ETIQA GENERAL TAKAFUL BERHAD

201701025031 (1239197-A)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2020

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

CONTENTS

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

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 general takaful 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	226,601

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

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

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2019 was as follows:

	RM'000
In respect of financial year ended 31 December 2019, final dividend of:	
- 12.64 sen per share, single-tier tax exempt dividend on 870,000,000 ordinary shares	109,968

The final dividends were declared on 4 June 2020 and paid on 17 June 2020.

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 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 plan ("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 as such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

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

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. Philippe Pol Arthur Latour (Vice Chairman)
Dato’ Mohamed Rafique Merican bin Mohd Wahiduddin Merican
Dato' Johan bin Ariffin
Mr. Koh Heng Kong
Prof. Dr. Rusni binti Hassan

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

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 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 26 and 34 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INDEMNITY

The Company maintains on a Maybank group basis, a Directors' and Officers' Liability Insurance ("D&O") against any legal liability incurred by a 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

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares		
	As at 1 January 2020	**Issued pursuant to DRP***	**As at 31 December 2020**
Ultimate Holding Company			
Direct Interest:			
Dato’ Mohamed Rafique Merican bin Mohd Wahiduddin Merican	241,144	Nil	241,144
Dato' Johan bin Ariffin	315,187	Nil	315,187

*DRP = Dividend Reinvestment Plan

DIRECTORS' INTERESTS (CONTD.)

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

	Award date	Number of ESGP shares awarded	Vesting year
Dato' Mohamed Rafique Merican bin			
Mohd Wahiduddin Merican	14 December 2018	104,000	2021
	30 September 2019	104,000	2022
	30 September 2020	104,000	2023
		312,000	

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

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

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance as disclosed from pages 8 to 28.

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. and Maybank, companies incorporated in Malaysia, as the penultimate and ultimate holding companies.

OTHER STATUTORY INFORMATION

(a) Before the statement of financial position and income statement of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that 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) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

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

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

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

(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 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.

(g) Before the Statement of Financial Position, Income Statements and Statement of Other Comprehensive Income of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its Takaful liabilities in accordance with the valuation method specified in the Risk-Based Capital Framework for Takaful Operators issued by BNM.

For the purposes 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 that would require disclosure other than as disclosed in Note 42 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.

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

AUDITORS

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

The auditors' remuneration are as disclosed in Note 25 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' MOHAMED RAFIQUE MERICAN BIN MOHD WAHIDUDDIN MERICAN

CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

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

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

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

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

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

(a) Board Composition

As at 31 December 2020, the Board consists of six (6) Directors, comprising of:-

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

The Composition of the Board meets the requirement of having a majority of independent directors and common directors remain in the minority as set out in the BNM CG Policy. Dato' Majid bin Mohamad, an INED, is the Chairman of the Board, while Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican is the only ED on 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.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

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. All Directors attended more than 75% of Board meeting held during the financial year.

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. Philippe Pol Arthur Latour *(Vice Chairman)*	NINED	7/7	100
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	ED	6/7	86
Dato' Johan bin Ariffin	INED	7/7	100
Mr. Koh Heng Kong	INED	7/7	100
Prof. Dr. Rusni binti Hassan	INED[1]	7/7	100

[1] *Appointed as Director w.e.f 7 February 2020.*

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

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 Family 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)*
Mr. Philippe Pol Arthur Latour Non-Independent Non-Executive Director Vice-Chairman 61 years of age Belgian	Banking & Insurance	• Director of Etiqa Life Insurance Berhad • Director of Etiqa General Insurance Berhad *(Ceased as Director w.e.f. 31 January 2020)* • Director of Etiqa Family Takaful Berhad *(Ceased as Director w.e.f. 7 February 2020)*
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican Executive Director 55 years of age Malaysian	Banking	• Director of Etiqa Family Takaful Berhad *(Ceased as Director w.e.f. 31 January 2020)*
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 Family Takaful Berhad • Chairman of Etiqa Insurance Pte Ltd *(Incorporated in Singapore)*
Mr. Koh Heng Kong Independent Non-Executive Director 68 years of age Malaysian	Insurance	• Director of Etiqa General Insurance 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
Prof. Dr. Rusni binti Hassan Independent Non-Executive Director 53 years of age Malaysian	Islamic Finance	Nil

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).

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(c) Board Committees Composition and Roles & Responsibilities

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

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

(v) 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 consulting firm to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board and individual Directors.

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

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

(i) Nomination and Remuneration Committee (contd.)

The NRC plays a major role in the recruitment and selection process of potential candidates, which includes procuring from time to time the curriculum vitae of prospective candidates discreetly to ensure that the Board will always have a steady pool of talent whenever there is a need to appoint new directors, not only to ensure continuity in meeting its long term goals and to ensure that the knowledge, experience and skillset of the Board members would be well suited to meet the demands of the ever-changing landscape of the takaful industry.

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

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

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

Members of 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] *NINED of MAHB.*

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(ii) Audit Committee of the Board

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

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).

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

Members of 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	8/8	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED[3]	8/8	100

[1] *INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of MAHB.*
[2] *NINED of MAHB.*
[3] *INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad. and Etiqa Insurance Pte Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.*

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(iii) Risk Management Committee

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

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 RMC	Designation	Number of RMC Meetings attended	%
Mr. Koh Heng Kong *(Chairman)*	INED	6/6	100
Mr. Gary Lee Crist	NINED[1]	6/6	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED[2]	6/6	100

[1] *NINED of MAHB.*

[2] *INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.*

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(iv) Investment Committee

The Investment Committee ("IC") consists of a majority of EDs 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 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	ED	4/4	100
Mr. Philippe Pol Arthur Latour	NINED	3/4	75

[1] *ED of MAHB*

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(v) Group Shariah Committee

Group Shariah Committee (“Group SC”) consists of six (6) members.

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

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

Members of 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	26/26	100
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 Mohd bin Noor	INED[1]	7/7	100

[1] *INED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB. Appointed as a Group SC member w.e.f. 15 June 2020.*

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

(d) Directors' Training

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

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

(i) Induction Programme

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

(ii) Training Attended

The Board continues to assess the training needs of its Directors and identify key areas of focus for training programmes vide the Annual Board Assessment conducted at the beginning of each financial year.

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

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

Training attended by Directors	DMM[1]	PL[2]	DRM[3]	DJA[4]	KHK[5]	PRH[6]
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: IFRS 9 – Introduction & Impairment		√				
10. Ageas: IFRS 9 – Disclosure & Recap		√				
11. Ageas: IFRS 9 – Classification & Measurement		√				
12. Ageas: IFRS 17 – Introduction, Level of Aggregation, and Building Block Approach		√				
13. Ageas: IFRS 17 – Examples of Building Block Approach		√				
14. Ageas: IFRS 17 – Premium Allocation Approach and Examples		√				
15. Ageas: IFRS 17 – Reinsurance, Reporting Frequency and Transition		√				
16. Ageas: IFRS 17 – Variable Fee Approach		√				
17. Ageas: IFRS 17 – Fulfilment Cash Flow - Contract Boundaries, Expenses and Discount Curve		√				
18. Ageas Management Forum		√				
19. Ageas: Executive Development Journey		√				
20. Ageas Partnership Day		√				
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 Institutions Series: Managing Virtual Banking and Insurance Services	√				√	

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by the Directors during the financial year were as follows: (contd.)

Training attended by Directors	DMM[1]	PL[2]	DRM[3]	DJA[4]	KHK[5]	PRH[6]
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: FIDE Forum – Outthink the Competition, Excelling in A Post Covid-19 World					√	
9. BNM: Dialogue with BNM Governor	√				√	
10. BNM: Shariah Advisory Council Engagement Session with Chairman of Shariah Committee						√
11. Bursa: Shariah Investment Virtual Conference 2020 - The Multi Facets of Shariah Investment and Its Potentials	√					
12. The ICLIF Leadership and Governance Centre: FIDE Core Module A						√
13. The ICLIF Leadership and Governance Centre: FIDE Core Module B						√
14. The ICLIF Leadership and Governance Centre: FIDE Core Module B (Board Simulation)						√
15. International Centre for Education in Islamic Finance: The Impact of Covid-19 on Islamic Banks			√			
16. World Bank: Sustainable and Inclusive Finance Forum			√			
17. Islamic Banking & Finance Institute Malaysia ("IBFIM"): Value-based Intermediation Financing and Investment Impact Assessment Framework Sectorial Guide Town Hall	√					
18. IBFIM: The New Norm for Shariah Assurance – Issues and Challenges						√
19. IBFIM: Introduction to Climate-Related Financial Disclosure – What is Task Force on Climate-Related Financial Disclosures and Its Recommendation						√
20. IBFIM: Mitigating Climate-Risk for Islamic Financial Institutions – Why It Matters						√
21. Ernst &Young PLT: IFRS 17 for Directors – What You Need to Know	√				√	
22. Labuan International Business and Financial Centre ("IBFC"): Financial Centre of the World 2020 - Focus on Labuan IBFC	√					
23. Labuan IBFC: Regulatory Recognition - A sign of maturity digital landscape	√					
24. 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	√					
25. Capital Market Malaysia: Commitment to Advancing Sustainable Finance	√					
26. Hong Leong Islamic Bank ("HLISB"): Shariah Governance Policy Document Training – An Insight to Comprehending Shariah Governance						√
27. HLISB: Corporate Liability Provision under The MACC Act						√

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by the Directors during the financial year were as follows: (contd.)

Training attended by Directors	DMM[1]	PL[2]	DRM[3]	DJA[4]	KHK[5]	PRH[6]
28. International Islamic University Malaysia ("IIUM"): Role of Higher Learning Institutions in Accelerating the Growth of Islamic Finance	√					
29. IIUM: 64th Islamic Banking and Finance Discussion Series: Shariah Governance from Regulator's Perspective						√
30. IIUM: 64th Islamic Banking and Finance Discussion Series: Post Covid-19 New Normal: Excellent Opportunities for Global Islamic Digital Economy						√
31. IIUM: 67th Islamic Banking and Finance Discussion Series: Navigating The Impact of Covid-19 on Islamic Banking – Prudential Priorities and Implications						√
32. IIUM: IIUM Institute of Islamic Banking and Finance Legal Seminar 2020						√
33. IIUM Holdings: Malaysian Anti-Corruption Commission						√
34. Islamic Markets Ltd, London: How Disruption is Shaping the Future of Islamic Banking			√			
35. City & Financial Global, London: City Week 2020 Virtual Conference – The Future of Financial Services in the New Covid-19 World			√			
36. Global Financial Conferences Media Group, London: Bonds, Loans & Sukuk 24 – World's First 24-Hour Virtual Summit for Borrowers, Investors and Bankers			√			
37. Virtual Invest Malaysia: Economic Recovery – Policies & Opportunities			√			
38. Association of Shariah Advisor ("ASAS"): Certificate of Shariah Advisor - Module on Maqasid Shariah						√
39. ASAS: Certificate of Shariah Advisor - Module on Jami' Fiqh						√
40. Finance Accreditation Agency: Micro-Credentials Questions Answered						√
41. Yayasan Wakaf Malaysia: Ke Mana Hala Tuju Wakaf Negara						√
42. Akademi Zakat & Pusat Pungutan Zakat: Seminar Maya Maqasid Syariah dan Tadbir Urus						√
43. Asian School of Business: Leadership Energy Summit Asia 2020 - Navigating Uncertainty with Leadership in Action	√		√			√
44. Securities Commission & Oxford Centre for Islamic Studies: Virtual Roundtable			√			
45. McKinsey: Reimagining the Next Normal for Asian and the World			√			
46. Permodalan Nasional Berhad ("PNB"): How Safe are The Safe Haven Assets in Malaysia	√			√		
47. PNB: Malaysia and ASEAN – Navigating US-China Relations in the 21st Century			√		√	
48. Securities Industry Development Corporation: Sustainable and Responsible Investment Virtual Conference 2020 – The Strategic Value of Sustainability			√			
49. KL Business Club Dialogue Session: Post Covid-19 – Repurposing Corporate Malaysia to More Attractive to Environmental, Social and Governance Investors			√			

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by the Directors during the financial year were as follows: (contd.)

Training attended by Directors	DMM[1]	PL[2]	DRM[3]	DJA[4]	KHK[5]	PRH[6]
50. Business for Social Responsibility ("BSR"), San Francisco: Environmental, Social and Governance Policy Workshop			√			
51. BSR, San Francisco: BSR Sustainability Workshop – Strategic Opportunities (Responsible Transitions)			√			
52. BSR, San Francisco: BSR Sustainability Workshop – Climate Change			√			
53. BSR, San Francisco: BSR Sustainability Workshop – Human Rights			√			
54. BSR, San Francisco: BSR Sustainability Workshop – Ambition Setting			√			
55. Mitraland Group: Malaysian Anti-Corruption Commission Awareness Training				√		

1 DMM - Dato' Majid bin Mohamad
2 PL - Mr.Philippe Pol Arthur Latour
3 DRM - Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican
4 DJA - Dato' Johan bin Ariffin
5 KHK - Mr Koh Heng Kong
6 PRH - Prof. Dr. Rusni binti Hassan

(3) INTERNAL CONTROL FRAMEWORK

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

(4) REMUNERATION - QUALITATIVE DISCLOSURES

(a) Board Performance

In line with good corporate governance, the Board via the NRC has set out its intention to periodically review the Non-Executive Directors ("NED") remuneration as per Maybank's 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 NEDs 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 Note 26 and 25 (b) to the 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	<u>Variable Bonus</u> - 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 <u>Long-term Incentive Award</u> 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. <u>Clawback Provision</u> 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.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Long-term Incentive Award – Employees' Share Grant Plan

Maybank in December 2018, rolled out a new scheme under the Long-Term Incentive Award i.e. Employees' Shares Grant 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; and
- 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.

(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.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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:

Company

Remuneration	Unrestricted		Deferred		
Fixed Remuneration	No. of pax	RM'000	No. of pax		RM
Material Risk Taker ("Senior Officers")					
Cash-based	11	3,068	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.

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

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

We, Dato' Majid bin Mohamad and Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican, being two of the directors of Etiqa General Takaful Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 36 to 189 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 ended 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' MOHAMED RAFIQUE MERICAN BIN MOHD WAHIDUDDIN MERICAN

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

I, Chow Wai Sum, being the Officer primarily responsible for the financial management of Etiqa General Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 36 to 189 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,

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

Commissioner for Oaths

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE

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

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

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated the rules and principles of Shariah.

In our opinion:

1. the relevant contracts, transactions and dealings entered into by the Company during the financial year ended 31 December 2020 that we have reviewed are in compliance with the Shariah principles;

2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

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

4. there is 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 is in compliance with the principles of Shariah.

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE (CONTD.)

This opinion is rendered based on what has been presented to us by the management of the Company and its Shariah Management. All in all, we, the members of the Shariah Committee of Etiqa General 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.

ASSOC. PROF.
DR. AZNAN BIN HASAN

PROF. DATO'
DR. MOHD AZMI BIN OMAR

Kuala Lumpur, Malaysia
23 February 2021

EY
Building a better working world

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

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

Independent auditors' report to the member of
Etiqa General Takaful Berhad
201701025031 (1239197-A)
(Incorporated in Malaysia)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiqa General Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 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 36 to 189.

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 cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

**Independent auditors' report to the member of
Etiqa General Takaful Berhad (contd.)
201701025031 (1239197-A)
(Incorporated in Malaysia)**

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Independent auditors' report to the member of
Etiqa General Takaful Berhad (contd.)
201701025031 (1239197-A)
(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.

Building a better working world

Independent auditors' report to the member of Etiqa General Takaful Berhad (contd.)
201701025031 (1239197-A)
(Incorporated in Malaysia)

Other Matters

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

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

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

Kuala Lumpur, Malaysia
23 February 2021

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(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	General Takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000 (Restated) (Note 2.3)	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000 (Restated) (Note 2.3)
ASSETS										
Property, plant and equipment	3	78	-	78	-	-	-	-	-	-
Intangible assets	4	766	-	766	1,012	-	1,012	1,170	-	1,170
Investments	5	1,448,721	2,228,791	3,677,512	1,355,556	2,003,790	3,359,346	1,123,749	1,697,218	2,820,967
Financing receivables	6	-	-	-	252	-	252	-	-	-
Retakaful assets	7	-	312,191	312,191	-	239,075	239,075	-	232,173	232,173
Takaful receivables	8	-	89,001	89,001	-	83,063	83,063	-	96,596	96,596
Other assets	9	143,707	17,524	44,529	98,144	21,859	36,699	99,284	19,569	32,350
Deferred tax assets	15	-	-	-	-	-	-	-	6,983	6,064
Current tax assets		-	3,883	3,883	-	3,883	3,883	-	3,883	3,883
Cash and bank balances		2,559	37,779	40,338	11,578	33,260	44,838	18,115	62,114	80,229
Total assets		1,595,831	2,689,169	4,168,298	1,466,542	2,384,930	3,768,168	1,242,318	2,118,536	3,273,432
EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS										
Equity										
Share capital	10	870,000	-	870,000	870,000	-	870,000	870,000	-	870,000
Reserves	11	467,343	-	468,156	356,406	-	357,199	158,386	-	159,020
Total equity		1,337,343	-	1,338,156	1,226,406	-	1,227,199	1,028,386	-	1,029,020
Liabilities and Participants' Funds										
Participants' funds	12	-	232,337	232,337	-	222,517	222,517	-	163,845	163,845
Takaful certificate liabilities	13	-	1,905,070	1,905,070	-	1,706,694	1,706,694	-	1,503,563	1,503,563
Expense liabilities	14	139,797	-	139,797	148,713	-	148,713	127,590	-	127,590
Deferred tax liabilities	15	12,776	8,629	21,661	14,115	8,412	22,777	919	-	-
Takaful payables	16	-	145,538	145,538	-	114,642	114,642	-	102,027	102,027
Other liabilities	17	81,534	397,595	361,358	59,051	332,665	307,369	52,100	349,101	314,064
Current tax liabilities		24,381	-	24,381	18,257	-	18,257	33,323	-	33,323
Total liabilities and participants' funds		258,488	2,689,169	2,830,142	240,136	2,384,930	2,540,969	213,932	2,118,536	2,244,412
Total equity, liabilities and participants' funds		1,595,831	2,689,169	4,168,298	1,466,542	2,384,930	3,768,168	1,242,318	2,118,536	3,273,432

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 Shareholder's fund RM'000	2020 General Takaful fund RM'000	2020 Company RM'000	2019 Shareholder's fund RM'000	2019 General Takaful fund RM'000	2019 Company RM'000 (Restated)
Operating revenue	18	548,290	1,642,506	1,693,430	568,404	1,684,131	1,738,400
Gross earned contributions		-	1,604,993	1,604,993	-	1,513,789	1,513,789
Earned contributions ceded to retakaful		-	(165,811)	(165,811)	-	(133,445)	(133,445)
Net earned contributions	19	-	1,439,182	1,439,182	-	1,380,344	1,380,344
Fee and commission income	20	497,366	9,076	9,076	514,135	7,458	7,458
Investment income	21	50,924	72,789	123,713	54,269	79,338	133,607
Realised gains	22	29,910	33,946	63,856	7,096	6,254	13,350
Fair value gains	23	2,838	2,473	5,311	521	2,613	3,134
Other operating income/(expenses), net	24	3,012	3,311	6,349	301	(2,434)	(1,724)
Other revenue		584,050	121,595	208,305	576,322	93,229	155,825
Gross claims paid		-	(751,735)	(751,735)	-	(789,424)	(789,424)
Claims ceded to retakaful		-	25,745	25,745	-	22,013	22,013
Gross change in certificate liabilities		-	(233,652)	(330,284)	-	(112,127)	(166,856)
Change in certificate liabilities ceded to retakaful		-	75,965	75,965	-	19,837	19,837
Net claims incurred		-	(883,677)	(980,309)	-	(859,701)	(914,430)
Management expenses	25	(217,712)	-	(217,712)	(234,099)	-	(234,099)
Change in expense liabilities		8,916	-	8,916	(21,123)	-	(21,123)
Fee and commission expenses	28	(142,208)	(497,557)	(142,399)	(149,344)	(514,345)	(149,554)
Tax borne by participants	29	-	(2,117)	(2,117)	-	(11)	(11)
Other expenses		(351,004)	(499,674)	(353,312)	(404,566)	(514,356)	(404,787)
Operating profit before surplus transfers		233,046	177,426	313,866	171,756	99,516	216,952
Surplus transferred to participants' funds		-	(96,632)	-	-	(54,729)	-
Surplus attributable to shareholder		80,794	(80,794)	-	44,787	(44,787)	-
Profit before taxation		313,840	-	313,866	216,543	-	216,952
Taxation	29	(76,419)	-	(76,425)	(58,055)	-	(58,305)
Zakat		(10,840)	-	(10,840)	(2,952)	-	(2,952)
Net profit for the financial year		226,581	-	226,601	155,536	-	155,695
Basic and diluted earnings per share (sen):	30			26.05			17.90

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

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

		2020			2019		
	Note	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000 (Restated)
Net profit for the financial year		226,581	-	226,601	155,536	-	155,695
Other comprehensive income:							
Items that may be subsequently reclassified to income statement:							
Net gains on financial assets at Fair Value through Other Comprehensive Income ("FVOCI"):							
- Fair value changes		30,702	27,151	57,853	63,762	70,999	134,761
- Transfer to profit or loss upon disposal	22	(38,170)	(35,068)	(73,238)	(7,862)	(6,900)	(14,762)
Other comprehensive income/(loss) attributable to participants		-	6,017	6,017	-	(48,715)	(48,715)
Tax effects relating to components of other comprehensive income	15	1,792	1,900	3,692	(13,416)	(15,384)	(28,800)
Other comprehensive (loss)/income for the financial year, net of tax		(5,676)	-	(5,676)	42,484	-	42,484
Total comprehensive income for the financial year		220,905	-	220,925	198,020	-	198,179

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(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 1.1.2020 (as previously stated)		870,000	47,714	308,692	1,226,406
Effect of prior year adjustment	2.3	-	-	793	793
At 1.1.2020 (as restated)		870,000	47,714	309,485	1,227,199
Net profit for the financial year		-	-	226,601	226,601
Other comprehensive loss for the financial year		-	(5,676)	-	(5,676)
Total comprehensive (loss)/income for the financial year		-	(5,676)	226,601	220,925
Dividend on ordinary shares	31	-	-	(109,968)	(109,968)
At 31.12.2020		870,000	42,038	426,118	1,338,156

		Attributable to Equity Holder of the Company			
			Non-Distributable	Distributable	
		Share Capital RM'000	FVOCI Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1.1.2019 (as previously stated)		870,000	5,230	153,156	1,028,386
Effect of prior year adjustment	2.3	-	-	634	634
At 1.1.2019 (as restated)		870,000	5,230	153,790	1,029,020
Net profit for the financial year		-	-	155,695	155,695
Other comprehensive income for the financial year		-	42,484	-	- 42,484
Total comprehensive income for the financial year		-	42,484	155,695	198,179
At 31.12.2019 (as restated)		870,000	47,714	309,485	1,227,199

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(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 FLOW FROM OPERATING ACTIVITIES			
Profit before taxation and zakat:		313,866	216,952
Adjustments for:			
Depreciation of property, plant and equipment	25	2	-
Amortisation of intangible assets	25	246	242
Fair value gains on financial assets at fair value through profit or loss ("FVTPL")	23	(5,311)	(3,134)
Realised gains on disposal of investments	22	(63,856)	(13,350)
Realised losses on foreign exchange	24	70	-
Unrealised losses on foreign exchange	24	8	-
Reversal of impairment losses on investments	24	(141)	(159)
Reversal of impairment losses on financing receivables	24	(3,331)	-
Allowance for impairment losses on takaful receivables	24	353	3,300
Allowance for impairment losses on other assets	24	36	362
(Reversal of)/allowance for impairment losses on retakaful assets	24	(458)	716
Profit income	21	(124,326)	(135,235)
Dividend income	21	(1,935)	(1,096)
Net amortisation of premiums	21	1,818	2,134
Tax borne by participants	29	2,117	11
Surplus transferred to participants' fund	12	96,632	54,729
Operating cash flows before working capital changes		215,790	125,472
Changes in working capital:			
(Increase)/decrease in takaful receivables		(6,291)	10,233
(Increase)/decrease in other assets		(14,103)	4,306
Increase in takaful payables		30,896	12,615
Increase/(decrease) in other liabilities		48,123	(5,383)
(Decrease)/increase in expense liabilities		(8,916)	21,123
Decrease/(increase) in financing receivables		3,583	(252)
Operating cash flows after working capital changes, carried forward		269,082	168,114

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(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 FLOW FROM OPERATING ACTIVITIES (CONTD.)			
Brought forward		269,082	168,114
Changes in working capital:			
Decrease in placements of deposits with financial institutions		(963,481)	(94,750)
Increase in retakaful assets		(72,658)	(7,618)
Increase in takaful certificate liabilities		198,376	203,131
Operating cash flows after working capital changes		(568,681)	268,877
Profit income received		130,656	126,152
Gross dividend income received		1,843	1,162
Zakat paid		(4,977)	(4,264)
Taxation paid		(69,843)	(73,341)
Surplus paid to participants	12	(80,795)	(44,772)
Net cash flows generated from/(used in) operating activities	32	(591,797)	273,814
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		2,865,301	1,466,936
Purchase of investments		(2,167,956)	(1,776,057)
Purchase of intangible assets	4	-	(84)
Purchase of property, plant and equipment	3	(80)	-
Net cash flows generated from/(used in) investing activities	32	697,265	(309,205)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid, representing net cash flow used in financing activities	31,32	(109,968)	-
Decrease in cash and cash equivalents	32	(4,500)	(35,391)
Cash and cash equivalents beginning of financial year		44,838	80,229
Cash and cash equivalents at end of financial year	32	40,338	44,838
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		2,559	11,578
General Takaful fund		37,779	33,260
		40,338	44,838

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

1. CORPORATE INFORMATION

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

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

The principal activity of the Company is the management of General Takaful business.

There were no significant changes in the nature of the principal activity 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 has adopted those MFRSs and amendments to MFRSs effective for the annual periods beginning on or after 1 January 2020 as disclosed in Note 2.4.

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

2. 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 the Takaful fund are uniform for 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 license to manage takaful business is withdrawn or surrendered.

Takaful operations and its funds

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

In accordance with the Islamic Financial Services Act 2013 ("IFSA"), the assets and liabilities of the Takaful fund is 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 is 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 and IFRS 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:

(i) 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 amount of the general takaful certificate liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 36 of the financial statements.

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

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

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

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

Furniture, fittings, office equipment and renovations	20% - 25%
Computer and peripherals	14% - 25%

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Intangible assets

Intangible assets include 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 or 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.

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

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.)

(iii) Leases

(a) Classification

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Leases

(b) Recognition and initial measurement (contd.)

(i) Right-Of-Use Assets ("ROU")

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

(ii) Lease liabilities (contd.)

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

(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 a renewable clause options and purchase options.

(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 or loss on a straight-line basis over the lease term.

(iii) Leases with variable lease payments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Leases (contd.)

(b) Recognition and initial measurement (contd.)

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

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

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

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

The Company have 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 reassess 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).

(iv) Financial assets

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

Transaction costs for financial assets carried at fair value through profit or loss are recognised as expense in the income statement.

(a) Initial recognition and subsequent measurement

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

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

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

- the contractual cash flow characteristics of the financial asset.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

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

(i) Business model assessment (contd.)

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's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(a) Initial recognition 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 applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

(b) 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, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(b) Classification of financial assets (contd.)

(ii) Financial assets at FVOCI

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

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

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Exchange differences, profit and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Other net 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 interest.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Financial assets (contd.)

(c) Derecognition

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

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

(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 referencing to indicative bid prices obtained from Bondweb and Malaysia Retail Bond Portal provided by the Bond Pricing Agency Malaysia ("BPAM"). In the 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 the respective issuers. The market value of Negotiable Islamic Certificates of Deposit ("NICD") are determined by reference to BNM's Interest Rate Swap.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

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

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

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

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

(vi) Impairment

(a) Financial assets

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

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

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

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

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

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

3 Stage apparoach	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 profit income	Gross carrying amount	Gross carrying amount	Net carrying amount

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

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

Financing receivables

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.

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 are to be applied on the outstanding balance of the aging bucket which forms the base of the roll rate. Forward looking information has been included in the calculation of ECL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment (contd.)

(a) Financial assets (contd.)

<u>Financial assets at FVOCI and AC</u>

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

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

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

(b) Non-financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Impairment (contd.)

(b) Non-financial assets (contd.)

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

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

(vii) Retakaful assets

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

Retakaful arrangements, entered into by the Company, that meet the classification requirements of takaful certificates as described in Note 2.2 (xii) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

Retakaful assets represents amounts recoverable from retakaful operators for takaful contract 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 contract and the terms of the relevant retakaful arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Retakaful assets (contd.)

At each reporting date, or more frequently, the Company 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 expired 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 for takaful receivables is described in Note 2.2(vi).

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

(ix) Cash and cash equivalents

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

(x) Equity instruments

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

(xi) Product classification

The Company, as the operator of the participants' fund, issue certificates that contain takaful risk.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xi) Product classification (contd.)

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 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.

Once a certificate has been classified as a takaful certificate, it remains a takaful certificate for the reminder of its life-time, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

(xii) Takaful certificate liabilities

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

(a) Claim liabilities

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

Provision for claims reported are recognised upon notification by participants or claimants.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xii) Takaful certificate liabilities (contd.)

(b) Contribution liabilities

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

In accordance with the valuation requirements of the RBCT Framework, contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") for all lines of business or the best estimate value of the unearned risk reserves ("URR") at the end of the financial year and a PRAD as prescribed by

- **UCR**

UCR represents the portion of the contributions of takaful certificates written, net of the related retakaful contributions ceded to qualified operators, that relate to the unexpired periods of the certificates at the end of financial year.

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

- 25% method for marine cargo and aviation cargo, and transit business; and

- all other classes of general business, using time-apportionment basis over the period of the risks, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding contributions, not exceeding limits specified by BNM as follows:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xii) Takaful certificate liabilities (contd.)

(b) Contribution liabilities (contd.)

- **UCR (contd.)**

<u>Wakalah</u>

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

- **URR**

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

(xiii) Financial liabilities

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiii) Financial liabilities (contd.)

The Company's other financial liabilities include other payables and subordinated obligation. 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.

(xiv) Expense liabilities

The expense liabilities of the Shareholder's fund consist of expense liabilities of the General Takaful fund which are based on estimations performed by the Appointed Actuary. The expense liabilities are released over the term of the takaful certificates and recognised in profit or loss.

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

(i) Provision for unearned wakalah fees

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiv) Expense liabilities (contd.)

(ii) Unexpired expense reserves

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

(xv) Measurement and impairment of Qard

In the event where the assets of the Takaful fund is 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 loan. The Qard shall be repaid from future surpluses of the Takaful fund. In the Shareholder's fund, the Qard is stated at cost less impairment losses, if any, whereas in the Takaful fund, the Qard is stated at cost.

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

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

(xvi) Takaful payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(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 profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(xviii) Contribution income

Contributions represent consideration paid for takaful certificates, and is accounted for as follows:

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

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

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

- Outward retakaful contributions are recognised in the same financial year as the original certificates to which the retakaful relates.

(xix) Claims expenses

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xx) Commission expenses and acquisition costs

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

Mudharabah principle

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

Wakalah principle

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxi) Other revenue recognition (contd.)

Revenue from contracts with customers (contd.)

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

Other revenue

(a) Profit income

Profit income is recognised using the effective profit/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 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) Wakalah fees

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

(e) Fee and commission income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxi) Other revenue recognition (contd.)

Other revenue (contd.)

(e) Fee and commission income (contd.)

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

(xxii) Employee benefits

(a) Short-term benefits

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

(b) Other long-term employee benefits

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) Employee benefits (contd.)

(c) Defined contribution plans

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

(d) Share-based compensation

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) Employee benefits (contd.)

(d) Share-based compensation (contd.)

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

The total fair value of CESGP Shares granted to eligible employees is recognised as an employee cost, with a corresponding increase in Maybank's liability over the vesting period and taking into account the probability that the CESGP will vest. The fair value of 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

(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 are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxiii) Foreign currencies (contd.)

(b) Foreign currency transactions (contd.)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(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%.

(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.

When the Company expects some or all of a provision to be reimbursed, for example, under insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

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 or 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 or 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 do not recognise contingent assets but disclose its existence when inflows of economic benefits are probable but not virtually certain.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxvii) Contingent assets and contingent liabilities (contd.)

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 manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or a 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 eliminated at the Company level. Income and expenses directly associated with each business segment are included in determining business segment performance.

The Company disclosed its segment information on the face of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Prior year adjustment

During the current financial year, the Company adjusted the balances relating to wakalah fees receivable, allowance for impairment losses on wakalah fees receivable, wakalah fees payable and thereon, the effects on retained earnings as at 31 December 2019 and opening 1 January 2019.

In preparing the Company-level financial statements, the balances and transactions of the Shareholder's fund are amalgamated and combined with those of Takaful fund. Interfund balances such as wakalah fees receivable, including impairment losses on wakalah fees receivable and wakalah fees payable should be eliminated in full during the amalgamation. However, this elimination was inadvertently omitted during the amalgamation process in prior years, resulting in misstatements of the Company-level results and financial position for the years ended 31 December 2019 and as at 1 January 2019.

The Company-level comparative figures have been restated to conform with current year's presentation in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* The effects of the adjustment on the assets, liabilities and equity on the statement of financial position of the Company as at 1 January 2019 and 31 December 2019 and on the components of income statement for the financial year ended 31 December 2019 is presented below:

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

	As previously stated as at 1 January 2019 RM'000	Effects of Adjustments RM'000	As restated as at 1 January 2019 RM'000
Company			
Asset			
Other assets	53,137	(20,787)	32,350
Equity			
Reserves - retained profits	158,386	634	159,020
Liabilities			
Other liabilities	335,485	(21,421)	314,064

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Prior year adjustment (contd.)

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

	As previously stated as at 31 December 2019 RM'000	Effects of Adjustments RM'000	As restated as at 31 December 2019 RM'000
Company			
Asset			
Other assets	63,187	(26,488)	36,699
Equity			
Reserves - retained profits	356,406	793	357,199
Liabilities			
Other liabilities	334,900	(27,531)	307,369
Deferred tax liabilities	22,527	250	22,777

(c) Income statement for the financial year ended 31 December 2019

	As previously stated as at 31 December 2019 RM'000	Effects of Adjustments RM'000	As restated as at 31 December 2019 RM'000
Company			
Other operating expenses, net	(2,133)	409	(1,724)
Profit before taxation	216,543	409	216,952
Taxation	(58,055)	(250)	(58,305)
Net profit for the financial year	155,536	159	155,695

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 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) Amendment to MFRS 9, MFRS 139 and MFRS 7 - *Interest Rate Benchmark Reform*
(iv) MFRS 16 Leases (Amendment to MFRS 16): Covid-19- *Related Rent Concessions*

The adoption of the above amendments to MFRSs did not have any financial impacts to the Company's financial statements.

2.5 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**
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
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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

Description (contd.)	**Effective for annual periods beginning on or after (contd.)**
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;
- 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 income statement, but are recognised directly on the balance sheet;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 17 *Insurance Contracts (contd.)*

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: (contd.)

- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and

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

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 application 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.

(ii) <u>Fair value approach</u>

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

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

The Company 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

	Computers and peripherals RM'000
31.12.2020	
Cost	
At 1.1.2020	-
Additions	80
At 31.12.2020	80
Accumulated depreciation	
At 1.1.2020	-
Depreciation charge for the financial year (Note 25)	2
At 31.12.2020	2
Net Book Value at 31.12.2020	78
Net Book Value at 31.12.2019	-

General Takaful fund

	Furniture, fittings, office equipment and renovations RM'000
31.12.2020	
Cost	
At 1.1.2020/At 31.12.2020	23
Accumulated depreciation	
At 1.1.2020/At 31.12.2020	23
Net Book Value at 31.12.2020	-
31.12.2019	
Cost	
At 1.1.2019/At 31.12.2019	23
Accumulated depreciation	
At 1.1.2019/At 31.12.2019	23
Net Book Value at 31.12.2019	-

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company

	Computers and peripherals RM'000	Furniture, fittings, office equipment and renovations RM'000	Totals RM'000
31.12.2020			
Cost			
At 1.1.2020	-	23	23
Additions	80	-	80
At 31.12.2020	80	23	103
Accumulated depreciation			
At 1.1.2020	-	23	23
Depreciation charge for the financial year (Note 25)	2	-	2
At 31.12.2020	2	23	25
Net Book Value at 31.12.2020	78	-	78

	Furniture, fittings, office equipment and renovations RM'000	Totals RM'000
31.12.2019		
Cost		
At 1.1.2019/At 31.12.2019	23	23
Accumulated depreciation		
At 1.1.2019/At 31.12.2019	23	23
Net Book Value at 31.12.2019	-	-

4. INTANGIBLE ASSETS

Shareholder's fund/Company

	Computer software and licences RM'000
31.12.2020	
Cost	
At 1.1.2020	3,318
Write-off	(28)
At 31.12.2020	3,290
Accumulated amortisation	
At 1.1.2020	2,306
Amortisation charge for the financial year (Note 25)	246
Write-off	(28)
At 31.12.2020	2,524
Net Book Value at 31.12.2020	766
31.12.2019	
Cost	
At 1.1.2019	3,234
Additions	84
At 31.12.2019	3,318
Accumulated amortisation	
At 1.1.2019	2,064
Amortisation charge for the financial year (Note 25)	242
At 31.12.2019	2,306
Net Book Value at 31.12.2019	1,012

5. INVESTMENTS

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2020			
Malaysian government papers	122,256	78,482	200,738
Debt securities	923,415	1,154,840	2,078,255
Equity securities	30,111	27,045	57,156
Property trust funds	1,725	1,144	2,869
Deposits with financial institutions	371,214	967,280	1,338,494
	1,448,721	2,228,791	3,677,512
31.12.2019			
Malaysian government papers	64,166	214,215	278,381
Debt securities	1,145,430	1,514,892	2,660,322
Equity securities	23,428	20,698	44,126
Property trust funds	660	844	1,504
Deposits with financial institutions	121,872	253,141	375,013
	1,355,556	2,003,790	3,359,346

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

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2020			
Fair value through profit or loss ("FVTPL")			
- Designated upon initial recognition	-	20,157	20,157
- Held for trading ("HFT")	31,836	28,189	60,025
Fair value through other comprehensive income ("FVOCI")	1,045,671	1,213,165	2,258,836
Amortised cost ("AC")	371,214	967,280	1,338,494
	1,448,721	2,228,791	3,677,512
31.12.2019			
Fair value through profit or loss ("FVTPL")			
- Designated upon initial recognition	-	25,374	25,374
- Held for trading ("HFT")	24,088	21,542	45,630
Fair value through other comprehensive income ("FVOCI")	1,209,596	1,703,733	2,913,329
Amortised cost ("AC")	121,872	253,141	375,013
	1,355,556	2,003,790	3,359,346

5. INVESTMENTS (CONTD.)

The following investments will mature after 12 months:

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2020			
FVTPL			
- Designated upon initial recognition	-	20,157	20,157
FVOCI	954,587	1,076,883	2,031,470
	954,587	1,097,040	2,051,627
31.12.2019			
FVTPL			
- Designated upon initial recognition	-	25,374	25,374
FVOCI	1,204,581	1,568,997	2,773,578
	1,204,581	1,594,371	2,798,952

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
(i) FVTPL			
- Designated upon initial recognition			
31.12.2020			
At fair value:			
Debt securities:			
Unquoted in Malaysia	-	20,157	20,157
Total financial assets designated as FVTPL upon initial recognition	-	20,157	20,157
31.12.2019			
At fair value:			
Debt securities:			
Unquoted in Malaysia	-	25,374	25,374
Total financial assets designated as FVTPL upon initial recognition	-	25,374	25,374

5. INVESTMENTS (CONTD.)

(i) FVTPL (CONTD.)

- HFT

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2020			
At fair value:			
Equity securities:			
Quoted in Malaysia	28,790	24,768	53,558
Quoted outside Malaysia	1,321	2,277	3,598
Property trust funds:			
Quoted in Malaysia	1,725	1,144	2,869
Total HFT financial assets	31,836	28,189	60,025
31.12.2019			
At fair value:			
Equity securities:			
Quoted in Malaysia	23,428	20,698	44,126
Property trust funds:			
Quoted in Malaysia	660	844	1,504
Total HFT financial assets	24,088	21,542	45,630

(ii) FVOCI

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2020			
At fair value:			
Malaysian government papers	122,256	78,482	200,738
Debt securities:			
Unquoted in Malaysia	923,415	1,134,683	2,058,098
Total FVOCI financial assets	1,045,671	1,213,165	2,258,836
31.12.2019			
At fair value:			
Malaysian government papers	64,166	214,215	278,381
Debt securities:			
Unquoted in Malaysia	1,145,430	1,489,518	2,634,948
Total FVOCI financial assets	1,209,596	1,703,733	2,913,329

5. INVESTMENTS (CONTD.)

(iii) AC

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2020			
At cost			
Islamic investment accounts with:			
Licensed financial institutions	347,732	886,731	1,234,463
Others	23,482	80,549	104,031
Total AC financial assets	371,214	967,280	1,338,494
31.12.2019			
At cost			
Islamic investment accounts with:			
Licensed financial institutions	83,547	197,263	280,810
Others	38,325	55,878	94,203
Total AC financial assets	121,872	253,141	375,013

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

Fair Value of Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 40 (c) to the financial statements.

6. FINANCING RECEIVABLES

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2019			
Corporate financing	-	3,331	3,331
Staff financing	252	-	252
Allowance for impairment losses (Note 37 (i))	-	(3,331)	(3,331)
	252	-	252
Receivable after 12 months	193	-	193

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 profit rate during the financial year was 9.30%. (2019 : 9.30%)

7. RETAKAFUL ASSETS

General Takaful fund/Company

	31.12.2020 RM'000	31.12.2019 RM'000
Retakaful operators' share of:		
Claims liabilities (Note 13 (i))	283,809	207,844
Contribution liabilities (Note 13 (ii))	28,640	31,947
	312,449	239,791
Allowance for impairment losses	(258)	(716)
	312,191	239,075

8. TAKAFUL RECEIVABLES

General Takaful fund/Company

	31.12.2020 RM'000	31.12.2019 RM'000
Due contributions including agents/ brokers, cedants and co-takaful balances	93,153	85,423
Due from retakaful operators	5,964	7,403
	99,117	92,826
Allowance for impairment losses (Note 37 (i))	(10,116)	(9,763)
	89,001	83,063

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

	Gross carrying amount RM'000	Gross amounts offset in the Statement of Financial Position RM'000 (Note 16)	Net amounts in the Statement of Financial Position RM'000
General Takaful fund/Company			
31.12.2020			
Due contributions including agents/ brokers, cedants and co-takaful balances	105,233	(12,080)	93,153
Due from retakaful operators	6,241	(277)	5,964
	111,474	(12,357)	99,117
31.12.2019			
Due contributions including agents/ brokers, cedants and co-takaful balances	99,588	(14,165)	85,423
Due from retakaful operators	7,467	(64)	7,403
	107,055	(14,229)	92,826

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

9. OTHER ASSETS

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2020			
Amount due from related companies (Note 34 (b)):			
- Immediate holding company	330	-	330
- Other related companies	14,177	-	14,177
Sundry receivables, deposits and prepayments	1,283	125	1,408
Allowance for impairment losses (Note 37 (i))	(372)	-	(372)
	911	125	1,036
Wakalah fees receivable**	27,823	-	-
Allowance for impairment losses (Note 37 (i))	(1,069)	-	-
	26,754	-	-
Income and profit due and accrued	11,375	17,066	28,441
Amount due from General Takaful fund*	89,948	-	-
Amount due from stockbrokers	212	333	545
	143,707	17,524	44,529
31.12.2019 (Restated)			
Sundry receivables, deposits and prepayments	2,340	6	2,346
Allowance for impairment losses (Note 37 (i))	(362)	-	(362)
	1,978	6	1,984
Wakalah fees receivable**	27,531	-	-
Allowance for impairment losses (Note 37 (i))	(1,043)	-	-
	26,488	-	-
Income and profit due and accrued	12,826	21,853	34,679
Amount due from General Takaful fund*	56,816	-	-
Amount due from stockbrokers	36	-	36
	98,144	21,859	36,699

9. OTHER ASSETS (CONTD.)

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
1.1.2019 (Restated)			
Sundry receivables, deposits and prepayments	3,472	153	3,625
Allowance for impairment losses (Note 37 (i))	-	-	-
	3,472	153	3,625
Wakalah fees receivable**	21,421	-	-
Allowance for impairment losses (Note 37 (i))	(634)	-	-
	20,787	-	-
Income and profit due and accrued	8,590	17,072	25,662
Amount due from General Takaful fund*	65,716	-	-
Amount due from stockbrokers	719	2,344	3,063
	99,284	19,569	32,350

* The amount due from the General Takaful fund is non-trade in nature, unsecured, not subject to any profit elements is repayable in the short term.

** Wakalah fees receivable is due from General Takaful fund and were eliminated to arrive at the Company-level balances. These balances are trade in nature, unsecured, not subject to any profit elements and is repayable in accordance with the terms of the takaful contracts.

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

10. SHARE CAPITAL

	No. of shares Units '000	Amount RM'000
Shareholder's fund/Company		
31.12.2020		
Issued and fully paid:		
Ordinary shares		
At 1.1.2020/At 31.12.2020	870,000	870,000
31.12.2019		
Issued and fully paid:		
Ordinary shares		
At 1.1.2019/At 31.12.2019	870,000	870,000

11. RESERVES

	Note	31.12.2020 RM'000	31.12.2019 RM'000	1.1.2019 RM'000
Shareholder's fund				
Non-distributable:				
FVOCI reserve	(i)	42,038	47,714	5,230
Distributable:				
Retained profits	(ii)	425,305	308,692	153,156
		467,343	356,406	158,386

	Note	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)
Company				
Non-distributable:				
FVOCI reserve	(i)	42,038	47,714	5,230
Distributable:				
Retained profits	(ii)	426,118	309,485	153,790
		468,156	357,199	159,020

(i) The FVOCI reserves of the Company arose from changes in the fair values of the investment assets of the Shareholder's fund.

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

12. PARTICIPANTS' FUND

	31.12.2020 RM'000	31.12.2019 RM'000
General Takaful fund/Company		
Accumulated surplus (Note (i))	197,961	182,124
FVOCI reserve (Note (ii))	34,376	40,393
	232,337	222,517
(i) Accumulated surplus		
At 1.1.2020/At 1.1.2019	182,124	172,167
Surplus arising during the financial year	96,632	54,729
Surplus paid to participants during the financial year	(80,795)	(44,772)
At 31.12.2020/At 31.12.2019	197,961	182,124
(ii) FVOCI reserve		
At 1.1.2020/At 1.1.2019	40,393	(8,322)
Fair value changes	27,151	70,999
Realised gain transferred to income statement (Note 22)	(35,068)	(6,900)
Deferred tax on fair value changes (Note 15)	1,900	(15,384)
At 31.12.2020/At 31.12.2019	34,376	40,393

13. TAKAFUL CERTIFICATE LIABILITIES

General Takaful fund/Company

	31.12.2020 Gross RM'000	31.12.2020 Retakaful RM'000 (Note 7)	31.12.2020 Net RM'000	31.12.2019 Gross RM'000	31.12.2019 Retakaful RM'000 (Note 7)	31.12.2019 Net RM'000
Claims liabilities (i)	1,215,033	(283,809)	931,224	981,381	(207,844)	773,537
Contribution liabilities (ii)	690,037	(28,640)	661,397	725,313	(31,947)	693,366
	1,905,070	(312,449)	1,592,621	1,706,694	(239,791)	1,466,903

(i) Claims liabilities

	31.12.2020 Gross RM'000	31.12.2020 Retakaful RM'000 (Note 7)	31.12.2020 Net RM'000	31.12.2019 Gross RM'000	31.12.2019 Retakaful RM'000 (Note 7)	31.12.2019 Net RM'000
At 1.1.2020/At 1.1.2019	981,381	(207,844)	773,537	869,254	(188,007)	681,247
Claims incurred in the current accident year	1,000,258	(94,107)	906,151	946,499	(32,880)	913,619
Movements in claims incurred in prior accident year	(15,127)	(13,922)	(29,049)	(41,408)	(9,638)	(51,046)
Claims paid during the financial year	(751,735)	25,745	(725,990)	(789,424)	22,013	(767,411)
Movements in Provision of Risk Margin for Adverse Deviation ("PRAD")	256	6,319	6,575	(3,540)	668	(2,872)
At 31.12.2020/At 31.12.2019	1,215,033	(283,809)	931,224	981,381	(207,844)	773,537

(ii) Contribution liabilities

	31.12.2020 Gross RM'000	31.12.2020 Retakaful RM'000 (Note 7)	31.12.2020 Net RM'000	31.12.2019 Gross RM'000	31.12.2019 Retakaful RM'000 (Note 7)	31.12.2019 Net RM'000
At 1.1.2020/At 1.1.2019	725,313	(31,947)	693,366	634,309	(44,166)	590,143
Contributions written during the financial year (Note 19)	1,569,717	(162,504)	1,407,213	1,604,793	(121,226)	1,483,567
Contributions earned during the financial year (Note 19)	(1,604,993)	165,811	(1,439,182)	(1,513,789)	133,445	(1,380,344)
At 31.12.2020/At 31.12.2019	690,037	(28,640)	661,397	725,313	(31,947)	693,366

14. EXPENSE LIABILITIES

Shareholder's fund/Company	**31.12.2020 RM'000**	**31.12.2019 RM'000**
Unearned wakalah fee ("UWF") of General Takaful fund	139,797	148,713
At 1.1.2020/At 1.1.2019	148,713	127,590
Wakalah fee received during the financial year (Note 20)	497,366	514,135
Wakalah fee earned during the financial year	(506,282)	(493,012)
Movement in UWF	(8,916)	21,123
At 31.12.2020/At 31.12.2019	139,797	148,713

15. DEFERRED TAXATION

	Shareholder's fund RM'000	**General Takaful fund RM'000**	**Company RM'000**
31.12.2020			
At 1.1.2020 (as previously stated)	(14,115)	(8,412)	(22,527)
Effect of prior year adjustment (Note 2.3)	-	-	(250)
At 1.1.2020 (as restated)	(14,115)	(8,412)	(22,777)
Recognised in:			
Income statement (Note 29)	(453)	-	(459)
Tax borne by participants (Note 29)	-	(2,117)	(2,117)
Other comprehensive income/ participants' fund	1,792	1,900	3,692
At 31.12.2020	(12,776)	(8,629)	(21,661)

	Shareholder's fund RM'000	**General Takaful fund RM'000**	**Company RM'000**
31.12.2019			
At 1.1.2019 (as previously stated)	(919)	6,983	6,064
Effect of prior year adjustment (Note 2.3)	-	-	250
At 1.1.2019 (as restated)	(919)	6,983	6,314
Recognised in:			
Income statement (Note 29)	220	-	(280)
Tax borne by participants (Note 29)	-	(11)	(11)
Other comprehensive income/ participants' fund	(13,416)	(15,384)	(28,800)
At 31.12.2019 (as restated)	(14,115)	(8,412)	(22,777)

15. DEFERRED TAXATION (CONTD.)

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

	31.12.2020 RM'000	31.12.2019 RM'000
Shareholder's fund		
Deferred tax assets	877	952
Deferred tax liabilities	(13,653)	(15,067)
	(12,776)	(14,115)

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 on investments RM'000	Net amortisation of premiums on investments RM'000	Impairment of other receivables RM'000	Accelerated capital allowance RM'000	Total RM'000
31.12.2020						
At 1.1.2020	304	140	258	250	-	952
Recognised in:						
Income statement	(304)	(13)	145	96	1	(75)
At 31.12.2020	-	127	403	346	1	877
31.12.2019						
At 1.1.2019	429	162	141	-	-	732
Recognised in:						
Income statement	(125)	(22)	117	250	-	220
At 31.12.2019	304	140	258	250	-	952

15. DEFERRED TAXATION (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

	FVOCI reserves RM'000	Fair value adjustment RM'000	Unrealised currency exchange RM'000	Total RM'000
31.12.2020				
At 1.1.2020	(15,067)	-	-	(15,067)
Recognised in:				
Income statement	-	(377)	(1)	(378)
Other comprehensive income	1,792	-	-	1,792
At 31.12.2020	(13,275)	(377)	(1)	(13,653)
31.12.2019				
At 1.1.2019	(1,651)	-	-	(1,651)
Recognised in:				
Other comprehensive income	(13,416)	-	-	(13,416)
At 31.12.2019	(15,067)	-	-	(15,067)

15. DEFERRED TAXATION (CONTD.)

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

	31.12.2020 RM'000	31.12.2019 RM'000
General Takaful fund		
Deferred tax assets	2,939	4,467
Deferred tax liabilities	(11,568)	(12,879)
	(8,629)	(8,412)

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

(i) Deferred tax assets

	Net amortisation of premiums on investments RM'000	Fair value adjustment RM'000	Impairment of takaful receivables RM'000	FVOCI reserves RM'000	Impairment of investments RM'000	Takaful certificate liabilities RM'000	Total RM'000
31.12.2020							
At 1.1.2020	908	-	2,515	-	1,044	-	4,467
Recognised in:							
Tax borne by participants	(724)	-	(25)	-	(821)	42	(1,528)
At 31.12.2020	184	-	2,490	-	223	42	2,939
31.12.2019							
At 1.1.2019	1,186	509	1,552	2,628	1,061	47	6,983
Recognised in:							
Tax borne by participants	(278)	(509)	963	-	(17)	(47)	112
Other comprehensive income/ partipants' fund	-	-	-	(2,628)	-	-	(2,628)
At 31.12.2019	908	-	2,515	-	1,044	-	4,467

15. DEFERRED TAXATION (CONTD.)

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

(ii) Deferred tax liabilities

	Fair value adjustment RM'000	FVOCI reserves RM'000	Takaful certificate liabilities RM'000	Unrealised currency exchange RM'000	Total RM'000
31.12.2020					
At 1.1.2020	(109)	(12,756)	(14)	-	(12,879)
Recognised in:					
Tax borne by participants	(602)	-	14	(1)	(589)
Other comprehensive income/participants' fund	-	1,900	-	-	1,900
At 31.12.2020	(711)	(10,856)	-	(1)	(11,568)
31.12.2019					
At 1.1.2019	-	-	-	-	-
Recognised in:					
Tax borne by participants	(109)	-	(14)	-	(123)
Other comprehensive income/participants' fund	-	(12,756)	-	-	(12,756)
At 31.12.2019	(109)	(12,756)	(14)	-	(12,879)

15. DEFERRED TAXATION (CONTD.)

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

Company	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)
Deferred tax assets	3,560	5,060
Deferred tax liabilities	(25,221)	(27,837)
	(21,661)	(22,777)

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 on investments RM'000	Net amortisation of premiums on investments RM'000	Impairment of takaful receivables RM'000	Impairment of other receivables RM'000	FVOCI reserves RM'000	Takaful certificate liabilities RM'000	Accelerated capital allowance RM'000	Total RM'000
31.12.2020									
At 1.1.2020 (as previously stated)	195	1,184	1,166	2,515	250	-	-	-	5,310
Effect of prior year adjustment (Note 2.3)	-	-	-	-	(250)	-	-	-	(250)
At 1.1.2020 (as restated)	195	1,184	1,166	2,515	-	-	-	-	5,060
Recognised in:									
Income statement	(195)	(13)	145	-	90	-	-	1	28
Tax borne by participants	-	(821)	(724)	(25)	-	-	42	-	(1,528)
At 31.12.2020	-	350	587	2,490	90	-	42	1	3,560
31.12.2019									
At 1.1.2019 (as previously stated)	938	1,223	1,327	1,552	-	977	47	-	6,064
Effect of prior year adjustment (Note 2.3)	-	-	-	-	250	-	-	-	250
At 1.1.2019 (as restated)	938	1,223	1,327	1,552	250	977	47	-	6,314
Recognised in:									
Income statement	(125)	(22)	117	-	(250)	-	-	-	(280)
Tax borne by participants	(618)	(17)	(278)	963	-	-	(47)	-	3
Other comprehensive income/ participants' fund	-	-	-	-	-	(977)	-	-	(977)
At 31.12.2019 (as restated)	195	1,184	1,166	2,515	-	-	-	-	5,060

15. DEFERRED TAXATION (CONTD.)

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

(ii) Deferred tax liabilities

	FVOCI reserves RM'000	Takaful certificate liabilities RM'000	Fair value adjustment RM'000	Unrealised currency exchange RM'000	Total RM'000
31.12.2020					
At 1.1.2020	(27,823)	(14)	-	-	(27,837)
Recognised in:					
Income statement	-	-	(486)	(1)	(487)
Tax borne by participants	-	14	(602)	(1)	(589)
Other comprehensive income/ participants' fund	3,692	-	-	-	3,692
At 31.12.2020	(24,131)	-	(1,088)	(2)	(25,221)
31.12.2019					
At 1.1.2019	-	-	-	-	-
Recognised in:					
Tax borne by participants	-	(14)	-	-	(14)
Other comprehensive income/ participants' fund	(27,823)		-	-	(27,823)
At 31.12.2019	(27,823)	(14)	-	-	(27,837)

16. TAKAFUL PAYABLES

	31.12.2020 RM'000	31.12.2019 RM'000
General Takaful fund/Company		
Due to agents and brokers	104,992	73,597
Due to retakaful operators	40,546	41,045
	145,538	114,642

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

	Gross carrying amounts RM'000	Gross amounts offset in the Statement of Financial Position RM'000 (Note 8)	Net amounts in the Statement of Financial Position RM'000
General Takaful fund/Company			
31.12.2020			
Due to agents and brokers	117,072	(12,080)	104,992
Due to retakaful operators	40,823	(277)	40,546
	157,895	(12,357)	145,538
31.12.2019			
Due to agents and brokers	87,762	(14,165)	73,597
Due to retakaful operators	41,109	(64)	41,045
	128,871	(14,229)	114,642

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

17. OTHER LIABILITIES

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2020			
Amount due to Shareholder's fund*	-	89,948	-
Amount due from stockbrokers	222	392	614
Unclaimed monies	-	85,697	85,697
Service tax payable	-	23,087	23,087
Stamp duty payable		1,976	1,976
Surplus payable to participants	-	157,994	157,994
Withholding tax payable	-	9,331	9,331
Amount due to related companies (Note 34 (b))*:			
- Ultimate holding company	4,051	-	4,051
- Other related companies	324	22	346
Zakat payable	11,372	-	11,372
Provisions for expenses	19,941	-	19,941
Wakalah fees payable**	-	27,823	-
Sundry payables and accrued liabilities**	45,624	1,325	46,949
	81,534	397,595	361,358
31.12.2019 (Restated)			
Amount due to Shareholder's fund*	-	56,816	-
Unclaimed monies	-	42,483	42,483
Service tax payable	-	21,434	21,434
Surplus payable to participants	-	171,377	171,377
Withholding tax payable	-	8,623	8,623
Amount due to related companies (Note 34 (b))*:			
- Ultimate holding company	1,543	-	1,543
- Immediate holding company	498	-	498
- Other related companies	6,316	27	6,343
Zakat payable	5,027	-	5,027
Provisions for expenses	3,733	-	3,733
Wakalah fees payable**	-	27,531	-
Sundry payables and accrued liabilities	41,934	4,374	46,308
	59,051	332,665	307,369

17. OTHER LIABILITIES (CONTD.)

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
1.1.2019 (Restated)			
Amount due to Shareholder's fund*	-	65,716	-
Unclaimed monies	-	29,608	29,608
Service tax payable	-	16,220	16,220
Surplus payable to participants	-	203,648	203,648
Withholding tax payable	-	7,989	7,989
Amount due to related companies (Note 34 (b))*:			
- Ultimate holding company	1,348	-	1,348
- Immediate holding company	1,214	-	1,214
- Other related companies	11,040	63	11,103
Zakat payable	6,339	-	6,339
Provisions for expenses	3,941	-	3,941
Wakalah fees payable**	-	21,421	-
Sundry payables and accrued liabilities	28,218	4,436	32,654
	52,100	349,101	314,064

* Amounts due to ultimate holding company, immediate holding company, other related companies and the Shareholder's fund are non-trade in nature, unsecured, not subject to any profit elements and are repayable in the short term.

** Wakalah fees payable due to General Takaful fund were eliminated to arrive at Company-level balances.

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.

18. OPERATING REVENUE

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
Gross contributions (Note 19)	-	1,569,717	1,569,717
Wakalah fees (Note 20)	497,366	-	-
Investment income (Note 21)	50,924	72,789	123,713
	548,290	1,642,506	1,693,430
2019			
Gross contributions (Note 19)	-	1,604,793	1,604,793
Wakalah fees (Note 20)	514,135	-	-
Investment income (Note 21)	54,269	79,338	133,607
	568,404	1,684,131	1,738,400

19. NET EARNED CONTRIBUTIONS

	2020 RM'000	2019 RM'000
General Takaful fund/Company		
Gross contribution (Notes 13 and 18)	1,569,717	1,604,793
Change in unearned contribution reserves	35,276	(91,004)
	1,604,993	1,513,789
Contributions ceded to retakaful operators (Note 13)	(162,504)	(121,226)
Change in unearned contribution reserves	(3,307)	(12,219)
	(165,811)	(133,445)
Net earned contributions	1,439,182	1,380,344

20. FEE AND COMMISSION INCOME

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
Wakalah fee income from:			
General Takaful fund (Notes 14 and 18)	497,366	-	-
Retakaful commission income	-	8,855	8,855
Others	-	221	221
Total fee and commission income	497,366	9,076	9,076
2019			
Wakalah fee income from:			
General Takaful fund (Notes 14 and 18)	514,135	-	-
Retakaful commission income	-	7,267	7,267
Others	-	191	191
Total fee and commission income	514,135	7,458	7,458

21. INVESTMENT INCOME

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Profit income	-	1,082	1,082
- HFT			
Dividend income:			
Quoted equity securities in Malaysia	937	840	1,777
Quoted equity securities outside Malaysia	13	18	31
Unit and property trusts	78	49	127
Financial assets at FVOCI:			
Profit income	38,596	48,936	87,532
Financial assets at AC:			
Profit income	12,159	23,553	35,712
Net amortisation of premiums	(532)	(1,286)	(1,818)
Investment related expenses	(327)	(403)	(730)
Total investment income	50,924	72,789	123,713
2019			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Profit income	-	4,074	4,074
- HFT			
Dividend income:			
Quoted equity securities in Malaysia	570	501	1,071
Unit and property trusts	9	16	25
Financial assets at FVOCI:			
Profit income	50,617	70,810	121,427
Financial assets at AC:			
Profit income	4,158	5,576	9,734
Net amortisation of premiums	(849)	(1,285)	(2,134)
Investment related expenses	(236)	(354)	(590)
Total investment income	54,269	79,338	133,607

22. REALISED GAINS

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
Financial assets at FVTPL			
- Designated upon initial recognition			
Realised gains:			
Unquoted debt securities	-	744	744
- HFT			
Realised losses:			
Quoted equity securities	(8,260)	(1,866)	(10,126)
Financial assets at FVOCI			
Realised gains:			
Malaysian government papers	1,081	7,098	8,179
Unquoted debt securities	37,089	27,970	65,059
	38,170	35,068	73,238
Total realised gains	29,910	33,946	63,856
2019			
Financial assets at FVTPL			
- HFT			
Realised losses:			
Quoted equity securities	(766)	(646)	(1,412)
Financial assets at FVOCI			
Realised gains:			
Malaysian government papers	365	3,220	3,585
Unquoted debt securities	7,497	3,680	11,177
	7,862	6,900	14,762
Total realised gains	7,096	6,254	13,350

23. FAIR VALUE GAINS

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
Financial assets at FVTPL:			
- HFT	2,838	2,525	5,363
Total fair value gains	2,838	2,525	5,363
Financial assets at FVTPL:			
- Designated upon initial recognition	-	(52)	(52)
Total fair value losses	-	(52)	(52)
Total fair value gains	**2,838**	**2,473**	**5,311**
2019			
Financial assets at FVTPL:			
- Designated upon initial recognition	-	2,574	2,574
- HFT	521	39	560
Total fair value gains	**521**	**2,613**	**3,134**

24. OTHER OPERATING INCOME/(EXPENSES), NET

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
Other income			
Reversal of impairment losses on (Note 37 (i)):			
- Investments	53	88	141
- Financing receivables	-	3,331	3,331
- Retakaful assets	-	458	458
Unrealised gain on foreign exchange	3	-	3
Sundry income	3,052	501	3,553
	3,108	4,378	7,486
Other expenses			
Allowance for impairment losses on (Note 37 (i)):			
- Takaful receivables	-	(353)	(353)
- Other assets	(36)	-	(10)
Bad debts written off	-	(641)	(641)
Realised loss on foreign exchange	(27)	(43)	(70)
Unrealised loss on foreign exchange	-	(11)	(11)
Sundry expenditure	(33)	(19)	(52)
	(96)	(1,067)	(1,137)
Total other operating income, net	3,012	3,311	6,349

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000 (Restated)
2019			
Other income			
Reversal of impairment losses on (Note 37 (i)):			
- Investments	94	65	159
Bad debts recovery	-	1,701	1,701
Sundry income	2,759	474	3,233
	2,853	2,240	5,093
Other expenses			
Allowance for impairment losses on (Note 37 (i)):			
- Takaful receivables	-	(3,300)	(3,300)
- Retakaful assets	-	(716)	(716)
- Other assets	(771)	-	(362)
Realised loss on foreign exchange	-	(9)	(9)
Sundry expenditure	(1,781)	(649)	(2,430)
	(2,552)	(4,674)	(6,817)
Total other operating income/(expenses), net	301	(2,434)	(1,724)

25. MANAGEMENT EXPENSES

	2020 RM'000	2019 RM'000
Shareholder's fund/Company		
Employee benefits expenses (Note 25 (a))	112,243	112,826
Directors' remuneration (Note 26)	858	855
Shariah Committee's remuneration (Note 27)	189	88
Auditors' remuneration:		
- Statutory audits	478	380
- Regulatory services	18	19
Amortisation of intangible assets (Note 4)	246	242
Auto assist services	11,057	13,365
Bank and financing charges	8,818	11,922
Depreciation of property, plant and equipment (Note 3)	2	-
Electronic data processing expenses	9,419	10,372
Entertainment expenses	157	225
Legal fees	120	391
Information technology outsourcing	6,888	7,713
Office facilities expenses	780	647
Other management fees	828	3,653
Postage and stamp duties	2,342	1,639
Printing and stationery	1,538	1,457
Professional fees	1,939	813
Promotional and marketing costs	33,621	41,515
Rental of offices/premises	6,748	6,287
Training expenses	460	1,118
Travelling expenses	581	1,770
Utilities, assessment and maintenance	2,071	2,166
Other expenses	16,311	14,636
Total management expenses	217,712	234,099

(a) Employee benefits expenses

	2020 RM'000	2019 RM'000
Shareholder's fund/Company		
Wages, salaries and bonus	84,926	84,828
Employees' Provident Fund ("EPF")	13,720	13,752
Social Security Organisation ("SOCSO")	670	630
Share based compensation	1,944	860
Other benefits	10,983	12,756
	112,243	112,826

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

	2020 RM'000	2019 RM'000
Salaries	600	600
Bonus	250	326
EPF	143	164
Share based compensation	138	85
Other emoluments	137	142
	1,268	1,317

26. DIRECTORS' REMUNERATION

	2020 RM'000	2019 RM'000
Shareholder's fund/Company		
Executive director:		
Fees	120	120
Other emoluments	12	16
	132	136
Non executive directors:		
Fees	648	628
Other emoluments	78	91
	726	719
Total directors' remuneration	858	855

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

	Benefits Fees RM'000	Other Emoluments RM'000	Total RM'000
2020			
Executive director:			
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	120	12	132
Non-executive directors:			
Dato' Majid bin Mohamad (Chairman)	180	16	196
Mr Philippe Pol Arthur Latour (Vice Chairman)	120	14	134
Dato' Johan bin Ariffin	120	14	134
Mr Koh Heng Kong	120	16	136
Prof. Dr. Rusni binti Hassan (Appointed w.e.f 7 February 2020)	108	18	126
	648	78	726
Total directors' remuneration	768	90	858

26. DIRECTORS' REMUNERATION (CONTD.)

The details of the remuneration of the directors of the Company are as follows (contd.):

	Fees RM'000	Benefits Other Emoluments RM'000	Total RM'000
2019			
Executive director:			
Dato’ Mohamed Rafique Merican bin Mohd Wahiduddin Merican	120	16	136
Non-executive directors:			
Dato' Majid bin Mohamad (Chairman)	180	22	202
Mr Philippe Pol Arthur Latour (Vice Chairman)	120	18	138
Dato' Johan bin Ariffin	120	20	140
Dr. Abdul Rahim bin Abdul Rahman	88	6	94
Mr. Koh Heng Kong	120	25	145
	628	91	719
Total directors' remuneration	748	107	855

27. SHARIAH COMMITTEE'S REMUNERATION

	2020 RM'000	2019 RM'000
Shareholder's fund/Company		
Fees	128	57
Other emoluments	61	31
	189	88

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	28	12	40
Dr. Sarip bin Adul	22	11	33
Prof. Dr. Rusni binti Hassan	22	11	33
Prof. Dr. Abdul Rahim bin Abdul Rahman	22	10	32
Prof. Dato’ Dr. Mohd Azmi bin Omar	22	11	33
Assoc. Prof. Dr. Azman bin Mohd Noor (w.e.f 15 June 2020)	12	6	18
	128	61	189
2019			
Shariah committee:			
Assoc. Prof. Dr. Aznan bin Hasan (Chairman) (w.e.f 1 June 2019)	8	4	12
Dr. Ahcene Lahsasna (Ceased as (Chairman 31 May 2019)	5	3	8
Dr. Sarip bin Adul	9	5	14
Prof. Dr. Rusni binti Hassan	9	5	14
Prof. Dr. Abdul Rahim bin Abdul Rahman	9	5	14
Prof. Dato’ Dr. Mohd Azmi bin Omar	9	5	14
Dato' Dr. Anhar bin Opir (Ceased as (member 31 October 2019)	8	4	12
	57	31	88

28. FEE AND COMMISSION EXPENSES

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
Commission expenses	142,208	-	142,208
Wakalah fee expense	-	497,366	-
Others	-	191	191
	142,208	497,557	142,399
2019			
Commission expenses	149,344	-	149,344
Wakalah fee expense	-	514,135	-
Others	-	210	210
	149,344	514,345	149,554

29. TAXATION

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 RM'000	Company RM'000
2020		
Income Statement		
Income tax:		
Tax expense for the financial year	75,755	75,755
Under provision of taxation in prior financial year	211	211
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 15)	453	459
	76,419	76,425

29. TAXATION (CONTD.)

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

	Shareholder's fund RM'000	Company RM'000 (Restated)
2019		
Income Statement		
Income tax:		
Tax expense for the financial year	58,382	58,382
Over provision of taxation in prior financial year	(107)	(107)
Deferred taxation:		
Effect of prior year adjustment (Note 2.3)	-	(250)
Relating to origination and reversal of temporary differences (Note 15)	(220)	280
	58,055	58,305

Reconciliation between tax expense and accounting profit

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

	Shareholder's fund RM'000	Company RM'000
2020		
Profit before taxation	313,840	313,866
Taxation at Malaysian statutory tax rate of 24%	75,322	75,328
Income not subject to tax	(916)	(916)
Expenses not deductible for tax purposes	3,162	3,162
Effect of zakat deduction and approved donation	(1,360)	(1,360)
Under provision of taxation in prior financial year	211	211
Tax expense for the financial year	76,419	76,425

29. TAXATION (CONTD.)

Reconciliation between tax expense and accounting profit (contd.)

The reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company are as follows: (contd.)

	Shareholder's fund RM'000	Company RM'000 (Restated)
2019		
Profit before taxation	216,543	216,952
Taxation at Malaysian statutory tax rate of 24%	51,970	52,068
Income not subject to tax	(264)	(264)
Expenses not deductible for tax purposes	7,124	7,276
Effect of zakat deduction and approved donation	(668)	(668)
Over provision of taxation in prior financial year	(107)	(107)
Tax expense for the financial year	58,055	58,305

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

	General Takaful fund RM'000	Company RM'000
Taxation borne by participants		
2020		
Income Statement		
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 15)	2,117	2,117
Tax borne by participants recognised in Income Statement	**2,117**	**2,117**

29. TAXATION (CONTD.)

	General Takaful fund RM'000	Company RM'000
Taxation borne by participants		
2019		
Income Statement		
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 15)	11	11
Tax borne by participants recognised in Income Statement	**11**	**11**

The domestic income tax for General Takaful fund is calculated at the Malaysian statutory tax rate of 24% (2019 : 24%) of the estimated assessable profit for the financial year.

30. EARNINGS PER SHARE

Basic and diluted earnings per share ("EPS") is 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 outstanding during the financial year.

	2020	2019 (Restated)
Profit attributable to ordinary equity holders (RM'000)	226,601	155,695
Weighted average number of ordinary shares in issue (units '000)	870,000	870,000
Basic and diluted earnings per share (sen)	26.05	17.90

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

31. DIVIDENDS

	2020 RM'000	2019 RM'000
Final dividend in respect of financial year ended 31 December 2019		
- 12.64 sen per share, single-tier tax exempt dividend on 870,000,000 ordinary shares	109,968	-

32. SEGMENTAL INFORMATION ON CASH FLOWS

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
2020			
Net cash flows (used in)/ generated from:			
Operating activities	(79,995)	(511,991)	(591,797)
Investing activities	180,944	516,510	697,265
Financing activities	(109,968)	-	(109,968)
Net increase/(decrease) in cash and cash equivalents:	(9,019)	4,519	(4,500)
At 1.1.2020	11,578	33,260	44,838
At 31.12.2020	2,559	37,779	40,338
2019 (Restated)			
Net cash flows generated from/(used in):			
Operating activities	188,276	85,538	273,814
Investing activities	(194,813)	(114,392)	(309,205)
Net (decrease) in cash and cash equivalents:	(6,537)	(28,854)	(35,391)
At 1.1.2019	18,115	62,114	80,229
At 31.12.2019 (Restated)	11,578	33,260	44,838

33. SHARE BASED COMPENSATION

ESGP and CESGP

Maybank Group has implemented a new employees' share plan named as the Maybank Group ESGP and the plan 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 Plan ("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 plan 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.

34. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes the Directors and 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 shareholder.

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

(a) The significant related party transactions and balances of the Company are as follow:

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
Income/(expenses):			
2020			
Ultimate holding company:			
Gross contribution income	-	13	13
Commission and fee expenses	(30,439)	-	(30,439)
Bank charges	(322)	-	(322)
Employee's Share Grant Plan ("ESGP")	(212)	-	(212)
Immediate holding company:			
Gross contribution income	-	321	321
Shared services costs	(15,109)	-	(15,109)
Claims paid	-	(37)	(37)
Remuneration of a seconded employee	(134)	-	(134)
Dividend paid	(109,968)	-	(109,968)

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

(a) The significant related party transactions and balances of the Company are as follow: (contd.)

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
Income/(expenses) (contd.):			
2020 (contd.)			
Fellow subsidiaries within the MAHB Group:			
Gross contribution income	-	44	44
Rental expenses	(6,697)	-	(6,697)
Shared services costs	(35,004)	-	(35,004)
Fellow subsidiaries within the EIHSB Group:			
Consultation fee	(987)	-	(987)
Other related companies within the Maybank Group:			
Gross contribution income	-	2,422	2,422
Profit income	7,332	12,935	20,267
Information technology outsourcing	(6,888)	-	(6,888)
Commission and fee expenses	(5,066)	-	(5,066)
Investment expenses	(223)	(268)	(491)
Claims paid	-	(8)	(8)
Companies with significant influence over the Maybank Group:			
Gross contribution income	-	11,809	11,809
Claims paid	-	(104)	(104)
2019			
Ultimate holding company:			
Gross contribution income	-	85	85
Commission and fee expenses	(29,479)	-	(29,479)
Bank charges	(600)	-	(600)
Employee's Share Grant Plan ("ESGP")	(26)	-	(26)
Immediate holding company:			
Gross contribution income	-	289	289
Shared services costs	(8,001)	-	(8,001)

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

(a) The significant related party transactions and balances of the Company are as follow: (contd.)

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
Income/(expenses) (contd.):			
2019 (contd.)			
Immediate holding company:			
Claims paid	-	34	34
Remuneration of a seconded employee	(110)	-	(110)
Fellow subsidiaries within the MAHB Group:			
Gross contribution income	-	11	11
Rental expense	(6,281)	-	(6,281)
Shared services costs	(92,410)	-	(92,410)
Other related companies within the Maybank Group:			
Gross contribution income	-	1,872	1,872
Profit income	613	971	1,584
Information technology outsourcing	(7,713)	-	(7,713)
Commission and fee expenses	(4,143)	-	(4,143)
Investment expenses	(236)	(354)	(590)
Claims paid	-	(2)	(2)
Companies with significant influence over the Maybank Group:			
Gross contribution income	-	6,157	6,157
Claims paid	-	(219)	(219)

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

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

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2020			
Ultimate holding company:			
Bank balances	2,559	31,786	34,345
Outstanding contributions	-	2,407	2,407
Amount due to ultimate holding company (Note 17)	(4,051)	-	(4,051)
Immediate holding company:			
Amount due from immediate holding company (Note 9)	330	-	330
Outstanding contributions	-	289	289
Fellow subsidiaries within the MAHB Group:			
Amount due from other related companies (Note 9)	14,177	-	14,177
Claims liabilities	-	(5)	(5)
Fellow subsidiaries within the EIHSB Group:			
Amount due to other related companies (Note 17)	(304)	-	(304)
Other related companies within the Maybank Group:			
Fixed and call deposits	221,666	605,935	827,601
Income and profit due and accrued	419	1,851	2,270
Claims liabilities	-	(61)	(61)
Amount due to other related companies (Note 17)	(20)	(22)	(42)
Sundry payables and accrued liabilities	(12,248)	-	(12,248)
Companies with significant influence over the Maybank Group:			
Claims liabilities	-	(917)	(917)

The balances with related companies are subject to normal trade terms or as disclosed in Note 9 and Note 17.

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

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

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2019			
Ultimate holding company:			
Bank balances	11,578	30,292	41,870
Outstanding contributions	-	7,674	7,674
Amount due to ultimate holding company (Note 17)	(1,543)	-	(1,543)
Immediate holding company:			
Amount due to immediate holding company (Note 17)	(498)	-	(498)
Fellow subsidiaries within the MAHB Group:			
Amount due to other related companies (Note 17)	(6,297)	-	(6,297)
Claims liabilities	-	(5)	(5)
Other related companies within the Maybank Group:			
Fixed and call deposits	30,013	75,524	105,537
Income and profit due and accrued	41	88	129
Claims liabilities	-	(10)	(10)
Amount due to other related companies (Note 17)	(19)	(27)	(46)
Sundry payables and accrued liabilities	(2,327)	-	(2,327)
Companies with significant influence over the Maybank Group:			
Claims liabilities	-	(1,164)	(1,164)

The balances with related companies are subject to normal trade terms or as disclosed in Note 9 and Note 17.

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

(c) Key management personnel compensation

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

	31.12.2020 RM'000	31.12.2019 RM'000
Short-term employee benefits		
- Fees	768	748
- Salaries, allowances and bonuses	850	926
- Contribution to EPF and pension scheme	143	164
- Share based compensation	138	85
- Other emoluments	227	249
	2,126	2,172

The remuneration of other key management personnel, being the executive directors and non-executive directors of the Company are as disclosed in Note 25 and 26 of the financial statements.

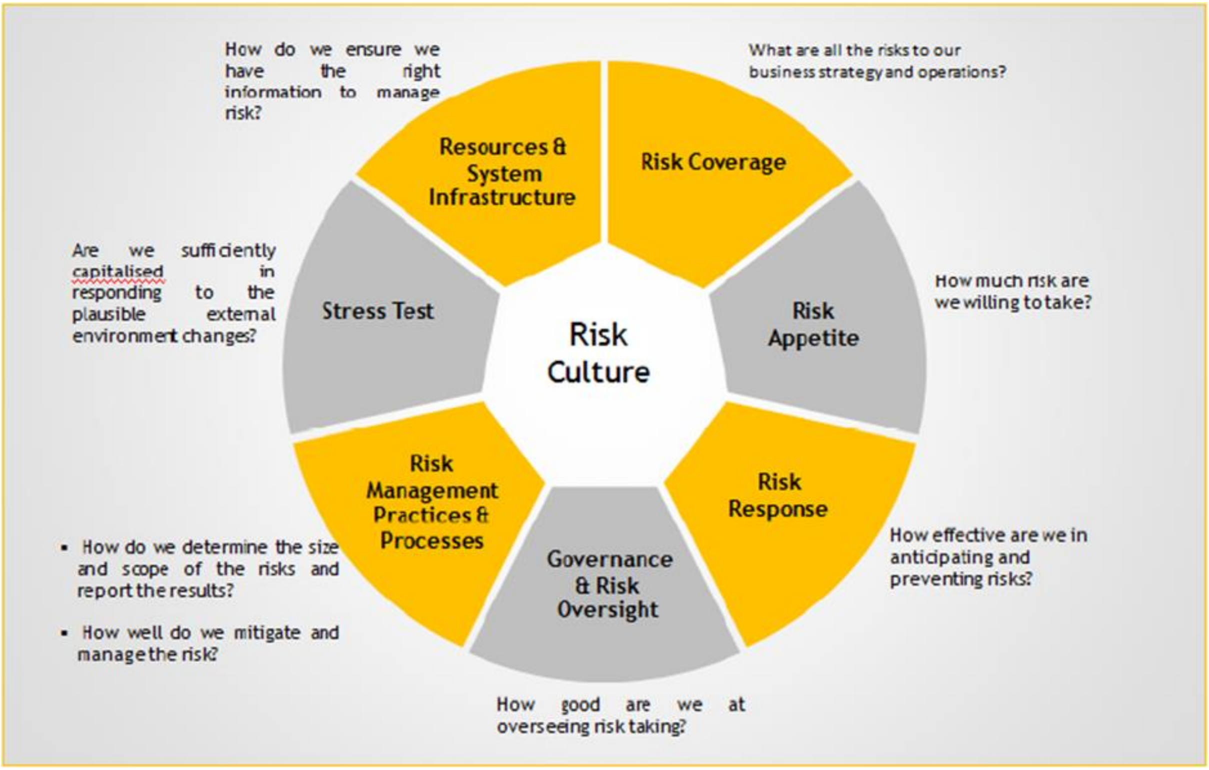
(ii) The number of shares awarded for ESGP to key management personnel were as follows:

	31.12.2020 '000	31.12.2019 '000
At 1.1.2020/At 1.1.2019	264	132
Granted	28	132
At 31.12.2020/At 31.12.2019	292	264

35. 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 ("EFTB"), Etiqa Life Insurance Berhad ("ELIB"), Etiqa General Takaful Bhd ("EGTB"), Etiqa Life International (L) Ltd. (ELIL), Etiqa Offshore Insurance (L) Ltd. (EOIL) and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the MAHB Group".

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



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

35. 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 Effects Through Stress Testing
- Ensure Sufficient Resources and System Infrastructures

There are Risk Frameworks, Policies, Guidelines & 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 businesses objectives and attitude towards risk taking and risk management through risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

The Risk Culture can be strengthened by a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired Risk Culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

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.

35. 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.

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

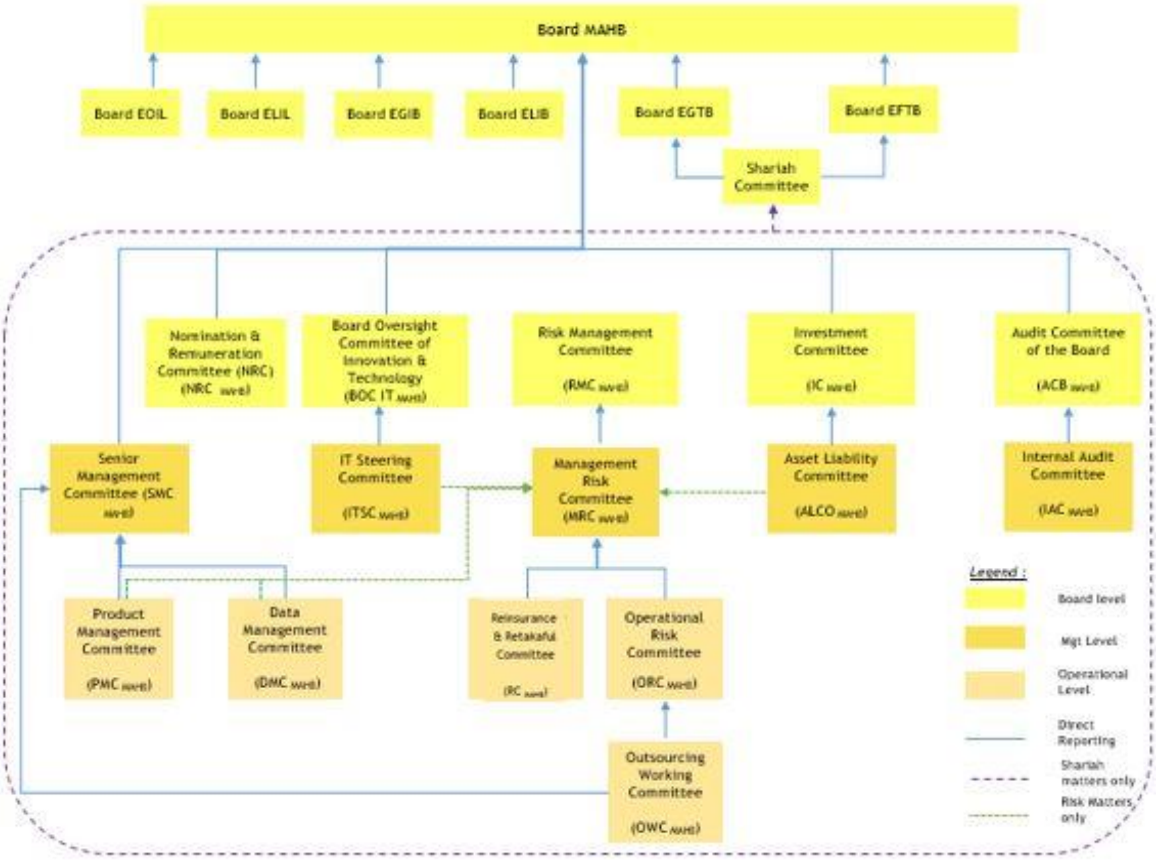
35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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").



35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)

Note:
1) This is a representation of overall risk governance bodies within MAHB, there exist other committees not captured in this diagram as any risk matters that require the risk focus supervision shall be escalated to the risk governance bodies for deliberations as captured above.

2) As for Shariah risk matters, the oversights responsibility resides with the Shariah Committee and report to the Entity Boards respectively.

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.

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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.

Infromation Technology Steering Committee ("ITSC")

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

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 monitors the implementation, and post implementation performance of the Insurance and Takaful Products.

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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.

Reinsurance and Retakaful Committee ("RC")

The primary objective of the RC is to function as the governance body to provide decision and guidance in relation to the reinsurance management of the Insurance and Takaful policies. The scope of the RC covers General Reinsurance and Retakaful, Inward / Outward Reinsurance and Life / Family Catastrophe protection areas/issues under Maybank Ageas Holdings Berhad for the Insurance and 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 Company’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 Company’s business strategy and risk appetite; Approve pricing and re-pricing within MC’s authority.

35. 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 conditions 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 thereafter, 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, infrastructures and support to perform its roles efficiently.

35. 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.

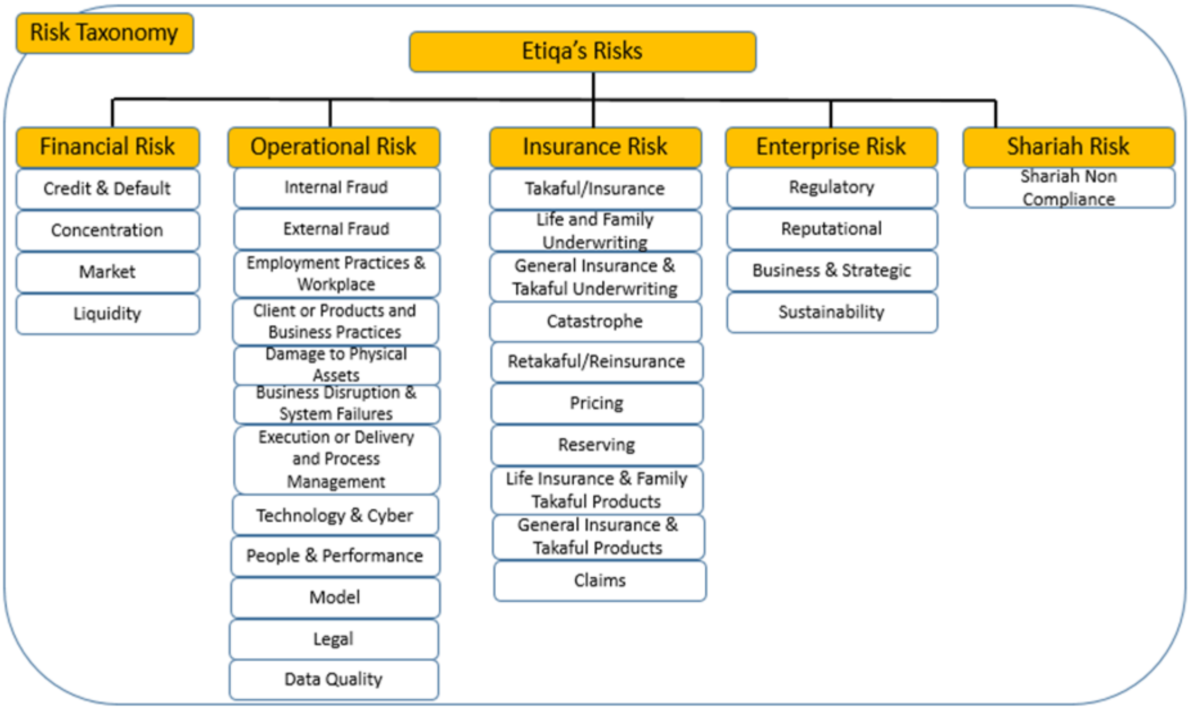
Risk Taxonomy

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.

35. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy (contd.)



36. TAKAFUL RISK

Takaful Risk is risk of loss or of adverse change arising from the underwritten takaful businesses. This can be due to adverse deviation in portfolio experience as well as underlying assumptions/ expectations on which product, pricing, underwriting, claims, reserving and retakaful have been made. Analyses are performed to ensure that Takaful Risk remain within the group’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) General Takaful Underwriting Risk

General 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. General Takaful 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 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 retakaful. The scope of this risk category includes retakaful operator and risk mitigating contracts, such as retakaful arrangements. It does not include defaults for financial instruments, which are covered under Credit and Default Risk.

36. TAKAFUL RISK (CONTD.)

(iv) Products Risk

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

(v) Reserving Risk

Reserving risk is the risk of loss or adverse impact arising from 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 a single large loss.

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

36. TAKAFUL RISK (CONTD.)

General Takaful fund

The table below discloses contribution written by type of contract:

	2020		
	Gross RM'000	**Retakaful RM'000**	**Net RM'000**
Motor	1,103,527	(7,364)	1,096,163
Fire	193,286	(51,869)	141,417
Marine, Aviation, Cargo and Transit	14,621	(10,702)	3,919
Miscellaneous	258,283	(92,569)	165,714
	1,569,717	(162,504)	1,407,213

	2019		
	Gross RM'000	**Retakaful RM'000**	**Net RM'000**
Motor	1,173,888	(7,610)	1,166,278
Fire	192,965	(50,037)	142,928
Marine, Aviation, Cargo and Transit	14,985	(11,398)	3,587
Miscellaneous	222,955	(52,181)	170,774
	1,604,793	(121,226)	1,483,567

(i) Key assumptions and methods

The estimation of the claim liabilities of the General Takaful fund is based on BNM/RH/GL004-21 Guidelines on Valuation Basis for Liabilities of General Takaful Business as issued by BNM. It requires all General Takaful operators to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The claim liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and, hence the ultimate costs of claims. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(i) Key assumptions and methods (contd.)

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

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

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

(ii) Sensitivity analysis

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

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

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(ii) Sensitivity analysis (contd.)

	% change in key assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on participants' fund RM'000
		<------Increase/(decrease)------->		<------Increase/(decrease)------->	
2020					
Net incurred claims ratio	+ 5%	80,250	71,959	71,959	71,959
	- 5%	(80,250)	(71,959)	(71,959)	(71,959)
2019					
Net incurred claims ratio	+ 5%	75,690	69,017	69,017	69,017
	- 5%	(75,690)	(69,017)	(69,017)	(69,017)

(iii) Claims development table

The following tables show the estimated incurred claims, including both claims notified and Incurred But Not Reported ("IBNR") for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the Company believes the estimate of total claims liabilities as at the financial year end are adequate. The Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Analysis of claims development - gross takaful certificate liabilities

Accident year	Before 2014 RM'000	As at 31.12.2020 2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At the end of accident year		589,933	660,739	783,911	724,824	725,826	946,499	1,000,258	
1 year later		617,750	639,081	816,040	723,792	698,316	924,486		
2 years later		608,081	608,828	817,518	713,777	694,842			
3 years later		601,915	616,600	826,331	713,221				
4 years later		592,831	615,472	837,210					
5 years later		592,733	615,168						
6 years later		595,627							
Estimate of gross cumulative claims to date (A)		595,627	615,168	837,210	713,221	694,842	924,486	1,000,258	

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Analysis of claims development - gross takaful certificate liabilities (contd.)

	Before	As at 31.12.2020							
	2014	2014	2015	2016	2017	2018	2019	2020	Total
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At the end of accident year		231,130	264,533	310,865	345,399	343,275	452,202	397,925	
1 year later		470,575	461,390	578,438	569,587	547,544	691,241		
2 years later		532,800	544,056	657,527	649,221	611,865			
3 years later		557,757	585,241	691,344	674,541				
4 years later		572,230	594,240	705,490					
5 years later		576,534	597,161						
6 years later		577,897							
Gross cumulative claims paid to date (B)		577,897	597,161	705,490	674,541	611,865	691,241	397,925	
Best estimate gross claim liabilities (A) - (B)	17,435	17,730	18,007	131,720	38,680	82,977	233,245	602,333	1,142,127
PRAD (C)									72,906
Gross takaful certificate liabilities as at 31.12.2020 (A) - (B) + (C)									1,215,033

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Net analysis of claims development - net of retakaful

	Before	As at 31.12.2020							
	2014	2014	2015	2016	2017	2018	2019	2020	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		532,858	630,670	708,666	699,503	699,161	913,619	906,151	
1 year later		506,414	610,264	664,057	699,550	671,700	895,213		
2 years later		496,700	586,008	664,219	689,778	662,981			
3 years later		490,130	589,008	660,648	690,165				
4 years later		483,011	586,707	659,552					
5 years later		482,964	586,235						
6 years later		485,359							
Estimate of net cumulative claims to date (A)		485,359	586,235	659,552	690,165	662,981	895,213	906,151	

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Net analysis of claims development - net of retakaful (contd.):

	Before	As at 31.12.2020							
	2014	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At the end of accident year		227,238	259,797	307,415	340,963	340,369	450,253	395,860	
1 year later		386,400	449,210	521,478	559,277	538,219	681,490		
2 years later		435,687	525,894	599,827	632,054	596,401			
3 years later		458,229	562,333	628,770	657,164				
4 years later		471,323	571,010	637,303					
5 years later		475,518	573,928						
6 years later		476,882							
Net cumulative claims paid to date (B)		476,882	573,928	637,303	657,164	596,401	681,490	395,860	
Best estimate net claim liabilities (A) - (B)	5,343	8,477	12,307	22,249	33,001	66,580	213,723	510,291	871,971
PRAD (C)									59,253
Net takaful certificate liabilities as at 31.12.2020 (A) - (B) + (C)									931,224

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Analysis of claims development - gross takaful certificate liabilities

	Before	As at 31.12.2019							
	2013	2013	2014	2015	2016	2017	2018	2019	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		565,662	589,933	660,739	783,911	724,824	725,826	946,499	
1 year later		554,495	617,750	639,081	816,040	723,792	698,316		
2 years later		564,434	608,081	608,828	817,518	713,777			
3 years later		569,810	601,915	616,600	826,331				
4 years later		575,192	592,831	615,472					
5 years later		545,569	592,733						
6 years later		538,217							
Estimate of gross cumulative claims to date (A)		538,217	592,733	615,472	826,331	713,777	698,316	946,499	

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Analysis of claims development - gross takaful certificate liabilities (contd.)

	Before	As at 31.12.2019							
	2013	2013	2014	2015	2016	2017	2018	2019	Total
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At the end of accident year		238,771	231,130	264,533	310,865	345,399	343,275	452,201	
1 year later		405,337	470,575	461,390	578,438	569,587	547,544		
2 years later		463,144	532,800	544,056	657,527	649,221			
3 years later		488,313	557,757	585,241	691,344				
4 years later		500,352	572,230	594,240					
5 years later		522,387	576,534						
6 years later		524,380							
Gross cumulative claims paid to date (B)		524,380	576,534	594,240	691,344	649,221	547,544	452,201	
Best estimate gross claim liabilities (A) - (B)	12,847	13,837	16,199	21,232	134,987	64,556	150,772	494,298	908,728
PRAD (C)									72,653
Gross takaful certificate liabilities as at 31.12.2019 (A) - (B) + (C)									981,381

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Net analysis of claims development - net of retakaful

	Before	As at 31.12.2019							
	2013	2013	2014	2015	2016	2017	2018	2019	Total
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At the end of accident year		506,657	532,858	630,670	708,666	699,503	699,161	913,619	
1 year later		477,414	506,414	610,264	664,057	699,550	671,700		
2 years later		486,131	496,700	586,008	664,219	689,778			
3 years later		488,639	490,130	589,008	660,648				
4 years later		492,758	483,011	586,707					
5 years later		483,230	482,964						
6 years later		479,101							
Estimate of net cumulative claims to date (A)		479,101	482,964	586,707	660,648	689,778	671,700	913,619	

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

36. TAKAFUL RISK (CONTD.)

General Takaful fund (contd.)

(iii) Claims development table (contd.)

Net analysis of claims development - net of retakaful (contd.):

	Before	As at 31.12.2019							
	2013	2013	2014	2015	2016	2017	2018	2019	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		235,297	227,238	259,797	307,415	340,963	340,369	450,254	
1 year later		383,436	386,400	449,210	521,478	559,277	538,219		
2 years later		433,014	435,687	525,894	599,827	632,054			
3 years later		456,352	458,229	562,333	628,770				
4 years later		466,121	471,323	571,010					
5 years later		472,146	475,518						
6 years later		474,234							
Net cumulative claims paid to date (B)		474,234	475,518	571,010	628,770	632,054	538,219	450,254	
Best estimate net claim liabilities (A) - (B)	6,400	4,867	7,446	15,697	31,878	57,724	133,481	463,365	720,858
PRAD (C)									52,679
Net takaful certificate liabilities as at 31.12.2019 (A) - (B) + (C)									773,537

37. FINANCIAL RISKS

(i) Credit Risk

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

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

Credit Risk arises when a 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 to impending problems in a timely manner.

37. 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 agreement.

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2020			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Unquoted debt securities in Malaysia	-	20,157	20,157
Financial assets at FVOCI:			
Malaysian government papers	122,256	78,482	200,738
Unquoted debt securities in Malaysia	923,415	1,134,683	2,058,098
Financial assets at AC:			
Islamic investment accounts with:			
Licensed financial institutions	347,732	886,731	1,234,463
Others	23,482	80,549	104,031
Takaful receivables	-	89,001	89,001
Other assets*	143,059	17,463	43,820
Cash and bank balances	2,559	37,772	40,331
	1,562,503	2,344,838	3,790,639

* Excluding non-financial asset such as prepayments and deposits.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure (contd.)

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 agreement. (contd.)

	Shareholder's fund RM'000	General Takaful fund RM'000	Company RM'000
31.12.2019			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Unquoted debt securities in Malaysia	-	25,374	25,374
Financial assets at FVOCI:			
Malaysian government papers	64,166	214,215	278,381
Unquoted debt securities in Malaysia	1,145,430	1,489,518	2,634,948
Financial assets at AC:			
Islamic investment accounts with:			
Licensed financial institutions	83,547	197,263	280,810
Others	38,325	55,878	94,203
Financing receivables	252	-	252
Takaful receivables	-	83,063	83,063
Other assets*	96,293	21,858	34,847
Cash and bank balances	11,578	33,260	44,838
	1,439,591	2,120,429	3,476,716

* Excluding non-financial asset such as prepayments and deposits.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit quality of financial assets

The four (4) risks categories as set out and defined below, from very low to high describe the credit quality of the Company's financial assets. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

Risk Category	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	BBB+ to BB+	AA1 to A3
Medium	11 – 15	BB+ to B+	A3 to BB1
High	16 – 21	B+ to CCC	BB1 to C

Risk category is as described below:

Very low : Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.

Low : Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.

Medium : Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.

High : Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/ defaulted : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.2(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.

37. 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 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
31.12.2020							
Financial assets at FVOCI:							
Malaysian government papers	122,256	-	-	-	-	-	122,256
Debt securities	271,739	239,050	412,626	-	-	-	923,415
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	347,732	-	-	-	-	347,732
Others	-	3,168	20,314	-	-	-	23,482
Other assets*	4,313	2,727	4,259	-	-	131,760	143,059
Cash and bank balances	-	2,559	-	-	-	-	2,559
	398,308	595,236	437,199	-	-	131,760	1,562,503
31.12.2019							
Financial assets at FVOCI:							
Malaysian government papers	64,166	-	-	-	-	-	64,166
Debt securities	390,332	305,656	439,459	9,983	-	-	1,145,430
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	63,547	20,000	-	-	-	83,547
Others	-	3,059	35,266	-	-	-	38,325
Financing receivables	-	-	-	-	-	252	252
Other assets*	5,222	2,570	4,991	24	-	83,486	96,293
Cash and bank balances	-	11,578	-	-	-	-	11,578
	459,720	386,410	499,716	10,007	-	83,738	1,439,591

* Excluding non-financial asset such as prepayments and deposits.

37. 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 General Takaful fund according to the credit ratings of counterparties.

General Takaful fund

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
31.12.2020							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Debt securities	-	-	16,770	3,387	-	-	20,157
Financial assets at FVOCI:							
Malaysian government papers	78,482	-	-	-	-	-	78,482
Debt securities	194,449	293,453	615,860	30,921	-	-	1,134,683
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	886,731	-	-	-	-	886,731
Others	-	50,317	30,232	-	-	-	80,549
Takaful receivables	-	2,446	2	1,242	-	85,311	89,001
Other assets*	3,477	5,745	7,537	251	-	453	17,463
Cash and bank balances	-	31,781	4,696	-	-	1,295	37,772
	276,408	1,270,473	675,097	35,801	-	87,059	2,344,838

* Excluding non-financial asset such as prepayments and deposits.

37. 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 General Takaful fund according to the credit ratings of counterparties. (contd.)

General 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
31.12.2019							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Debt securities	-	-	16,446	8,928	-	-	25,374
Financial assets at FVOCI:							
Malaysian government papers	214,215	-	-	-	-	-	214,215
Debt securities	252,257	415,621	770,576	51,064	-	-	1,489,518
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	159,877	37,386	-	-	-	197,263
Others	-	45,820	10,058	-	-	-	55,878
Takaful receivables	-	372	4,484	1,666	-	76,541	83,063
Other assets*	6,055	6,477	8,959	339	-	28	21,858
Cash and bank balances	-	30,292	2,289	-	-	679	33,260
	472,527	658,459	850,198	61,997	-	77,248	2,120,429

* Excluding non-financial asset such as prepayments and deposits.

37. 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 counterparties.

Company

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
31.12.2020							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Debt securities	-	-	16,770	3,387	-	-	20,157
Financial assets at FVOCI:							
Malaysian government papers	200,738	-	-	-	-	-	200,738
Debt securities	466,188	532,503	1,028,486	30,921	-	-	2,058,098
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	1,234,463	-	-	-	-	1,234,463
Others	-	53,485	50,546	-	-	-	104,031
Takaful receivables	-	2,446	2	1,242	-	85,311	89,001
Other assets*	7,790	8,472	11,796	251	-	15,511	43,820
Cash and bank balances	-	34,340	4,696	-	-	1,295	40,331
	674,716	1,865,709	1,112,296	35,801	-	102,117	3,790,639

* Excluding non-financial asset such as prepayments and deposits.

37. 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 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
31.12.2019							
Financial assets at FVTPL:							
(i) Designated upon initial recognition							
Debt securities	-	-	16,446	8,928	-	-	25,374
Financial assets at FVOCI:							
Malaysian government papers	278,381	-	-	-	-	-	278,381
Debt securities	642,589	721,277	1,210,035	61,047	-	-	2,634,948
Financial assets at AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	223,424	57,386	-	-	-	280,810
Others	-	48,879	45,324	-	-	-	94,203
Financing receivables	-	-	-	-	-	252	252
Takaful receivables	-	372	4,484	1,666	-	76,541	83,063
Other assets*	11,277	9,047	13,950	363	-	210	34,847
Cash and bank balances	-	41,870	2,289	-	-	679	44,838
	932,247	1,044,869	1,349,914	72,004	-	77,682	3,476,716

* Excluding non-financial asset such as prepayments and deposits.

37. 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 invesment assets. In particular, recognition of ECL is dependent on which of the three stages a particular financial instrument is assigned to. Assets move through the three stages as credit quality changes and the stages dictate how the Company measures impairment losses and applies the effective interest rate (“EIR”) method with the forward looking element to compute the ECL.

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

Expected credit loss

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

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company is required to estimate the probability of default occurring in the 12 month after the reporting date and in each subsequent year throughout the expected life of the financial instruments. The lifetime ECL allowance that is measured for the Company during the year is mostly due to the debt security which has been classified as Watchlist ("WL") or downgraded bond whichever it is assessed at the reporting date.

The determination of whether a financial asset is credit-impaired debt security under Stage 3, the ECL calculation will be based on objective evidence of impairment.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

The table below shows the fair value of the Shareholder's fund 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
31.12.2020				
Financial assets at FVOCI				
Sovereign	375,323	18,672	-	393,995
Very low	239,050	-	-	239,050
Low	385,376	27,250	-	412,626
Medium	-	-	-	-
Total carrying amount	999,749	45,922	-	1,045,671
Total ECL	(416)	(116)	-	(532)
31.12.2019				
Financial assets at FVOCI				
Sovereign	436,381	18,117	-	454,498
Very low	239,102	66,554	-	305,656
Low	439,459	-	-	439,459
Medium	9,983	-	-	9,983
Total carrying amount	1,124,925	84,671	-	1,209,596
Total ECL	(531)	(54)	-	(585)

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

General 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
31.12.2020				
Financial assets at FVOCI				
Sovereign	272,931	-	-	272,931
Very low	293,453	-	-	293,453
Low	555,736	60,124	-	615,860
Medium	30,921	-	-	30,921
Total carrying amount	1,153,041	60,124	-	1,213,165
Total ECL	(678)	(257)	-	(935)
31.12.2019				
Financial assets at FVOCI				
Sovereign	466,472	-	-	466,472
Very low	410,513	5,108	-	415,621
Low	770,576	-	-	770,576
Medium	51,064	-	-	51,064
Total carrying amount	1,698,625	5,108	-	1,703,733
Total ECL	(1,018)	(5)	-	(1,023)

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

37. 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
31.12.2020				
Financial assets at FVOCI				
Sovereign	648,254	18,672	-	666,926
Very low	532,503	-	-	532,503
Low	941,112	87,374	-	1,028,486
Medium	30,921	-	-	30,921
Total carrying amount	2,152,790	106,046	-	2,258,836
Total ECL	(1,094)	(373)	-	(1,467)
31.12.2019				
Financial assets at FVOCI				
Sovereign	902,853	18,117	-	920,970
Very low	649,615	71,662	-	721,277
Low	1,210,035	-	-	1,210,035
Medium	61,047	-	-	61,047
Total carrying amount	2,823,550	89,779	-	2,913,329
Total ECL	(1,549)	(59)	-	(1,608)

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

The movements in allowance for impairment losses for financial assets at FVOCI are as follows:

	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
Shareholder's fund				
31.12.2020				
Financial assets at FVOCI				
At 1.1.2020	531	54	-	585
Net adjustment of loss allowance	1,027	-	-	1,027
New financial assets originated at purchase	62	116	-	178
Financial assets derecognised during the financial year	(1,204)	(54)	-	(1,258)
Allowance for impairment losses during the financial year (Note 24)	(115)	62	-	(53)
At 31.12.2020	416	116	-	532
31.12.2019				
Financial assets at FVOCI				
At 1.1.2019	572	107	-	679
Net adjustment of loss allowance	(133)	(39)	-	(172)
New financial assets originated at purchase	235	-	-	235
Financial assets derecognised during the financial year	(143)	(14)	-	(157)
Allowance for impairment losses during the financial year (Note 24)	(41)	(53)	-	(94)
At 31.12.2019	531	54	-	585

Impact of movements in gross carrying amount on allowance for financial assets at FVOCI.

The following explains the changes in the gross carrying amount of financial assets at FVOCI during the financial year which 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 of financial assets at FVOCI for the Shareholder's fund decreased by RM53,000 due to the following:

a) 12-month ECL (Stage 1) - decrease of RM115,000 for the fund, mainly due to:
   - Financial assets at FVOCI that were derecognised; and
   - Partially offset by financial assets at FVOCI that were newly originated.
b) Lifetime ECL Not Credit-Impaired (Stage 2) – increase of RM62,000 for the fund, mainly due to:
   - Additional ECL recognised due to deterioration in credit quality.

Overall, the total allowance for impairment on financial assets at FVOCI for the Shareholder’s fund decreased by RM94,000 for the financial year ended 31 December 2019 due to the following:

a) 12-month ECL (Stage 1) – decrease of RM41,000 for the fund, mainly due to:
   - Financial assets at FVOCI that were derecognised; and
   - Partially offset by financial assets at FVOCI that were newly originated.
b) Lifetime ECL Not Credit-Impaired (Stage 2) – decrease of RM53,000 for the fund, mainly due to:
   - Financial assets at FVOCI that were derecognised.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

The movements in allowance for impairment losses for financial assets at FVOCI are as follows (contd.):

	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
General Takaful fund				
31.12.2020				
Financial assets at FVOCI				
At 1.1.2020	1,018	5	-	1,023
Net adjustment of loss allowance	1	(1)	-	-
New financial assets originated at purchase	678	257	-	935
Financial assets derecognised during the financial year	(1,019)	(4)	-	(1,023)
Allowance for impairment losses during the financial year (Note 24)	(340)	252	-	(88)
At 31.12.2020	678	257	-	935
31.12.2019				
Financial assets at FVOCI				
At 1.1.2019	1,030	58	-	1,088
Net adjustment of loss allowance	(325)	(3)	-	(328)
New financial assets originated at purchase	449	-	-	449
Financial assets derecognised during the financial year	(136)	(50)	-	(186)
Allowance for impairment losses during the financial year (Note 24)	(12)	(53)	-	(65)
At 31.12.2019	1,018	5	-	1,023

Impact of movements in gross carrying amount on allowance for financial assets at FVOCI.

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

Overall, the total allowance for impairment on financial assets at FVOCI for the General Takaful fund decreased by RM88,000 due to the following:

a) 12-month ECL (Stage 1) - decrease of RM340,000 for the fund, mainly due to:
   - Financial assets at FVOCI that were derecognised; and
   - Partially offset by financial assets at FVOCI that were newly originated.

b) Lifetime ECL Not Credit-Impaired (Stage 2) – increase of RM252,000 for the fund, mainly due to:
   - Additional ECL recognised due to deterioration in credit quality.

Overall, the total allowance for impairment on financial assets at FVOCI for the General Takaful fund decreased by RM65,000 for the financial year ended 31 December 2019 due to the following:

a) 12-month ECL (Stage 1) – decrease of RM12,000 for the fund, mainly due to:
   - Financial assets at FVOCI that were derecognised; and
   - Partially offset by financial assets at FVOCI that were newly originated.

b) Lifetime ECL Not Credit-Impaired (Stage 2) – decrease of RM53,000 for the fund, mainly due to:
   - Financial assets at FVOCI that were derecognised.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

The movements in allowance for impairment losses for financial assets at FVOCI are as follows (contd.):

	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
Company				
31.12.2020				
Financial assets at FVOCI				
At 1.1.2020	1,549	59	-	1,608
Net adjustment of loss allowance	1,028	(1)	-	1,027
New financial assets originated at purchase	740	373	-	1,113
Financial assets derecognised during the financial year	(2,223)	(58)	-	(2,281)
Allowance for impairment losses during the financial year (Note 24)	(455)	314	-	(141)
At 31.12.2020	1,094	373	-	1,467
31.12.2019				
Financial assets at FVOCI				
At 1.1.2019	1,602	165	-	1,767
Net adjustment of loss allowance	(458)	(42)	-	(500)
New financial assets originated at purchase	684	-	-	684
Financial assets derecognised during the financial year	(279)	(64)	-	(343)
Allowance for impairment losses during the financial year (Note 24)	(53)	(106)	-	(159)
At 31.12.2019	1,549	59	-	1,608

Impact of movements in gross carrying amount on allowance for financial assets at FVOCI.

The following explains the changes in the gross carrying amount of financial assets at FVOCI during the financial year which 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 for the Company decreased by RM141,000 due to the following:

a) 12-month ECL (Stage 1) - decrease of RM455,000 for the fund, mainly due to:
   - Financial assets at FVOCI that were derecognised; and
   - Partially offset by financial assets at FVOCI that were newly originated.

b) Lifetime ECL Not Credit-Impaired (Stage 2) – increase of RM314,000 for the fund, mainly due to:
   - Additional ECL recognised due to deterioration in credit quality.

Overall, the total allowance for impairment on financial assets at FVOCI for the Company decreased by RM159,000 for the financial year ended 31 December 2019 due to the following:

a) 12-month ECL (Stage 1) – decrease of RM53,000 for the fund, mainly due to:
   - Financial assets at FVOCI that were derecognised; and
   - Partially offset by financial assets at FVOCI that were newly originated.

b) Lifetime ECL Not Credit-Impaired (Stage 2) – decrease of RM106,000 for the fund, mainly due to:
   - Financial assets at FVOCI that were derecognised.

37. 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 other 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 receivables are grouped based on different sales channels with forward looking elements being applied to it.

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

	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 (Note 6)	Other assets* RM'000
Shareholder's fund						
Gross carrying amount						
At 1.1.2019	-	92,193	-	4,573	-	96,766
Increase/(Decrease)	-	2,929	252	(1,997)	252	932
At 31.12.2019	-	95,122	252	2,576	252	97,698
Increase/(Decrease)	-	44,442	(252)	2,360	(252)	46,802
At 31.12.2020	-	139,564	-	4,936	-	144,500
Lifetime ECL						
At 1.1.2019	-	122	-	512	-	634
Increase/(Decrease)	-	442	-	329	-	771
At 31.12.2019	-	564	-	841	-	1,405
Increase/(Decrease)	-	190	-	(154)	-	36
At 31.12.2020	-	754	-	687	-	1,441

	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 (Note 6)	Takaful receivables RM'000 (Note 8)	Other assets* RM'000
General Takaful fund									
Gross carrying amount									
At 1.1.2019	-	71,553	19,568	3,331	31,506	-	3,331	103,059	19,568
Increase/(Decrease)	-	(3,323)	2,290	-	(6,910)	-	-	(10,233)	2,290
At 31.12.2019	-	68,230	21,858	3,331	24,596	-	3,331	92,826	21,858
Increase/(Decrease)	-	(2,034)	(4,395)	(3,331)	8,325	-	(3,331)	6,291	(4,395)
At 31.12.2020	-	66,196	17,463	-	32,921	-	-	99,117	17,463
Lifetime ECL									
At 1.1.2019	-	984	-	3,331	5,479	-	3,331	6,463	-
Increase/(Decrease)	-	1,462	-	-	1,838	-	-	3,300	-
At 31.12.2019	-	2,446	-	3,331	7,317	-	3,331	9,763	-
Increase/(Decrease)	-	401	-	(3,331)	(48)	-	(3,331)	353	-
At 31.12.2020	-	2,847	-	-	7,269	-	-	10,116	-

* Excluding non-financial asset such as prepayments and deposits.

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

Upon implementation of MFRS 9, the Company applied the Simplified Approach where the ECL is measured at initial recognition of the other 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 receivables are grouped based on different sales channels with forward looking elements being applied to it. (contd.)

Movements in gross carrying value and allowances for impairment losses recognised for not credit impaired and credit impaired of other financial assets are as follows: (contd.)

	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 (Note 6)	Takaful receivables RM'000 (Note 8)	Other assets* RM'000
Company									
Gross carrying amount									
At 1.1.2019	-	71,553	29,197	3,331	31,506	-	3,331	103,059	29,197
Increase/(Decrease)	-	(3,323)	6,012	252	(6,910)	-	252	(10,233)	6,012
At 31.12.2019	-	68,230	35,209	3,583	24,596	-	3,583	92,826	35,209
Increase/(Decrease)	-	(2,034)	8,983	(3,583)	8,325	-	(3,583)	6,291	8,983
At 31.12.2020	-	66,196	44,192	-	32,921	-	-	99,117	44,192
Lifetime ECL									
At 1.1.2019	-	984	-	3,331	5,479	-	3,331	6,463	-
Increase/(Decrease)	-	1,462	362	-	1,838	-	-	3,300	362
At 31.12.2019	-	2,446	362	3,331	7,317	-	3,331	9,763	362
Increase/(Decrease)	-	401	10	(3,331)	(48)	-	(3,331)	353	10
At 31.12.2020	-	2,847	372	-	7,269	-	-	10,116	372

* Excluding non-financial asset such as prepayments and deposits.

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

	Other assets RM'000 (Note 9)	Total RM'000
Shareholder's fund		
31.12.2020		
At 1.1.2020	1,405	1,405
Allowance for impairment losses during the financial year	36	36
At 31.12.2020	1,441	1,441
31.12.2019		
At 1.1.2019	634	634
Allowance for impairment losses during the financial year	771	771
At 31.12.2019	1,405	1,405

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

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

	Financing receivables RM'000 (Note 6)	Takaful receivables RM'000 (Note 8)	Total RM'000
General Takaful fund			
31.12.2020			
At 1.1.2020	3,331	9,763	13,094
Allowance for impairment losses during the financial year (Note 24)	(3,331)	353	(2,978)
At 31.12.2020	-	10,116	10,116

	Financing receivables RM'000 (Note 6)	Takaful receivables RM'000 (Note 8)	Total RM'000
31.12.2019			
At 1.1.2019	3,331	6,463	9,794
Allowance for impairment losses during the financial year (Note 24)	-	3,300	3,300
At 31.12.2019	3,331	9,763	13,094

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

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

	Financing receivables RM'000 (Note 6)	Takaful receivables RM'000 (Note 8)	Other assets RM'000 (Note 9)	Total RM'000
Company				
31.12.2020				
At 1.1.2020 (as previously stated)	3,331	9,763	-	13,094
Effect of prior year adjustment (Note 2.3)	-	-	(1,043)	(1,043)
At 1.1.2020 (as restated)	3,331	9,763	(1,043)	12,051
Allowance for impairment losses during the financial year (Note 24)	(3,331)	353	10	(2,968)
At 31.12.2020	-	10,116	(1,033)	9,083

	Financing receivables RM'000 (Note 6)	Takaful receivables RM'000 (Note 8)	Other assets RM'000 (Note 9)	Total RM'000
31.12.2019				
At 1.1.2019 (as previously stated)	3,331	6,463	634	10,428
Effect of prior year adjustment (Note 2.3)	-	-	(634)	(634)
At 1.1.2019 (as restated)	3,331	6,463	-	9,794
Allowance for impairment losses during the financial year (Note 24)	-	3,300	362	3,662
At 31.12.2019 (as restated)	3,331	9,763	362	13,456

Financial effects of collateral held

The main type 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 vehicles
Corporate financing	Charges over properties, lands being financed and bank guarantees

37. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial effect of collateral held (contd.)

The quantification of the extent to which collateral and other credit enhancement mitigate credit risk (referred to as "the financial effect of collateral") is described below.

Shareholder's fund

There is no financing effect of collateral held for financing receivables for 31 December 2020 and 31 December 2019.

(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 policyholders' liabilities, such as surrenders, withdrawal, claims and maturity benefits, and financial obligations to other contract holders without endangering the business financials due to constraints on liquidating assets.

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

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

(b) The Investment Management department ensures that the established investment limits set takes care of reasonable liquidity requirements at all times; and

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

Maturity Profiles

The 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 contribution liabilities.

Contribution liabilities, the retakaful's share of contribution liabilities and expense liabilities relating to general takaful have been excluded from the analysis as there are no contractual obligations to make or receive payments on those liabilities.

37. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Shareholder's fund						
31.12.2020						
Financial assets:						
FVOCI	1,045,671	133,311	375,559	1,022,925	-	1,531,795
AC	371,214	372,041	-	-	-	372,041
FVTPL	31,836	-	-	-	31,836	31,836
Other assets*	143,059	143,059	-	-	-	143,059
Cash and bank balances	2,559	-	-	-	2,559	2,559
Total assets	1,594,339	648,411	375,559	1,022,925	34,395	2,081,290
Other liabilities	81,534	81,534	-	-	-	81,534
Total liabilities	81,534	81,534	-	-	-	81,534
31.12.2019						
Financial assets:						
FVOCI	1,209,596	59,609	551,197	1,161,093	-	1,771,899
AC	121,872	122,241	-	-	-	122,241
FVTPL	24,088	-	-	-	24,088	24,088
Financing receivables	252	59	193	-	-	252
Other assets*	96,293	96,293	-	-	-	96,293
Cash and bank balances	11,578	-	-	-	11,578	11,578
Total assets	1,463,679	278,202	551,390	1,161,093	35,666	2,026,351
Other liabilities	59,051	59,051	-	-	-	59,051
Total liabilities	59,051	59,051	-	-	-	59,051

* Excluding non-financial asset such as prepayments and deposits.

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

37. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
General Takaful fund						
31.12.2020						
Financial assets:						
FVOCI	1,213,165	185,650	525,557	987,398	-	1,698,605
AC	967,280	970,209	-	-	-	970,209
FVTPL	48,346	1,038	19,766	3,286	28,190	52,280
Retakaful assets*	283,809	254,258	29,539	12	-	283,809
Takaful receivables	89,001	89,001	-	-	-	89,001
Other assets***	17,463	17,463	-	-	-	17,463
Cash and bank balances	37,779	-	-	-	37,779	37,779
Total assets	2,656,843	1,517,619	574,862	990,696	65,969	3,149,146
Participants' fund**	197,961	197,961	-	-	-	197,961
Takaful certificate liabilities*	1,215,033	845,672	367,369	1,992	-	1,215,033
Takaful payables	145,538	145,538	-	-	-	145,538
Other liabilities	397,595	397,595	-	-	-	397,595
Total liabilities	1,956,127	1,586,766	367,369	1,992	-	1,956,127

* Excluding contribution liabilities and retakaful operators' share of contribution liabilities.
** Excluding FVOCI reserves.
*** Excluding non-financial asset such as prepayments and deposits.

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

37. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
General Takaful fund						
31.12.2019						
Financial assets:						
FVOCI	1,703,733	209,060	782,186	1,364,397	-	2,355,643
AC	253,141	254,993	-	-	-	254,993
FVTPL	46,916	1,356	6,778	24,694	21,542	54,370
Retakaful assets*	207,128	184,734	23,096	14	-	207,844
Takaful receivables	83,063	83,063	-	-	-	83,063
Other assets***	21,858	21,858	-	-	-	21,858
Cash and bank balances	33,260	-	-	-	33,260	33,260
Total assets	2,349,099	755,064	812,060	1,389,105	54,802	3,011,031
Participants' fund**	182,124	182,124	-	-	-	182,124
Takaful certificate liabilities*	981,381	678,817	300,458	2,106	-	981,381
Takaful payables	114,642	114,642	-	-	-	114,642
Other liabilities	332,665	332,665	-	-	-	332,665
Total liabilities	1,610,812	1,308,248	300,458	2,106	-	1,610,812

* Excluding contribution liabilities and retakaful operators' share of contribution liabilities.
** Excluding FVOCI reserves.
*** Excluding non-financial asset such as prepayments and deposits.

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

37. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Company						
31.12.2020						
Financial assets:						
FVOCI	2,258,836	318,961	901,116	2,010,323	-	3,230,400
AC	1,338,494	1,342,250	-	-	-	1,342,250
FVTPL	80,182	1,038	19,766	3,286	60,026	84,116
Retakaful assets*	283,809	254,258	29,539	12	-	283,809
Takaful receivables	89,001	89,001	-	-	-	89,001
Other assets***	43,820	43,820	-	-	-	43,820
Cash and bank balances	40,338	-	-	-	40,338	40,338
Total assets	4,134,480	2,049,328	950,421	2,013,621	100,364	5,113,734
Participants' fund**	197,961	197,961	-	-	-	197,961
Takaful certificate liabilities*	1,215,033	845,672	367,369	1,992	-	1,215,033
Takaful payables	145,538	145,538	-	-	-	145,538
Other liabilities	361,358	361,358	-	-	-	361,358
Total liabilities	1,919,890	1,550,529	367,369	1,992	-	1,919,890

* Excluding contribution liabilities and retakaful operators' share of contribution liabilities.
** Excluding FVOCI reserves.
*** Excluding non-financial asset such as prepayments and deposits.

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

ETIQA GENERAL TAKAFUL BERHAD
201701025031 (1239197-A)
(Incorporated in Malaysia)

37. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Company (contd.)						
31.12.2019						
Financial assets:						
FVOCI	2,913,329	268,669	1,333,383	2,525,490	-	4,127,542
AC	375,013	377,234	-	-	-	377,234
FVTPL	71,004	1,356	6,778	24,694	45,630	78,458
Retakaful assets*	207,128	184,734	23,096	14	-	207,844
Takaful receivables	83,063	83,063	-	-	-	83,063
Financing receivables	252	59	193	-	-	252
Other assets***	34,847	34,847	-	-	-	34,847
Cash and bank balances	44,838	-	-	-	44,838	44,838
Total assets	3,729,474	949,962	1,363,450	2,550,198	90,468	4,954,078
Participants' fund**	182,124	182,124	-	-	-	182,124
Takaful certificate liabilities*	981,381	678,817	300,458	2,106	-	981,381
Takaful payables	114,642	114,642	-	-	-	114,642
Other liabilities	307,369	307,369	-	-	-	307,369
Total liabilities	1,585,516	1,282,952	300,458	2,106	-	1,585,516

* Excluding contribution liabilities and retakaful operators' share of contribution liabilities.
** Excluding FVOCI reserves.
*** Excluding non-financial asset such as prepayments and deposits.

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).

37. 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 Rate Risk; and
(c) Equity Price Risk.

The Company has three main key features in its Market Risk management practices and policies:

(a) The Company’s policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company’s risk management policy 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’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.

(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 Singapore Dollar, Hong Kong Dollar, Brunei Dollar and US Dollar.

37. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(a) Currency Risk (contd.)

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

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

(b) Profit Rate Risk

Profit Rate Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

Profit Rate Risks arise from exposures to profit rate related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Company.

The Company measures and manages Profit Rate Risk mainly based on the following three philosophies and principles, as below:

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

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

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

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

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant.

37. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Profit Rate Risk (contd.)

	Changes in variables	2020 Impact on profit before tax RM'000	2020 Impact on equity* RM'000
		<--------(Decrease)/increase	------->
Shareholder's fund	+100 basis points	(423)	(67,545)
	-100 basis points	423	67,545
General Takaful fund	+100 basis points	(1,108)	(31,184)
	-100 basis points	1,108	31,184
Company	+100 basis points	(1,531)	(98,729)
	-100 basis points	1,531	98,729

	Changes in variables	2019 Impact on profit before tax RM'000	2019 Impact on equity* RM'000
		<--------(Decrease)/increase	------->
Shareholder's fund	+100 basis points	(105)	(74,336)
	-100 basis points	105	74,336
General Takaful fund	+100 basis points	(877)	(40,094)
	-100 basis points	877	40,094
Company	+100 basis points	(982)	(114,430)
	-100 basis points	982	114,430

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

(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 regard 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.

37. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk (contd.)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

Market Index	**Changes in variables**	**2020 Impact on profit before tax RM'000**	**2020 Impact on equity* RM'000**
		<-------Increase/(decrease)------->	
Shareholder's fund	+10%	3,184	2,419
	-10%	(3,184)	(2,419)
General Takaful fund	+10%	1,269	964
	-10%	(1,269)	(964)
Company	+10%	4,453	3,383
	-10%	(4,453)	(3,383)

	Changes in variables	**2019 Impact on profit before tax RM'000**	**2019 Impact on equity* RM'000**
		<-------Increase/(decrease)------->	
Shareholder's fund	+10%	2,409	1,831
	-10%	(2,409)	(1,831)
General Takaful fund	+10%	969	737
	-10%	(969)	(737)
Company	+10%	3,378	2,568
	-10%	(3,378)	(2,568)

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

(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 operations (causing material adverse impact to the earnings, capital or total assets).

Concentration Risk relates to non-diversified portfolios and arises due to excessive 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 also to such limits stipulated by BNM.

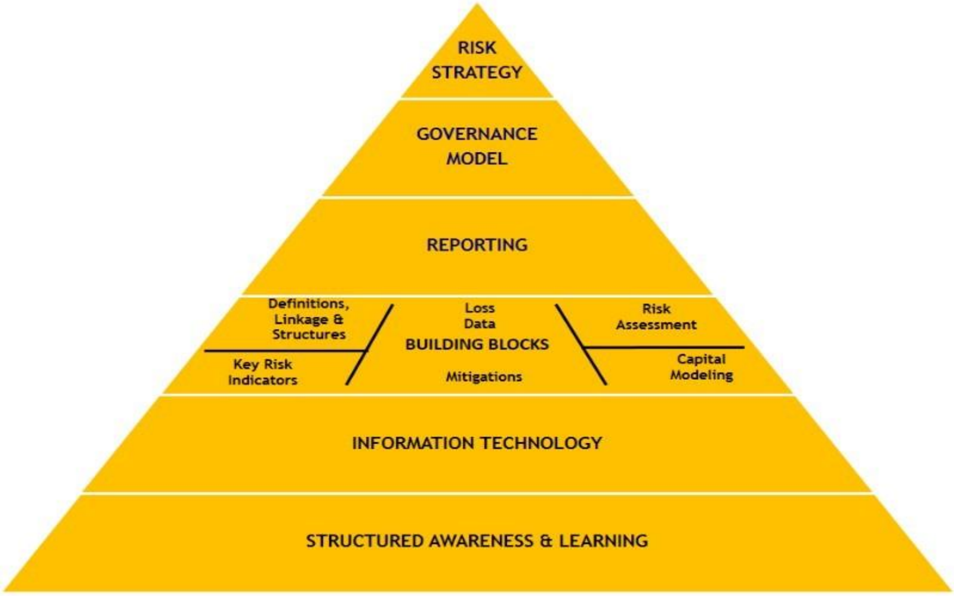
The Company complied with BNM stipulated limits during the financial year and had no significant concentration risk.

38. OPERATIONAL RISK

Operational Risk Management ("ORM") is the discipline of systematically identifying the causes of failures in the organisation's day-to-day operations, assessing the risk of loss and taking the appropriate action to minimise the impact of such loss.

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The methodology and components adopted in Operational Risk are summarised in the diagram below.



The continuous review and monitoring of the risks and the control effectiveness are vital for an effective Operational Risk management. Hence, specific tools and methodologies to identify, assess, measure, control, monitor and report the Operational Risks that affect Etiqa are established. Those include among other things: Risk and Control Self-assessment, Key Risk Indicators, Incident Management & Data Collection, Information Technology and 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 include fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation.

(ii) External Fraud

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

38. OPERATIONAL RISK (CONTD.)

Operational risk taxonomy (contd.)

(iii) Employment Practices and Workplace Safety

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

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

(iii) Diversity & discrimination - failure to provide equalities in the employment practice.

(iv) Client or Products and Business Practices

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

(v) Damage to Physical Assets

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

(vi) Business Disruption and System Failures

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

(vii) Execution or Delivery and Process Management

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

(viii) Information Technology Risk

Risk which impacts confidentiality, availability and integrity of information and services related to information technology as well as cyber risk that can lead to losses due to cyber-crime and cyber terrorism.

38. OPERATIONAL RISK (CONTD.)

Operational Risk Taxonomy (contd.)

(ix) People and Performance Risk

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

(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.

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 and Advisory ("2nd Line"), Shariah Review and Shariah Risk Management function ("3rd Line"), and Shariah Audit ("4th Line").

39. 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 and 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.

40. FAIR VALUES MEASUREMENTS

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

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy; and
(d) Transfers between Level 1 and Level 2 in the fair value hierarchy.

(a) Valuation principles

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

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

The Company continuously enhances its design, validation methodologies and processes to ensure the valuations are reflective and periodic reviews are performed to ensure the model remains suitable for its intended use.

40. FAIR VALUES MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

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

- Level 1 : Active Market – Quoted price

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

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

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

  Examples of Level 2 financial instruments include corporate and other government bonds, less liquid equities and over the counter ("OTC") derivatives.

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

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

40. FAIR VALUES MEASUREMENTS (CONTD.)

(b) Valuation techniques (contd.)

(ii) Financing receivables

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

(iii) Takaful receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Notes 2.2(viii) and Note 2.2(xvi). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Notes 2.2(iv) and Note 2.2(v). The carrying amounts and fair values of investments are disclosed in Note 5 of the financial statements.

40. 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	Level 3 Significant Unobservable inputs RM'000	Total RM'000
31.12.2020				
Assets				
Financial assets at FVTPL				
(i) Held for trading (HFT)				
Equity securities	30,111	-	-	30,111
Property trust funds	1,725	-	-	1,725
Financial assets at FVOCI				
Malaysian government papers	-	122,256	-	122,256
Debt securities	-	923,415	-	923,415
Total assets	**31,836**	**1,045,671**	**-**	**1,077,507**
31.12.2019				
Assets				
Financial assets at FVTPL				
(i) Held for trading (HFT)				
Equity securities	23,428	-	-	23,428
Property trust funds	660	-	-	660
Financial assets at FVOCI				
Malaysian government papers	-	64,166	-	64,166
Debt securities	-	1,145,430	-	1,145,430
Total assets	**24,088**	**1,209,596**	**-**	**1,233,684**

40. FAIR VALUES MEASUREMENTS (CONTD.)

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

General Takaful fund

	Valuation techniques using:			
	Level 1 Quoted market prices RM'000	**Level 2 Observable inputs RM'000**	**Level 3 Significant Unobservable inputs RM'000**	**Total RM'000**
31.12.2020				
Assets				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	20,157	-	20,157
(ii) Held for trading (HFT)				
Equity securities	27,045	-	-	27,045
Property trust funds	1,144	-	-	1,144
Financial assets at FVOCI				
Malaysian government papers	-	78,482	-	78,482
Debt securities	-	1,134,683	-	1,134,683
Total assets	**28,189**	**1,233,322**	**-**	**1,261,511**
31.12.2019				
Assets				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	25,374	-	25,374
(ii) Held for trading (HFT)				
Equity securities	20,698	-	-	20,698
Property trust funds	844	-	-	844
Financial assets at FVOCI				
Malaysian government papers	-	214,215	-	214,215
Debt securities	-	1,489,518	-	1,489,518
Total assets	**21,542**	**1,729,107**	**-**	**1,750,649**

40. 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	Level 3 Significant Unobservable inputs RM'000	Total RM'000
31.12.2020				
Assets				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	20,157	-	20,157
(ii) Held for trading (HFT)				
Equity securities	57,156	-	-	57,156
Property trust funds	2,869	-	-	2,869
Financial assets at FVOCI				
Malaysian government papers	-	200,738	-	200,738
Debt securities	-	2,058,098	-	2,058,098
Total assets	**60,025**	**2,278,993**	**-**	**2,339,018**
31.12.2019				
Assets				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	25,374	-	25,374
(ii) Held for trading (HFT)				
Equity securities	44,126	-	-	44,126
Property trust funds	1,504	-	-	1,504
Financial assets at FVOCI				
Malaysian government papers	-	278,381	-	278,381
Debt securities	-	2,634,948	-	2,634,948
Total assets	**45,630**	**2,938,703**	**-**	**2,984,333**

40. FAIR VALUES MEASUREMENTS (CONTD.)

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting 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.

41. REGULATORY CAPITAL REQUIREMENT

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

Company

	31.12.2020 RM'000	31.12.2019 RM'000
Eligible Tier 1 Capital		
Paid up share capital	870,000	870,000
Valuation surplus in takaful funds	197,961	182,124
Retained earnings	425,305	308,692
	1,493,266	1,360,816
Tier 2 Capital		
FVOCI reserves	76,414	88,107
	76,414	88,107
Amount deducted from capital	(766)	(1,012)
Total Capital Available	1,568,914	1,447,911

42. COVID-19 IMPACT

The Covid-19 Pandemic and the related economic uncertainty has undoubtedly impacted the Company, which dampened the Company's 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:-

42. COVID-19 IMPACT (CONTD.)

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 Company's 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. The Company has leveraged business opportunities from its existing and improved digital platforms, which has enabled the Company to continue sustaining good 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 volatility of KLCI has also dampened returns from equity investments, the uncertainty is expected to be challenging in 2021. The Company has 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) 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 facilitated their policyholders request for payment deferment or restructuring of their respective insurance plans.

In combating the Covid-19 outbreak, the Company has sponsored RM500,000 to fund 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 Group's ability to continue as a going concern. Therefore, the financial statements is continued to be prepared on the going concern basis.

43. COMPARATIVES

Certain comparatives on the statement of financial position, income statement and statement of changes in equity have been restated as a result of the prior year adjustment described in Note 2.3.