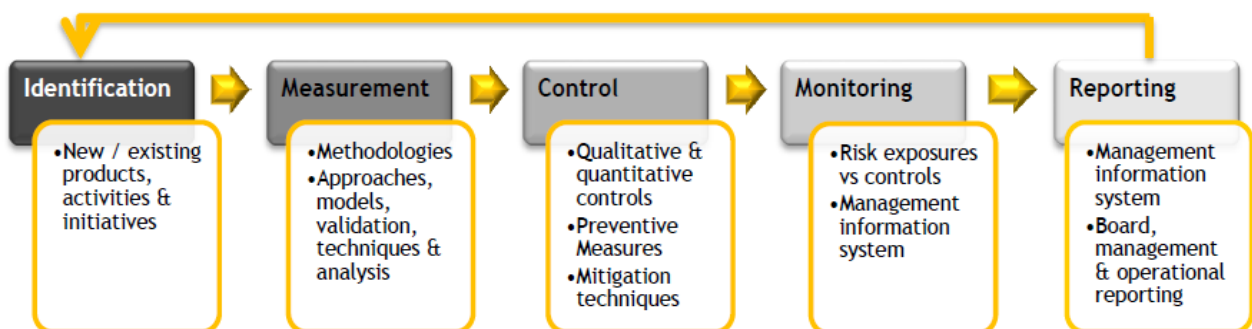
In line with the evolving market environment and dynamics within the Group and across industries, a strong risk culture requires constant attention to ensure that the material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

#### **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 Group. The standard classification of risks are detailed as part of Maybank Group Risk Universe.

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



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

#### **Resource and system infrastructure**

Appropriate system infrastructure and resources are the foundation and enabler to an effective risk management practices and processes. As a result, the Group 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 Group'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. The risk management function should be given full access to internal systems and information for the purpose of performing its roles.

#### **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.

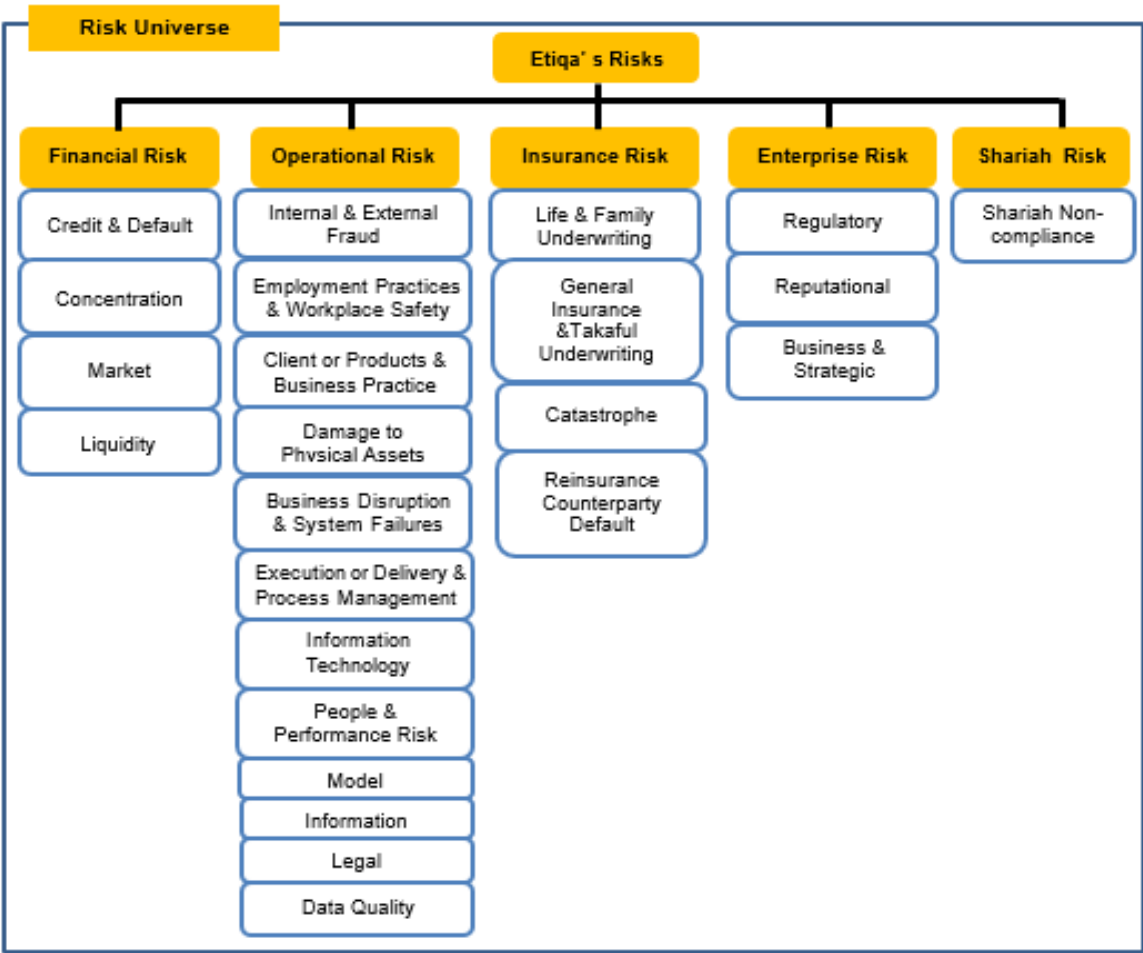
Through the established infrastructure, the roles and responsibilities required for the effective management of risk can be performed appropriately.

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

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

**Risk universe**

The major risk clusters are listed in the risk universe which consists of financial, insurance, operational, enterprise and shariah risk. The following chart illustrates the risk types that are applicable to the businesses and operations.



Risk management department will work hand-in-hand with compliance department, legal department and shariah management department on risk related matters.

### **38. TAKAFUL RISK**

Takaful risk relates to the inherent risk associated with the underwriting activities of Family 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 takaful operators against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with retakaful operators are the counterparty risk of retakaful operators failing to honour their obligations. The Company monitors the retakaful operators creditworthiness on a monthly basis.

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

#### **(i) Family underwriting risk**

The Family underwriting risk reflects the adverse changes in the level, trend, or volatility of mortality, longevity, disability/morbidity, lapse/persistency and expense experience that is different from the expectation/best estimate assumptions, either in pricing or reserving, therefore affecting the profitability of Family Takaful 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 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.

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

#### **(a) Family Takaful fund**

The table below shows the concentration of actuarial liabilities by type of contract:

	<b>2019</b>			<b>2018</b>		
	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
Endowment	2,185,888	-	2,185,888	1,718,340	-	1,718,340
Mortgage	4,062,590	(101,270)	3,961,320	3,593,071	(63,030)	3,530,041
Term						
assurance	34,478	-	34,478	34,363	-	34,363
Annuity	761,228	-	761,228	714,791	-	714,791
Others	447,354	-	447,354	674,153	-	674,153
	<b>7,491,538</b>	<b>(101,270)</b>	<b>7,390,268</b>	<b>6,734,718</b>	<b>(63,030)</b>	<b>6,671,688</b>

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

#### **(i) Key assumptions and methodology**

Significant judgement is required in determining the Participants' Risk Fund ("PRF") liabilities. The PRF refers to the fund in which the portion of contributions paid by the participants is allocated and pooled for the purpose of meeting claims. Assumptions used in determining the PRF liabilities are set based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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

##### Discount rate

The discount rates used in the determination of PRF cashflows are based on the yield observed on Government Investment Issues ("GII") of the appropriate duration.

##### Mortality and morbidity rates

Mortality and morbidity rates represent the expected claims experience of the Company. The Company determines mortality and morbidity rates using local established industry tables which reflect historical experiences, adjusted where appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

##### Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business ie. the expectation that participants will renew their certificates etc. These rates are based on the Company's historical experience of lapses and surrenders.

##### Expenses

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

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

**(a) Family Takaful fund (contd.)**

**(ii) Sensitivity analysis**

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

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

	<b>% change in assumptions</b>	<b>Impact on gross liabilities RM'000</b>	<b>Impact on net liabilities** RM'000</b>	<b>Impact on profit before tax RM'000</b>	<b>Impact on participants' fund # RM'000</b>
<b>2019</b>					
Discount rate*	-1%	421,105	401,753	(60,211)	(60,211)
Mortality and morbidity rates	+/- 10% (adverse)	347,618	269,985	(56,778)	(56,778)
Lapse and surrender rates	+/- 10% (adverse)	17,819	20,669	(3,915)	(3,915)
Expenses	+10%	11,866	11,866	(3,541)	(3,541)

\* excludes impact on profit rate assets.

\*\* the impact on net liabilities results in a corresponding, but opposite sign impact on profit before tax and participants' fund.

# The impact on the participants' fund reflects the after tax position which is presumed to be nil as the family takaful fund is taxed only on investment income.

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

**(a) Family Takaful fund (contd.)**

**(ii) Sensitivity analysis (contd.)**

	<b>% change in assumptions</b>	<b>Impact on gross liabilities RM'000</b>	<b>Impact on net liabilities** RM'000</b>	<b>Impact on profit before tax RM'000</b>	<b>Impact on participants' fund # RM'000</b>
<b>2018</b>					
Discount rate*	-1%	324,743	318,310	(58,578)	(58,578)
Mortality and morbidity rates	+/- 10% (adverse)	299,232	252,296	(46,493)	(46,493)
Lapse and surrender rates	+/- 10% (adverse)	16,312	17,569	(3,706)	(3,706)
Expenses	+10%	11,681	11,681	(2,485)	(2,485)

\* excludes impact on profit rate assets.

\*\* the impact on net liabilities results in a corresponding, but opposite sign impact on profit before tax and participants' fund.

# The impact on the participants' fund reflects the after tax position which is presumed to be nil as the family takaful fund is taxed only on investment income.

Changes in morbidity, mortality and lapse rates shown above include both upwards and downwards experience, depending on the specific key assumption being analysed. For the purposes of the sensitivity analysis, management has only examined the impact arising from adverse changes to these key assumptions as the impact of such adverse changes would be more significant to management in their decision-making process and strategic positioning.

### **39. FINANCIAL RISKS**

#### **(i) Credit risk**

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

**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit risk (contd.)**

**Credit exposure**

The table below shows the maximum exposure to credit risk for the components of the statements of financial position which are subject to credit risk 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.

	<b>Shareholder's fund RM'000</b>	<b>Family Takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2019</b>			
<b>Financial assets at FVTPL:</b>			
<b>- Designated upon initial recognition</b>			
Malaysian government papers	-	148,481	148,481
Unquoted debt securities in Malaysia	1,287,506	6,177,711	7,465,217
<b>- HFT</b>			
Malaysian government papers	-	9,502	9,502
Unquoted debt securities in Malaysia	-	62,471	62,471
Islamic investment accounts with :			
Licensed financial institutions	-	7,575	7,575
<b>Financial assets at FVOCI:</b>			
Malaysian government papers	95,666	198,995	294,661
Unquoted debt securities in Malaysia	582,619	3,551,718	4,134,337
<b>Financial assets at AC:</b>			
Islamic investment accounts with :			
Licensed financial institutions	111,771	531,521	643,292
Others	77,060	369,723	446,783
Financing receivables	15,567	-	15,567
Retakaful assets	-	111,198	111,198
Takaful receivables	-	120,399	120,399
Other assets	157,398	132,583	160,659
Cash and bank balances	5,922	120,189	126,111
	<b>2,333,509</b>	<b>11,542,066</b>	<b>13,746,253</b>

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit risk (contd.)**

**Credit exposure (contd.)**

	<b>Shareholder's fund RM'000</b>	<b>Family 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>			
Malaysian government papers	109,211	168,858	278,069
Unquoted debt securities in Malaysia	1,512,597	5,713,685	7,226,282
<b>- HFT</b>			
Malaysian government papers	-	7,020	7,020
Unquoted debt securities in Malaysia	-	36,806	36,806
<b>Financial assets at FVOCI:</b>			
Malaysian government papers	29,867	166,846	196,713
Unquoted debt securities in Malaysia	245,412	3,049,368	3,294,780
<b>Financial assets at AC:</b>			
Islamic investment accounts with :			
Licensed financial institutions	118,981	529,330	648,311
Others	52,872	98,026	150,898
Financing receivables	16,406	-	16,406
Retakaful assets	-	73,802	73,802
Takaful receivables	-	75,591	75,591
Other assets	216,034	166,114	198,610
Cash and bank balances	43,664	103,532	147,196
	<u>2,345,044</u>	<u>10,188,978</u>	<u>12,350,484</u>

### **39. FINANCIAL RISKS (CONTD.)**

#### **(i) Credit Risk (contd.)**

##### **Credit quality of financial assets**

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

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

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

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit risk (contd.)**

**Credit exposure by rating**

The table below provides information regarding the credit risk exposure of the Company by classifying financial and takaful assets according to the Company's credit ratings of counterparties.

**Shareholder's fund**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2019</b>							
<b>Financial assets at FVTPL:</b>							
<b>- Designated upon initial recognition</b>							
Unquoted debt securities in Malaysia	509,070	279,332	499,104	-	-	-	1,287,506
<b>Financial assets at FVOCI:</b>							
Malaysian government papers	95,666	-	-	-	-	-	95,666
Unquoted debt securities in Malaysia	244,336	148,395	189,888	-	-	-	582,619

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit risk (contd.)**

**Credit exposure by rating (contd.)**

**Shareholder's fund (contd.)**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2019 (contd.)</b>							
<b>Financial assets at AC:</b>							
Islamic investment accounts with :							
Licensed financial institutions	-	101,771	10,000	-	-	-	111,771
Others	-	5,000	72,060	-	-	-	77,060
Financing receivables	-	-	-	-	-	15,567	15,567
Other assets	10,100	6,740	8,793	-	-	131,765	157,398
Cash and bank balances	-	5,907	-	-	-	15	5,922
	<u>859,172</u>	<u>547,145</u>	<u>779,845</u>	<u>-</u>	<u>-</u>	<u>147,347</u>	<u>2,333,509</u>

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit risk (contd.)**

**Credit exposure by rating (contd.)**

**Family Takaful fund**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2019 (contd.)</b>							
<b>Financial assets at FVTPL:</b>							
<b>- Designated upon initial recognition</b>							
Malaysian government papers	148,481	-	-	-	-	-	148,481
Unquoted debt securities in Malaysia	2,020,366	1,457,046	2,513,342	186,957	-	-	6,177,711
<b>- Held for trading</b>							
Malaysian government papers	9,502	-	-	-	-	-	9,502
Unquoted debt securities in Malaysia	9,106	6,402	40,258	6,705	-	-	62,471
Islamic investment accounts with :							
Licensed financial institutions	-	7,575	-	-	-	-	7,575

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit risk (contd.)**

**Credit exposure by rating (contd.)**

**Family Takaful fund (contd.)**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2019 (contd.)</b>							
<b>Financial assets at FVOCI:</b>							
Malaysian government papers	198,995	-	-	-	-	-	198,995
Unquoted debt securities in Malaysia	1,583,760	948,656	983,497	35,805	-	-	3,551,718
<b>Financial assets at AC:</b>							
Islamic investment accounts with :							
Licensed financial institutions	-	466,404	65,117	-	-	-	531,521
Others	-	76,276	293,447	-	-	-	369,723
Retakaful assets	-	-	72,850	38,348	-	-	111,198
Takaful receivables	-	-	3,560	4,119	-	112,720	120,399
Other assets	44,462	38,885	46,093	2,079	-	1,064	132,583
Cash and bank balances	-	119,636	177	338	-	38	120,189
	<b>4,014,672</b>	<b>3,120,880</b>	<b>4,018,341</b>	<b>274,351</b>	<b>-</b>	<b>113,822</b>	<b>11,542,066</b>

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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 risk exposure of the Company by classifying financial and takaful assets according to the Company's credit ratings of counterparties.

**Shareholder's fund**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2018</b>							
<b>Financial assets at FVTPL:</b>							
<b>- Designated upon initial recognition</b>							
Malaysian government papers	109,211	-	-	-	-	-	109,211
Unquoted debt securities in Malaysia	660,784	335,741	516,072	-	-	-	1,512,597
<b>Financial assets at FVOCI:</b>							
Malaysian government papers	29,867	-	-	-	-	-	29,867
Unquoted debt securities in Malaysia	15,023	117,491	112,898	-	-	-	245,412

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit risk (contd.)**

**Credit exposure by rating (contd.)**

**Shareholder's fund (contd.)**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2018 (contd.)</b>							
<b>Financial assets at AC:</b>							
Islamic investment accounts with :							
Licensed financial institutions	-	103,981	15,000	-	-	-	118,981
Others			52,872	-	-	-	52,872
Financing receivables	-	-	-	-	-	16,406	16,406
Other assets	1,997	5,578	7,247	-	-	201,212	216,034
Cash and bank balances	-	43,664	-	-	-	-	43,664
	<u>816,882</u>	<u>606,455</u>	<u>704,089</u>	<u>-</u>	<u>-</u>	<u>217,618</u>	<u>2,345,044</u>

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit risk (contd.)**

**Credit exposure by rating (contd.)**

**Family Takaful fund**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2018</b>							
<b>Financial assets at FVTPL:</b>							
<b>- Designated upon initial recognition</b>							
Malaysian government papers	168,858	-	-	-	-	-	168,858
Unquoted debt securities in Malaysia	1,806,490	1,382,500	2,379,533	145,162	-	-	5,713,685
<b>- Held for trading</b>							
Malaysian government papers	7,020	-	-	-	-	-	7,020
Unquoted debt securities in Malaysia	3,516	6,702	24,521	2,067	-	-	36,806

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**39. FINANCIAL RISKS (CONTD.)**

**(i) Credit risk (contd.)**

**Credit exposure by rating (contd.)**

**Family Takaful fund (contd.)**

	<b>Sovereign RM'000</b>	<b>Very Low RM'000</b>	<b>Low RM'000</b>	<b>Medium RM'000</b>	<b>High RM'000</b>	<b>Unrated RM'000</b>	<b>Total RM'000</b>
<b>2018 (contd.)</b>							
<b>Financial assets at FVOCI:</b>							
Malaysian government papers	166,846	-	-	-	-	-	166,846
Unquoted debt securities in Malaysia	1,297,931	869,875	878,515	3,047	-	-	3,049,368
<b>Financial assets at AC:</b>							
Islamic investment accounts with :							
Licensed financial institutions	-	484,330	45,000	-	-	-	529,330
Others	-	3,000	95,026	-	-	-	98,026
Retakaful assets	-	-	6,926	3,756	-	63,120	73,802
Takaful receivables	-	-	2,894	-	-	72,697	75,591
Other assets	2,954	34,423	40,524	1,731	-	86,482	166,114
Cash and bank balances	-	102,707	566	172	-	87	103,532
	<b>3,453,615</b>	<b>2,883,537</b>	<b>3,473,505</b>	<b>155,935</b>	<b>-</b>	<b>222,386</b>	<b>10,188,978</b>

### **39. FINANCIAL RISKS (CONTD.)**

#### **(i) Credit risk (contd.)**

##### **Financial assets - reconciliation of allowance account**

##### **Significant increase in credit risk**

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

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

##### **Expected credit loss**

The Company assess 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 are 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 measured for the Company during the year are mostly due to the debt security is classified as Watchlist ("WL") or downgraded bond whichever it is assesses at the reporting date.

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

### 39. FINANCIAL RISKS (CONTD.)

#### (i) Credit risk (contd.)

##### Financial assets - reconciliation of allowance account (contd.)

##### Reconciliation of allowance account

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

##### Shareholder's fund

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
<b>2019</b>				
<b>Financial assets at FVOCI</b>				
Sovereign	338,794	1,208	-	340,002
Very low	148,395	-	-	148,395
Low	189,888	-	-	189,888
<b>Carrying amount - fair value</b>	<b>677,077</b>	<b>1,208</b>	<b>-</b>	<b>678,285</b>
<b>Expected credit loss</b>	<b>(194)</b>	<b>-</b>	<b>-</b>	<b>(194)</b>
<b>2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets at FVOCI</b>				
Sovereign	44,890	-	-	44,890
Very low	117,491	-	-	117,491
Low	112,898	-	-	112,898
<b>Carrying amount - fair value</b>	<b>275,279</b>	<b>-</b>	<b>-</b>	<b>275,279</b>
<b>Expected credit loss</b>	<b>(147)</b>	<b>-</b>	<b>-</b>	<b>(147)</b>

39. FINANCIAL RISKS (CONTD.)

(i) Credit risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

Reconciliation of allowance account (contd.)

Family Takaful fund

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
<b>2019</b>				
<b>Financial assets at FVOCI</b>				
Sovereign	1,643,856	138,899	-	1,782,755
Very low	920,022	28,634	-	948,656
Low	983,497	-	-	983,497
Medium	35,805	-	-	35,805
<b>Carrying amount - fair value</b>	<b>3,583,180</b>	<b>167,533</b>	<b>-</b>	<b>3,750,713</b>
<b>Expected credit loss</b>	<b>(1,268)</b>	<b>(23)</b>	<b>-</b>	<b>(1,291)</b>
<b>2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets at FVOCI</b>				
Sovereign	1,340,036	124,740	-	1,464,776
Very low	842,050	27,825	-	869,875
Low	878,515	-	-	878,515
Medium	3,048	-	-	3,048
<b>Carrying amount - fair value</b>	<b>3,063,649</b>	<b>152,565</b>	<b>-</b>	<b>3,216,214</b>
<b>Expected credit loss</b>	<b>(1,439)</b>	<b>(40)</b>	<b>-</b>	<b>(1,479)</b>

### 39. FINANCIAL RISKS (CONTD.)

#### (i) Credit risk (contd.)

##### Financial assets - reconciliation of allowance account (contd.)

##### Reconciliation of allowance account (contd.)

Movements in allowances for impairment losses for financial investments are as follows:

##### Shareholder's fund

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	
	RM'000	RM'000	RM'000	RM'000
<b>2019</b>				
<b>Financial assets at FVOCI</b>				
At 1 January 2019	147	-	-	147
Net adjustment of loss allowance	(63)	-	-	(63)
New financial assets originated or purchased	116	-	-	116
Financial assets that have been derecognised	(6)			(6)
At 31 December 2019	194	-	-	194
<b>2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets at FVOCI</b>				
At 1 January 2018	-	-	-	-
New financial assets originated or purchased	147	-	-	147
At 31 December 2018	147	-	-	147

### 39. FINANCIAL RISKS (CONTD.)

#### (i) Credit risk (contd.)

##### Financial assets - reconciliation of allowance account (contd.)

##### Reconciliation of allowance account (contd.)

Movements in allowances for impairment losses for financial investments are as follows (contd.):

##### Family Takaful fund

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
<b>2019</b>				
<b>Financial investments at FVOCI</b>				
At 1 January 2019	1,438	41	-	1,479
Net adjustment of loss allowance	(415)	(18)	-	(433)
New financial assets originated or purchased	372	-	-	372
Financial assets that have been derecognised	(127)	-	-	(127)
At 31 December 2019	1,268	23	-	1,291
<b>2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial investments at FVOCI</b>				
At 1 January 2018	1,365	42	-	1,407
Net adjustment of loss allowance	(25)	(2)	-	(27)
New financial assets originated or purchased	387	1	-	388
Financial assets that have been derecognised	(289)	-	-	(289)
At 31 December 2018	1,438	41	-	1,479

### 39. FINANCIAL RISKS (CONTD.)

#### (i) Credit risk (contd.)

##### Other financial assets - reconciliation of allowance account

The Company apply simplified approach where the ECL is measured at initial recognition of the receivables using a provision matrix based on historical data or also known as roll rate approach. Estimation of credit losses will use a provision matrix where takaful and retakaful receivables are grouped based on different sales channels and different retakaful contribution type's arrangement respectively with forward looking element being applied to it.

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

#### 2019

	Financing receivables RM'000 (Note 7)	Takaful receivables RM'000 (Note 9)	Other assets RM'000 (Note 10)	Total RM'000
<b>Shareholder's fund</b>				
<b>Lifetime ECL</b>				
At 1 January 2019	2,453	-	2,303	4,756
Net adjustment of loss allowance	(427)	-	123	(304)
At 31 December 2019	<u>2,026</u>	<u>-</u>	<u>2,426</u>	<u>4,452</u>
<b>Family Takaful fund</b>				
<b>Lifetime ECL</b>				
At 1 January 2019	16	3,971	508	4,495
Net adjustment of loss allowance	-	1,905	-	1,905
At 31 December 2019	<u>16</u>	<u>5,876</u>	<u>508</u>	<u>6,400</u>

39. FINANCIAL RISKS (CONTD.)

(i) Credit risk (contd.)

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

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

**2018**

	<b>Financing receivables RM'000 (Note 7)</b>	<b>Takaful receivables RM'000 (Note 9)</b>	<b>Other receivables RM'000 (Note 10)</b>	<b>Total RM'000</b>
<b>Shareholder's fund</b>				
<b>Lifetime ECL</b>				
At 1 January 2018	2,226	-	2,317	4,543
Net adjustment of loss allowance	227	-	(14)	213
At 31 December 2018	<u>2,453</u>	<u>-</u>	<u>2,303</u>	<u>4,756</u>
<b>Family Takaful fund</b>				
At 1 January 2018	11	3,551	510	4,072
Net adjustment of loss allowance	5	420	(2)	423
At 31 December 2018	<u>16</u>	<u>3,971</u>	<u>508</u>	<u>4,495</u>

### **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>
Secured staff loans	Charges over residential properties and vehicles
Corporate loans	Charges over properties, lands being financed and bank guarantees

The funds with financial assets over which collaterals are held as security include the Shareholder's fund. The quantification of the extent to which collateral and other credit enhancements mitigate credit risk (referred to as "the financial effect of collateral") is described below.

##### **Shareholder's fund**

The financial effect of collateral held for financing receivables of the fund is 92.21% as at 31 December 2019 (2018: 87.72%). The financing receivables include staff loans and non-staff loans which amounted to RM 15.57 million as at 31 December 2019 (2018: RM16.41 million). These loans are collateralised in the form of charges over residential properties which are worth RM25.5 million (2018: RM25.6 million).

#### **(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 participants' liabilities, such as surrenders, withdrawal, claims and the maturity benefits, and other certificate holders without endangering the business financials due to constraints on liquidating assets.

### **39. FINANCIAL RISKS (CONTD.)**

#### **(ii) Liquidity risk (Contd.)**

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

- (a) The Risk Management and Investment Management Departments actively monitor the cash flows associated and derived from assets and liabilities of the Company through the ALCO platform;
- (b) The Investment Management Department ensures that reasonable liquidity is maintained in the assets at all times; and
- (c) The Risk Management Department uses Key Risk Indicators (“KRI”) to alert the management to impending problems in a timely manner.

#### **Maturity profiles**

The table below summarises the maturity profile of the financial and takaful assets and liabilities of the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For Takaful certificates liabilities and retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows of the recognised takaful certificate liabilities.

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

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**39. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity risk (contd.)**

**Maturity profiles (contd.)**

**Shareholder's fund**

	<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>2019</b>						
Financial investments:						
FVTPL	1,363,714	80,265	356,065	1,562,203	76,208	2,074,741
FVOCI	678,285	36,286	164,442	941,728	-	1,142,456
AC	188,831	188,831	-	-	-	188,831
Financing receivables	15,567	1,615	6,096	9,845	-	17,556
Other assets	157,398	157,398	-	-	-	157,398
Cash and bank balances	5,922	-	-	-	5,922	5,922
<b>Total assets</b>	<b>2,409,717</b>	<b>464,395</b>	<b>526,603</b>	<b>2,513,776</b>	<b>82,130</b>	<b>3,586,904</b>
Expense liabilities	535,282	42,991	101,296	390,995	-	535,282
Takaful payables	1,949	1,949	-	-	-	1,949
Other liabilities	89,874	89,400	528	-	-	89,928
<b>Total liabilities</b>	<b>627,105</b>	<b>134,340</b>	<b>101,824</b>	<b>390,995</b>	<b>-</b>	<b>627,159</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.)**

**Shareholder's fund (contd.)**

	<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:						
FVTPL	1,727,020	94,591	464,652	2,158,478	105,212	2,822,933
FVOCI	275,279	111,203	54,859	259,543	-	425,605
AC	171,853	171,853	-	-	-	171,853
Financing receivables	16,406	1,782	8,630	6,573	-	16,985
Other assets	216,034	216,034	-	-	-	216,034
Cash and bank balances	43,664	-	-	-	43,664	43,664
<b>Total assets</b>	<b>2,450,256</b>	<b>595,463</b>	<b>528,141</b>	<b>2,424,594</b>	<b>148,876</b>	<b>3,697,074</b>
Subordinated obligation*	301,189	301,189	-	-	-	301,189
Expense liabilities	445,941	36,108	107,212	598,158	-	741,478
Takaful payables	12,428	12,428	-	-	-	12,428
Other liabilities	97,987	97,987	-	-	-	97,987
<b>Total liabilities</b>	<b>857,545</b>	<b>447,712</b>	<b>107,212</b>	<b>598,158</b>	<b>-</b>	<b>1,153,082</b>

\* Includes profit payable on subordinated obligation.

*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.)**

**Family Takaful fund**

	<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>2019</b>						
Financial investments:						
FVTPL	6,813,249	592,218	2,192,672	7,073,674	407,509	10,266,073
FVOCI	3,750,713	203,030	1,173,023	4,668,190	-	6,044,243
AC	901,244	901,244	-	-	-	901,244
Retakaful assets	111,198	18,089	26,538	66,571	-	111,198
Takaful receivables	120,399	120,399	-	-	-	120,399
Other assets	132,583	132,583	-	-	-	132,583
Cash and bank balances	120,189	-	-	-	120,189	120,189
<b>Total assets</b>	<b>11,949,575</b>	<b>1,967,563</b>	<b>3,392,233</b>	<b>11,808,435</b>	<b>527,698</b>	<b>17,695,929</b>
Participants' fund	3,690,961	1,582,032	-	1,858,306	250,623	3,690,961
Takaful certificate liabilities	7,804,488	3,641,763	1,427,943	2,539,793	194,989	7,804,488
Takaful payables	29,785	29,785	-	-	-	29,785
Other liabilities	396,244	396,244	-	-	-	396,244
<b>Total liabilities</b>	<b>11,921,478</b>	<b>5,649,824</b>	<b>1,427,943</b>	<b>4,398,099</b>	<b>445,612</b>	<b>11,921,478</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.)**

**Family Takaful fund (contd.)**

	<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:						
FVTPL	6,466,668	517,494	2,175,329	7,300,040	540,299	10,533,162
FVOCI	3,216,214	215,814	1,034,317	4,354,270	-	5,604,401
AC	627,356	627,356	-	-	-	627,356
Retakaful assets	73,802	15,920	18,324	78,237	-	112,481
Takaful receivables	75,591	75,591	-	-	-	75,591
Other assets	166,114	166,114	-	-	-	166,114
Cash and bank balances	103,532	-	-	-	103,532	103,532
<b>Total assets</b>	<b>10,729,277</b>	<b>1,618,289</b>	<b>3,227,970</b>	<b>11,732,547</b>	<b>643,831</b>	<b>17,222,637</b>
Participants' fund	3,233,339	1,446,340	-	1,783,530	3,469	3,233,339
Takaful certificate liabilities	7,053,776	3,463,928	1,462,852	3,615,276	163,622	8,705,678
Takaful payables	33,515	33,515	-	-	-	33,515
Other liabilities	431,612	431,612	-	-	-	431,612
<b>Total liabilities</b>	<b>10,752,242</b>	<b>5,375,395</b>	<b>1,462,852</b>	<b>5,398,806</b>	<b>167,091</b>	<b>12,404,144</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).*

### **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:

- (a) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policies and risk appetite after taking cognisance of regulatory requirements in respect of the maintenance of assets and solvency.
- (a) Compliance with the policies is monitored exposures and breaches are reported as soon as practical.
- (c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company also issues investment-linked investment certificates with a number of products. In the investment-linked business, the participants bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company's exposure to market risk 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. Accordingly, the sensitivity analysis disclosed for each component of market risk in the following pages do not include analysis on the impact such risks on the investment-linked funds.

### **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 and investment certificate liabilities.

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

- (a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;
- (b) Investment Management Department actively aim to match the asset duration with the liability duration, without compromising quality; and
- (c) Use Key Risk Indicators ("KRI") to alert the organisation to impending problems in a timely manner.

**39. FINANCIAL RISKS (CONTD.)**

**(iii) Market risk (contd.)**

**(b) Profit rate risk (contd.)**

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

		2019		2018	
		Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
Fund	Changes in variables				
Shareholder's	+100 basis points	(122,210)	(149,240)	(150,227)	(127,856)
	-100 basis points	122,210	149,240	150,227	127,856
Family Takaful	+100 basis points	(117,145)	(134,752)	(116,374)	(127,243)
	-100 basis points	117,145	134,752	116,374	127,243

\* Impact on equity is after tax of 24% for Shareholder's fund.

**(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 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 other than those held in the investment-linked funds.

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.

### 39. FINANCIAL RISKS (CONTD.)

#### (iii) Market risk (contd.)

##### (c) Equity price risk (contd.)

##### Market Indices - Bursa Malaysia

Fund	Changes in variables	2019		2018	
		Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
Shareholder's	+10%	5,015	3,811	8,028	6,101
	-10%	(5,015)	(3,811)	(8,028)	(6,101)
Family Takaful	+10%	6,454	5,037	8,935	6,791
	-10%	(6,454)	(5,037)	(8,935)	(6,791)

\* Impact on equity is after tax of 24% for Shareholder's fund.

#### (iv) Concentration risk

Concentration risk refers to the risk associated with the potential losses associated with a particular single or group of counterparties that are substantial enough to threaten the financial condition of the Company and its core operation causing material adverse impact to the earnings, capital or total assets.

Concentration risk relates to non-diversified portfolios and arises due to high exposure to single company 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 regard to also such limits stipulated by BNM.

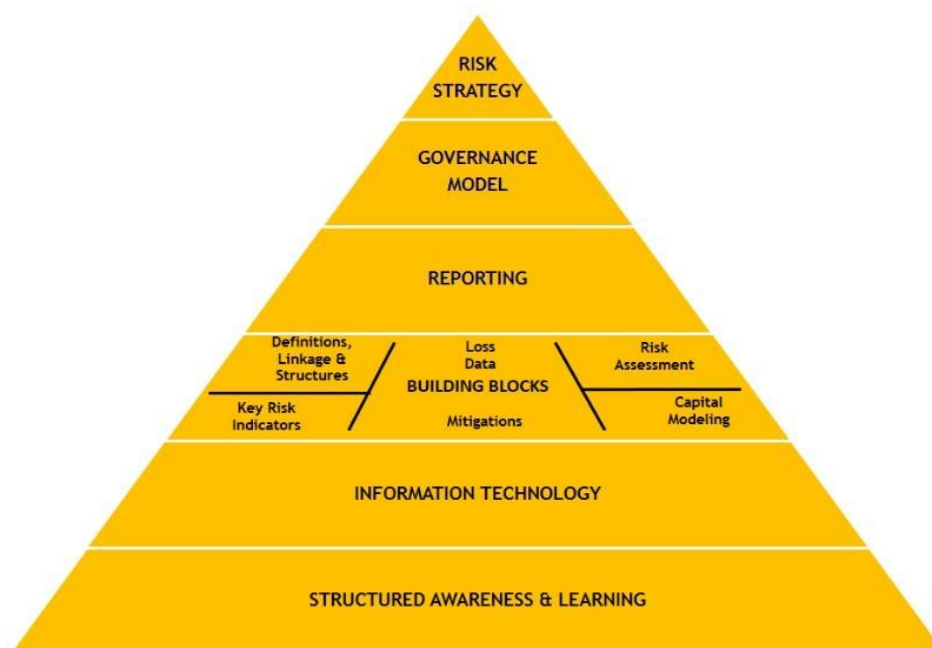
The Company complied with BNM stipulated limits during the financial year and had no significant concentration risk.

#### **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 the Company are established. Those include among other things: Risk and Control Self-assessment, Key Risk Indicators, Incident Management & Data Collection, Information Technology and Cyber Risk related assessment 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 includes fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation.

#### **40. OPERATIONAL RISKS (CONTD.)**

##### **Operational risk taxonomy (contd.)**

##### **(ii) External fraud**

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

##### **(iii) Employment practices and workplace safety**

- (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;
- (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.

#### **40. OPERATIONAL RISKS (CONTD.)**

##### **Operational risk taxonomy (contd.)**

##### **(viii) Information technology and cyber 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 and performance risk**

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

##### **(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 refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which an Islamic financial institution may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia, standards on Shariah matters issued by Bank Negara Malaysia pursuant to section 29(1) of Islamic Financial Services Act 2013 or decisions or advice of the Shariah committee.

The end-to-end Shariah Compliant governance is executed through four (4) Lines of Defence that cater both pre-execution and post-execution matters. These are being managed by Business Unit (1st Line), Shariah Research & Advisory (2nd Line), Shariah Review & Shariah Risk Management function (3rd Line), and Shariah Audit (4th Line).

#### **41. ENTERPRISE RISK**

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

#### **42. FAIR VALUES MEASUREMENTS**

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

- (a) Valuation principles;
- (b) Valuation techniques;
- (c) Fair value measurements and classification within the fair value hierarchy; 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.

## **42. FAIR VALUES MEASUREMENTS (CONTD.)**

### **(a) Valuation principles (contd.)**

The levels of the fair value hierarchy as defined by the 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 data.

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

## **42. FAIR VALUES MEASUREMENTS (CONTD.)**

### **(b) Valuation techniques**

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

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

#### **(ii) Financing receivables**

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

#### **(iv) Investments**

Investments have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(iv) and Note 2.2(v). The carrying amounts and fair values of investments are disclosed in Note 6 of the financial statements.

## 42. FAIR VALUES MEASUREMENTS (CONTD.)

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

#### Shareholder's fund

	Valuation techniques using:		
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Total RM'000
<b>2019</b>			
<b>FVTPL financial investments</b>			
- <b>Designated upon initial recognition</b>			
Unquoted debt securities in Malaysia	-	1,287,506	1,287,506
- <b>HFT</b>			
Quoted equity securities in Malaysia	49,216	-	49,216
Quoted unit and property trust funds in Malaysia	932	-	932
Investment-linked units	26,060	-	26,060
<b>FVOCI financial investments</b>			
Malaysian government papers	-	95,666	95,666
Unquoted debt securities in Malaysia	-	582,619	582,619
<b>Total assets</b>	<b>76,208</b>	<b>1,965,791</b>	<b>2,041,999</b>
<b>2018</b>			
<b>FVTPL financial investments</b>			
- <b>Designated upon initial recognition</b>			
Malaysian government papers	-	109,211	109,211
Unquoted debt securities in Malaysia	-	1,512,597	1,512,597
- <b>HFT</b>			
Quoted equity securities in Malaysia	80,279	-	80,279
Investment-linked units	24,933	-	24,933
<b>FVOCI financial investments</b>			
Malaysian government papers	-	29,867	29,867
Unquoted debt securities in Malaysia	-	245,412	245,412
<b>Total assets</b>	<b>105,212</b>	<b>1,897,087</b>	<b>2,002,299</b>

42. FAIR VALUES MEASUREMENTS (CONTD.)

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

Family Takaful fund

	Valuation techniques using:		
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Total RM'000
<b>2019</b>			
<b>FVTPL financial investments</b>			
- Designated upon initial recognition			
Malaysian government papers	-	148,481	148,481
Unquoted debt securities in Malaysia	-	6,177,711	6,177,711
- HFT			
Malaysian government papers	-	9,502	9,502
Unquoted debt securities in Malaysia	-	62,471	62,471
Quoted equity securities in Malaysia	400,084	-	400,084
Quoted unit and property trust funds in Malaysia	7,425	-	7,425
Islamic investment accounts with: Licensed financial institutions	-	7,575	7,575
<b>FVOCI financial investments</b>			
Malaysian government papers	-	198,995	198,995
Unquoted debt securities in Malaysia	-	3,551,718	3,551,718
	<u>407,509</u>	<u>10,156,453</u>	<u>10,563,962</u>
<b>2018</b>			
<b>FVTPL financial investments</b>			
- Designated upon initial recognition			
Malaysian government papers	-	168,858	168,858
Unquoted debt securities in Malaysia	-	5,713,685	5,713,685
- HFT			
Malaysian government papers	-	7,020	7,020
Unquoted debt securities in Malaysia	-	36,806	36,806
Quoted equity securities in Malaysia	540,033	-	540,033
Quoted unit and property trust funds in Malaysia	266	-	266
<b>FVOCI financial investments</b>			
Malaysian government papers	-	166,846	166,846
Unquoted debt securities in Malaysia	-	3,049,368	3,049,368
	<u>540,299</u>	<u>9,142,583</u>	<u>9,682,882</u>

#### **42. FAIR VALUES MEASUREMENTS (CONTD.)**

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. There were no transfers between Level 1 and Level 2 for the Company during the financial years ended 31 December 2019 and 31 December 2018.

#### **43. REGULATORY CAPITAL REQUIREMENT**

The capital structure of the Company as at 31 December 2019, as prescribed under the RBCT Framework, is provided below:

##### **Company**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Eligible Tier 1 Capital</b>		
Paid up share capital	100,000	100,000
Valuation surplus in takaful funds	1,858,306	1,783,530
Retained earnings	1,674,880	1,544,234
	<u>3,633,186</u>	<u>3,427,764</u>
<b>Tier 2 Capital</b>		
FVOCI reserve	274,292	3,981
Subordinated obligation	-	300,000
	<u>274,292</u>	<u>303,981</u>
Amount deducted from capital	<u>(6,713)</u>	<u>(13,619)</u>
Total Capital Available	<u>3,900,765</u>	<u>3,718,126</u>

#### **44. SIGNIFICANT EVENT**

##### **Redemption on Tier-2 on Capital Subordinated Sukuk of RM300,000,000**

On 18 March 2019, BNM approved the Company's redemption exercise for the Tier-2 Capital Subordinated Sukuk Musharakah of RM300 million (the Sukuk). Subsequently, the Company exercised the call option to redeem the Sukuk on 30 May 2019. The Sukuk had been issued on 30 May 2014 with a tenure of ten (10) years from issue date on 10 year non-callable 5 year basis, with interest rate of 4.52% per annum payable semi-annually and is due in 2024.