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

Directors' Report and Audited Financial Statements
31 December 2020

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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 2020.

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	191,874

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 PAID

No dividend has been paid or declared by the Company since the end of the previous financial year.

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

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DIRECTORS

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

Dato' Majid bin Mohamad (Chairman)
Mr. Andrew King Sun Cheung (Vice Chairman)
Dato' Johan bin Ariffin
Mr. Wong Pakshong Kat Jeong Colin Stewart
Prof. Dr. Azman bin Mohd Noor (Appointed as Director w.e.f. 15 June 2020)
En. Mohd Din bin Merican (Appointed as Director w.e.f 15 February 2021)

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.

In accordance with Section 208(4)(a) of the Companies Act, 2016, Prof. Dr. Azman bin Mohd Noor will retire at the forthcoming Annual General Meeting of the Company and being eligible, offers for re-election.

DIRECTORS' BENEFITS

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

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

DIRECTORS' INDEMNITY

The Company maintains on Maybank 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

Coverage	Premium paid
Limit of Liability - Group Policy	**2020 Gross Premium (RM'000)**
RM 250 Million	999

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DIRECTORS' INTERESTS

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

	Number of ordinary shares		
Ultimate Holding Company	**As at 1 January 2020**	**Issued pursuant to DRP***	**As at 31 December 2020**
Direct Interest:			
Dato' Johan bin Ariffin	315,187	Nil	315,187

*DRP = Dividend Reinvestment Plan

	Number of ordinary shares		
	As at 1 January 2020	**Acquired during the year**	**As at 31 December 2020**
Indirect Interest:			
Wong Pakshong Kat Jeong Colin Stewart[1]	34,253	Nil	34,253

[1] Shares in Maybank held by spouse

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

CORPORATE GOVERNANCE

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

FINANCIAL HOLDING COMPANY

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

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

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

OTHER STATUTORY INFORMATION

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

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts;

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and

  (iii) to ascertain that there was adequate provision for takaful certificate liabilities in accordance with the 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.

(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.

OTHER STATUTORY INFORMATION (CONTD.)

(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 certificates of takaful underwritten in the ordinary course of business of the Company.

SIGNIFICANT EVENTS

There were no significant events 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 23 February 2021.

DATO' MAJID BIN MOHAMAD

DATO' JOHAN BIN ARIFFIN

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CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

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

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

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

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

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

(a) Board Composition

As at 31 December 2020, the Board consisted of five (5) Directors, comprising of:-

(i) one (1) Non-Independent Non-Executive Directors (“NINED”);and
(ii) four (4) Independent Non-Executive Directors (“INED”).

The Composition of the Board meets the requirement of having a majority of independent Directors and common Directors remain in the minority as set out in the BNM CG Policy. Dato’ Majid Mohamad, an INED, is the Chairman of the Board and the NINED is a nominee of Ageas Insurance International N.V. (“Ageas”), a shareholder of MAHB.

The Board is committed to ensuring diversity and inclusiveness in its composition and 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 bin Mohamad *(Chairman)*	INED	7/7	100
Mr. Andrew Cheung King Sun *(Vice Chairman)*	NINED[1]	7/7	100
Dato' Johan bin Ariffin	INED	7/7	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	7/7	100
Assoc. Prof. Dr. Azman bin Mohd Noor	INED[2]	4/4	100
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	NINED[3]	N/A	N/A
Mr. Philippe Pol Arthur Latour	NINED[4]	N/A	N/A

[1] Appointed as Director w.e.f. 7 February 2020
[2] Appointed as Director w.e.f. 15 June 2020
[3] Ceased as Director w.e.f. 31 January 2020
[4] Ceased as Director w.e.f. 7 February 2020

Profile of Directors

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorship within the Group
Dato' Majid bin Mohamad Independent Non-Executive Director Chairman 66 years of age Malaysian	Banking & Insurance	• Director of Maybank Ageas Holdings Berhad • Chairman of Etiqa General Takaful Berhad • Chairman of Etiqa Offshore Insurance (L) Ltd (*Incorporated in F.T. Labuan*) *(Appointed w.e.f. 25 June 2020)* • Chairman of Etiqa Life International (L) Ltd *(Incorporated in F.T. Labuan) (Appointed w.e.f. 25 June 2020)*

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors (contd.)

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorship within the Group
Mr. Andrew Cheung King Sun Non-Independent Non-Executive Vice-Chairman Director 62 years of age Canadian	Insurance	Nil
Dato' Johan bin Ariffin Independent Non-Executive Director 61 years of age Malaysian	Property Development & Banking	• Director of Maybank Ageas Holdings Berhad • Director of Etiqa Life Insurance Berhad • Director of Etiqa General Takaful Berhad • Chairman of Etiqa Insurance Pte Ltd *(Incorporated in Singapore)*
Mr. Wong Pakshong Kat Jeong Colin Stewart Independent Non-Executive Director 61 years of age Singaporean	Insurance	• Director of Etiqa Life Insurance Berhad • Director of Etiqa Insurance Pte Ltd *(Incorporated in Singapore)*
Assoc. Prof. Dr. Azman bin Mohd Noor Independent Non-Executive Director 47 years of age Malaysian	Islamic Finance	Nil
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican Non-Independent Non-Executive Director 55 years of age Malaysian	Banking	• Director of Etiqa General Takaful Berhad

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

(a) Board Composition (contd.)

Profile of Directors (contd.)

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorship within the Group
Mr. Philippe Pol Arthur Latour Non-Independent Non-Executive Director Vice-Chairman 61 years of age Belgian	Insurance	• Director of Etiqa Life Insurance Berhad • Director of Etiqa General Takaful Berhad • Director of Etiqa General Insurance Berhad *(Ceased as Director w.e.f. 31 January 2020)*
En. Mohd Din bin Merican Independent Non-Executive Director 59 years of age Malaysian	Insurance	• Director of Etiqa Family Takaful Berhad *(Appointed w.e.f. 15 February 2021)*

Detailed profile of each Director is available on the Group's corporate website (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 2020 ("FYE 2020").

(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).

(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:

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

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

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 engaged a consultant firm to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board and individual Directors.

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 but also 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 insurance 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 the Company's Board Charter which is available on the Group's corporate website (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.)

(i) Nomination and Remuneration Committee (contd.)

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 bin Ariffin *(Chairman)*	INED	11/11	100
Datuk Mohd Najib bin Abdullah	INED[1]	11/11	100
Mr. Gary Lee Crist	NINED[2]	11/11	100
Dato' Majid bin Mohamad	INED	11/11	100

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

[2] Appointed as Director w.e.f. 15 June 2020

(ii) Audit Committee of the Board

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

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

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

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

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

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

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

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

[1] INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of MAHB.
[2] NINED of MAHB.
[3] INED of Etiqa General Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB.

(iii) Risk Management Committee

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

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, insurance, operational and enterprise risks.

The roles and responsibilities of the RMC are set out in the Company's Board Charter which is available on the Group's corporate website (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 *(Chairman)*	INED[1]	6/6	100
Mr. Gary Lee Crist	NINED[2]	6/6	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	6/6	100

[1] INED of Etiqa General Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB.
[2] NINED of MAHB.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(iv) Investment Committee

The Investment Committee ("IC") consists of a majority of 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 the Company's Board Charter which is available on the Group's corporate website (www.etiqa.com.my).

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 bin Wan Zahir *(Chairman)*	ED[1]	4/4	100
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	NINED	4/4	100
Mr. Philippe Pol Arthur Latour	NINED	3/4	75

[1] ED of MAHB.

(v) Group Shariah Committee

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

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

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

(v) 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	%
Assoc. Prof. Dr. Aznan bin Hasan	Chairman	26/26	100
Dr. Sarip bin Adul	Member	26/26	100
Prof Dr. Rusni binti Hassan	INED[1]	26/26	100
Prof Dr. Abdul Rahim bin Abdul Rahman	Member	24/26	92
Prof Dato' Dr. Mohd Azmi bin Omar	Member	26/26	100
Assoc. Prof. Dr Azman bin Mohd Noor	INED[2]	7/7	100

[1] INED of Etiqa General Takaful berhad, a wholly-owned subsidiary of MAHB.

[2] Appointed as a Group Shariah Committee member w.e.f. 15 June 2020.

(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) <u>Induction Programme</u>

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.

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[1]	AC[2]	DJA[3]	WPC[4]	DAN[5]
A. Inhouse Training					
1. Etiqa Risk Landscape Workshop 2020	✓	✓	✓	✓	
2. Etiqa Compliance Workshop	✓	✓	✓	✓	✓
3. Etiqa: Malaysia Anti-Corruption Commission Act 2009 (Amendments) Section 17A Briefing	✓	✓	✓	✓	✓
4. Etiqa: On boarding Program		✓			✓
5. Etiqa Cambodia: AML/CFT Training			✓	✓	
6. Maybank: Board Risk Workshop 2020	✓	✓	✓	✓	✓
7. Maybank: Zone to Win Workshop	✓				✓
8. Maybank: Driving the Analytics Revolution	✓				
9. Ageas Asia 2020 Technology Development Convention		✓			
10. Ageas: IFRS 9 – Introduction & Impairment		✓			
11. Ageas: IFRS 9 – Disclosure & Recap		✓			
12. Ageas: IFRS 9 – Classification & Measurement		✓			
13. Ageas: IFRS 17 – Introduction, Level of Aggregation, and Building Block Approach		✓			
14. Ageas: IFRS 17 – Examples of Building Block Approach		✓			
15. Ageas: IFRS 17 – Common Funds: Contract Boundaries, Expenses, Discount Curve		✓			
16. Ageas: IFRS 17 – Premium Allocation Approach and Examples		✓			
17. Ageas: Virtual Agency Leader		✓			
18. Ageas: Overview of National Security Legislation in Hong Kong		✓			

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by Directors	DMM[1]	AC[2]	DJA[3]	WPC[4]	DAN[5]
A. Inhouse Training (contd.)					
19. Ageas: The Future of Bancassurance in A Digital World		✓			
20. Ageas: Bancassurance Sharing Webinar		✓			
21. Ageas: How to do Our Business Amid Covid-19		✓			
22. Ageas: Agency Best Practices Amidst Covid-19 Pandemic		✓			
23. Ageas: Mental Wellness Under Covid-19		✓			
B. External Training					
1. BNM: FIDE Forum – Board Effectiveness Project	✓				
2. BNM: FIDE Forum – Distinguished Board Leadership Series: Challenging Times – What Role Must the Board Play?	✓				
3. BNM: FIDE Forum - Covid-19 and Current Economic Reality - Implication in Financial Stability	✓				
4. BNM: FIDE Forum - Risk: A Fresh Look from the Board's Perspective	✓				
5. BNM: FIDE Forum - Digital Financial Services: Managing Virtual Banking and Insurance Services	✓				
6. BNM: FIDE Forum – Green Fintech: Ping An Journey to Becoming a Top Environmental, Social, and Corporate Governance Performing Financial Institution	✓				
7. BNM: FIDE Forum – Climate Action: The Board's Leadership in Greening the Financial Sector	✓				
8. BNM: Dialogue with BNM Governor	✓				
9. Bursa: Shariah Investment Virtual Conference 2020 - The Multi Facets of Shariah Investment and Its Potentials	✓				
10. Islamic Banking & Finance Institute Malaysia: Value-based Intermediation Financing and Investment Impact Assessment Framework Sectorial Guide Town Hall	✓				
11. KPMG: Globalization Revisited – Trade, Investment and Value Chains in Asia Pacific		✓			
12. Ernst &Young PLT: IFRS 17 for Directors – What You Need to Know	✓			✓	

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CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by Directors	DMM[1]	AC[2]	DJA[3]	WPC[4]	DAN[5]
13. Singapore Actuarial Society: IFRS 17 General Insurance Working Party Paper Forum				√	
14. Institute and Faculty of Actuaries: The IFRS 17 Contractual Service Margin - A Life Insurance Perspective				√	
15. Labuan International Business and Financial Centre ("IBFC"): Financial Centre of the World 2020 - Focus on Labuan IBFC	√				
16. Labuan IBFC: Regulatory Recognition - A sign of maturity digital landscape	√				
17. Assosiasi Asuransi Shariah Indonesia: Back to Khittah - Ada Apa Dengan Asuransi Shariah di Indonesia? Bagaimana Meningkatkan Kepesertaan dan Kemanfaatan Ta'awun di Era New Normal	√				
18. Capital Market Malaysia: Commitment to Advancing Sustainable Finance	√				
19. TPL Insurance: Lessons from Ali Insurance		√			
20. International Islamic University Malaysia: Role of Higher Learning Institutions in Accelerating the Growth of Islamic Finance	√				
21. Asian School of Business: Leadership Energy Summit Asia 2020 - Navigating Uncertainty with Leadership in Action	√				
22. Permodalan Nasional Berhad ("PNB"): How Safe are The Safe Haven Assets in Malaysia	√		√		
23. PNB: Malaysia and ASEAN – Navigating US-China Relations in the 21st Century					√
24. Mitraland Group: Malaysian Anti-Corruption Commission Awareness Training			√		
25. Hymans Robertson: Risk & Capital Management: Opportunities and challenges				√	
26. Association of Shariah Advisors in Islamic Finance: Principles of Accounting and Finance					√
27. Goldman Sachs: Investment Outlooks for Financial Market		√			
28. Goldman Sachs: Macroeconomic Outlook for US, Europe and China		√			
29. Goldman Sachs: The Way Forward – Next Phase of Health Care, Economics and Financial Markets		√			
30. Asia Time: Tech War Myths and Realities		√			
31. Korn Ferry: Executive Development with Coach		√			

1 DMM - Dato' Majid Mohamad
2 AC – Mr. Andrew Cheung King Sun
3 DJA - Dato' Johan Ariffin
4 WPC - Mr. Wong Pakshong Kat Jeong Colin Stewart
5 DAN – Assoc. Prof. Dr. Azman Mohd Noor

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(3) INTERNAL CONTROL FRAMEWORK

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

(4) REMUNERATION - QUALITATIVE DISCLOSURES

a) Board Performance

In line with good corporate governance, the Board via the NRC has set out its intention to periodically review the NEDs’ remuneration per Maybank remuneration policy for Directors.

The Board believes the 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 the following:

Fees and meeting allowances – Directors’ fees and meetings allowances for NED 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:

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

b) Disclosure of Directors' and CEO's Remuneration

The details of Directors' and CEO's Remuneration for FYE 2020 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 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.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Maybank Group's 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.

Key elements	Purpose
Fixed Pay	Attract and retain talent by providing competitive pay that is externally benchmarked against relevant peers and location, and internally aligned with consideration of differences in individual performance and achievements, skills-set, job scope as well as competency level.
Variable Pay	**Variable Bonus** ▪ Reinforce pay-for-performance culture and adherence to the Group's Core Values T.I.G.E.R.* ▪ Variable cash award design that is aligned with the long-term performance goals of the Group through deferral and claw-back policies. ▪ Based on overall Group Performance, Business/Corporate Function and individual performance. ▪ Performance is measured via the Balanced Scorecard approach. ▪ Deferral Policy: Any Variable Bonus Awards in excess of certain thresholds will be deferred over a period of time **Long-term Incentive Award** ▪ 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. **Clawback Provision** ▪ 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.
Benefits	▪ Provides employees with financial protection, access to health care, paid time-off, staff loans at preferential rates, programmes to support work/life balance, etc. for 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.
Development and Career Opportunities	▪ Continue to invest in the personal and professional growth of employees. Opportunities provided to employees to chart their careers across different businesses and geographies.

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

The target positioning of Base Pay is mid-market while target positioning for total compensation for a performer is to be within the upper range of market. Target positioning for benefits is mid-market. In certain markets/geographies, there may be exceptions for selected benefits with above mid-market positioning for strategic purposes. As the 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 total compensation, comprising a mixture of Fixed and Variable elements (i.e. Variable Bonus and Long-term Incentive Plan) is designed to align with the long-term performance goals and objectives of the organisation. The compensation framework provides a balanced approach between fixed and variable components that change according to individual performance, business/corporate function performance, group performance outcome as well as individual’s level and accountability.

The Company has strong internal governance on performance and remuneration of control functions which are measured and assessed independently from the business units they support to avoid any conflict of interests. The remuneration of staff in control functions are predominantly fixed to reflect the nature of their responsibilities. Annual reviews of 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 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.

(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 Plan ("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.

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

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 Group and the Company and who can materially commit or control significant amounts of the Group and 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 Group and the Company.

Summary of financial year ended 2020 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	13	4,447	Nil	Nil	
Shares and share-linked instruments (ESOS etc.)					
Other	Nil				
Other Material Risk Taker ("OMRT")					
Cash-based	Nil	Nil	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 2020 as the amount, conditional upon fulfillment of payment/vesting criteria have not taken effect.

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

We, Dato' Majid bin Mohamad and Dato' Johan bin 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 200 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 2020 and of the results and the cash flows of the Company for the financial year 31 December 2020.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 February 2021.

DATO' MAJID BIN MOHAMAD

DATO' JOHAN BIN ARIFFIN

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

I, Chow Wai Sum, being the Officer primarily responsible for the financial management of Etiqa Family Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 200 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed CHOW WAI SUM
at Kuala Lumpur in Wilayah Persekutuan
on 23 February 2021

CHOW WAI SUM
HEAD, TAKAFUL ACCOUNTING

Before me,

Commissioner for Oaths

PESURUHJAYA SUMPAH
W632
SAMUGAM VASSOO
AMN
Tempoh Lantikan
1 Jan 2021 - 13 Dis 2021
MALAYSIA

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

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial year ended 31 December 2020. 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 2020 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 are no Shariah non-compliant transactions and earnings encountered by us during the financial year ended 31 December 2020; and

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

ETIQA FAMILY TAKAFUL BERHAD
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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 2020 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 BIN HASAN

PROFESSOR DATO' DR MOHD
AZMI BIN OMAR

Kuala Lumpur, Malaysia
23 February 2021

EY
Building a better working world

Ernst & Young PLT
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SST ID: W10-2002-32000062
Chartered Accountants
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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 2020, 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 2020, and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 200.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020 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.

Ernst & Young PLT 202006000003 (LLP0022760-LCA) & AF 0039 was registered on 02.01.2020 and with effect from that date, Ernst & Young (AF 0039), a conventional partnership was converted to a limited liability partnership.

A member firm of Ernst & Young Global Limited

Independent auditors' report to the member of
Etiqa Family Takaful Berhad
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(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.

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**Independent auditors' report to the member of
Etiqa Family Takaful Berhad
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
Etiqa Family Takaful Berhad
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(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
Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Brandon Bruce Sta Maria
No : 02937/09/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
23 February 2021

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		31.12.2020			31.12.2019			1.1.2019		
	Note	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000	Shareholder's fund RM'000 (Restated)	Family Takaful fund RM'000 (Restated)	Company RM'000 (Restated)	Shareholder's fund RM'000 (Restated)	Family Takaful fund RM'000 (Restated)	Company RM'000 (Restated)
ASSETS										
Property, plant and equipment	3	203	-	203	315	-	315	413	-	413
Right-of-use assets	4	518	-	518	678	-	678	-	-	-
Intangible assets	5	5,589	-	5,589	4,604	-	4,604	4,934	-	4,934
Investments	6	2,447,377	12,024,957	14,444,717	2,230,830	11,465,206	13,669,976	2,174,152	10,310,238	12,459,457
Financing receivables	7	15,011	-	15,011	15,567	-	15,567	16,406	-	16,406
Retakaful assets	8	-	162,030	162,030	-	111,198	111,198	-	73,802	73,802
Takaful receivables	9	-	140,095	140,095	-	120,399	120,399	-	75,591	75,591
Other assets	10	185,842	118,429	158,955	157,929	132,600	161,207	223,762	166,131	206,355
Deferred tax assets		-	-	-	-	-	-	4,126	1,767	5,893
Current tax assets	11	63,042	20,416	83,458	61,563	20,416	81,979	61,645	21,181	82,826
Cash and bank balances		38,893	193,264	232,157	5,922	120,189	126,111	43,664	103,532	147,196
Total Assets		2,756,475	12,659,191	15,242,733	2,477,408	11,970,008	14,292,034	2,529,102	10,752,242	13,072,873
EQUITY, LIABILITIES AND PARTICIPANTS' FUND										
Equity										
Share capital	12	100,000	-	100,000	100,000	-	100,000	100,000	-	100,000
Reserves	13	1,892,830	-	1,885,213	1,698,548	-	1,692,488	1,544,746	-	1,540,813
Total Equity		1,992,830	-	1,985,213	1,798,548	-	1,792,488	1,644,746	-	1,640,813
Liabilities and Participants' Fund										
Participants' fund	14	-	2,433,412	2,433,412	-	3,690,961	3,690,961	-	3,233,339	3,233,339
Takaful certificate liabilities	15	-	9,516,784	9,496,784	-	7,804,488	7,784,488	-	7,053,776	7,032,776
Subordinated obligation		-	-	-	-	-	-	300,000	-	300,000
Expense liabilities	16	572,186	-	572,186	535,282	-	535,282	445,941	-	445,941
Deferred tax liabilities	17	34,162	51,654	85,816	28,764	48,526	77,290	-	-	-
Takaful payables	18	3,400	20,365	23,765	1,949	29,785	31,734	12,428	33,515	45,943
Other liabilities	19	142,800	636,876	634,360	89,874	396,244	356,796	97,987	431,612	346,061
Current tax liabilities		11,097	100	11,197	22,991	4	22,995	26,811	-	26,811
Profit payable on subordinated obligation		-	-	-	-	-	-	1,189	-	1,189
Total Liabilities and Participants' Fund		763,645	12,659,191	13,257,520	678,860	11,970,008	12,499,546	884,356	10,752,242	11,432,060
Total Equity, Liabilities and Participants' Fund		2,756,475	12,659,191	15,242,733	2,477,408	11,970,008	14,292,034	2,529,102	10,752,242	13,072,873

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

ETIQA FAMILY TAKAFUL BERHAD
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INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		2020			2019		
	Note	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
Operating revenue	20	**405,649**	**2,046,386**	**2,137,827**	**460,270**	**2,165,901**	**2,261,414**
Gross earned contributions		-	1,586,714	1,586,714	-	1,674,739	1,674,739
Earned contributions ceded to retakaful		-	(87,904)	(87,904)	-	(72,215)	(72,215)
Net earned contributions		-	1,498,810	1,498,810	-	1,602,524	1,602,524
Fee and commission income	21	314,321	1,510	1,623	364,757	361	361
Investment income	22	91,441	459,672	551,113	95,513	491,162	586,675
Realised gains	23	23,691	215,293	238,984	11,887	37,107	48,994
Fair value gains	24	27,876	113,158	139,477	108,821	418,905	525,599
Other operating (expenses)/ income, net	25	- (18,270)	15,170	(3,100)	(10,994)	10,145	(849)
Other revenue		439,059	804,803	928,097	569,984	957,680	1,160,780
Gross benefits and claims paid		-	(1,310,398)	(1,310,398)	-	(1,115,368)	(1,115,368)
Claims ceded to retakaful		-	58,085	58,085	-	58,967	58,967
Gross change in certificate liabilities		-	(395,340)	(597,730)	-	(722,942)	(980,821)
Change in certificate liabilities ceded to retakaful		-	50,832	50,832	-	37,396	37,396
Net benefits and claims		-	(1,596,821)	(1,799,211)	-	(1,741,947)	(1,999,826)
Management expenses	26	(144,648)	(29,862)	(174,510)	(171,164)	(26,780)	(197,944)
Change in expense liabilities	16	(36,904)	-	(36,904)	(89,341)	-	(89,341)
Fee and commission expenses	29	(125,318)	(314,915)	(126,025)	(131,988)	(365,505)	(132,736)
Profit on subordinated obligation		-	-	-	(5,536)	-	(5,536)
Tax borne by the participants	30	-	(8,370)	(8,370)	-	(33,183)	(33,183)
Other expenses		(306,870)	(353,147)	(345,809)	(398,029)	(425,468)	(458,740)
Operating profit before surplus transfers		132,189	353,645	281,887	171,955	392,789	304,738
Surplus transferred to participants' fund		-	(202,390)	-	-	(257,879)	-
Surplus attributable to shareholder's fund		151,255	(151,255)	-	134,910	(134,910)	-
Profit before taxation and zakat		283,444	-	281,887	306,865	-	304,738
Taxation	30	(78,107)	-	(78,107)	(96,474)	-	(96,474)
Zakat		(11,906)	-	(11,906)	(4,745)	-	(4,745)
Net profit for the financial year		193,431	-	191,874	205,646	-	203,519
Basic and diluted earnings per share (sen)	31			191.87			203.52

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

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		2020			2019		
	Note	**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 financial year		193,431	-	191,874	205,646	-	203,519
Other comprehensive income:							
Items that may be subsequently reclassified to income statement							
Change in fair value of financial assets at Fair Value Through Other Comprehensive Income ("FVOCI") :							
- fair value changes		26,055	97,525	123,580	31,918	280,927	312,845
- transfer to income statement upon disposal	23	(24,935)	(169,144)	(194,079)	(1,450)	(15,895)	(17,345)
Tax effects relating to components of other comprehensive income	17	(269)	5,145	4,876	(7,312)	(17,878)	(25,190)
Other comprehensive income /(loss) attributable to participants		-	66,474	66,474	-	(247,154)	(247,154)
Other comprehensive income for the financial year, net of tax		851	-	851	23,156	-	23,156
Total comprehensive income for the financial year		194,282	-	192,725	228,802	-	226,675

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Attributable to Equity Holder of the Company			
			Non-Distributable	Distributable	
	Note	Share Capital RM'000	FVOCI Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 January 2020		100,000	23,668	1,668,820	1,792,488
Net profit for the financial year		-	-	191,874	191,874
Other comprehensive income for the financial year		-	851	-	851
Total comprehensive income for the financial year		-	851	191,874	192,725
At 31 December 2020		100,000	24,519	1,860,694	1,985,213
At 1 January 2019		100,000	512	1,540,301	1,640,813
Net profit for the financial year		-	-	203,519	203,519
Other comprehensive income for the financial year		-	23,156	-	23,156
Total comprehensive income for the financial year		-	23,156	203,519	226,675
Dividend on Ordinary Share	32	-	-	(75,000)	(75,000)
At 31 December 2019		100,000	23,668	1,668,820	1,792,488

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

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation and zakat:		281,887	304,738
Adjustments for:			
Tax borne by participants	30	8,370	33,183
Depreciation of property, plant and equipment	26	122	138
Amortisation of intangible assets	26	879	792
Profit on lease liabilities	26	24	29
Depreciation of right-of-use assets	26	229	185
Fair value gains on investments	24	(139,477)	(525,599)
Realised gains on disposal of investments	23	(238,984)	(48,994)
Realised loss on foreign exchange	25	164	-
Unrealised losses on foreign exchange	25	17	-
Realised gains on property, plant and equipment	23	(1)	(1)
Allowance for/(reversal of) impairment losses on investments	25	482	(141)
Allowance for impairment losses on takaful receivables	25	3,746	1,905
Allowance for impairment losses on other receivables	25	47	123
Reversal of allowance for impairment losses on financing receivables	25	(175)	(427)
Recovery of takaful receivables	25	-	(143)
Profit income	22	(554,955)	(589,413)
Finance cost		-	5,536
Gross dividend/distribution income	22	(16,148)	(11,902)
Net amortisation of premiums	22	16,660	12,232
Surplus transferred to participants' fund	14	202,390	257,879
Operating cash flows before working capital changes		(434,723)	(559,880)
Changes in working capital:			
Increase in takaful receivables		(23,442)	(46,570)
(Increase)/decrease in other assets		(14,134)	113,557
Decrease in takaful payables		(7,969)	(14,209)
Increase/(decrease) in other liabilities		260,360	(45,877)
Increase in expense liabilities		36,904	89,341
Decrease in financing receivables		731	1,266
Increase in placements of deposits with financial institutions		(1,940,036)	(298,441)
Increase in retakaful assets		(50,832)	(37,396)
Increase in takaful certificate liabilities		395,340	722,938
Operating cash flows after working capital changes, carried forward		(1,777,801)	(75,271)

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

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)			
Operating cash flows after working capital changes, brought forward		(1,777,801)	(75,271)
Profit income received		572,123	574,227
Gross dividend/distribution income received		15,320	12,772
Donation	14	(10,000)	-
Zakat paid		(9,009)	(7,702)
Taxation paid		(86,349)	(74,635)
Surplus paid to participants	14	(37,948)	(601)
Witholding tax borne by participants		(14,555)	(14,393)
Net cash flows (used in) / generated from operating activities		(1,348,219)	414,397
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		4,881,511	4,305,073
Purchase of investments		(3,425,156)	(4,358,148)
Proceeds from disposal of intangible assets		22	-
Purchase of intangible assets	5	(1,886)	(462)
Purchase of property, plant and equipment	3	(10)	(40)
Net cash flows generated from / (used in) from investing activities		1,454,481	(53,577)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	32	-	(75,000)
Payment of lease liabilities	4	(216)	(180)
Profit paid on subordinated obligation		-	(6,725)
Repayment of subordinated obligation		-	(300,000)
Net cash flows used in financing activities		(216)	(381,905)
Increase/(decrease) in cash and cash equivalents		106,046	(21,085)
Cash and cash equivalents at beginning of year		126,111	147,196
Cash and cash equivalents at end of year		232,157	126,111
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		38,893	5,922
Family Takaful fund		193,264	120,189
		232,157	126,111

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

1. CORPORATE INFORMATION

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

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

The principal activities 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 23 February 2021.

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 2020 as disclosed in Note 2.3.

The Company has met the minimum capital requirements as prescribed by the 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 fund. Interfund balances, transactions and unrealised gains or losses are eliminated in full during amalgamation. The accounting policies adopted for Shareholder's and Takaful fund are uniform for like transactions and events in similar circumstances.

The Takaful fund is consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which will occur when the Company's 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 fund in line with the principles of Wakalah (agency), which is the main business model adopted by the Company. Under the Wakalah model, the Takaful Operator is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purpose outlined above.

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

The inclusion of separate information of the Takaful fund 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

These are provided in Note 2.2(xii). The note presents a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amounts of the family takaful liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 38 of the financial statements.

(b) Impairment losses on financial assets, as referred 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 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%
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) Leases

(a) Classification

At inception of a contract, the Company assesses whether a contract is, or contains, a lease arrangement based on whether the contract conveys to the user ("the lessee") the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent 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.

(b) Recognition and initial measurement

(1) The Company as lessee

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

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

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. The impairment policy for ROU assets are in accordance with impairment of non-financial assets as described in Note 2.2(vi)(b).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

(ii) Lease liabilities

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

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

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

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

The Company has the option, under some of its leases to lease the assets for additional terms of three to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. 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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Intangible assets

Intangible assets include software development costs, computer software and licences. Intangible assets acquired separately are measured on initial recognition at fair value. 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 the profit of loss. Work-in-progress is 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 licences

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(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 fund become a party to the contractual provisions of the financial instruments.

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

(b) Initial and subsequent measurement

The Company and the Takaful fund 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:

(i) Business model assessment

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

The Company and the Takaful fund hold financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company and the Takaful fund consider the timing, amount and volatility of cash flow requirements to support 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 fund's business model are not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors and is determined by the key management personnel on the basis of both:

- the way that assets are managed and their performance is reported to them; and

- the contractual cash flow characteristics of the financial asset.

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.)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(b) Initial and subsequent measurement (contd.)

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

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 fund apply judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

(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").

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(c) Classification of financial assets (contd.)

(ii) Financial assets at FVOCI (contd.)

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.

(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 fund have transferred substantially all the risks and rewards of the financial asset.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) Fair value of financial assets

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

For financial assets in both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in unquoted equity 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment

(a) Financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment (contd.)

(a) Financial assets (contd.)

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

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

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

(ii) Forward-looking information and ECL measurement

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

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

<u>Financing receivables</u>

The ECL on the financing portfolio of the Company is computed using 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.

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.)

Takaful receivables

The impairment on Takaful receivables is measured at initial recognition and throughout its life at an amount equal to lifetime ECL. The ECL is calculated using a provision matrix based on historical data where the Takaful and retakaful receivables are grouped based on different sales channel and different retakaful 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.

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; and
- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment (contd.)

(b) Non-financial assets

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Retakaful assets

The Company, as the operator of the participants' fund, cedes takaful risk in the normal course of its takaful business. Ceded retakaful arrangements do not relieve the Company and the Takaful fund from their obligations to the 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 the Takaful fund assesses whether objective evidence exists that retakaful assets are impaired. The impairment loss is recognised in profit or loss.

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

(viii) Takaful receivables

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

The impairment of takaful receivables is described in Note 2.2(vi)(a)(ii).

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xi) Product classification

The Company, as the operator of the participants' fund, issue 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 fund defines whether significant takaful risk has been accepted by comparing benefits paid or payable on the occurrence of an insured event against benefits paid or payable if the insured event does not occur. If the ratio of the former exceeds the latter by 5% or more, the takaful underwriting risk accepted is deemed to be significant.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xi) Product classification (contd.)

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and the Company and the Takaful fund may exercise their 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(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, is discharged or is cancelled.

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 certificate 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 Provision of Risk Margin for Adverse Deviation ("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 for contribution paying riders attached to an investment-linked certificate have been valued based on the gross contribution valuation method. The liabilities of the unit component is the Net Asset Value ("NAV") of the fund.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiii) Financial liabilities

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

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

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

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

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

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, 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 fund which are based on estimations performed by the Appointed Actuary of the Company. 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 of all family takaful certificates except investment-linked certificates and yearly renewable family certificates, 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 expense liabilities in respect 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 in shareholder's fund 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. In valuing the expense liabilities for contribution paying riders attached to an investment-linked certificate, the present value of expected future expenses payable by the shareholder's fund in managing the riders less any expected cash flows from future wakalah fee income of the riders.

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 PRAD.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiv) Expense liabilities (contd.)

(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 fund's 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").

(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 fund are insufficient to meet the liabilities, the Shareholder's fund is required to rectify the deficit of the Takaful fund via a Qard, which is a profit free financing. The Qard shall be repaid from future surpluses of the Takaful fund. In the Shareholder's fund, the Qard is stated at cost less impairment losses, if any, whereas in the Takaful fund, the Qard is stated at cost.

At each reporting date, the balance of the Qard and the ability of the affected fund's 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 Takaful fund. The projected cash flows are then discounted to determine the recoverable value of the Qard.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(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 certificates to which the retakaful relates.

Net creation of units which represents contributions paid by participants as payment for a new certificate, or subsequent payments to increase the amount of that certificate, 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

- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(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 Shareholder's fund. This is in accordance with the principles of wakalah as approved by the Shariah Committee and agreed between the participants and the Takaful Operator.

(xxi) Other revenue recognition

Revenue from contracts with customers

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

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.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxi) Other revenue recognition (contd.)

<u>Other revenue</u>

(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 fund's right to receive payment is established.

(c) Rental income

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

(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 fund under the principle of Wakalah and are recognised at a point of time as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Shariah.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions ("SOCSO") 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 Note 2.2(xxii)(c), except that the remeasurements of the net defined contribution liability or asset are recognised immediately in the profit or loss.

(c) Defined contribution plan

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) Employee benefits

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(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 Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(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.)

2.2 Summary of significant accounting policies (contd.)

(xxvi) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. Any increases in the provision due to the passage of time is recognised in the profit and loss.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and recognised in the profit and loss.

(xxvii) Contingent assets and contingent liabilities

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Company. The Company does not recognise contingent assets but disclose its existence when inflows of economic benefits are probable but not virtually certain.

Contingent liabilities are possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or are present obligations that have arisen from past events but are not recognised because it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably. The Company does not recognise contingent liabilities. Contingent liabilities are disclosed, unless the probability of outflow of economic benefits is remote.

(xxviii) Segment Reporting

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 New and amended standards and interpretations

On 1 January 2020, the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2020:

Revised Conceptual Framework for Financial Reporting:
(i) Amendment to MFRS 3 - *Definition of a Business*
(ii) Amendment to MFRS 101 and MFRS 108 - *Definition of Material*
(iii) Revised Conceptual Framework for Financial Reporting
(the Conceptual Framework)
(iv) Amendment to MFRS 9, MFRS 139 and MFRS 7 - *Interest Rate Benchmark Reform*
(v) MFRS 16 *Leases* (Amendment to MFRS 16): *Covid-19- Related Rent Concessions*

The adoption of the above new and amended standards and interpretations did not have any financial implications to the Group's and the Company's financial statements.

2.4 Standards and amendments to standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
MFRS 4 *Insurance Contracts* (Amendments to MFRS 4)	1 January 2021
MFRS 7 *Financial Instruments: Disclosures* (Amendments to MFRS 7)	1 January 2021
MFRS 9 *Financial Instruments* (Amendments to MFRS 9)	1 January 2021
MFRS 16 *Leases* (Amendments to MFRS 16)	1 January 2021
MFRS 139 *Financial Instruments : Recognition and Measurement* (Amendment to MFRS 139)	1 January 2021
Interest Rate Benchmark Reform-Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
MFRS 116 *Property, Plant and Equipment* (Amendments to MFRS 116): *Property, Plant and Equipment - Proceed before Intended Use*	1 January 2022
MFRS 137 *Provision, Contingent Liabilities and Contingent Assets* (Amendments to MFRS 137): *Onerous Contracts - Cost of Furfilling a Contract*	1 January 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and amendments to standards issued but not yet effective (contd.)

Reference to the Conceptual Framework:	
Amendment to MFRS 3 *Business Combination*	1 January 2022
Annual Improvements to MFRSs 2018 - 2020:	
MFRS 1 *First-time Adoption of MFRSs*	1 January 2022
MFRS 9 *Financial Instruments*	1 January 2022
MFRS 141 *Agriculture*	1 January 2022
MFRS 17 *Insurance Contracts*	1 January 2023
Amendment to MFRS 17 *Insurance Contracts*	1 January 2023
MFRS 101 *Presentation of Financial Statements* (Amendment to MFRS 101) *Classification of Liabilities as Current or Non-current*	1 January 2023
MFRS 10 *Consolidated Financial Statements* (Amendments to MFRS10) and MFRS 128 *Investment in Associates and Joint Ventures* (Amendments to MFRS 128): *Sale or Contribution of Assets between an investor and its Associate or Joint venture* (Amendments to MFRS128)	To be announced by MASB

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and amendments to standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* (contd.)

- 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.

The standard is effective for annual periods beginning on or after 1 January 2023. 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 Accounting Policies, Changes in Accounting Estimates and Errors for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

(i) <u>Modified retrospective approach</u>

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.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and amendments to standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* (contd.)

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 as part of the MAHB Group has established a project team, with assistance from the Actuarial, Finance, Risk, IT and various Business units 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.

3. PROPERTY, PLANT AND EQUIPMENT

Shareholder's fund

2020	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2020	4,162	549	323	5,034
Additions	-	10	-	10
Write-off	-	(72)	-	(72)
At 31 December 2020	4,162	487	323	4,972
Accumulated Depreciation				
At 1 January 2020	3,852	544	323	4,719
Depreciation charge for the financial year (Note 26)	118	4	-	122
Write-off	-	(72)	-	(72)
At 31 December 2020	3,970	476	323	4,769
Net Book Value at 31 December 2020	192	11	-	203
2019				
Cost				
At 1 January 2019	4,122	581	323	5,026
Additions	40	-	-	40
Write-off	-	(32)	-	(32)
At 31 December 2019	4,162	549	323	5,034
Accumulated Depreciation				
At 1 January 2019	3,717	573	323	4,613
Depreciation charge for the financial year (Note 26)	135	3	-	138
Write-off	-	(32)	-	(32)
At 31 December 2019	3,852	544	323	4,719
Net Book Value at 31 December 2019	310	5	-	315

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Family Takaful fund

2020/2019	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
Cost			
At 1 January/31 December	33	5	38
Accumulated Depreciation			
At 1 January/31 December	33	5	38
Net Book Value			
at 1 January/31 December	-	-	-

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company

	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
2020				
Cost				
At 1 January 2020	4,195	554	323	5,072
Additions	-	10	-	10
Write-off	-	(72)	-	(72)
At 31 December 2020	4,195	492	323	5,010
Accumulated depreciation				
At 1 January 2020	3,885	549	323	4,757
Depreciation charge for the financial year (Note 26)	118	4	-	122
Write-off	-	(72)	-	(72)
At 31 December 2020	4,003	481	323	4,807
Net Book Value at 31 December 2020	192	11	-	203
2019				
Cost				
At 1 January 2019	4,155	586	323	5,064
Additions	40	-	-	40
Write-off	-	(32)	-	(32)
At 31 December 2019	4,195	554	323	5,072
Accumulated depreciation				
At 1 January 2019	3,750	578	323	4,651
Depreciation charge for the financial year (Note 26)	135	3	-	138
Write-off	-	(32)	-	(32)
At 31 December 2019	3,885	549	323	4,757
Net Book Value at 31 December 2019	310	5	-	315

4. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

Shareholder's fund/Company

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

	2020 RM'000	2019 RM'000
Premise		
Cost		
At 1 January	863	863
Additions	120	-
Contract renewal	1	-
Contract modifications	(52)	-
At 31 December	932	863
Accumulated Depreciation		
At 1 January	185	-
Depreciation charge for the financial year (Note 26)	229	185
At 31 December	414	185
Net Book Value at 31 December	518	678

The movement of lease liabilities is disclosed as follows:

	2020 RM'000	2019 RM'000
Lease liabilities		
At 1 January	660	811
Additions	97	-
Accretion of profit (Note 26)	24	29
Contract modifications	(52)	-
Settlement	(216)	(180)
At 31 December (Note 19)	513	660

Lease liabilities by remaining maturity:		
Less than 12 months	214	171
More than 12 months	299	489
Total	513	660

5. INTANGIBLE ASSETS

Shareholder's fund

2020	**Computer software and licences RM'000**	**Software development costs RM'000**	**Total RM'000**
Cost			
At 1 January 2020	14,109	8	14,117
Additions	1,606	280	1,886
Disposals	(646)	-	(646)
Reclassification	8	(8)	-
At 31 December 2020	15,077	280	15,357
Accumulated amortisation			
At 1 January 2020	9,513	-	9,513
Amortisation charge for the financial year (Note 26)	879	-	879
Disposals	(624)	-	(624)
At 31 December 2020	9,768	-	9,768
Net Book Value at 31 December 2020	5,309	280	5,589
2019			
Cost			
At 1 January 2019	13,655	-	13,655
Additions	454	8	462
At 31 December 2019	14,109	8	14,117
Accumulated amortisation			
At 1 January 2019	8,721	-	8,721
Amortisation charge for the financial year (Note 26)	792	-	792
At 31 December 2019	9,513	-	9,513
Net Book Value at 31 December 2019	4,596	8	4,604

5. INTANGIBLE ASSETS (CONTD.)

Family Takaful fund

	Computer software and licences RM'000
2020/2019	
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	-

5. INTANGIBLE ASSETS (CONTD.)

Company

2020	Computer software and licences RM'000	Software development costs RM'000	Total RM'000
Cost			
At 1 January 2020	23,129	8	23,137
Additions	1,606	280	1,886
Disposals	(646)	-	(646)
Reclassification	8	(8)	-
At 31 December 2020	24,097	280	24,377
Accumulated amortisation			
At 1 January 2020	18,533	-	18,533
Amortisation charge for the financial year (Note 26)	879	-	879
Disposals	(624)	-	(624)
At 31 December 2020	18,788	-	18,788
Net Book Value at 31 December 2020	5,309	280	5,589

2019	Computer software and licences RM'000	Software development costs RM'000	Total RM'000
Cost			
At 1 January 2019	22,675	-	22,675
Additions	454	8	462
At 31 December 2019	23,129	8	23,137
Accumulated amortisation			
At 1 January 2019	17,741	-	17,741
Amortisation charge for the financial year (Note 26)	792	-	792
At 31 December 2019	18,533	-	18,533
Net Book Value at 31 December 2019	4,596	8	4,604

6. INVESTMENTS

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Malaysian government papers	101,471	366,571	468,042
Equity securities	59,844	429,570	489,414
Debt securities	1,838,008	8,586,491	10,424,499
Unit and property trust funds	3,395	21,681	25,076
Investment-linked units	27,617	-	-
Deposits with financial institutions	417,042	2,620,644	3,037,686
	2,447,377	12,024,957	14,444,717
2019			
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
	2,230,830	11,465,206	13,669,976

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

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Fair value through profit or loss ("FVTPL"):			
- Designated upon initial recognition	1,131,454	5,839,508	6,970,962
- Held for trading ("HFT")	90,856	539,658	602,897
Fair value through other comprehensive income ("FVOCI")	808,025	3,025,147	3,833,172
Amortised cost ("AC")	417,042	2,620,644	3,037,686
	2,447,377	12,024,957	14,444,717
2019			
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
	2,230,830	11,465,206	13,669,976

6. INVESTMENTS (CONTD.)

The following investments will mature after 12 months:

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
FVTPL			
- Designated upon initial recognition	1,126,341	5,528,536	6,654,877
- HFT	-	88,407	88,407
FVOCI	780,511	2,959,157	3,739,668
	1,906,852	8,576,100	10,482,952
2019			
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
	1,940,721	9,830,882	11,771,603

(i) FVTPL
- Designated upon initial recognition

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
At fair value:			
Malaysian government papers	-	183,323	183,323
Unquoted debt securities in Malaysia	1,131,454	5,656,185	6,787,639
Total financial assets at FVTPL - Designated upon initial recognition	1,131,454	5,839,508	6,970,962
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
Total financial assets at FVTPL - Designated upon initial recognition	1,287,506	6,326,192	7,613,698

6. INVESTMENTS (CONTD.)

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
(i) FVTPL (contd.)			
- Held For Trading			
2020			
At fair value:			
Malaysian government papers	-	26,198	26,198
Quoted equity securities in Malaysia	57,550	424,090	481,640
Quoted equity securities outside Malaysia	2,294	5,480	7,774
Unquoted debt securities in Malaysia	-	62,209	62,209
Quoted unit and property trust funds in Malaysia	3,395	21,681	25,076
Investment-linked units	27,617	-	-
Total financial assets at FVTPL - HFT	90,856	539,658	602,897
2019			
At fair value:			
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	932	7,425	8,357
Investment-linked units	26,060	-	-
Islamic investment accounts with: Licensed financial institutions	-	7,575	7,575
Total financial assets at FVTPL - HFT	76,208	487,057	537,205
(ii) FVOCI			
2020			
At fair value:			
Malaysian government papers	101,471	157,050	258,521
Unquoted debt securities in Malaysia	706,554	2,868,097	3,574,651
Total financial assets at FVOCI	808,025	3,025,147	3,833,172
2019			
At fair value:			
Malaysian government papers	95,666	198,995	294,661
Unquoted debt securities in Malaysia	582,619	3,551,718	4,134,337
Total financial assets at FVOCI	678,285	3,750,713	4,428,998

6. INVESTMENTS (CONTD.)

(iii) AC

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Deposits and placements with financial institutions			
Islamic investment accounts with:			
Licensed financial institutions	414,687	2,288,119	2,702,806
Others	2,355	332,525	334,880
Total financial assets at AC	417,042	2,620,644	3,037,686
2019			
Deposits and placements with financial institutions			
Islamic investment accounts with:			
Licensed financial institutions	111,771	531,521	643,292
Others	77,060	369,723	446,783
Total financial assets at AC	188,831	901,244	1,090,075

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 base used in the determination of the fair values of investments are further disclosed in Note 42.

7. FINANCING RECEIVABLES

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Staff financing :			
Secured	14,810	-	14,810
Others	2,052	16	2,068
	16,862	16	16,878
Allowance for impairment losses (Note 39)	(1,851)	(16)	(1,867)
	15,011	-	15,011
Receivable after 12 months	11,876	-	11,876
2019			
Staff financing :			
Secured	15,324	-	15,324
Others	2,269	16	2,285
	17,593	16	17,609
Allowance for impairment losses (Note 39)	(2,026)	(16)	(2,042)
	15,567	-	15,567
Receivable after 12 months	14,310	-	14,310

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

The weighted average effective profit rate during the financial year was 3.40% (2019: 3.56%) per annum.

8. RETAKAFUL ASSETS

Family Takaful fund/Company	2020 RM'000	2019 RM'000
Retakaful operators' share of takaful certificate liabilities (Note 15):		
Claims liabilities	23,968	9,928
Actuarial liabilities	138,062	101,270
Total retakaful assets	162,030	111,198

9. TAKAFUL RECEIVABLES

Family Takaful fund/Company	**2020 RM'000**	**2019 RM'000**
Due contributions including agents/brokers, cedants and co-takaful balances	131,909	108,864
Due from retakaful operators	17,808	17,411
	149,717	126,275
Allowance for impairment losses (Note 39)	(9,622)	(5,876)
	140,095	120,399

Amounts due from retakaful operators that have been offset against amounts due to the same counterparties are as follows:

	Gross carrying amount RM'000	**Gross amount offset in the Statement of Financial Position RM'000 (Note 18)**	**Net amount in the Statement of Financial Position RM'000**
2020			
Due from retakaful operators	32,532	(14,724)	17,808
2019			
Due from retakaful operators	51,591	(34,180)	17,411

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

10. OTHER ASSETS

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Sundry receivables, deposits and prepayments	6,596	603	7,199
Allowance for impairment losses (Note 39)	(2,473)	(507)	(2,980)
	4,123	96	4,219
Income and profit due and accrued	25,193	116,337	141,530
Amount due from related companies* (Note 36(ii)):			
- immediate holding company	462	-	462
- other related companies	10,388	-	10,388
Amount due from Family Takaful fund * (Note 19)	145,316	-	-
Amount due from stockbrokers	360	1,996	2,356
	181,719	118,333	154,736
Total other assets	185,842	118,429	158,955
2019			
Sundry receivables, deposits and prepayments	5,240	604	5,844
Allowance for impairment losses (Note 39)	(2,426)	(508)	(2,934)
	2,814	96	2,910
Income and profit due and accrued	25,740	132,130	157,870
Amount due from Family Takaful fund * (Note 19)	129,322	-	-
Amount due from stockbrokers	53	374	427
	155,115	132,504	158,297
Total other assets	157,929	132,600	161,207

* Amount due from immediate holding company, other related companies and amount due from Family Takaful fund are non-trade in nature, unsecured, not subject to any profit elements and are repayable in the short-term.

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

11. CURRENT TAX ASSETS

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Current tax assets	63,042	20,416	83,458
31.12.2020 (Restated)			
Current tax assets	61,563	20,416	81,979
1.1.2019 (Restated)			
Current tax assets	61,645	21,181	82,826

The Inland Revenue Board of Malaysia ("IRBM") have raised additional assessments to the Company for Years of Assessment ("YA") 2008 to 2015, totalling RM79,294,000, of which YA2015 additional assessment of RM1,479,000 was raised on 31 December 2020 and YA2014 RM2,120,000 was raised on 30 December 2019. These additional assessments were in respect of the businesses of the Company prior to the conversion of the composite takaful licence to a family takaful licence, which was effected on 28 December 2017.

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

(a) Deductibility of commission expenses incurred by Shareholder's fund ("SHF") in connection with General Takaful fund ("GTF") for YA2008 to YA2013 amounting to RM72,858,000.

The SCIT had heard witnesses evidence from both parties on 27 July 2020, 11 August 2020 and 14 September 2020. The parties have filed in their respective written submissions and the oral submission was heard on 5 February 2021. The SCIT had on 19 February 2021 rejected the Company's appeal. Based on legal advice, the Company has a good case to appeal and will be appealling to the High Court against the decision of the SCIT on the ground that the SCIT had erred in its ruling.

(b) Deeming of surplus earned on retakaful ceded for Family Takaful fund's business as incidental income of the Company under Section 60AA(13) of the Income Tax Act, 1967 (YA2014 to YA2015), amounting to RM3,186,000.

The SCIT has fixed the case mention date on 10 March 2021 for the submission of cause papers and fixing of the hearing dates for this case.

11. CURRENT TAX ASSETS (CONTD.)

(c) SCIT has on 19 February 2021, conceded with the appeals on exemption of wakalah fees and on the deductibility of the interest paid on judgment. These, together with other minor issues, amounting to RM3,250,000.

Based on legal advice, the Company is of the view that it has strong justifications for the appeals and continue to treat the additional assessments paid as current tax assets in the financial statements.

The Company has provided an amount of RM4,164,000 for the revision of its YA2013 treatment on surplus to shareholder's fund. On 3 September 2020, IRBM has provided their acceptance on the application of the Company's surplus attributable method.

12. SHARE CAPITAL

Shareholder's fund/Company	No. of shares '000	Amount RM'000
Issued and fully paid:		
Ordinary shares		
2020		
At 1 January 2020/31 December 2020	100,000	100,000
2019		
At 1 January 2019/31 December 2019	100,000	100,000

13. RESERVES

	Note	2020 RM'000	2019 RM'000
Non-distributable:			
FVOCI reserve	(i)	24,519	23,668
Distributable:			
Retained profits	(ii)	1,860,694	1,668,820
Total reserves		1,885,213	1,692,488

(i) The FVOCI reserve of the Company arose from changes in the fair value of the investments classified as financial assets at FVOCI.

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

14. PARTICIPANTS' FUND

Family Takaful fund/Company		**2020 RM'000**	**2019 RM'000**
Accumulated surplus	(i)	1,912,737	1,858,306
Surplus attributable to the participants	(ii)	336,526	1,582,032
FVOCI reserve	(iii)	184,149	250,623
		2,433,412	3,690,961

(i) Accumulated surplus

	2020 RM'000	2019 RM'000
At 1 January	1,858,306	1,783,530
Surplus arising during the financial year	202,390	257,879
Surplus attributable to the participants during the financial year	(71,798)	(163,467)
Donation	(10,000)	-
Surplus paid to the participants during the financial year	(37,948)	(601)
Witholding tax borne by the participants	(28,213)	(19,035)
At 31 December	1,912,737	1,858,306

(ii) Surplus attributable to the participants

	2020 RM'000	2019 RM'000
At 1 January	1,582,032	1,446,340
Surplus attributable to the participants during the financial year	71,798	163,467
Clawback of prior year's surplus	(348)	-
Transfer to takaful certificate liabilities (Note 15(ii))	(1,316,956)	(27,775)
At 31 December	336,526	1,582,032

(iii) FVOCI reserve

	2020 RM'000	2019 RM'000
At 1 January	250,623	3,469
Fair value changes	97,525	280,927
Realised gain transferred to income statement (Note 23)	(169,144)	(15,895)
Deferred tax on fair value changes (Note 17)	5,145	(17,878)
At 31 December	184,149	250,623

15. TAKAFUL CERTIFICATE LIABILITIES

Family Takaful fund/Company	Gross RM'000	Retakaful assets RM'000 (Note 8)	Net RM'000
2020			
Family Takaful fund	9,516,784	(162,030)	9,354,754
Less: Seed money elimination	(20,000)	-	(20,000)
Company	9,496,784	(162,030)	9,334,754
2019			
Family Takaful fund	7,804,488	(111,198)	7,693,290
Less: Seed money elimination	(20,000)	-	(20,000)
Company	7,784,488	(111,198)	7,673,290

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

	Gross RM'000	Retakaful assets RM'000 (Note 8)	Net RM'000
2020			
Claims liabilities (Note (ii))	162,671	(23,968)	138,703
Actuarial liabilities (Note (ii))	9,132,068	(138,062)	8,994,006
NAV attributable to the unit holders (Note (ii))	222,045	-	222,045
	9,516,784	(162,030)	9,354,754
2019			
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 the unit holders (Note (ii))	194,989	-	194,989
	7,804,488	(111,198)	7,693,290

15. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

Family Takaful fund/Company (contd.)

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

2020	Claims Liabilities RM'000	Actuarial Liabilities RM'000	NAV Attributable to the Unit holders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000 (Note 8)	Net Liabilities RM'000
At 1 January 2020	117,961	7,491,538	194,989	7,804,488	(111,198)	7,693,290
Net earned contributions	-	-	73,437	73,437	-	73,437
Other revenue	-	-	12,520	12,520	-	12,520
Claims intimated during the financial year	1,302,416	-	-	1,302,416	(72,125)	1,230,291
Claims paid during the financial year	(1,257,706)	-	(52,692)	(1,310,398)	58,085	(1,252,313)
Other expenses	-	-	(5,723)	(5,723)	-	(5,723)
Taxation	-	-	(486)	(486)	-	(486)
Transfer from participants' fund (Note 14(ii))	-	1,316,956	-	1,316,956	-	1,316,956
Increase in certificate reserves	-	323,574	-	323,574	(36,792)	286,782
At 31 December 2020	162,671	9,132,068	222,045	9,516,784	(162,030)	9,354,754

15. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

Family Takaful fund/Company (contd.)

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

2019	Claims Liabilities RM'000	Actuarial Liabilities RM'000	NAV Attributable to the Unit holders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000 (Note 8)	Net Liabilities RM'000
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 financial year	1,031,424	-	-	1,031,424	(58,123)	973,301
Claims paid during the financial 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 participants' fund (Note 14(ii))	-	27,775	-	27,775	-	27,775
Increase in certificate reserves	-	729,045	-	729,045	(38,240)	690,805
At 31 December 2019	117,961	7,491,538	194,989	7,804,488	(111,198)	7,693,290

16. EXPENSE LIABILITIES

Shareholder's fund/Company	2020 RM'000	2019 RM'000
At 1 January 2020/1 January 2019	535,282	445,941
Movement in UER	36,904	89,341
At 31 December 2020/31 December 2019	572,186	535,282

17. DEFERRED TAXATION

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
At 1 January 2020	(28,764)	(48,526)	(77,290)
Recognised in:			
Income statement (Note 30)	(5,129)	-	(5,129)
Tax borne by the participants (Note 30)	-	(8,273)	(8,273)
Other comprehensive income/ participants' fund	(269)	5,145	4,876
At 31 December 2020	(34,162)	(51,654)	(85,816)

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2019			
At 1 January 2019	4,126	1,767	5,893
Recognised in:			
Income statement (Note 30)	(25,578)	-	(25,578)
Tax borne by the participants (Note 30)	-	(32,415)	(32,415)
Other comprehensive income/ participants' fund	(7,312)	(17,878)	(25,190)
At 31 December 2019	(28,764)	(48,526)	(77,290)

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

Shareholder's fund	2020 RM'000	2019 RM'000
Deferred tax assets	2,721	2,573
Deferred tax liabilities	(36,883)	(31,337)
	(34,162)	(28,764)

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

	Fair value adjustment RM'000	Impairment of FVOCI financial assets RM'000	Net amortisation of premiums on investments RM'000	Impairment of financing receivables RM'000	Total RM'000
2020					
At 1 January 2020	-	45	2,100	428	2,573
Recognised in:					
Income statement	-	43	533	(428)	148
At 31 December 2020	-	88	2,633	-	2,721
2019					
At 1 January 2019	3,667	34	1,572	428	5,701
Recognised in:					
Income statement	(3,667)	11	528	-	(3,128)
At 31 December 2019	-	45	2,100	428	2,573

17. DEFERRED TAXATION (CONTD.)

Shareholder's fund (contd.)

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: (contd.)

(ii) Deferred tax liabilities

	Fair value adjustment RM'000	FVOCI reserve RM'000	Accelerated capital allowance RM'000	Total RM'000
2020				
At 1 January 2020	(22,450)	(7,473)	(1,414)	(31,337)
Recognised in:				
Income statement	(6,691)	-	1,414	(5,277)
Other comprehensive income	-	(269)	-	(269)
At 31 December 2020	(29,141)	(7,742)	-	(36,883)
2019				
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	(22,450)	(7,473)	(1,414)	(31,337)

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

Family Takaful fund	2020 RM'000	2019 RM'000
Deferred tax assets	3,747	3,309
Deferred tax liabilities	(55,401)	(51,835)
	(51,654)	(48,526)

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

(i) Deferred tax assets

	Impairment of FVOCI financial assets RM'000	Net Amortisation of premiums on investments RM'000	Total RM'000
2020			
At 1 January 2020	87	3,222	3,309
Recognised in:			
Tax borne by the participants	22	416	438
At 31 December 2020	109	3,638	3,747

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

17. DEFERRED TAXATION (CONTD.)

Family Takaful fund (contd.)

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

(ii) Deferred tax liabilities

	Fair value adjustment RM'000	FVOCI reserve RM'000	Total RM'000
2020			
At 1 January 2020	(33,709)	(18,126)	(51,835)
Recognised in:			
Tax borne by the participants	(8,711)	-	(8,711)
Participants' fund	-	5,145	5,145
At 31 December 2020	(42,420)	(12,981)	(55,401)
2019			
At 1 January 2019	(842)	(248)	(1,090)
Recognised in:			
Tax borne by the participants	(32,867)	-	(32,867)
Participants' fund	-	(17,878)	(17,878)
At 31 December 2019	(33,709)	(18,126)	(51,835)

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

Total Company	2020 RM'000	2019 RM'000
Deferred tax assets	6,468	5,882
Deferred tax liabilities	(92,284)	(83,172)
	(85,816)	(77,290)

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

(i) Deferred tax assets

	Fair value adjustment RM'000	Impairment of FVOCI financial assets RM'000	Net amortisation of premiums on investments RM'000	Impairment of financial receivables RM'000	Total RM'000
2020					
At 1 January 2020	-	132	5,322	428	5,882
Recognised in:					
Income statement	-	43	533	(428)	148
Tax borne by the participants	-	22	416	-	438
At 31 December 2020	-	197	6,271	-	6,468
2019					
At 1 January 2019	3,667	130	4,333	428	8,558
Recognised in:					
Income statement	(3,667)	11	528	-	(3,128)
Tax borne by the participants	-	(9)	461	-	452
At 31 December 2019	-	132	5,322	428	5,882

17. DEFERRED TAXATION (CONTD.)

Total Company (contd.)

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

(ii) Deferred tax liabilities

	Fair value adjustment RM'000	FVOCI reserve RM'000	Accelerated capital allowance RM'000	Total RM'000
2020				
At 1 January 2020	(56,159)	(25,599)	(1,414)	(83,172)
Recognised in:				
Income statement	(6,691)	-	1,414	(5,277)
Tax borne by the participants	(8,711)	-	-	(8,711)
Other comprehensive income	-	(269)	-	(269)
Participants' fund	-	5,145	-	5,145
At 31 December 2020	(71,561)	(20,723)	-	(92,284)
2019				
At 1 January 2019	(842)	(409)	(1,414)	(2,665)
Recognised in:				
Income statement	(22,450)	-	-	(22,450)
Tax borne by the participants	(32,867)	-	-	(32,867)
Other comprehensive income	-	(7,312)	-	(7,312)
Participants' fund	-	(17,878)	-	(17,878)
At 31 December 2019	(56,159)	(25,599)	(1,414)	(83,172)

18. TAKAFUL PAYABLES

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Amounts due to agents and brokers	3,400	18,394	21,794
Amounts due to retakaful operators	-	1,971	1,971
	3,400	20,365	23,765
2019			
Amounts due to agents and brokers	1,949	21,299	23,248
Amounts due to retakaful operators	-	8,486	8,486
	1,949	29,785	31,734

Amounts due to retakaful operators have been offset against amounts due from the same counterparties as follows:

Family Takaful fund	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 9)	Net amount in the Statement of Financial Position RM'000
2020			
Amounts due to retakaful operators	16,695	(14,724)	1,971
2019			
Amounts due to retakaful operators	42,666	(34,180)	8,486

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

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

19. OTHER LIABILITIES

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Contribution deposits	37,386	81,874	119,260
Lease liabilities (Note 4)	513	-	513
Provision for restoration/dismantling costs	75	-	75
Amount due to Shareholder's fund* (Note 10)	-	145,316	-
Amount due to stockbrokers	396	2,082	2,478
Unclaimed monies	115	74,232	74,347
Service tax payable	-	7,813	7,813
Surplus payable to the participants	-	9,667	9,667
Witholding tax payable	-	43,497	43,497
Amount due to related companies* (Note 36(ii)):			
- ultimate holding company	5,032	-	5,032
- penultimate holding company	211	-	211
- other related companies	4,817	163	4,980
Zakat payable	12,561	-	12,561
Provisions for expenses	30,306		30,306
Sundry payables and accrued liabilities	51,388	272,232	323,620
Total other liabilities	142,800	636,876	634,360

19. OTHER LIABILITIES (CONTD.)

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2019			
Contribution deposits	100	71,368	71,468
Lease liabilities (Note 4)	660	-	660
Provision for restoration/dismantling costs	52	-	52
Amount due to Shareholder's fund* (Note 10)	-	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 the participants		16,048	16,048
Witholding tax payable		29,840	29,840
Amount due to related companies* (Note 36(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
Total other liabilities	89,874	396,244	356,796

* Amounts due to holding company, penultimate holding company, immediate holding company, other related companies and amount due to Shareholder's fund 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.

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

20. OPERATING REVENUE

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Gross contributions	-	1,586,714	1,586,714
Wakalah fees (Note 21)	314,208	-	-
Investment income (Note 22)	91,441	459,672	551,113
	405,649	2,046,386	2,137,827
2019			
Gross contributions	-	1,674,739	1,674,739
Wakalah fees (Note 21)	364,757	-	-
Investment income (Note 22)	95,513	491,162	586,675
	460,270	2,165,901	2,261,414

21. FEE AND COMMISSION INCOME

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Wakalah fee income (Note 20)	314,208	-	-
Profit commission	-	1,462	1,462
Others	113	48	161
Total fee and commission income	314,321	1,510	1,623
2019			
Wakalah fee income (Note 20)	364,757	-	-
Profit commission	-	361	361
Total fee and commission income	364,757	361	361

22. INVESTMENT INCOME

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Profit income	52,916	269,258	322,174
- HFT			
Profit income	-	3,944	3,944
Dividend income:			
Quoted equity securities in Malaysia	1,667	13,259	14,926
Quoted equity securities outside Malaysia	22	50	72
Unit and property trust funds	147	1,003	1,150
Financial assets at FVOCI:			
Profit income	27,834	119,856	147,690
Financial assets at AC:			
Profit income	11,824	68,905	80,729
Profit income from financing receivables	418	-	418
Rental income	54	-	54
Net amortisation of premiums	(2,883)	(13,777)	(16,660)
Investment related expenses	(558)	(2,826)	(3,384)
Total investment income	91,441	459,672	551,113
2019			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Profit income	67,687	294,676	362,363
- HFT			
Profit income	-	3,470	3,470
Dividend income:			
Quoted equity securities in Malaysia	1,255	10,647	11,902
Financial assets at FVOCI:			
Profit income	19,156	164,046	183,202
Financial assets at AC:			
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)
Total investment income	95,513	491,162	586,675

23. REALISED GAINS / (LOSSES)

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Property, plant and equipment	1	-	1
Financial assets at FVTPL:			
- Designated upon initial recognition			
Malaysian government papers	-	9,999	9,999
Debt securities	15,168	77,499	92,667
	15,168	87,498	102,666
- HFT			
Malaysian government papers	-	428	428
Equity securities	(16,401)	(42,767)	(59,168)
Debt securities	-	766	766
Property trust funds	(12)	224	212
	(16,413)	(41,349)	(57,762)
Financial assets at FVOCI:			
Malaysian government papers	7,445	18,987	26,432
Debt securities	17,490	150,157	167,647
	24,935	169,144	194,079
Total net realised gains	23,691	215,293	238,984

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

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

24. FAIR VALUE GAINS

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Financial assets at FVTPL:			
- Designated upon initial recognition	21,897	88,989	110,886
- HFT	5,979	24,169	28,591
Total fair value gains	27,876	113,158	139,477
2019			
Financial assets at FVTPL:			
- Designated upon initial recognition	100,885	397,301	498,186
- HFT	7,936	21,604	27,413
Total fair value gains	108,821	418,905	525,599

25. OTHER OPERATING (EXPENSES)/INCOME, NET

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Other income			
Surrender charges	53	-	53
Reversal of impairment losses on			
- Financing receivables	175	-	175
- Investments	-	-	-
- Other assets	-	1	1
Unrealised gain on foreign exchange	3	-	3
Sundry income	880	19,253	20,133
Hibah *	-	16,952	-
	1,111	36,206	20,365
Other expenses			
Allowance for impairment losses on:			
- Investments	(171)	(311)	(482)
- Takaful receivables	-	(3,746)	(3,746)
- Other assets	(47)	-	(47)
Loss on foreign exchange			
- Unrealised	-	(20)	(20)
- Realised	(69)	(95)	(164)
Sundry expenditure	(2,142)	(16,864)	(19,006)
Hibah *	(16,952)	-	-
	(19,381)	(21,036)	(23,465)
Total other operating (expenses) /income, net	(18,270)	15,170	(3,100)

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

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2019			
Other income			
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
Gain on foreign exchange:			
- realised	-	-	-
- unrealised	-	-	-
Sundry income	524	1,135	1,659
Hibah *	-	10,587	-
	1,219	12,053	2,685
Other expenses			
Allowance for impairment losses on:			
- Financing receivables	-	-	-
- Investments	(47)	-	(47)
- Takaful receivables	-	(1,905)	(1,905)
- Other receivables	(123)	-	(123)
Write off of takaful receivables	-	-	-
Realised loss on foreign exchange	-	(3)	(3)
Sundry expenditure	(1,456)	-	(1,456)
Hibah *	(10,587)	-	-
	(12,213)	(1,908)	(3,534)
Total other operating (expenses) /income, net	(10,994)	10,145	(849)

* Hibah is the out-right transfer of cash from Shareholder's fund to the Family Takaful fund. During the current financial year, Hibah amounting to RM16,952,000 (2019: RM10,587,000) was declared by Shareholder's fund to cover deficits in the Maa'syi Waqaf Account ("MWA") of annuity fund, a part of the Family Takaful fund.

26. MANAGEMENT EXPENSES

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Employee benefits expenses (Note (a))	79,470	19,705	99,175
Directors' remuneration (Note 27)	693	-	693
Shariah Committee remuneration (Note 28)	241	-	241
Auditors' remuneration:			
- statutory audits	722	-	722
- regulatory services	14	10	24
- other services	146	-	146
Depreciation of property, plant and equipment (Note 3)	122	-	122
Depreciation of ROU assets (Note 4)	229	-	229
Profit on lease liabilities (Note 4)	24	-	24
Amortisation of intangible assets (Note 5)	879	-	879
Bank and financing charges	1,076	2,727	3,803
Electronic data processing expenses	5,137	1,427	6,564
Entertainment expenses	105	5	110
Legal fees	44	-	44
Information technology outsourcing	4,446	1,451	5,897
Office facilities expenses	319	80	399
Other management fees	65	10	75
Postage and stamp duties	1,302	33	1,335
Printing and stationery	611	76	687
Professional fees	1,415	322	1,737
Promotional and marketing costs	24,293	-	24,293
Rental of offices/premises	4,336	1,015	5,351
Training expenses	470	48	518
Travelling expenses	564	33	597
Utilities, assessment and maintenance	6,359	1,472	7,831
Other expenses	11,566	1,448	13,014
Total management expenses	144,648	29,862	174,510

26. MANAGEMENT EXPENSES (CONTD.)

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2019			
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	589	-	589
- regulatory services	19	10	29
- other services	-	-	-
Depreciation of property, plant and equipment (Note 3)	138	-	138
Depreciation of ROU assets (Note 4)	185	-	185
Profit on lease liabilities (Note 4)	29	-	29
Amortisation of intangible assets (Note 5)	792	-	792
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	13,269	1,733	15,002
Total management expenses	171,194	26,780	197,974

26. MANAGEMENT EXPENSES (CONTD.)

(a) Employee benefits expenses	**Shareholder's fund RM'000**	**Family Takaful fund RM'000**	**Company RM'000**
2020			
Wages, salaries and bonus	60,855	14,877	75,732
EPF	9,916	2,295	12,211
SOCSO	447	88	535
Share based compensation	1,507	495	2,002
Other benefits	6,745	1,950	8,695
	79,470	19,705	99,175
2019			
Wages, salaries and bonus	62,430	14,061	76,491
EPF	10,171	2,183	12,354
SOCSO	419	91	510
Share based compensation	811	203	1,014
Other benefits	9,098	1,866	10,964
	82,929	18,404	101,333

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

Shareholder's fund/Company	**2020 RM'000**	**2019 RM'000**
Salaries	721	721
Bonus	300	419
Contribution to EPF	182	205
Share based compensation	139	85
Other emoluments	168	177
	1,510	1,607

27. DIRECTORS' REMUNERATION

Shareholder's fund/Company	**2020 RM'000**	**2019 RM'000**
Non executive directors:		
Fees	615	748
Other emoluments	78	117
Total directors' fees and remuneration	693	865

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

	Fees RM'000	**Benefits Other Emoluments RM'000**	**Total RM'000**
2020			
Non-executive directors:			
Dato' Majid bin Mohamad (Chairman)	180	25	205
Mr. Philippe Pol Arthur Latour (Vice Chairman) (Resigned w.e.f 7 February 2020)	12	-	12
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican (Resigned w.e.f 31 January 2020)	10	-	10
Dato' Johan bin Ariffin	120	14	134
Mr. Wong Pakshong Kat Jeong Colin Stewart	120	14	134
Mr. Andrew King Sun Cheung (Appointed w.e.f 7 February 2020)	108	16	124
Prof Dr. Azman bin Mohd Noor (Appointed w.e.f 15 June 2020)	65	9	74
	615	78	693
2019			
Non-executive directors:			
Dato' Majid bin Mohamad (Chairman)	180	34	214
Mr. Philippe Pol Arthur Latour (Vice Chairman)	120	18	138
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	120	16	136
Dato' Johan bin Ariffin	120	23	143
Dr. Abdul Rahim bin Abdul Rahman (Resigned w.e.f 23 September 2019)	88	6	94
Mr. Wong Pakshong Kat Jeong Colin Stewart	120	20	140
	748	117	865

28. SHARIAH COMMITTEE'S REMUNERATION

Shareholder's fund/Company	2020 RM'000	2019 RM'000
Fees	163	247
Other emoluments	78	109
	241	356

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

	Fees RM'000	Other Emoluments RM'000	Total RM'000
2020			
Shariah committee:			
Assoc Prof Dr. Aznan bin Hasan (Chairman) (Appointed w.e.f 1 June 2019)	36	16	52
Dr. Sarip bin Adul	28	14	42
Prof Dr. Rusni binti Hassan	28	14	42
Prof Dr. Abdul Rahim bin Abdul Rahman	28	12	40
Prof Dato' Dr. Mohd Azmi bin Omar	28	14	42
Assoc Prof Dr. Azman Mohd Noor (Appointed w.e.f 15 June 2020)	15	8	23
	163	78	241
2019			
Shariah committee:			
Assoc Prof Dr. Aznan bin 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 Adul	40	19	59
Prof Dr. Rusni binti Hassan	40	18	58
Prof Dr. Abdul Rahim bin Abdul Rahman	40	18	58
Prof Dato' Dr. Mohd Azmi bin Omar	40	18	58
Dato’ Dr. Anhar Opir	33	14	47
(Ceased as member w.e.f 31 October 2019)			-
	247	109	356

29. FEE AND COMMISSION EXPENSES

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Commission expenses	125,318	707	126,025
Wakalah fee expenses	-	314,208	-
	125,318	314,915	126,025
2019			
Commission expenses	131,988	748	132,736
Wakalah fee expenses	-	364,757	-
	131,988	365,505	132,736

30. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2020 and 31 December 2019 are as follows :

Shareholder's fund/Company	2020 RM'000	2019 RM'000
Income Statement		
Income tax:		
Tax expense for the financial year	72,954	65,454
Under provision of tax in prior years	24	5,442
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 17)	5,129	25,578
Income tax expense recognised in Income Statement	78,107	96,474

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:

Shareholder's fund/Company	2020 RM'000	2019 RM'000
Profit before taxation and zakat	281,887	306,865
Taxation at Malaysian statutory tax rate of 24%	67,653	73,648
Income not subject to tax	(76,510)	(78,176)
Expenses not deductible for tax purposes	90,586	97,072
Effect of zakat deduction and approved donation	(3,646)	(1,512)
Under provision of tax in prior years	24	5,442
Tax expense for the financial year	78,107	96,474

The domestic income tax for the Shareholder's Fund is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial year.

Taxation borne by policyholders

Family Takaful fund/Company	2020 RM'000	2019 RM'000
Income Statement		
Income tax:		
Tax expense for the financial year	101	4
(Over)/under provision of tax in prior years	(4)	764
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 17)	8,273	32,415
Tax borne by participants recognised in Income Statement	8,370	33,183

The income tax for the Family Takaful fund is calculated at the statutory rate of 8% (2019: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

30. INCOME TAX EXPENSE (CONTD.)

Statement of Comprehensive Income

	Shareholder's fund RM'000	Family Takaful fund RM'000
2020		
Deferred taxation:		
- Fair value changes on financial assets at FVOCI	269	(5,145)
2019		
Deferred taxation:		
- Fair value changes on financial assets at FVOCI	7312	17,878

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.

	2020	2019
Profit attributable to ordinary shareholder (RM'000)	191,874	203,519
Weighted average number of ordinary shares in issue (units '000)	100,000	100,000
Basic and diluted earnings per share (sen)	191.87	203.52

32. DIVIDENDS

	2020 RM'000	2019 RM'000
Recognised during the financial year		
Final dividend for the year ended 31 December 2018:		
- 75 sen per share, single-tier tax exempt dividend on 100,000,000 ordinary shares	-	75,000

33. OTHER COMMITMENTS AND CONTINGENCIES

Shareholder's fund	**2020 RM'000**	**2019 RM'000**
Approved and contracted for:		
Intangible assets	60	-

34. SEGMENTAL INFORMATION ON CASH FLOW

	Shareholder's fund RM'000	**Family Takaful fund RM'000**	**Company RM'000**
2020			
Net cash flow (used in) / generated from :			
Operating activities	(41,038)	(1,307,181)	(1,348,219)
Investing activities	59,479	1,395,002	1,454,481
Financing activities	(216)	-	(216)
	18,225	87,821	106,046
Net increase in cash and cash equivalents:			
At 1 January 2020	5,922	120,189	126,111
At 31 December 2020	38,893	193,264	232,157
	32,971	73,075	106,046
2019			
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)
	(37,742)	16,657	(21,085)
Net (decrease)/increase 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
	(37,742)	16,657	(21,085)

35. SHARE BASED COMPENSATION

<u>ESGP and CESGP</u>

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.

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.

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:

Income/(expenses):	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Ultimate holding company:			
Gross contribution income	-	10,144	10,144
Other income	822	-	822
Commission and fee expenses	(5,463)	-	(5,463)
Bank charges	(91)	(381)	(472)
ESGP	(766)	-	(766)
Claims paid	-	(5,474)	(5,474)
Immediate and penultimate holding companies :			
Gross contribution income	-	117	117
Shared service costs	(11,093)	(10)	(11,103)
Remuneration of a seconded employee	(134)	-	(134)

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.):

Income/(expenses)(contd.):	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020 (contd.)			
Fellow subsidiaries within the MAHB Group:			
Gross contribution income	-	865	865
Rental income	54	-	54
Rental expenses	(5,300)	-	(5,300)
Claims paid	-	(125)	(125)
Shared service costs	(42,999)	-	(42,999)
Fellow subsidiaries within the EIHSB Group:			
Gross contribution income	-	1	1
Consultation fee	(131)	-	(131)
Other related companies within the Maybank Group:			
Gross contribution income	-	1,798	1,798
Profit income	8,698	40,242	48,940
Other income	39	-	39
Information technology outsourcing	(4,446)	(1,451)	(5,897)
Commission and fee expenses	(40,025)	-	(40,025)
Investment expenses	(444)	(2,267)	(2,711)
Claims paid	-	(391)	(391)
Companies with significant influence over the Maybank Group:			
Gross contribution income	-	10,175	10,175
Claims paid	-	(6,071)	(6,071)
2019			
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)
ESGP	(364)	-	(364)
Claims paid	-	(11,102)	(11,102)

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.):

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
Income/(expenses)(contd.):			
2019 (contd.)			
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)
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)
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)
Other expenses	-	-	-
Claims paid	-	(463)	(463)
Companies with significant influence over the Maybank Group:			
Gross contribution income	-	10,231	10,231
Claims paid	-	(7,953)	(7,953)
Profit on subordinated obligation	(1,476)	-	(1,476)

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:

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Ultimate holding company:			
Bank balances	38,893	191,025	229,918
Outstanding contributions	-	38	38
Claim liabilities	-	(65)	(65)
Sundry payables and accrued liabilities	(28,302)	-	(28,302)
Amount due to ultimate holding company (Note 19)	(5,032)		(5,032)
Immediate and penultimate holding companies :			
Amount due from immediate holding company (Note 10)	462	-	462
Claim liabilities	-	(2)	(2)
Amount due to penultimate holding company (Note 19)	(211)	-	(211)
Fellow subsidiaries within the MAHB Group:			
Outstanding contributions	-	70	70
Amount due from other related companies (Note 10)	10,388	-	10,388
Claim liabilities	-	(22)	(22)
Amount due to other related companies (Note 19)	(4,775)	-	(4,775)
Fellow subsidiaries within the EIHSB Group:			
Amount due to other related companies (Note 19)	(8)	-	(8)

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.):

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020 (contd.)			
Other related companies within the Maybank Group:			
Income due and accrued	848	5,038	5,886
Fixed and call deposits	374,042	1,600,927	1,974,968
Outstanding contributions	-	134	134
Claim liabilities	-	(17)	(17)
Sundry receivables, deposits and prepayments	5,850	-	5,850
Sundry payables and accrued liabilities	(1,163)	-	(1,163)
Amount due to other related companies (Note 19)	(34)	(163)	(197)
Companies with significant influence over the Maybank Group:			
Outstanding contributions	-	1,475	1,475
Claim liabilities	-	(234)	(234)
2019			
Ultimate holding company:			
Bank balances	5,922	111,838	117,760
Outstanding contributions	-	211	211
Claim liabilities	-	(25)	(25)
Sundry receivables, deposits and prepayments	-	-	-
Sundry payables and accrued liabilities	(17,499)	-	(17,499)
Amount due to ultimate holding company (Note 19)	(4,816)		(4,816)
Immediate holding company:			
Claim liabilities	-	2	2
Amount due to immediate holding company (Note 19)	(993)	-	(993)

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.):

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2019 (contd.)			
Fellow subsidiaries within the MAHB Group:			
Outstanding contributions	-	40	40
Claim liabilities	-	(25)	(25)
Amount due to other related companies (Note 19)	(5,090)	-	(5,090)
Other related companies within the Maybank Group:			
Income due and accrued	254	752	1,006
Fixed and call deposits	101,771	188,164	289,935
Outstanding contributions	-	99	99
Claim liabilities	-	(4)	(4)
Sundry receivables, deposits and prepayments	4,570	-	4,570
Sundry payables and accrued liabilities	(2,100)	-	(2,100)
Amount due to other related companies (Note 19)	(31)	(167)	(198)
Companies with significant influence over the Maybank Group:			
Outstanding contributions	-	2,419	2,419
Claim liabilities	-	(143)	(143)

The terms of the balances with related companies are disclosed in Notes 10 and 19 of the financial statements.

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

(iii) Key management personnel compensation

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

	2020 RM'000	2019 RM'000
Short-term employee benefits		
Fees	615	748
Salaries, allowances and bonuses	1,021	1,140
Contribution to EPF and pension scheme	182	205
Share based compensation	139	85
Other emoluments	246	294
	2,203	2,472

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

	2020 '000	2019 '000
At 1 January	264	132
Awarded	28	132
At 31 December	292	264

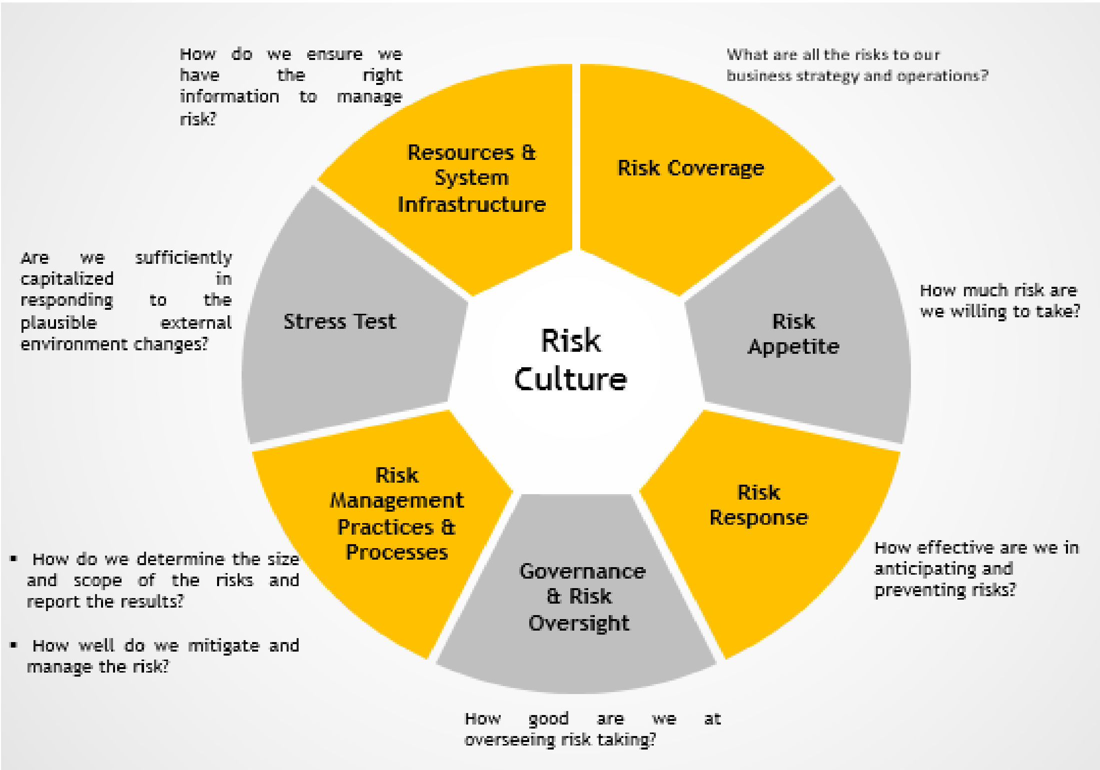
The remuneration of other key management personnel, being the non-executive directors of the Company are as disclosed in Notes 26 and 27 of the financial statements.

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

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK

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

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



The overall risk management process is viewed in a structured and disciplined approach to align strategies, policies, processes, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholder value.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Principles

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

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

There are Risk Frameworks, Policies, Guidelines and Procedures documenting the key expectations for the proper coping with each risk type the organization faces.

Risk Culture

Risk Culture is a vital component in strengthening the MAHB 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.

Risk Culture aligns the business 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.

Embedding a strong Risk Culture goes beyond compliance to policies, core values, code of ethics and conduct, it is essentially about the belief, emotion and behaviour that ‘risk is everyone’s responsibility’ and should permeate in the attitude of each individual.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Coverage

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

Risk Appetite and Strategy

The establishment of the MAHB 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.

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.

Adequate Capital

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

Risk Response

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

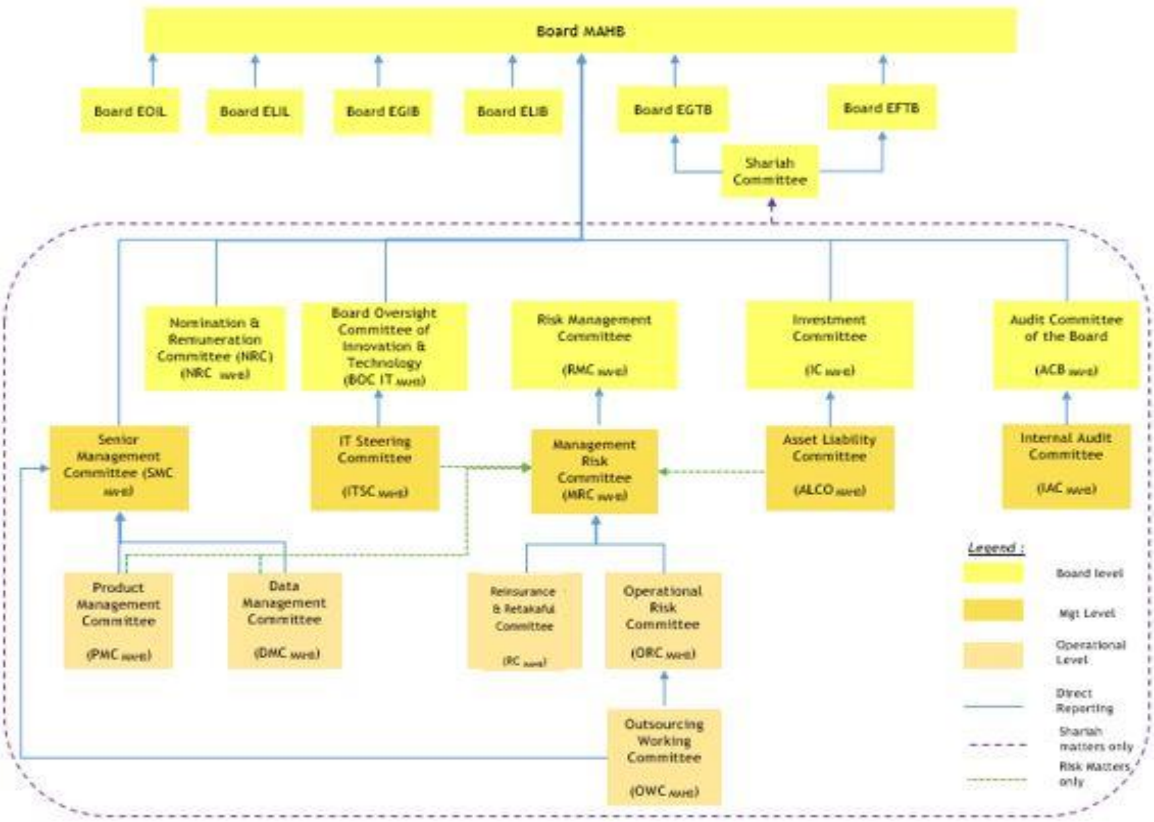
37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight

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

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 MAHB Group. It also places accountability and ownership while facilitating an appropriate level of independence and segregation of duties between the lines of defence.

The risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the 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").



37. ENTERPRISE 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") 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 adquately funded and resourced.

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

Senior Management Committee ("SMC")

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

Management Risk Committee ("MRC")

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

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.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (Contd.)

Infromation Technology Steering Committee ("ITSC")

ITSC is to establish, review and aprrove 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.

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.

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

Operational Risk Committee ("ORC")

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

Product Management Committee ("PMC")

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

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.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (Contd.)

Reinsurance & Retakaful Committee ("RC")

The primary objective of the RC is to function as the governance body to provide decision & guidance in relation to the reinsurance management of the Insurance & Takaful policies. The scope of the RC covers General Reinsurance & Retakaful, Inward / Outward Reinsurance and Life / Family Catastrophe protection areas/issues under Maybank Ageas Holdings Berhad for the Insurance & Takaful Group.

Outsourcing Working Committee ("OWC")

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

Fire Committee ("FC")

FC is responsible to verify the contribution rate level is adequate and complies with BNM guidelines (aligned with Pricing Policy document); Approve Fire Underwriting Guidelines in line with MAHB Group's business strategy and risk appetite; Approve pricing within FC's authority; To monitor the monthly performance indicators and propose corrective actions; On the advice of Pricing Department, report deviation from Fire Pricing Policy to MRC.

Motor Committee ("MC")

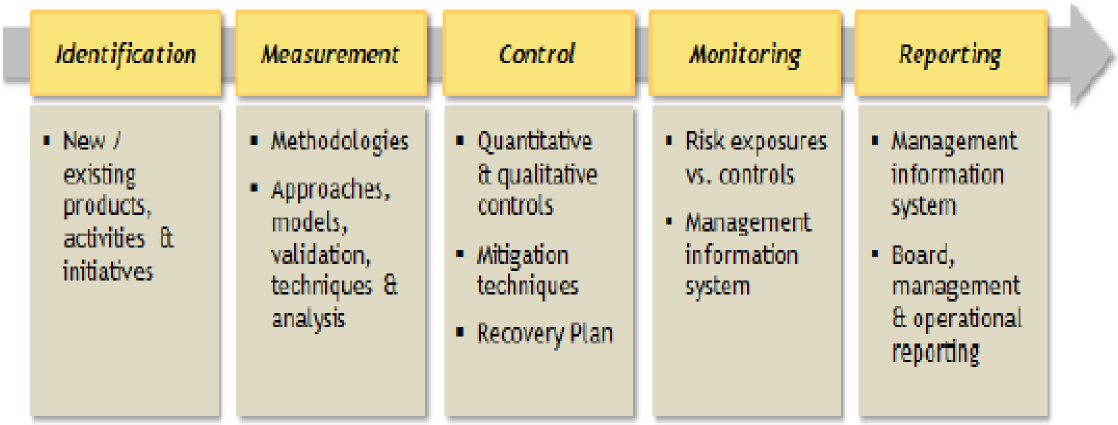
MC is responsible to verify the premium/contribution rate level is adequate and complies with BNM guidelines (aligned with Pricing Policy document); Approve Motor Underwriting Guidelines in line with MAHB Group's business strategy and risk appetite; Approve pricing and re-pricing within MC's authority

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Management Practices and Processes

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

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



Stress Testing

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

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

Resource and System Insfrastructure

Appropriate system infrastructure and resources are the foundation and enabler to effective risk management practices and processes. As a result, the MAHB Group should equip itself with necessary resources, infrastructure and support so as to ensure that risk management functions can be performed efficiently.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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 MAHB 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.

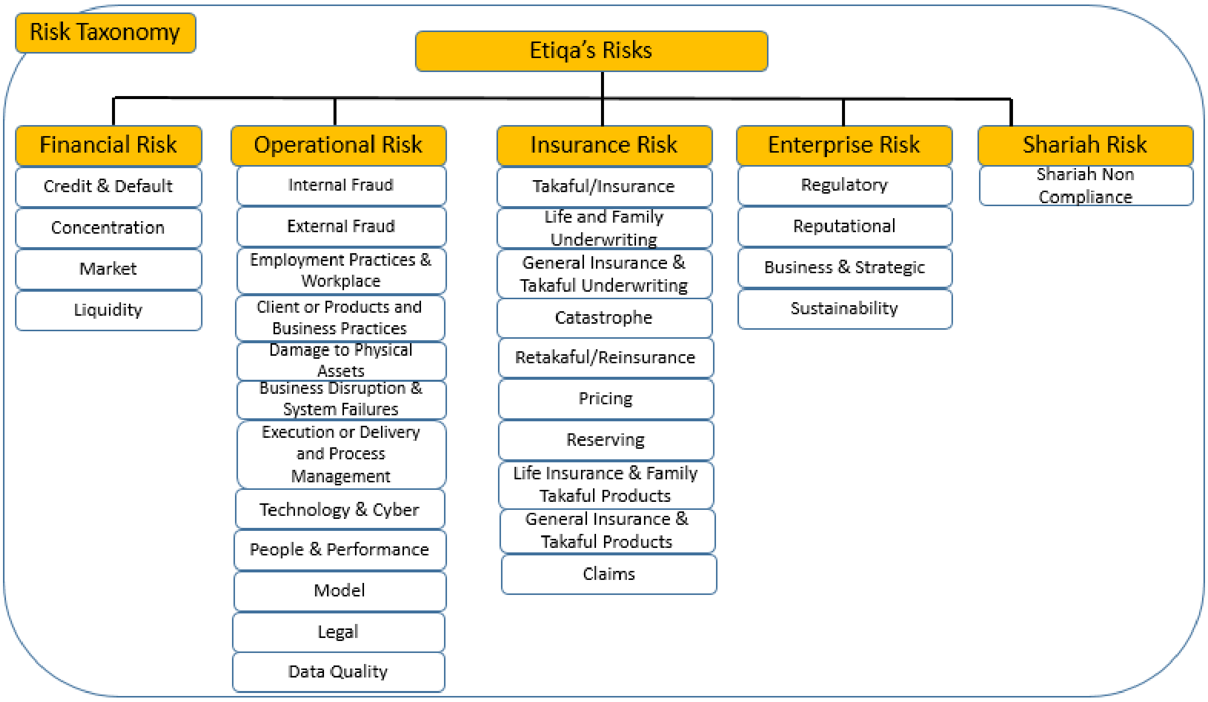
In addition, effective measures and systems must be in place to facilitate the generation and exchange of information within the MAHB Group. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

37. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy

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

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



38. TAKAFUL RISK

Takaful risk is risk of loss or of adverse change arising from the underwritten takaful business. This can be due to adverse deviation in portfolio experience as well as underlying assumptions/ expectation on which product, pricing, underwriting, claims, reserving and retakaful have been made. 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 companies are the counterparty risk of retakaful operators failing to honor their obligations. The Company monitors the retakaful operators creditworthiness on a monthly basis.

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

(i) Family Takaful Underwriting Risk

Family Takaful Underwriting Risk reflects the risk of loss or adverse impact arising from adverse changes in the actual outcome from the initial underwriting assessment/evaluation, selection, expectations and terms set. Underwriting Risk also considers other factors such as Environmental, Social and Governance ("ESG") and Value-Based Intermediation ("VBI") based on any available or established internal standard.

(ii) Pricing Risk

Pricing risk is the risk of loss or adverse impact arising from the inadequate contribution charged resulting in higher than expected losses and expenses.

(iii) Retakaful Risk

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

(iv) Products Risk

Risk of loss or adverse impact arising from the development of new products and management of product. All product related risk including investment risk, pricing risk, business risk, retakaful risk, financial risk, underwriting risk, operational risk, fraud risk, misselling risk, Shariah noncompliance risk and an assessment on system readiness.

38. TAKAFUL RISK (CONTD.)

(v) Reserving Risk

Risk of loss or adverse impact arising from the inadequate reserves due to unanticipated loss developments.

(vi) Catastrophe Risk

Catastrophe Risk is the risk of loss or adverse changes in the underwritten takaful businesses due to over-exposures to extreme or exceptional events, which can cause an accumulated loss or single large loss.

Catastrophe Risks could arise from family takaful businesses. It is also includes catastrophe risks arising from climate change and any other ESG/VBI factors.

(a) Family Takaful fund

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

	2020			2019		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Endowment	2,391,699	-	2,391,699	2,185,888	-	2,185,888
Mortgage	5,070,496	(138,062)	4,932,434	4,062,590	(101,270)	3,961,320
Term assurance	31,249	-	31,249	34,478	-	34,478
Annuity	762,973	-	762,973	761,228	-	761,228
Others	875,651	-	875,651	447,354	-	447,354
	9,132,068	(138,062)	8,994,006	7,491,538	(101,270)	7,390,268

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.

38. TAKAFUL RISK (CONTD.)

(a) Family Takaful fund (contd.)

(i) Key assumptions and methodology (contd.)

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

<u>Discount rate</u>
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.

<u>Mortality and morbidity rates</u>
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.

<u>Lapse and surrender rates</u>
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.

<u>Expenses</u>
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 zakat and participants' funds.

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

	% change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax and zakat RM'000	Impact on participants' funds # RM'000
		<------- Increase -------->		<------- Decrease -------->	
2020					
Discount rate*	-1%	465,623	449,960	(87,732)	(87,732)
Mortality and morbidity rates	+/- 10% (adverse)	376,440	288,619	(75,957)	(75,957)
Lapse and surrender rates	+/- 10% (adverse)	16,829	19,537	(6,092)	(6,092)
Expenses	+10%	11,430	11,430	(3,189)	(3,189)

* The scenario fully assesses the sensitivity of liabilities to a discount rate change without adjusting corresponding profit rate assets value..
# There is no tax impact on the participants' funds as the Family Takaful fund is taxed only on investment income.

38. TAKAFUL RISK (CONTD.)

(a) Family Takaful fund (contd.)

(ii) Sensitivity analysis (contd.)

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. (contd.)

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. (contd.)

	% change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax and zakat RM'000	Impact on participants' funds # RM'000
		<------- Increase	-------->	<------- Decrease	-------->
2019					
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)

* The scenario fully assesses the sensitivity of liabilities to a discount rate change without adjusting corresponding profit rate assets value..
# There is no tax impact on the participants' funds 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 counterparty is no longer able to pay its contractual obligations. The Company's exposure to credit risk arises mainly from fixed income investment activities.

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

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

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

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

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

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 statement 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.

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2020			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Malaysian government papers	-	183,323	183,323
Unquoted debt securities in Malaysia	1,131,454	5,656,185	6,787,639
- HFT			
Malaysian government papers	-	26,198	26,198
Unquoted debt securities in Malaysia	-	62,209	62,209
Investment-linked units	27,617	-	-
Financial assets at FVOCI:			
Malaysian government papers	101,471	157,050	258,521
Unquoted debt securities in Malaysia	706,554	2,868,097	3,574,651
Financial assets at AC:			
Islamic investment accounts with :			
Licensed financial institutions	414,687	2,288,119	2,702,806
Others	2,355	332,525	334,880
Financing receivables	15,011	-	15,011
Takaful receivables	-	140,095	140,095
Other assets (net of prepayments)	185,842	118,411	158,937
Cash and bank balances	38,887	193,263	232,150
	2,623,878	12,025,475	14,476,420

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure (contd.)

	Shareholder's fund RM'000	Family Takaful fund RM'000	Company RM'000
2019			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Malaysian government papers	-	148,481	148,481
Unquoted debt securities in Malaysia	1,287,506	6,177,711	7,465,217
- HFT			
Malaysian government papers	-	9,502	9,502
Unquoted debt securities in Malaysia	-	62,471	62,471
Investment-linked units	26,060	-	-
Islamic investment accounts with :			
Licensed financial institutions	-	7,575	7,575
Financial assets at FVOCI:			
Malaysian government papers	95,666	198,995	294,661
Unquoted debt securities in Malaysia	582,619	3,551,718	4,134,337
Financial assets at AC:			
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
Takaful receivables	-	120,399	120,399
Other assets (net of prepayments)	157,398	132,583	160,659
Cash and bank balances	5,907	120,189	126,096
	2,359,554	11,430,868	13,635,040

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.

Risk Category	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	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.

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating

The table below provides information regarding the credit quality of the financial and takaful assets of the Shareholder's fund according to the credit ratings of the counterparties.

Shareholder's fund

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2020							
Financial assets at FVTPL:							
- Designated upon initial recognition							
Unquoted debt securities in Malaysia	439,044	229,589	462,821	-	-	-	1,131,454
- Held for trading							
Investment-linked units	-	-	-	-	-	27,617	27,617
Financial assets at FVOCI:							
Malaysian government papers	101,471	-	-	-	-	-	101,471
Unquoted debt securities in Malaysia	227,225	223,099	256,230	-	-	-	706,554

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

The table below provides information regarding the credit quality of the financial and takaful assets of the Shareholder's fund according to the credit ratings of the counterparties.(contd.)

Shareholder's fund (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2020 (contd.)							
Financial assets at AC:							
Islamic investment accounts with :							
Licensed financial institutions	-	414,687	-	-	-	-	414,687
Others	-	-	2,355	-	-	-	2,355
Financing receivables	-	-	-	-	-	15,011	15,011
Other assets (net of prepayments)	9,429	7,583	7,969	-	-	160,861	185,842
Cash and bank balances	-	38,887	-	-	-	-	38,887
	777,169	913,845	729,375	-	-	203,489	2,623,878

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

The table below provides information regarding the credit quality of the financial and takaful assets of the Family Takaful fund according to the credit ratings of the counterparties.

Family Takaful fund

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2020							
Financial assets at FVTPL:							
- Designated upon initial recognition							
Malaysian government papers	183,323	-	-	-	-	-	183,323
Unquoted debt securities in Malaysia	1,808,919	1,410,289	2,355,353	81,624	-	-	5,656,185
- Held for trading							
Malaysian government papers	26,198	-	-	-	-	-	26,198
Unquoted debt securities in Malaysia	7,049	9,521	38,845	6,794	-	-	62,209

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

The table below provides information regarding the credit quality of the financial and takaful assets of the Family Takaful fund according to the credit ratings of the counterparties.(contd.)

Family Takaful fund (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2020 (contd.)							
Financial assets at FVOCI:							
Malaysian government papers	157,050	-	-	-	-	-	157,050
Unquoted debt securities in Malaysia	1,058,079	815,741	943,454	50,823	-	-	2,868,097
Financial assets at AC:							
Islamic investment accounts with :							
Licensed financial institutions	-	2,258,119	30,000	-	-	-	2,288,119
Others	-	73,943	258,582	-	-	-	332,525
Takaful receivables	-	-	4,361	-	-	135,734	140,095
Other assets (net of prepayments)	34,858	37,807	41,097	1,240	-	3,409	118,411
Cash and bank balances	-	192,578	41	616	-	28	193,263
	3,275,476	4,797,998	3,671,733	141,097	-	139,171	12,025,475

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

The table below provides information regarding the credit quality of the financial and takaful assets of the Company according to the credit ratings of the counterparties.

Company

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2020							
Financial assets at FVTPL:							
- Designated upon initial recognition							
Malaysian government papers	183,323	-	-	-	-	-	183,323
Unquoted debt securities in Malaysia	2,247,963	1,639,878	2,818,174	81,624	-	-	6,787,639
- Held for trading							
Malaysian government papers	26,198	-	-	-	-	-	26,198
Unquoted debt securities in Malaysia	7,049	9,521	38,845	6,794	-	-	62,209

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39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

The table below provides information regarding the credit quality of the financial and takaful assets of the Company according to the credit ratings of the counterparties.(contd.)

Company (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2020 (contd.)							
Financial assets at FVOCI:							
Malaysian government papers	258,521	-	-	-	-	-	258,521
Unquoted debt securities in Malaysia	1,285,304	1,038,840	1,199,685	50,823	-	-	3,574,652
Financial assets at AC:							
Islamic investment accounts with :							
Licensed financial institutions	-	2,672,806	30,000	-	-	-	2,702,806
Others	-	73,943	260,937	-	-	-	334,880
Takaful receivables	-	-	4,361	-	-	135,734	140,095
Financing receivables	-	-	-	-	-	15,011	15,011
Other assets (net of prepayments)	44,287	45,390	49,066	1,240	-	164,270	158,937
Cash and bank balances	-	231,465	41	616	-	28	232,150
	4,052,645	5,711,843	4,401,109	141,097	-	315,043	14,476,421

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

The table below provides information regarding the credit quality of the financial and takaful assets of the Shareholder's fund according to the credit ratings of the counterparties.(contd.)

Shareholder's fund

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2019							
Financial assets at FVTPL:							
- Designated upon initial recognition							
Unquoted debt securities in Malaysia	509,070	279,332	499,104	-	-	-	1,287,506
- Held for trading							
Investment-linked units	-	-	-	-	-	26,060	26,060
Financial assets at FVOCI:							
Malaysian government papers	95,666	-	-	-	-	-	95,666
Unquoted debt securities in Malaysia	244,336	148,395	189,888	-	-	-	582,619

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

The table below provides information regarding the credit quality of the financial and takaful assets of the Shareholder's fund according to the credit ratings of the counterparties.(contd.)

Shareholder's fund (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2019 (contd.)							
Financial assets at AC:							
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 (net of prepayments)	10,100	6,740	8,793	-	-	131,765	157,398
Cash and bank balances	-	5,907	-	-	-	-	5,907
	859,172	547,145	779,845	-	-	173,392	2,359,554

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

The table below provides information regarding the credit quality of the financial and takaful assets of the Family Takaful fund according to the credit ratings of the counterparties.(contd.)

Family Takaful fund

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2019							
Financial assets at FVTPL:							
- Designated upon initial recognition							
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
- Held for trading							
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 of rating (contd.)

The table below provides information regarding the credit quality of the financial and takaful assets of the Family Takaful fund according to the credit ratings of the counterparties.(contd.)

Family Takaful fund (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2019 (contd.)							
Financial assets at FVOCI:							
Malaysian government papers	198,995	-	-	-	-	-	198,995
Unquoted debt securities in Malaysia	1,583,760	948,656	983,497	35,805	-	-	3,551,718
Financial assets at AC:							
Islamic investment accounts with :							
Licensed financial institutions	-	466,404	65,117	-	-	-	531,521
Others	-	76,276	293,447	-	-	-	369,723
Takaful receivables	-	-	3,560	4,119	-	112,720	120,399
Other assets (net of prepayments)	44,462	38,885	46,093	2,079	-	1,064	132,583
Cash and bank balances	-	119,636	177	338	-	38	120,189
	4,014,672	3,120,880	3,945,491	236,003	-	113,822	11,430,868

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

The table below provides information regarding the credit quality of the financial and takaful assets of the Company according to the credit ratings of the counterparties.(contd.)

Company

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2019							
Financial assets at FVTPL:							
- Designated upon initial recognition							
Malaysian government papers	148,481	-	-	-	-	-	148,481
Unquoted debt securities in Malaysia	2,529,436	1,736,378	3,012,446	186,957	-	-	7,465,217
- Held for trading							
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
Financial assets at FVOCI:							
Malaysian government papers	294,661	-	-	-	-	-	294,661
Unquoted debt securities in Malaysia	1,828,096	1,097,051	1,173,385	35,805	-	-	4,134,337

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure of rating (contd.)

The table below provides information regarding the credit quality of the financial and takaful assets of the Company according to the credit ratings of the counterparties.(contd.)

Company (contd.)

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2019 (contd.)							
Financial assets at AC:							
Islamic investment accounts with :							
Licensed financial institutions	-	568,175	75,117	-	-	-	643,292
Others	-	81,276	365,507	-	-	-	446,783
Takaful receivables	-	-	3,560	4,119	-	112,720	120,399
Financing receivables	-	-	-	-	-	15,567	15,567
Other assets (net of prepayments)	54,562	45,625	54,886	2,079	-	132,829	160,659
Cash and bank balances	-	125,543	177	338	-	38	126,096
	4,873,844	3,668,025	4,725,336	236,003	-	261,154	13,635,040

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

<u>Financial assets - reconciliation of allowance account</u>

Significant increase in credit risk

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

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

Expected credit loss

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

The table below shows the fair value of the Shareholder fund's financial assets measured by credit risk, based on the risk categories :

Shareholder's fund	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2020				
Financial assets at FVOCI				
Sovereign	327,451	1,245	-	328,696
Very low	223,099	-	-	223,099
Low	228,732	27,499	-	256,231
Carrying amount - fair value	779,282	28,744	-	808,026
Expected credit loss	(247)	(118)	-	(365)
2019				
Financial assets at FVOCI				
Sovereign	338,794	1,208	-	340,002
Very low	148,395	-	-	148,395
Low	189,888	-	-	189,888
Carrying amount - fair value	677,077	1,208	-	678,285
Expected credit loss	(194)	-	-	(194)

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

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

Family Takaful fund	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2020				
Financial assets at FVOCI				
Sovereign	1,071,974	143,155	-	1,215,129
Very low	815,741	-	-	815,741
Low	840,951	102,503	-	943,454
Medium	50,823	-	-	50,823
Carrying amount - fair value	2,779,489	245,658	-	3,025,147
Expected credit loss	(1,170)	(432)	-	(1,602)
2019				
Financial assets at FVOCI				
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
Carrying amount - fair value	3,583,180	167,533	-	3,750,713
Expected credit loss	(1,268)	(23)	-	(1,291)

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

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

Company	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2020				
Financial assets at FVOCI				
Sovereign	1,399,425	144,400	-	1,543,825
Very low	1,038,840	-	-	1,038,840
Low	1,069,683	130,002	-	1,199,685
Medium	50,823	-	-	50,823
Carrying amount - fair value	3,558,771	274,402	-	3,833,173
Expected credit loss	(1,417)	(550)	-	(1,967)
2019				
Financial assets at FVOCI				
Sovereign	1,982,650	140,107	-	2,122,757
Very low	1,068,417	28,634	-	1,097,051
Low	1,173,385	-	-	1,173,385
Medium	35,805	-	-	35,805
Carrying amount - fair value	4,260,257	168,741	-	4,428,998
Expected credit loss	(1,462)	(23)	-	(1,485)

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

<u>Financial assets - reconciliation of allowance account (contd.)</u>

The movements in allowances for impairment losses for Shareholder fund's financial assets at FVOCI are as follows:

Shareholder's fund	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
2020				
Financial assets at FVOCI				
At 1 January 2020	194	-	-	194
Net adjustment of loss allowance	12	88	-	100
New financial assets originated or purchased	92	-	-	92
Financial assets that have been derecognised	(21)	-	-	(21)
Allowance for impairment loss (Note 25)	83	88	-	171
Changes due to change in credit risk	(30)	30		-
At 31 December 2020	247	118	-	365
2019				
Financial assets at FVOCI				
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)
Allowance for impairment loss (Note 25)	47	-	-	47
At 31 December 2019	194	-	-	194

The following explains how significant changes in the gross carrying amount of financial assets at FVOCI during the financial year have contributed to the changes in the allowance for impairment on financial assets at FVOCI for the Shareholder's fund.

Overall, the total allowance for impairment on financial assets at FVOCI increased by RM171,000 (2019 : increased by RM 47,000) due to the following:

(i) 12-month ECL (Stage 1) - increased of RM53,000 (2019:increased by RM47,000), mainly due to :
- financial assets at FVOCI that were newly originated RM92,000 (2019 : RM116,000)
- financial assets at FVOCI that were derecognised of RM21,000 (2019 : RM6,000); and
- deterioration in the credit quality from Stage 1 to Stage 2 of RM30,000 (2019:Nil)

(ii) Lifetime ECL not credit-impaired (Stage 2) - increase of RM118,000 (2019 : Nil), mainly due to additional ECL recognised due to deterioration in the credit quality.

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

The movements in allowances for impairment losses for Family Takaful fund's financial assets at FVOCI are as follows: (contd.)

Family Takaful fund	**Stage 1** 12-month ECL RM'000	**Stage 2** Lifetime ECL not credit impaired RM'000	**Stage 3** Lifetime ECL credit impaired RM'000	**Total** RM'000
2020				
Financial assets at FVOCI				
At 1 January 2020	1,268	23	-	1,291
Net adjustment of loss allowance	45	324	-	369
New financial assets originated or purchased	287	-	-	287
Financial assets that have been derecognised	(345)	-	-	(345)
Allowance for impairment loss (Note 25)	(13)	324	-	311
Changes due to change in credit risk	(86)	86	-	-
At 31 December 2020	1,169	433	-	1,602
2019				
Financial assets at FVOCI				
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)
Allowance for impairment loss (Note 25)	(170)	(18)	-	(188)
At 31 December 2019	1,268	23	-	1,291

The following explains how significant changes in the gross carrying amount of financial assets at FVOCI during the financial year have contributed to the changes in the allowance for impairment on financial assets at FVOCI for the Family Takaful fund

Overall, the total allowance for impairment on financial assets at FVOCI decreased by RM311,000 (2019 : decreased by RM188,000) due to the following:

(i) 12-month ECL (Stage 1) – decrease of RM99,000 ((2019 : decrease of RM170,000), mainly due to :

- financial assets at FVOCI that were newly originated RM287,000 (2019 : RM372,000)
- financial assets at FVOCI that were derecognised of RM345,000 (2019 : RM127,000); and
- deterioration in the credit quality from Stage 1 to Stage 2 of RM86,000 (2019:Nil)

(ii) Lifetime ECL Not Credit-Impaired (Stage 2) – increase of RM410,000 (2019 : decrease of RM18,000), mainly due to additional ECL recognised due to the deterioration in the credit quality.

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account (contd.)

The movements in allowances for impairment losses for Company's financial assets at FVOCI are as follows: (contd.)

Company	**Stage 1** 12-month ECL RM'000	**Stage 2** Lifetime ECL not credit impaired RM'000	**Stage 3** Lifetime ECL credit impaired RM'000	**Total** RM'000
2020				
Financial assets at FVOCI				
At 1 January 2020	1,462	23	-	1,485
Net adjustment of loss allowance	57	412	-	469
New financial assets originated or purchased	379	-	-	379
Financial assets that have been derecognised	(366)	-	-	(366)
Allowance for impairment loss (Note 25)	70	412	-	482
Changes due to change in credit risk	(116)	116	-	-
At 31 December 2020	1,416	551	-	1,967
2019				
Financial assets at FVOCI				
At 1 January 2019	1,585	41	-	1,626
Net adjustment of loss allowance	(478)	(18)	-	(496)
New financial assets originated or purchased	488	-	-	488
Financial assets that have been derecognised	(133)	-	-	(133)
Allowance for impairment loss (Note 25)	(123)	(18)	-	(141)
At 31 December 2019	1,462	23	-	1,485

The following explains how significant changes in the gross carrying amount of financial assets at FVOCI during the financial year have contributed to the changes in the allowance for impairment on financial assets at FVOCI for the Company.

Overall, the total allowance for impairment on financial assets at FVOCI increased by RM482,000 (2019 : decreased by RM141,000) due to the following:

(i) 12-month ECL (Stage 1) – decrease of RM46,000 (2019 : decrease of RM123,000) for the Company, mainly due to:
- financial assets at FVOCI that were newly originated RM379,000 (2019 : RM488,000)
- financial assets at FVOCI that were derecognised of RM366,000 (2019 : RM133,000); and
- deterioration in the credit quality from Stage 1 to Stage 2 of RM116,000 (2019:Nil)

(ii) Lifetime ECL Not Credit-Impaired (Stage 2) – increase of RM528,000 (2019 : decrease of RM18,000), mainly due to additional ECL recognised due to deterioration in credit quality.

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - reconciliation of allowance account

Upon implementation of MFRS 9, the Company applied the Simplified Approach where the ECL is measured at initial recognition of the financial assets using a provision matrix based on historical data or also known as 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 elements being applied to it.

The table below shows the fair value of the Shareholder fund’s other financial assets measured by credit risk, based on the risk categories :

Shareholder's fund

	Not Credit Impaired		Credit Impaired		Total	
	Financing receivables RM'000	Other assets RM'000	Financing receivables RM'000	Other assets RM'000	Financing receivables RM'000	Other assets* RM'000
Gross carrying amount						
At 1 January 2019	16,130	213,614	2,729	4,724	18,859	218,338
Increase/(decrease)	(562)	(58,183)	(703)	(330)	(1,265)	(58,513)
At 31 December 2019	15,568	155,431	2,026	4,394	17,594	159,825
Increase/(decrease)	(551)	26,922	(181)	1,568	(732)	28,490
At 31 December 2020	15,017	182,353	1,845	5,962	16,862	188,315
Lifetime ECL						
At 1 January 2019	5	-	2,448	2,303	2,453	2,303
Increase/(decrease)	(2)	-	(425)	123	(427)	123
At 31 December 2019	3	-	2,023	2,426	2,026	2,426
Increase/(decrease)	2	-	(177)	47	(175)	47
At 31 December 2020	5	-	1,846	2,473	1,851	2,473

* Other assets is net of prepayment

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

The table below shows the fair value of the Family Takaful fund's other financial assets measured by credit risk, based on the risk categories :

Family Takaful fund

	Not Credit Impaired			Credit Impaired			Total		
	Financing receivables RM'000	Takaful receivables RM'000	Other assets RM'000	Financing receivables RM'000	Takaful receivables RM'000	Other assets RM'000	Financing receivables RM'000	Takaful receivables RM'000	Other assets RM'000
Gross carrying amount									
At 1 January 2019	-	68,043	166,132	16	11,519	508	16	79,562	166,640
Increase/(decrease)	-	45,390	(33,532)	-	1,323	-	-	46,713	(33,532)
At 31 December 2019	-	113,433	132,600	16	12,842	508	16	126,275	133,108
Increase/(decrease)	-	8,889	(14,170)	-	14,553	(1)	-	23,442	(14,171)
At 31 December 2020	-	122,322	118,430	16	27,395	507	16	149,717	118,937
Lifetime ECL									
At 1 January 2019	-	96	-	16	3,875	508	16	3,971	508
Increase/(decrease)	-	118	-	-	1,787	-	-	1,905	-
At 31 December 2019	-	214	-	16	5,662	508	16	5,876	508
Increase/(decrease)	-	656	-	-	3,090	(1)	-	3,746	(1)
At 31 December 2020	-	870	-	16	8,752	507	16	9,622	507

* Other assets is net of prepayment

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

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

Company

	Not Credit Impaired			Credit Impaired			Total		
	Financing receivables RM'000	Takaful receivables RM'000	Other assets RM'000	Financing receivables RM'000	Takaful receivables RM'000	Other assets RM'000	Financing receivables RM'000	Takaful receivables RM'000	Other assets RM'000
Gross carrying amount									
At 1 January 2019	16,130	68,043	196,209	2,745	11,519	5,232	18,875	79,562	201,441
Increase/(decrease)	(562)	45,390	(37,500)	(703)	1,323	(330)	(1,265)	46,713	(37,830)
At 31 December 2019	15,568	113,433	158,709	2,042	12,842	4,902	17,610	126,275	163,611
Increase/(decrease)	(551)	8,889	(3,243)	(181)	14,553	1,567	(732)	23,442	(1,676)
At 31 December 2020	15,017	122,322	155,466	1,861	27,395	6,469	16,878	149,717	161,935
Lifetime ECL									
At 1 January 2019	5	96	-	2,464	3,875	2,811	2,469	3,971	2,811
Increase/(decrease)	(2)	118	-	(425)	1,787	123	(427)	1,905	123
At 31 December 2019	3	214	-	2,039	5,662	2,934	2,042	5,876	2,934
Increase/(decrease)	2	656	-	(177)	3,090	46	(175)	3,746	46
At 31 December 2020	5	870	-	1,862	8,752	2,980	1,867	9,622	2,980

* Other assets is net of prepayment

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - reconciliation of allowance account

Movements in the allowance for impairment losses for Shareholder fund's other financial assets are as follows:

Shareholder's fund

	Financing receivables RM'000 (Note 7)	Other assets RM'000 (Note 10)	Total RM'000
2020			
At 1 January 2020	2,026	2,426	4,452
Net adjustment of loss allowance	(175)	47	(128)
At 31 December 2020	1,851	2,473	4,324
2019			
At 1 January 2019	2,453	2,303	4,756
Net adjustment of loss allowance	(427)	123	(304)
At 31 December 2020	2,026	2,426	4,452

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

Movements in the allowance for impairment losses for Family Takaful fund's other financial assets are as follows: (contd.)

Family Takaful fund

	Financing receivables RM'000 (Note 7)	Takaful receivables RM'000 (Note 9)	Other assets RM'000 (Note 10)	Total RM'000
2020				
At 1 January 2020	16	5,876	508	6,400
Net adjustment of loss allowance	-	3,746	(1)	3,745
At 31 December 2020	16	9,622	507	10,145
2019				
At 1 January 2019	16	3,971	508	4,495
Net adjustment of loss allowance	-	1,905	-	1,905
At 31 December 2019	16	5,876	508	6,400

39. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

Movements in allowance for impairment losses for Company's other financial assets are as follows: (contd.)

Company

	Financing receivables RM'000 (Note 7)	Takaful receivables RM'000 (Note 9)	Other assets RM'000 (Note 10)	Total RM'000
2020				
At 1 January 2020	2,042	5,876	2,934	10,852
Net adjustment of loss allowance	(175)	3,746	46	3,617
At 31 December 2020	1,867	9,622	2,980	14,469
2019				
At 1 January 2019	2,469	3,971	2,811	9,251
Net adjustment of loss allowance	(427)	1,905	123	1,601
At 31 December 2019	2,042	5,876	2,934	10,852

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:

Type of financing receivables	Type of collaterals
Secured staff financing	Charges over residential properties and motor vehicles

Shareholder's fund

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigates credit risk, held for financing receivables is 98.6% as at 31 December 2020 (2019: 98.4%)

The remaining balance of financing receivables are not collateralised.

(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 financial obligations in a timely manner.

The objective of Liquidity Risk management is to have sufficient availability of cash to meet participants' liabilities, such as surrenders, withdrawal, claims and maturity benefits, and financial obligations to other 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 of any impending problems in a timely manner.

Maturity Profiles

The following table summarises the maturity profile of the financial and takaful assets and liabilities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable. For takaful certificates liabilities and retakaful assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised takaful liabilities.

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.

39. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Shareholder's fund

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2020						
Financial assets at :						
FVTPL	1,222,310	56,726	336,556	1,280,796	90,856	1,764,934
FVOCI	808,025	61,181	219,093	995,691	-	1,275,965
AC	417,042	417,845	-	-	-	417,845
Financing receivables	15,011	1,589	6,343	10,040	-	17,972
Other assets	185,842	185,842	-	-	-	185,842
Cash and bank balances	38,893	-	-	-	38,893	38,893
Total assets	2,687,123	723,183	561,992	2,286,527	129,749	3,701,451
Expense liabilities	572,186	48,180	119,039	609,807	-	777,026
Takaful payables	3,400	3,400	-	-	-	3,400
Other liabilities	142,800	142,519	309	-	-	142,828
Total liabilities	718,386	194,099	119,348	609,807	-	923,254

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.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Shareholder's fund (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2019						
Financial assets at :						
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	157,929	157,929	-	-	-	157,929
Cash and bank balances	5,922	-	-	-	5,922	5,922
Total assets	2,410,248	464,926	526,603	2,513,776	82,130	3,587,435
Expense liabilities	535,282	43,308	110,601	620,437	-	774,346
Takaful payables	1,949	1,949	-	-	-	1,949
Other liabilities	89,874	89,400	528	-	-	89,928
Total liabilities	627,105	134,657	111,129	620,437	-	866,223

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.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Family Takaful fund

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2020						
Financial assets at :						
FVTPL	6,379,166	573,529	2,339,730	5,775,266	451,251	9,139,776
FVOCI	3,025,147	196,652	1,018,743	3,468,301	-	4,683,696
AC	2,620,644	2,627,034	-	-	-	2,627,034
Retakaful assets	162,030	33,612	35,078	153,669	-	222,359
Takaful receivables	140,095	140,095	-	-	-	140,095
Other assets	118,429	118,429	-	-	-	118,429
Cash and bank balances	193,264	-	-	-	193,264	193,264
Total assets	12,638,775	3,689,351	3,393,551	9,397,236	644,515	17,124,653
Participants' fund	2,433,412	336,526	-	1,912,736	184,149	2,433,411
Takaful certificate liabilities	9,516,784	4,948,649	1,596,464	4,523,982	222,045	11,291,140
Takaful payables	20,365	20,365	-	-	-	20,365
Other liabilities	636,876	636,876	-	-	-	636,876
Total liabilities	12,607,437	5,942,416	1,596,464	6,436,718	406,194	14,381,792

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.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Family Takaful fund (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2019						
Financial assets at :						
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	18,215	28,911	111,676	-	158,802
Takaful receivables	120,399	120,399	-	-	-	120,399
Other assets	132,600	132,600	-	-	-	132,600
Cash and bank balances	120,189	-	-	-	120,189	120,189
Total assets	11,949,592	1,967,706	3,394,606	11,853,540	527,698	17,743,550
Participants' fund	3,690,961	1,582,032	-	1,858,306	250,623	3,690,961
Takaful certificate liabilities	7,804,488	3,650,074	1,552,691	4,274,867	194,989	9,672,621
Takaful payables	29,785	29,785	-	-	-	29,785
Other liabilities	396,244	396,244	-	-	-	396,244
Total liabilities	11,921,478	5,658,135	1,552,691	6,133,173	445,612	13,789,611

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.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Company

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2020						
Financial assets at :						
FVTPL	7,601,476	630,255	2,676,286	7,056,062	542,107	10,904,710
FVOCI	3,833,172	257,833	1,237,836	4,463,992	-	5,959,661
AC	3,037,686	3,044,879	-	-	-	3,044,879
Retakaful assets	162,030	33,612	35,078	153,669	-	222,359
Takaful receivables	140,095	140,095	-	-	-	140,095
Financing receivables	15,011	1,589	6,343	10,040	-	17,972
Other assets	158,955	158,955	-	-	-	158,955
Cash and bank balances	232,157	-	-	-	232,157	232,157
Total assets	15,180,582	4,267,218	3,955,543	11,683,763	774,264	20,680,788
Participants' fund	2,433,412	336,526	-	1,912,736	184,149	2,433,411
Takaful certificate liabilities	9,516,784	4,948,649	1,596,464	4,523,982	222,045	11,291,140
Expense liabilities	572,186	48,180	119,039	609,807	-	777,026
Takaful payables	23,765	23,765	-	-	-	23,765
Other liabilities	634,360	634,079	309	-	-	634,388
Total liabilities	13,180,507	5,991,199	1,715,812	7,046,525	406,194	15,159,730

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.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Company

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2019						
Financial assets at :						
FVTPL	8,176,963	672,483	2,548,737	8,635,877	483,717	12,340,814
FVOCI	4,428,998	239,316	1,337,465	5,609,918	-	7,186,699
AC	1,090,075	1,090,075	-	-	-	1,090,075
Retakaful assets	111,198	18,215	28,911	111,676	-	158,802
Takaful receivables	120,399	120,399	-	-	-	120,399
Financing receivables	15,567	1,615	6,096	9,845	-	17,556
Other assets	161,207	161,207	-	-	-	161,207
Cash and bank balances	126,111	-	-	-	126,111	126,111
Total assets	14,230,518	2,303,310	3,921,209	14,367,316	609,828	21,201,663
Participants' fund	3,690,961	1,582,032	-	1,858,306	250,623	3,690,961
Takaful certificate liabilities	7,804,488	3,650,074	1,552,691	4,274,867	194,989	9,672,621
Expense liabilities	535,282	43,308	110,601	620,437	-	774,346
Takaful payables	31,734	31,734	-	-	-	31,734
Other liabilities	356,796	356,322	528	-	-	356,850
Total liabilities	12,419,261	5,663,470	1,663,820	6,753,610	445,612	14,526,512

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 mainly of these three (3) types of risk:

(a) currency risk;
(b) profit rates 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.

(b) Compliance with the policies is monitored and 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 to match the asset duration with the liability duration, without compromising quality;

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

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

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.

		2020		2019	
Fund	**Changes in variables**	**Impact on profit before tax and zakat RM'000**	**Impact on equity/ participants' fund* RM'000**	**Impact on profit before tax and zakat RM'000**	**Impact on equity/ participants' fund* RM'000**
Share-holder's	+100 basis points	(104,483)	(141,521)	(122,210)	(149,240)
	-100 basis points	104,483	141,521	122,210	149,240
Family Takaful	+100 basis points	(100,866)	(121,792)	(117,145)	(134,752)
	-100 basis points	100,866	121,792	117,145	134,752
Company	+100 basis points	(205,350)	(263,312)	(239,355)	(283,992)
	-100 basis points	205,350	263,312	239,355	283,992

* Impact on equity is after tax before zakat of 24% for the Shareholder's fund and participants' fund is net of tax of 8% for the Family Takaful fund.

(c) Equity Price Risk

Equity Price Risk is the risk that the fair value of an equity instrument would fluctuate because of changes in its market prices whether those changes are caused by factors specific to the individual equity instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company’s Equity Price Risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in equities' market prices.

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

39. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk (contd.)

Market Index

Fund	Changes in variables	2020 Impact on profit before tax and zakat RM'000	2020 Impact on equity/ participants' fund* RM'000	2019 Impact on profit before tax and zakat RM'000	2019 Impact on equity/ participants' fund* RM'000
Share-holder's	+10%	6,324	4,806	5,015	3,811
	-10%	(6,324)	(4,806)	(5,015)	(3,811)
Family Takaful	+10%	7,185	5,608	6,454	5,037
	-10%	(7,185)	(5,608)	(6,454)	(5,037)
Company	+10%	13,509	10,414	11,469	8,848
	-10%	(13,509)	(10,414)	(11,469)	(8,848)

* Impact on equity is after tax before zakat of 24% for the Shareholder's fund and participants' fund is net of tax of 8% for the Family Takaful 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.

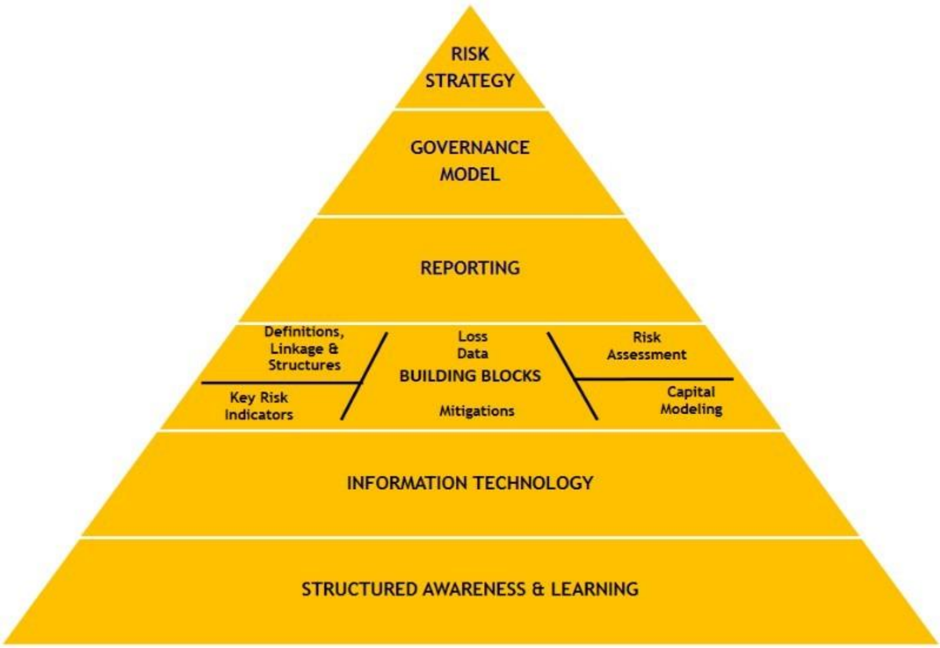
ETIQA FAMILY TAKAFUL BERHAD
199301011506 (266243-D)
(Incorporated in Malaysia)

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 capturing the risks it was designed to capture.

(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.

(xiii) Data Quality Risk

Risk of poor quality data in terms of data integrity, compliance and timeliness, thus rendering the data unreliable and unfit for its intended usage in operations, analytics and reporting needs.

40. OPERATIONAL RISKS (CONTD.)

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.

(i) Regulatory Risk

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

(ii) Reputational Risk

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

(iii) Business & Strategic Risk

Risk of current or prospective impact on earnings, capital, reputation or standing arising from changes in the environment the EIHSB Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.

Risk of failure in directing and managing the business and affairs towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

(iv) Sustainability Risk

The risk of failure in conducting analysis and decision making on environment (the threat of climate change and depletion of resources), social (concerns on diversity, human rights, consumer protection and animal welfare) and corporate governance (concerns on the rights and responsibilities of the management of the company, management structure, documentation) when measuring the sustainability and ethical impact of business exposures.

42. FAIR VALUES MEASUREMENTS

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

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy;
(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.

The levels of the fair value hierarchy as defined by MFRS are an indication of the observability of prices or valuation input. It can be classified by the following hierarchies/levels:

- Level 1 : Active Market – Quoted price

  Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on an exchange.

42. FAIR VALUES MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

- 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.

(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(vii) and Note 2.2(xiii). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Notes 2.2(iv) and Note 2.2(v). The carrying amounts and fair values of investments are disclosed in Note 6 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
2020			
Financial assets at FVTPL			
- Designated upon initial recognition			
Unquoted debt securities in Malaysia	-	1,131,454	1,131,454
- HFT			
Quoted equity securities in Malaysia	57,550	-	57,550
Quoted equity securities outside Malaysia	2,294	-	2,294
Quoted property trust funds in Malaysia	3,395	-	3,395
Investment-linked units	27,617	-	27,617
Financial assets at FVOCI			
Malaysian government papers	-	101,471	101,471
Unquoted debt securities in Malaysia	-	706,554	706,554
Total assets	90,856	1,939,479	2,030,335
2019			
Financial assets at FVTPL			
- Designated upon initial recognition			
Malaysian government papers	-	-	-
Unquoted debt securities in Malaysia	-	1,287,506	1,287,506
- HFT			
Quoted equity securities in Malaysia	49,216	-	49,216
Quoted property trust funds in Malaysia	932	-	932
Investment-linked units	26,060	-	26,060
Financial assets at FVOCI			
Malaysian government papers	-	95,666	95,666
Unquoted debt securities in Malaysia	-	582,619	582,619
Total assets	76,208	1,965,791	2,041,999

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
2020			
Financial assets at FVTPL			
- Designated upon initial recognition			
Malaysian government papers	-	183,323	183,323
Unquoted debt securities in Malaysia	-	5,656,185	5,656,185
- HFT			
Malaysian government papers	-	26,198	26,198
Unquoted debt securities in Malaysia	-	62,209	62,209
Quoted equity securities in Malaysia	424,090	-	424,090
Quoted equity securities outside Malaysia	5,480	-	5,480
Quoted property trust funds in Malaysia	21,681	-	21,681
Financial assets at FVOCI			
Malaysian government papers	-	157,050	157,050
Unquoted debt securities in Malaysia	-	2,868,097	2,868,097
	451,251	8,953,062	9,404,313

42. FAIR VALUES MEASUREMENTS (CONTD.)

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

Family Takaful fund (contd.)

	Valuation techniques using:		
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Total RM'000
2019			
Financial assets at FVTPL			
- 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 property trust funds in Malaysia	7,425	-	7,425
Islamic investment accounts with Licensed financial institutions	-	7,575	7,575
Financial assets at FVOCI			
Malaysian government papers	-	198,995	198,995
Unquoted debt securities in Malaysia	-	3,551,718	3,551,718
	407,509	10,156,453	10,563,962

42. FAIR VALUES MEASUREMENTS (CONTD.)

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

Company

	Valuation techniques using: Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Total RM'000
2020			
Financial assets at FVTPL			
- Designated upon initial recognition			
Malaysian government papers	-	183,323	183,323
Unquoted debt securities in Malaysia	-	6,787,639	6,787,639
- HFT			
Malaysian government papers	-	26,198	26,198
Unquoted debt securities in Malaysia	-	62,209	62,209
Quoted equity securities in Malaysia	481,640	-	481,640
Quoted equity securities outside Malaysia	7,774	-	7,774
Quoted property trust funds in Malaysia	25,076	-	25,076
Financial assets at FVOCI			
Malaysian government papers	-	258,521	258,521
Unquoted debt securities in Malaysia	-	3,574,651	3,574,651
	514,490	10,892,541	11,407,031

42. FAIR VALUES MEASUREMENTS (CONTD.)

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

Company (contd.)

	Valuation techniques using: Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Total RM'000
2019			
Financial assets at FVTPL			
- Designated upon initial recognition			
Malaysian government papers	-	148,481	148,481
Unquoted debt securities in Malaysia	-	7,465,217	7,465,217
- HFT			
Malaysian government papers	-	9,502	9,502
Unquoted debt securities in Malaysia	-	62,471	62,471
Quoted equity securities in Malaysia	449,300	-	449,300
Quoted property trust funds in Malaysia	8,357	-	8,357
Islamic investment accounts with:			
Licensed financial institutions	-	7,575	7,575
Financial assets at FVOCI			
Malaysian government papers	-	294,661	294,661
Unquoted debt securities in Malaysia	-	4,134,337	4,134,337
	457,657	12,122,244	12,579,901

(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 2020 and 31 December 2019.

43. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2020 and 31 December 2019, as prescribed under the RBCT Framework, is provided below:

Company

	2020 RM'000	2019 RM'000
Eligible Tier 1 Capital		
Paid up share capital	100,000	100,000
Valuation surplus in takaful funds	1,912,737	1,858,306
Retained earnings	1,868,311	1,674,880
	3,881,048	3,633,186
Tier 2 Capital		
FVOCI reserve	208,668	274,292
	208,668	274,292
Amount deducted from capital	(5,589)	(6,713)
Total Capital Available	4,084,127	3,900,765

44. COVID-19 IMPACT

The Covid-19 Pandemic and the related economic uncertainty has undoubtedly impacted the Company, which dampened the Companys' business operations as well as investments. The Management and the Board have closely monitored the situation and positioning the Company to preserve and strengthen our business operations, and responded to business uncertainty as well as to support our communities. This is further explained below:

A) Business Operations

The challenges to navigate resources due to limitation of movement restrictions and operations, coupled with the drop in business demand, have affected the Companys' performance in acquiring, maintaining and servicing customers. The Company has undertaken several initiatives to mitigate the Covid-19 impact, by shifting its resources towards digital platform channels in order to further reach and service its customers. This has mitigated the overall pandemic impact on its business operation as well as maintaining business growth in certain business lines.

B) Investment Operations

Overall investment climate was dampened by the continued acceleration of Covid-19 cases globally which dimmed the prospect of fast economic recovery as governments around the world mull stricter measures to contain the pandemic. The low bond yields caused a significant increase in liabilities for Family businesses which outpaced the growth in assets value. The volatility of KLCI has also dampened returns from equity investments, the uncertainty is expected to be challenging in 2021. The Company tactically positioned itself to take investment opportunities to sustain good investment returns. The Company has also preserved its capital by staying high in cash, ensure that Assets Liability Management remains intact, improved regular income stream and reduced volatility through lower equity portfolios.

C) Capital Management

The lower fixed income profit rates have reduced the Companys' solvency level but yet adequate to absorb Covid-19 impact and economic slowdown, particularly on asset quality, impairment, business growth and profit. Bank Negara Malaysia (BNM) has eased the pandemic financial impact by enhancing the risk capture in line with Risk-Based Capital Takaful (RBCT) enhancements by adjustments to the stress factor caps of profit rate risk capital charges, from 40% to 30%, effective from 31 March 2020, and the consideration for to adopt alternative enhanced methodologies for calculating profit rate risk capital charges.

44. COVID-19 IMPACT (CONTD.)

D) Customers and Society

On the measures announced by BNM to assist individuals, small-medium enterprises ("SMEs") and corporates affected by Covid-19, the Company has provided temporary relief of RM5,000 cash payout to the Companys' participants that were diagnosed with Covid-19. Under the moratorium announced by the Government, the affected Family Takaful participants are allowed to have options to defer their regular contribution payments due for three months without affecting their certificate coverage.

In combating the Covid-19 outbreak, the Company has sponsored RM10.5 million to fund the test kits for government hospitals, the preparedness and response plan in combating the virus and the purchase of ventilators to ease the impending shortage faced by designated hospitals.

The management has made assessments of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the the Companys' ability to continue as a going concern. Therefore, the financial statements is continued to be prepared on the going concern basis.

45. COMPARATIVE FIGURES

Certain comparative figures have been restated following reclassification of items in the statement of financial position, to reflect the gross amounts of current tax assets and current tax liabilities as there is no legally enforeable right to offset these balances.

A reconciliation of the affected captions on the statement of financial position as at 1 January 2019 and 31 December 2019 is shown below :

(a) Statement of financial position as at 1 January 2019

	As previously stated at 1 January 2019 RM'000	Reclassification RM'000	As restated at 1 January 2019 RM'000
Shareholder's fund			
Assets			
Current tax assets	34,834	26,811	61,645
Liabilities			
Current tax liabilities	-	26,811	26,811
Company			
Assets			
Current tax assets	56,015	26,811	82,826
Liabilities			
Current tax liabilities	-	26,811	26,811

45. COMPARATIVE FIGURES (CONTD.)

A reconciliation of the affected captions on the statement of financial position as at 1 January 2019 and 31 December 2019 is shown below : (contd.)

(b) Statement of financial position as at 31 December 2019

	As previously stated at 31 December 2019 RM'000	Reclassification RM'000	As restated at 31 December 2019 RM'000
Shareholder's fund			
Assets			
Current tax assets	38,572	22,991	61,563
Liabilities			
Current tax liabilities	-	22,991	22,991
Family Takaful fund			
Assets			
Current tax assets	20,412	4	20,416
Liabilities			
Current tax liabilities	-	4	4
Company			
Assets			
Current tax assets	58,984	22,995	81,979
Liabilities			
Current tax liabilities	-	22,995	22,995