Maybank Ageas Holdings Berhad
197701002387 (33361-W)
(Incorporated in Malaysia)

Directors’ Report and Audited Financial Statements
31 December 2020

MAYBANK AGEAS HOLDINGS BERHAD
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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of shared services to its subsidiaries on a reimbursement basis. The principal activities and other information relating to the subsidiaries are disclosed in Note 8 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year attributable to the equity holders of the Company	691,287	433,879

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 Group and 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 were as follows:

	RM'000
In respect of financial year ended 31 December 2019, final dividend of:	
- 99.30 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	250,241

The final dividend was declared on 6 April 2020 and paid on 5 August 2020.

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

Malayan Banking Berhad ("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 fulfil 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 Employees' Share Grant Plan ("ESGP Shares") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

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

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

The maximum number of ordinary shares in 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:

Datuk Karownakaran @ Karunakaran A/L Ramasamy (Chairman)
Mr. Antonio Cano (Vice Chairman)
Mr. Gary Lee Crist
Dato' Johan bin Ariffin
Dato' Amirul Feisal bin Wan Zahir
Dato' Majid bin Mohamad
Datuk Mohd Najib bin Abdullah

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.

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DIRECTORS OF SUBSIDIARIES

The following is a list of Directors of the subsidiaries in office as at the date of this report:

Subsidiaries	**Directors**
Etiqa General Insurance Berhad ("EGIB")	Datuk Mohd Najib bin Abdullah Mr. Frank Johan Gerard Van Kempen Datuk Normala binti Abdul Manaf Mr. Koh Heng Kong Cik Serina binti Abdul Samad Ms. Daniela Adaggi En. Mohamad Shukor bin Ibrahim
Etiqa Life Insurance Berhad ("ELIB")	Datuk Mohd Najib bin Abdullah Mr. Philippe Pol Arthur Latour Dato' Johan bin Ariffin Mr. Loh Lee Soon Mr. Frank Johan Gerard Van Kempen Mr. Wong Pakshong Kat Jeong Colin Stewart
Etiqa Family Takaful Berhad ("EFTB")	Dato' Majid bin Mohamad Mr. Andrew King Sun Cheung Dato' Johan bin Ariffin Mr. Wong Pakshong Kat Jeong Colin Stewart Prof. Dr. Azman bin Mohd Noor En. Mohd Din bin Merican
Etiqa General Takaful Berhad ("EGTB")	Dato' Majid bin Mohamad Mr. Philippe Pol Arthur Latour Dato' Johan bin Ariffin Mr. Koh Heng Kong Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican Prof. Dr. Rusni binti Hassan
Etiqa Offshore Insurance (L) Ltd ("EOIL")	Dato' Majid bin Mohamad Mr. Frank Johan Gerard Van Kempen Mr. Eng Poh Yoon
Etiqa Life International (L) Ltd ("ELIL")	Dato' Majid bin Mohamad Mr. Johan Lam Chung Yin Mr. Lee Hin Sze

DIRECTORS OF SUBSIDIARIES (CONTD.)

The following is a list of Directors of the subsidiaries in office as at the date of this report (contd.):

Subsidiaries (contd.)	Directors (contd.)
Etiqa Insurance Pte. Ltd. ("EIPL")	Dato' Johan bin Ariffin En. Kamaludin bin Ahmad Mr. Frank Johan Gerard Van Kempen Mr. Wong Pakshong Kat Jeong Colin Stewart Haji Sallim bin Abdul Kadir Dr. John Lee Hin Hock
Double Care Sdn. Bhd. ("DCSB") (Under members' voluntary winding-up)	Dato' Aminuddin bin Md Desa Hans De Cuyper

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 from the Maybank Group ESGP.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Notes 34 and 44 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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DIRECTORS' INDEMNITY

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

Premium paid for D&O policy

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

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	**Disposed**	**As at 31 December 2020**
Ultimate holding company			
Direct interest:			
Dato' Johan bin Ariffin	315,187	-	315,187
Dato' Amirul Feisal bin Wan Zahir	68,119	-	68,119
Datuk Mohd Najib bin Abdullah	3,964	(3,964)	-

DIRECTORS' INTERESTS (CONTD.)

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

	Award date	Number of ESGP shares awarded	Vesting year
Dato' Amirul Feisal bin Wan Zahir	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 ("BNM") Policy Document on Corporate Governance as disclosed from page 9 to 25.

OTHER STATUTORY INFORMATION

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

   (i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts;

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

   (iii) to ascertain that there was adequate provision for the insurance contract and takaful certificate liabilities of the Insurance and Takaful subsidiaries in accordance with the valuation method specified in the applicable requirement in the Risk-Based Capital Framework for Insurers ("RBC Framework") and Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") issued by the local authorities.

OTHER STATUTORY INFORMATION (CONTD.)

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

 (ii) the values attributed to the current assets in the financial statements of the Group and 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 Group and 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 Group and 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 Group or 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 Group or of the Company which has arisen since the end of the financial year.

(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 (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their 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 Group or of the Company for the financial year in which this report is made.

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

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SIGNIFICANT EVENTS

There were no significant events which have occurred during the financial year other than as disclosed in Note 51 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.

AUDITORS

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

The auditors' remuneration are as disclosed in Note 33 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 March 2021.

DATUK KAROWNAKARAN
@ KARUNAKARAN A/L RAMASAMY

DATO' AMIRUL FEISAL BIN WAN ZAHIR

CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

The Board of Directors (“the Board”) of Maybank Ageas Holdings Berhad [(“the Company”) or (“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 Group’s CG practices and processes in ensuring high standards of transparency, integrity and honesty.

The Group and 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 seven (7) Directors, comprising of:-

i) one (1) Executive Director ("ED");
ii) two (2) 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. Datuk Karownakaran @ Karunakaran A/L Ramasamy, an INED, is the Chairman of the Board, while Dato’ Amirul Feisal bin Wan Zahir is the only ED on the Board and the two NINEDs are nominees of Ageas Insurance International N.V. (“Ageas”), a shareholder of the Company.

The Board is committed to ensuring diversity and inclusiveness in its composition and deliberations and the Group embraces the proposition that having a diverse Board would have a positive, value-added impact on the Group. In this regard, the Board considers diversity from a number of different aspects, including gender, age, cultural and educational background, nationality, professional experience, skills, knowledge and length of service.

The Board meets on a quarterly 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 ad hoc basis to consider urgent matters. All Directors attended more than 75% of Board Meetings held during the financial year.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

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

Members of the Board	Designation	Number of Board Meetings attended	%
Datuk Karownakaran @ Karunakaran A/L Ramasamy (*Chairman*)	INED	6/6	100
Mr. Antonio Cano *(Vice Chairman)*	NINED[1]	6/6	100
Dato' Amirul Feisal bin Wan Zahir	ED	6/6	100
Mr. Gary Lee Crist	NINED	6/6	100
Dato' Johan bin Ariffin	INED	6/6	100
Dato' Majid bin Mohamad	INED	6/6	100
Datuk Mohd Najib bin Abdullah	INED	6/6	100
Mr. Bart K.A. De Smet	NINED[2]	N/A	N/A

1 Appointed as Director w.e.f. 3 February 2020
2 Ceased as Director w.e.f. 3 February 2020

Profile of Directors

Name/ Designation/Age /Nationality	Background/ Experience	Other Directorships within the Group
Datuk Karownakaran @ Karunakaran A/L Ramasamy Independent Non-Executive Director Chairman 70 years of age Malaysian	Public Administration	Nil

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors (contd.)

Name/Designation /Age/Nationality	Background/ Experience	Other Directorships within the Group
Mr. Antonio Cano Non-Independent Non-Executive Director Vice Chairman 57 years of age Dutch	Insurance	Nil
Dato' Amirul Feisal bin Wan Zahir Executive Director 51 years of age Malaysian	Banking	Nil
Mr. Gary Lee Crist Non-Independent Non-Executive Director 63 years of age U.S. Citizen	Corporate Management	Nil
Dato' Johan bin Ariffin Independent Non-Executive Director 61 years of age Malaysian	Property Development & Banking	• Director of Etiqa Life Insurance Berhad • Director of Etiqa Family Takaful Berhad • Director of Etiqa General Takaful Berhad • Chairman of Etiqa Insurance Pte. Ltd. *(Incorporated in Singapore)*

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

(a) Board Composition (contd.)

Profile of Directors (contd.)

Name/Designation /Age/Nationality	Background/ Experience	Other Directorships within the Group
Dato' Majid bin Mohamad Independent Non-Executive Director 66 years of age Malaysian	Banking & Insurance	• Chairman of Etiqa Family Takaful Berhad • Chairman of Etiqa General Takaful Berhad • Chairman of Etiqa Offshore Insurance (L) Ltd *(incorporated in F.T.Labuan) (Appointed w.e.f. 25 June 2020)* • Chairman of Etiqa Life International (L) Ltd *(incorporated in F.T. Labuan) (Appointed w.e.f. 25 June 2020)*
Datuk Mohd bin Najib Abdullah Independent Non-Executive Director 60 years of age Malaysian	Banking & Insurance	• Chairman of Etiqa Life Insurance Berhad • Chairman of Etiqa General Insurance Berhad
Mr. Bart K.A. De Smet Non-Independent Non-Executive Director Vice Chairman 63 years of age Belgian	Insurance	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, 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 Group 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 Group. The Board also sets the Group's core values, adopts proper standards to ensure that the Group 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 Board had established Board committees to assist the Board in carrying out effective oversight of the operations and business affairs of the Company and the Group, namely:

i) Nomination and Remuneration Committee;
ii) Audit Committee of the Board;
iii) Risk Management Committee; and
iv) Investment 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 may engage a consultant firm to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board and individual Directors.

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(i) Nomination and Remuneration Committee (contd.)

The 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 the NRC	Designation	Number of NRC Meetings attended	%
Dato' Johan bin Ariffin *(Chairman)*	INED	11/11	100
Datuk Mohd Najib bin Abdullah	INED	11/11	100
Mr. Gary Lee Crist	NINED	11/11	100
Dato' Majid bin Mohamad	INED	11/11	100

(ii) Audit Committee of the Board

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

The ACB supports the Board in ensuring reliable and transparent financial reporting, oversees the effectiveness of the internal audit functions, 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).

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 (contd.)

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

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

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

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

(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).

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 (contd.)

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

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

[1] INED of Etiqa General Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of the Company.

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

(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 the IC	Designation	Number of IC Meetings attended	%
Dato' Amirul Feisal bin Wan Zahir *(Chairman)*	ED	4/4	100
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	ED[1]	4/4	100
Mr. Philippe Pol Arthur Latour	NINED[2]	3/4	75

[1] ED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of the Company.

[2] NINED of Etiqa Life Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of the Company.

(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) <u>Induction Programme</u>

A comprehensive induction programme has also been established and coordinated by the Company Secretary to ease new Directors into their new roles 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/Head of Departments, wherein new Directors would be briefed and brought up to speed on the challenges and issues faced by the Group.

(ii) <u>Training Attended by Directors</u>

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.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended by Directors (contd.)

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

A.	In-house Training	DK[1]	AC[2]	DAF[3]	GLC[4]	DJA[5]	DMM[6]	DMN[7]
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	Maybank: Business for Social Responsibility Strategic Opportunities Workshop			✓				
10	Ageas Partnership Day							✓
11	Ageas: Compliance Policies		✓		✓			
12	Ageas: Tax Mandatory Disclosure Rules		✓					
13	Ageas: IFRS 9 – Introduction & Impairment				✓			
14	Ageas: IFRS 9 – Disclosure		✓		✓			
15	Ageas: IFRS 9 – Classification & Measurement				✓			
16	Ageas: IFRS 17 – Introduction, Level of Aggregation, and Building Block Approach				✓			
17	Ageas: IFRS 17 – Examples of Building Block Approach		✓		✓			
18	Ageas: IFRS 17 – Common Funds: Contract Boundaries, Expenses, Discount Curve				✓			
19	Ageas: IFRS 17 – Premium Allocation Approach and Examples		✓		✓			
20	Ageas: IFRS 17 – Reinsurance, Reporting Frequency and Transition				✓			
21	Ageas: IFRS 17 – Variable Fee Approach and Examples				✓			

[1] DK - Datuk Karownakaran @ Karunakaran A/L Ramasamy

[2] AC - Mr. Antonio Cano

[3] DAF - Dato' Amirul Feisal bin Wan Zahir

[4] GLC - Mr. Gary Lee Crist

[5] DJA - Dato' Johan bin Ariffin

[6] DMM - Dato' Majid bin Mohamad

[7] DMN - Datuk Mohd Najib bin Abdullah

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CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended by Directors (contd.)

	B. External Training	DK[1]	AC[2]	DAF[3]	GLC[4]	DJA[5]	DMM[6]	DMN[7]
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 - Digital Financial Institutions Series: Managing Virtual Banking and Insurance Services						✓	
4	BNM: FIDE Forum – Green Fintech: Ping An Journey to Becoming a Top Environmental, Social, and Corporate Governance Performing Financial Institution						✓	
5	BNM: FIDE Forum – Climate Action: The Board's Leadership in Greening the Financial Sector						✓	
6	BNM: Dialogue with BNM Governor						✓	
7	Bursa: Shariah Investment Virtual Conference 2020 - The Multi Facets of Shariah Investment and Its Potentials						✓	
8	Bursa: Economic Recovery - Policies & Opportunities						✓	✓
9	Bursa: The Application of Blockchain And Smart Contracts in Digital Assets and Capital Markets						✓	
10	Bursa: 1818 Analyst Perspective	✓						
11	Bursa: The Good, The Bad, The Uncertain	✓						
12	Bursa: Cyber Security in the Boardroom	✓						
13	Bursa: Directors' Liability in Anti-Corruption Cases – Airbus and Other Cases	✓						
14	Bursa: Covid-19 – An Update	✓						
15	Bursa: Corporate Reform & Performance Workshop	✓						
16	Islamic Banking & Finance Institute Malaysia: Value-based Intermediation Financing and Investment Impact Assessment Framework Sectorial Guide Town Hall	✓						
17	Ernst &Young: IFRS 17 for Directors – What You Need to Know			✓				
18	ISRA International Consulting: Islamic Finance for Board of Directors						✓	
19	Labuan International Business and Financial Centre ("IBFC"): Financial Centre of the World 2020 - Focus on Labuan IBFC						✓	✓
20	Labuan IBFC: Regulatory Recognition - A sign of maturity digital landscape	✓						
21	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						✓	
22	Labuan IBFC: Regulatory Recognition - A sign of maturity digital landscape						✓	
23	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						✓	
24	Capital Market Malaysia: Commitment to Advancing Sustainable Finance						✓	
25	National Bank Belgium: Monetaire Policy in Times of Covid		✓					
26	Belgian Financial Circle: The Future of Exchange Traded Fund		✓					
27	Muang Thai Life Assurance: Personal Data Protection Act Thailand		✓					
28	International Center for Investigative Reporting: Insurance and Regulation		✓					
29	Boston Consulting Group: European Digital Bancassurance Circle 2020		✓					
30	Credit Suisse: ASEAN Virtual Corporate Day			✓				
31	International Islamic University Malaysia: Role of Higher Learning Institutions in Accelerating the Growth of Islamic Finance						✓	
32	Asian School of Business ("ASB"): Leadership Energy Summit Asia 2020 - Navigating Uncertainty with Leadership in Action						✓	
33	ASB: Banking on Governance, Insuring Sustainability							✓
34	ASB: Staying Ahead with Data Analytics							✓
35	Board Leadership Center: Dynamic Risk Assessment and Strategic Risk Oversight		✓					
36	Korn Ferry: Embedding Leadership Behaviours		✓		✓			
37	Permodalan Nasional Berhad: How Safe are The Safe Haven Assets in Malaysia					✓	✓	
38	Mitraland Group: Malaysian Anti-Corruption Commission Awareness Training					✓		
39	International Institute for Management Development Business School: Agile Decision Making							✓
40	Executive Forum: Environmental, Social and Governance Workshop							
	a. Ethical Investing				✓			
	b. Implications for Board Members							

[1] DK - Datuk Karownakaran @ Karunakaran A/L Ramasamy

[2] AC - Mr. Antonio Cano

[3] DAF - Dato' Amirul Feisal bin Wan Zahir

[4] GLC - Mr. Gary Lee Crist

[5] DJA - Dato' Johan bin Ariffin

[6] DMM - Dato' Majid bin Mohamad

[7] DMN - Datuk Mohd Najib bin Abdullah

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(3) INTERNAL CONTROL FRAMEWORK

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

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

b) Senior Management Appointment and Performance

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES

a) Non-Executive Directors' Remuneration

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

Remuneration	Per Annum (RM)
(i) Fees	
Board:	
- Chairman	230,000
- Member	150,000
Committee:	
- Chairman	32,500
- Member	28,000
(ii) Meeting Allowance	
per meeting attended	2,000

b) Disclosure of Directors' and CEO's Remuneration

The details of Directors' and CEO's Remuneration for FYE 2020 are disclosed in the Notes 33 and 34 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's strategy, Group Human Capital's strategy, culture and Core Values T.I.G.E.R.*, all critical to sustain employee engagement levels, productivity and business growth.

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

Key elements	Purpose
Fixed Pay	Attract and retain talent by providing competitive pay that is externally benchmarked against relevant peers and location, and internally aligned with consideration of differences in individual performance and achievements, skills-set, job scope as well as competency level
Variable Pay	Variable Bonus - Reinforce pay-for-performance culture and adherence to the Group's Core Values T.I.G.E.R.* - Variable cash award design that is aligned with the long-term performance goals of the Group through deferral and claw-back policies - Based on overall Group Performance, Business/Corporate Function and individual performance. - Performance is measured via the Balanced Scorecard approach. - Deferral Policy: Any Variable Bonus Awards in excess of certain thresholds will be deferred over a period of time Long-term Incentive Award The Long-term Incentive Award is offered within the suite of Total Rewards for eligible Talents. An approved customized Share Grant Plan is offered to eligible Senior Management who has direct line of sight in driving, leading and executing the Group's business strategies and objectives. Clawback Provision The Board, based on risk management issues, financial misstatement, fraud and gross negligence or wilful misconduct, has the discretion to make potential adjustment or clawback on Variable Bonus and Long-term Incentive Awards.
Benefits	Provides employees with financial protection, access to health care, paid time-off, staff loans at preferential rates, programmes to support work/life balance, etc. for a diverse workforce. The benefits programmes which blend all elements including cost optimisation and employee/job needs, are reviewed regularly with proactive actions taken to remain competitive in the increasingly dynamic business landscape and continuously enrich employees, as part of total rewards strategy.
Development and Career Opportunities	Continue to invest in the personal and professional growth of employees. Opportunities provided to employees to chart their careers across different businesses and geographies.

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

The target positioning of Base Pay is mid-market while target positioning for total compensation for a performer is to be within the upper range of market. Target positioning for benefits is mid-market. In certain markets/geographies, there may be exceptions for selected benefits with above mid-market positioning for strategic purposes. As the 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 Scheme

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

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

Corporate Governance – Remuneration practices

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

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

(a) an officer who is a member of senior management of the 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:

Group

Remuneration	Unrestricted		Deferred	
Fixed Remuneration	No. of pax	RM'000	No. of pax	RM
Material Risk Taker ("Senior Management")				
Cash-based	54	20,701	Nil	
Other	Nil			
Other Material Risk Taker ("OMRT")				
Cash-based	Nil			
Other	Nil			

The figures above exclude the Long-Term Incentive Award (combination of cash and shares) awarded in 2020 as the amount, conditional upon fulfilment of payment/vesting criteria have not taken effect.

Company

Remuneration	Unrestricted		Deferred	
Fixed Remuneration	No. of pax	RM'000	No. of pax	RM
Material Risk Taker ("Senior Management")				
Cash-based	13	6,919	Nil	
Other	Nil			
Other Material Risk Taker ("OMRT")				
Cash-based	Nil			
Other	Nil			

The figures above exclude the Long-Term Incentive Award (combination of cash and shares) awarded in 2020 as the amount, conditional upon fulfilment of payment/vesting criteria have not taken effect.

MAYBANK AGEAS HOLDINGS BERHAD
197701002387 (33361-W)
(Incorporated in Malaysia)

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

We, Datuk Karownakaran @ Karunakaran A/L Ramasamy and Dato' Amirul Feisal bin Wan Zahir, being two of the directors of Maybank Ageas Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 250 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 Group and of the Company as at 31 December 2020 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 March 2021.

DATUK KAROWNAKARAN
@ KARUNAKARAN A/L RAMASAMY

DATO' AMIRUL FEISAL BIN WAN ZAHIR

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

I, Lee Hin Sze (MIA membership no: 15432), being the officer primarily responsible for the financial management of Maybank Ageas Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 250 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 LEE HIN SZE
at Kuala Lumpur in Wilayah
Persekutuan on 17 March 2021

LEE HIN SZE
(MIA 15432)
Chief Financial Officer

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

Before me,

No. ?0-1, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

Commissioner for Oaths

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
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197701002387 (33361-W)

Independent auditors' report to the members of Maybank Ageas Holdings Berhad (Incorporated in Malaysia)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Maybank Ageas Holdings Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year ended 31 December 2020, and a summary of significant accounting policies, as set out on pages 31 to 250.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their 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 Group and 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 and the Corporate Governance disclosures, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

197701002387 (33361-W)

Independent auditors' report to the members of Maybank Ageas Holdings Berhad (contd.)
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (contd.)

In connection with our audit of the financial statements of the Group and 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 Group and 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 Group and 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and 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.

EY

Building a better working world

197701002387 (33361-W)

Independent auditors' report to the members of
Maybank Ageas Holdings Berhad (contd.)
(Incorporated in Malaysia)

Auditors' responsibility 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 Group and 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 Group's and 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 Group's or 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 Group and 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 Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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working world

197701002387 (33361-W)

Independent auditors' report to the members of
Maybank Ageas Holdings Berhad (contd.)
(Incorporated in Malaysia)

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

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

Other matters

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

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

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

Kuala Lumpur, Malaysia
17 March 2021

MAYBANK AGEAS HOLDINGS BERHAD
197701002387 (33361-W)
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		Group			Company	
	Note	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)	31.12.2020 RM'000	31.12.2019 RM'000
Assets						
Property, plant and equipment	3	121,254	124,065	120,943	136	1,149
Investment properties	4	934,590	914,550	890,672	-	-
Prepaid land lease payments	5	17,098	17,584	18,070	-	-
Right-of-use assets	6	16,161	23,119	-	-	-
Intangible assets	7	92,553	93,440	93,158	931	6
Investment in subsidiaries	8	-	-	-	2,641,886	2,488,438
Investment in associates	9	1,238	1,238	1,238	-	-
Investments	10	38,595,613	33,153,705	28,924,918	597,494	557,419
Financing receivables	12	307,542	278,332	262,365	4,604	3,231
Reinsurance/retakaful assets	13	4,971,385	3,447,732	3,132,102	-	-
Insurance/takaful receivables	14	541,385	593,180	514,020	-	-
Other assets	15	489,164	472,983	583,419	6,670	13,082
Derivative assets	16	152,539	35,151	4,124	-	-
Deferred tax assets	17	21,339	19,209	22,521	-	-
Current tax assets	18	140,701	175,881	161,848	-	-
Cash and bank balances		1,071,056	404,153	487,146	986	881
Total Assets		47,473,618	39,754,322	35,216,544	3,252,707	3,064,206
Equity						
Share capital	19	660,866	660,866	660,866	660,866	660,866
Reserves	20	6,396,269	5,937,393	5,360,585	2,572,645	2,382,716
Total Equity		7,057,135	6,598,259	6,021,451	3,233,511	3,043,582
Liabilities						
Insurance contract/takaful certificate liabilities	21	36,271,509	29,863,732	25,819,069	-	-
Subordinated obligations		-	-	300,000	-	-
Expense liabilities	22	711,983	683,995	573,531	-	-
Derivative liabilities	16	3,473	-	15,463	-	-
Deferred tax liabilities	17	654,327	558,980	414,328	2,684	1,018
Insurance/takaful payables	23	732,114	642,361	566,452	-	-
Other liabilities	24	1,991,301	1,329,933	1,196,842	14,676	19,606
Profit payable on subordinated obligations		-	-	1,189	-	-
Current tax liabilities		51,776	77,062	308,219	1,836	-
Total Liabilities		40,416,483	33,156,063	29,195,093	19,196	20,624
Total Equity and Liabilities		47,473,618	39,754,322	35,216,544	3,252,707	3,064,206

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

MAYBANK AGEAS HOLDINGS BERHAD
197701002387 (33361-W)
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000 (Restated)	2020 RM'000	2019 RM'000
Operating revenue	25	11,936,734	8,955,715	461,429	888,244
Gross earned premiums/ contributions	26(a)	10,708,678	7,461,363	-	-
Earned premiums/contributions ceded to reinsurers/retakaful operators	26(b)	(1,590,393)	(1,013,670)	-	-
Net earned premiums/ contributions	26	9,118,285	6,447,693	-	-
Fee and commission income	27	103,762	81,422	-	-
Investment income	28	1,320,195	1,357,549	461,429	888,244
Realised gains/(losses)	29	170,323	163,278	(8,546)	558
Fair value gains	30	571,256	1,250,510	-	-
Other operating (expenses)/ income, net	31	(144,414)	(56,056)	1,717	(1,665)
Other revenue		2,021,122	2,796,703	454,599	887,137
Gross benefits and claims paid	32(a)	(3,852,118)	(3,790,298)	-	-
Claims ceded to reinsurers/ retakaful operators	32(b)	345,971	539,694	-	-
Gross change in contract/ certificate liabilities	32(c)	(6,641,137)	(3,658,215)	-	-
Change in contract/certificate liabilities ceded to reinsurers/ retakaful operators	32(d)	1,565,132	342,508	-	-
Net benefits and claims		(8,582,152)	(6,566,311)	-	-
Management expenses	33	(850,666)	(885,247)	(64,097)	(45,733)
Reimbursement of shared services		49,358	30,774	49,358	30,774
Change in expense liabilities	36	(27,988)	(110,464)	-	-
Fee and commission expenses	37	(655,321)	(631,278)	-	-
Profit on subordinated obiligations		-	(5,535)	-	-
Tax borne by policyholders/ participants	38	(114,549)	(144,849)	-	-
Other expenses		(1,599,166)	(1,746,599)	(14,739)	(14,959)

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

MAYBANK AGEAS HOLDINGS BERHAD
197701002387 (33361-W)
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTD.)

		Group		Company	
	Note	**2020 RM'000**	**2019 RM'000 (Restated)**	**2020 RM'000**	**2019 RM'000**
Profit before taxation and zakat		958,089	931,486	439,860	872,178
Taxation	38	(244,056)	(234,361)	(5,981)	(3,254)
Zakat		(22,746)	(7,696)	-	-
Net profit for the financial year		691,287	689,429	433,879	868,924
Profit attributable to:					
Equity holders of the Company		691,287	689,429	433,879	868,924
Basic and diluted earnings per share (sen)	39	2.74	2.74	1.72	3.45

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

MAYBANK AGEAS HOLDINGS BERHAD
197701002387 (33361-W)
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000 (Restated)	Company 2020 RM'000	Company 2019 RM'000
Net profit for the financial year		691,287	689,429	433,879	868,924
Other comprehensive income:					
Items that may be subsequently reclassified to income statements					
Change in fair value of financial assets at Fair Value through Other Comprehensive Income ("FVOCI")		18,203	132,628	6,291	4,732
- Fair value changes		303,378	298,845	11,233	6,784
- Transfer to profit or loss upon disposal	29	(262,043)	(60,259)	(2,955)	(558)
- Fair value adjustments on FVOCI financial assets backing participants' funds		(31,906)	(33,734)	-	-
Tax effect relating to FVOCI financial assets	38	8,774	(72,224)	(1,987)	(1,494)
Currency translation differences		(735)	4,992	-	-
Other comprehensive income for the financial year, net of tax		17,468	137,620	6,291	4,732
Total comprehensive income for the financial year attributable to equity holders of the Company		708,755	827,049	440,170	873,656

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

MAYBANK AGEAS HOLDINGS BERHAD
197701002387 (33361-W)
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

Group			**Non-Distributable**		**Retained Earnings**			
			<----------------------->					
	Note	**Share Capital RM'000**	**FVOCI Reserve RM'000**	**Other Reserves RM'000**	**Non-Distributable Non-DPF Surplus RM'000**	**Distributable Retained Profits RM'000**	**Sub-total Retained Profits RM'000**	**Total Equity RM'000**
At 1 January 2020, as previously stated		660,866	137,747	57,131	776,496	4,984,614	5,761,110	6,616,854
- Effect due to prior year adjustments	2.3	-	-	-	-	(18,595)	(18,595)	(18,595)
At 1 January 2020, as restated		660,866	137,747	57,131	776,496	4,966,019	5,742,515	6,598,259
Net profit for the financial year		-	-	-	157,260	534,027	691,287	691,287
Other comprehensive income/ (losses) for the financial year		-	18,203	(735)	-	-	-	17,468
Total comprehensive income/(losses)		-	18,203	(735)	157,260	534,027	691,287	708,755
Disposal of subsidiary		-	-	-	-	362	362	362
Transfer from non-par surplus upon recommendation by the Appointed Actuary		-	-	-	(37,358)	37,358	-	-
Dividend on ordinary shares	40	-	-	-	-	(250,241)	(250,241)	(250,241)
At 31 December 2020		660,866	155,950	56,396	896,398	5,287,525	6,183,923	7,057,135

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

MAYBANK AGEAS HOLDINGS BERHAD
197701002387 (33361-W)
(Incorporated in Malaysia)

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

Group			**Non-Distributable**		**Retained Earnings**			
			<------------------------>					
	Note	**Share Capital RM'000**	**FVOCI Reserve RM'000**	**Other Reserves RM'000**	**Non-Distributable Non-DPF Surplus RM'000**	**Distributable Retained Profits RM'000**	**Sub-total Retained Profits RM'000**	**Total Equity RM'000**
At 1 January 2019, as previously stated		660,866	1,187	52,139	922,723	4,403,290	5,326,013	6,040,205
- Effect due to prior year adjustments	2.3	-	-	-	-	(18,754)	(18,754)	(18,754)
At 1 January 2019, as restated		660,866	1,187	52,139	922,723	4,384,536	5,307,259	6,021,451
Net profit for the financial year		-	-	-	186,960	502,469	689,429	689,429
Other comprehensive income for the financial year		-	132,628	4,992	-	-	-	137,620
Total comprehensive income		-	132,628	4,992	186,960	502,469	689,429	827,049
Transfer from non-par surplus upon recommendation by the Appointed Actuary		-	-	-	(333,187)	333,187	-	-
Reclassified from retained profits to FVOCI reserve		-	3,932	-	-	(3,932)	(3,932)	-
Dividend on ordinary shares	40	-	-	-	-	(250,241)	(250,241)	(250,241)
At 31 December 2019, as restated		660,866	137,747	57,131	776,496	4,966,019	5,742,515	6,598,259

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

MAYBANK AGEAS HOLDINGS BERHAD
197701002387 (33361-W)
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

Company	Note		Non-Distributable		
		Share Capital RM'000	FVOCI Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 January 2020		660,866	4,732	2,377,984	3,043,582
Net profit for the financial year		-	-	433,879	433,879
Other comprehensive income for the financial year		-	6,291	-	6,291
Total comprehensive income		-	6,291	433,879	440,170
Dividend on ordinary shares	40	-	-	(250,241)	(250,241)
At 31 December 2020		660,866	11,023	2,561,622	3,233,511
At 1 January 2019		660,866	-	1,759,301	2,420,167
Net profit for the financial year				868,924	868,924
Other comprehensive income for the financial year		-	4,732	-	4,732
Total comprehensive income		-	4,732	868,924	873,656
Dividend on ordinary shares	40	-	-	(250,241)	(250,241)
At 31 December 2019		660,866	4,732	2,377,984	3,043,582

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000 (Restated)	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation and zakat		958,089	931,486	439,860	872,178
Adjustments for:					
Amortisation of:					
- intangible assets	33	15,807	14,357	1	1
- prepaid land lease payments	33	486	486	-	-
Amortisation of premium and accretion of discount	28	35,533	20,169	2,328	1,535
Depreciation of property, plant and equipment	33	15,115	14,166	118	118
Depreciation of right-of-use assets	33	9,593	8,977	-	-
Interest on lease liabilities	33	556	787	-	-
Fair value gains on:					
- investments	30	(552,586)	(1,229,428)	-	-
- investment properties	30	(18,670)	(21,082)	-	-
(Gains)/losses on disposal of:					
- investments	29	(181,846)	(163,278)	(2,955)	(558)
- property, plant and equipment	29	11	-	-	-
Loss on disposal of subsidiary	29	11,512	-	11,501	-
Gross dividend income	28	(60,371)	(63,184)	(439,966)	(875,000)
Interest/profit and rental income	28	(1,305,496)	(1,330,733)	(23,933)	(14,834)
(Reversal of impairment losses)/ impairment losses on:					
- other assets	31	(2,074)	273	(1,491)	594
- insurance/takaful receivables	31	16,353	16,972	-	-
- financing receivables	31	(2,944)	(836)	-	-
- investments	31	1,627	580	(70)	363
- reinsurance/retakaful assets	31	1,253	9,909	-	-
Recovery of bad debts	31	-	(1,916)	-	-
Bad debts written off	31	2,871	-	-	-
Taxation of life and takaful funds	38	114,549	144,849	-	-
(Gains)/losses on foreign exchange:					
-realised	31	(2,786)	10,289	(4)	-
-unrealised	31	143,529	37,492	17	547
Operating losses before changes in assets and liabilities		(799,889)	(1,599,665)	(14,595)	(15,056)

MAYBANK AGEAS HOLDINGS BERHAD
197701002387 (33361-W)
(Incorporated in Malaysia)

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

	Note	Group 2020 RM'000	Group 2019 RM'000 (Restated)	Company 2020 RM'000	Company 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Purchase)/proceeds from investments		(1,425,893)	(1,373,007)	116,090	(525,999)
Net increase in fixed and call deposits		(3,774,767)	(111,555)	(158,439)	(15,618)
Increase in reinsurance/retakaful assets		(1,524,906)	(336,951)	-	-
(Increase)/decrease in financing receivables		(26,462)	(9,242)	1,373	(1,605)
Decrease/(increase) in insurance /takaful receivables		35,444	(28,931)	-	-
Decrease/(increase) in other assets		(16,181)	110,436	13,573	(674)
Increase in insurance/takaful payables		89,753	12,791	-	-
Increase/(decrease) in other liabilities		661,368	133,091	(4,930)	5,027
Increase in expense liabilities		27,988	110,464	-	-
Increase in insurance contract/ takaful certificate liabilities		6,407,777	3,359,544	-	-
Increase in derivatives		113,915	-	-	-
Investment income received		1,355,142	1,048,043	26,086	882,968
Dividends received		57,621	-	439,966	-
Tax paid		(244,559)	(547,230)	(5,300)	(3,245)
Zakat paid		(13,986)	(11,965)	-	-
Surplus paid to participants		(118,742)	(45,373)	-	-
Net cash generated from operating activities		803,623	710,450	413,825	325,798
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital injection in subsidiary		-	-	(153,448)	(76,116)
Purchase of property, plant and equipment	3	(22,090)	(18,554)	(29)	(424)
Purchase of investment properties	4	(1,370)	(2,796)	-	-
Purchase of intangible assets	7	(10,186)	(13,731)	(2)	-
Proceeds from disposal of intangible assets		280	300	-	-
Proceeds from disposal of property, plant and equipment		4,694	32	-	-
Compensation paid on disposal of subsidiary		(10,000)	-	(10,000)	-
Net cash used in investing activities		(38,672)	(34,749)	(163,479)	(76,540)

MAYBANK AGEAS HOLDINGS BERHAD
197701002387 (33361-W)
(Incorporated in Malaysia)

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

	Note	Group 2020 RM'000	Group 2019 RM'000 (Restated)	Company 2020 RM'000	Company 2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of dividends	40	(250,241)	(250,241)	(250,241)	(250,241)
Profit paid on subordinated obligation		-	(1,189)	-	-
Redemption of subordinated obligation		-	(300,000)	-	-
Payment of lease liabilities	6	(9,572)	(8,826)	-	-
Net cash used in financing activities		(259,813)	(560,256)	(250,241)	(250,241)
Net increase/(decrease) in cash and cash equivalents		505,138	115,445	105	(983)
Effects of exchange rate changes		161,765	(198,438)	-	-
Cash and cash equivalents at beginning of year		404,153	487,146	881	1,864
Cash and cash equivalents at end of year		1,071,056	404,153	986	881
Cash and cash equivalents comprise:					
Cash and bank balances of:					
Shareholders' and general funds		122,041	120,350	986	881
Life funds		717,972	130,354	-	-
General Takaful fund		37,779	33,260	-	-
Family Takaful fund		193,264	120,189	-	-
		1,071,056	404,153	986	881

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

The principal activities of the Company are investment holding and the provision of shared services to its subsidiaries on a reimbursement basis. The principal activities of the subsidiaries are disclosed in Note 8.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 March 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(i) Statement of compliance

The financial statements of the Group and 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 Group and the Company have adopted those amendments to MFRSs effective for annual periods beginning on or after 1 January 2020 as disclosed in Note 2.4.

The Company's subsidiaries have met the minimum capital requirements as prescribed by the Act and RBC/RBCT Frameworks issued by the local authorities as at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of preparation (contd.)

(ii) Basis of measurement

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

(iii) Functional and presentation currency

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

(iv) Use of estimates and judgements

The preparation of the 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:

(a) Insurance contract/Takaful certificate liabilities

These are provided in note 2.2(xvii), note 2.2(xviii) and note 2.2 (xix). The notes present a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amounts of the General Insurance and Takaful, the Life Insurance and Family Takaful liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 46 of the financial statements.

(b) Valuation of investment properties, as referred in note 2.2(vi).

(c) Impairment losses on financial assets, as referred in note 2.2(xi).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company, using consistent accounting policies for transactions and events in similar circumstances.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date that such control effectively ceases. Specifically, the Group controls an investee if and only if the Group has:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its involvement with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers relevant facts and circumstances in assessing whether it has power over the investee, including:

(i) The contractual arrangement with the other vote holders of the investee;
(ii) Rights arising from other contractual arrangements; and
(iii) The Group's voting rights and potential voting rights.

The assessment of control is performed continuously by the Company to determine if control exists or continues to exist over an entity.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cashflows relating to transactions between entities of the Group are eliminated in full on consolidation. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements.

Losses within a subsidiary are attributable to the non-controlling interests even if that results in a deficit balance.

Subsidiaries are consolidated using the acquisition method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(i) Basis of consolidation (contd.)

The acquisition method involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss on the date of acquisition.

(ii) Investment in subsidiaries

Subsidiaries are entities controlled by the Company.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(xi) below. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the profit or loss.

(iii) Investment in associates

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the Company's separate financial statements, investments in associates are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(xi). On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

Investments in associates are accounted for in the consolidated financial statements using the equity method. The associate is equity accounted for from the date the Group gains significant influence until the date the Group ceases to have significant influence over the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Investment in associates (contd.)

Under the equity method, the interest in associate is initially recognised at cost. The carrying amount of the investment is adjusted for changes in the Group’s share of net assets of the associate since the acquisition date. Where there is a change recognised directly in other comprehensive income of the associates, the Group recognises its share of such changes.

In applying the equity method, profit and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised gains and losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in its associate. Unrealised losses should not be eliminated if and to the extent that the cost of the transferred asset cannot be recovered.

When the Group's share of losses of an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group’s net interest in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group applies MFRS 136 *Impairment of Assets* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associates' identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associates' profit or loss in the period in which the investment is acquired.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses in the income statements. When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gains or losses is recognised in the income statements. It is then considered in the determination of goodwill. Any contingent considerations to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments* ("MFRS 9") is measured at fair value with changes in fair value recognised in the income statements in accordance with MFRS 9. Other contingent considerations that are not within the scope of MFRS 9 are measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interests held, over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated income statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Business combination and goodwill (contd.)

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The accounting policy for impairment of non-financial assets (including goodwill) is disclosed in Note 2.2 (xi)(b).

Where goodwill has been allocated to a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

(v) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Group or 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 Group or the Company recognise such parts as individual assets with specific useful lives and depreciate 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.

Freehold land has an indefinite useful life and therefore, is not depreciated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) Property, plant and equipment and depreciation (contd.)

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.

Buildings on leasehold land are depreciated over the shorter of 50 years or the remaining period of the respective leases.

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

Buildings on freehold land	2%
Furniture, fittings, equipment and renovations	20% - 25%
Computers and peripherals	14% - 25%
Electrical and security equipment	10%
Motor vehicles	25%

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

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

(vi) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflect market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered professional independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and/or periodic intervening valuations by internal professionals, as appropriate. The Board determines the policies and procedures for recurring and non-recurring fair value measurement and takes responsibility in the selection of independent valuers.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the financial year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Investment properties (contd.)

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to self-occupied properties, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from self-occupied properties to investment properties, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.2(v) up to the date of change in use. Where the fair value of the property exceeds its carrying amount, the difference or revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the financial year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Leases

(a) Classification

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

(b) Recognition and initial measurement

(1) The Group and the Company as lessee

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

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

The Group and the Company recognise 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 Group and the Company are reasonably certain to exercise that option. Unless the Group and the Company are 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 their estimated useful lives and the lease term. Right-of-use assets are subject to impairment assessment. The impairment policy for ROU assets are in accordance with impairment of non-financial assets as described in Note 2.2 (xi)(b).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Leases (contd.)

(b) Recognition and measurement (contd.)

(1) The Group and the Company as lessee (contd.)

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise 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 Group and the Company and payments of penalties for terminating a lease, if the lease term reflects the Group and the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use 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) <u>Leases with a lease term of 12 months or shorter;</u>

The Group 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 do not have renewable clause options and purchase options.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Leases (contd.)

(b) Recognition and measurement (contd.)

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

(ii) <u>Leases for low-value assets which is less than RM10,000; and</u>

The Group and the Company also apply 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) <u>Leases with variable lease payments</u>

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Intangible assets

Intangible assets include software development costs, computer software and licences. Intangible assets acquired separately are measured on initial recognition at cost. 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. Software development cost is not amortised as these assets are not available for use.

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

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

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 income statements when the assets are derecognised.

(a) Software development costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Intangible assets (contd.)

(b) Computer software and licences

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

A summary of the policies applied to the Group's and the Company's intangible assets are as follows:

	Amortisation methods used	Useful lives
Computer software and licences	Straight-line	10 years

(ix) Financial assets

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

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

(a) Initial recognition and subsequent measurement

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

(i) Business model assessment

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

The Group and the Company hold financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group and the Company consider the timing, amount and volatility of cash flow requirements to support insurance contract/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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ix) Financial assets (contd.)

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

(i) Business model assessment (contd.)

The Group and 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 Group and the Company's assessment. The Group and the Company should assess its business models at each reporting period in order to determine whether the models have changed since the preceding period.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ix) Financial assets (contd.)

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

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

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

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

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

(iii) Classification of financial assets

The categories include financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortised cost ("AC").

(a) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ix) Financial assets (contd.)

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

(iii) Classification of financial assets (contd.)

(a) Financial assets at FVTPL (contd.)

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVTPL do not include exchange differences, interest/profit and dividend income. Exchange differences, interest/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.

(b) Financial assets at FVOCI

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ix) Financial assets (contd.)

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

(iii) Classification of financial assets (contd.)

(c) 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/profit.

Subsequent to initial recognition, financial assets at AC are measured at amortised cost using effective interest method. Exchange differences, interest/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 are recognised in profit or loss.

(b) Derecognition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

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

For non-exchange traded financial assets such as unquoted fixed income securities, i.e. unquoted bonds, Malaysian Government Securities ("MGS"), Government Investment Issues ("GII"), government guaranteed bonds, Khazanah bonds, fair values are determined by reference to indicative bid prices obtained from Bondweb 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 Certificates of Deposit ("NCD")/Negotiable Islamic Certificates of Deposit ("NICD") are determined by reference to BNM's Interest Rate Swap.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xi) Impairment

(a) Financial assets

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

The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments, financial guarantee contracts, which will include loans, advances, financing, insurance/takaful receivables, debts instruments and deposits held by the Group and the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 116 *Leases* .

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xi) Impairment (contd.)

(a) Financial assets (contd.)

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

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

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

(ii) Forward-looking information and ECL measurement

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xi) Impairment (contd.)

(a) Financial assets (contd.)

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

Financing receivables

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

Insurance/takaful receivables

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

Financial assets at FVOCI and AC

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xi) Impairment (contd.)

(a) Financial assets (contd.)

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

Financial assets at FVOCI and AC (contd.)

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

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

(b) Non-financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xi) Impairment (contd.)

(b) Non-financial assets (contd.)

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

(xii) Reinsurance/retakaful assets

The Insurance and Takaful subsidiaries in the Group cede Insurance/Takaful risk in the normal course of their businesses. Ceded reinsurance/retakaful arrangements do not relieve the Insurance and Takaful subsidiaries of the Group from their obligations to policyholders/participants. For both ceded and assumed reinsurance/retakaful, premiums/contributions, claims and benefits paid or payable are presented on a gross basis.

Reinsurance/retakaful arrangements, entered into by the Insurance and Takaful subsidiaries of the Group, that meet the classification requirements of Insurance contracts/Takaful certificates as described in Note 2.2 (xvi) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

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

At each reporting date, or more frequently, the Insurance and Takaful subsidiaries of the Group assess whether objective evidence exists that reinsurance/retakaful assets are impaired. The impairment loss is recognised in profit or loss.

Reinsurance/retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract/certificate is transferred to another party.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiii) Insurance/takaful receivables

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

The impairment of insurance/takaful receivables is described in Note 2.2(xi)(a).

Insurance/takaful receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(ix)(b) have been met.

(xiv) Cash and cash equivalents

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

(xv) Equity instruments

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

(xvi) Product classification

The Insurance and Takaful subsidiaries of the Group issue contracts/certificates that contain Insurance/Takaful risk or both Insurance/Takaful risk and financial risk.

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

An Insurance contract/Takaful certificate is a contract/certificate under which an entity has accepted significant Insurance or Takaful risk from another party (the policyholders or the participants) by agreeing to compensate the policyholders/participants if a specified uncertain future event (the insured event) adversely affects the policyholders/participants. As a general guideline, the Insurance/Takaful subsidiaries of the Group define whether significant Insurance/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 Insurance or Takaful risk accepted is deemed to be significant.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xvi) Product classification (contd.)

Investment contracts are those contracts that transfer financial risk with no significant Insurance/Takaful risk.

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

Insurance contracts/Takaful certificates and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF are contractual rights to receive, as a supplement to guaranteed benefits, additional benefits that are:

(a) likely to be a significant portion of the total contractual benefits;
(b) whose amount or timing is contractually at the discretion of the issuer; and
(c) contractually based on the:

    (i) performance of a specified pool of contracts or a specified type of contract/certificate;
    (ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
    (iii) the profit or loss of the entity or fund that issues the contract/certificate.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xvi) Product classification (contd.)

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

When an Insurance contract/Takaful certificate contains both a financial risk (or deposit) component and a significant Insurance/Takaful risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying components are required to be unbundled unless all obligations and rights arising from the deposit component have already been accounted for. Any premiums/contributions relating to the Insurance/Takaful risk component are accounted for on the same bases as Insurance contract/Takaful certificate and the remaining element is accounted for as a deposit through the statements of financial position similar to investment contracts.

(xvii) General Insurance contract/Takaful certificate liabilities

The general Insurance contract/Takaful certificate liabilities of the Group comprise claim liabilities and premium/contribution liabilities.

(a) Claim liabilities

Claim liabilities represent the Group'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 comprise 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 and include a provision of risk margin for adverse deviation ("PRAD") as prescribed by BNM.

Provision for claims reported are recognised upon notification by policyholders/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.)

(xvii) General Insurance contract/Takaful certificate liabilities (contd.)

(b) Premium/contribution liabilities

Premium/contribution liabilities represent the Group's future obligations on Insurance contract/Takaful certificate as represented by premiums written/contributions received for risks that have not yet expired. The movement in premium/contribution liabilities is released over the term of the Insurance contract/Takaful certificate and is recognised as premium/contribution income.

General Insurance business

In accordance with the valuation requirements of the RBC Framework, premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the insurer's unexpired risk reserves ("URR") with PRAD at the end of the financial year as prescribed by BNM.

- **UPR**

  The UPR represents the portion of the premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial year. In determining the UPR as at the reporting date, the method that most accurately reflects the actual unearned premium is used as follows:

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

  - 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.

- **URR**

  The URR is prospective estimate of the expected future payments arising from future events insured under policies in force as at the reporting date and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds. URR is estimated via an actuarial valuation performed by the Appointed Actuary. URR is not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xvii) General Insurance contract/Takaful certificate liabilities (contd.)

(b) Premium/contribution liabilities (contd.)

__General Takaful business__

In accordance with the valuation requirements of 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 URR at the end of the financial year and a PRAD as prescribed by BNM.

- **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 reporting date.

  In determining short-term 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.)

(xvii) General Insurance contract/Takaful certificate liabilities (contd.)

(b) Premium/contribution liabilities (contd.)

General Takaful business (contd.)

- **UCR (contd.)**

  Wakalah

  The UCR for wakalah business is calculated on contribution 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xviii) Life Insurance contract liabilities

Life Insurance contract liabilities are determined in accordance with the RBC Framework. All life insurance liabilities have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the policies discounted at the appropriate discount rate. This method is known as the gross premium valuation method.

For non-participating business, the expected future cash flows of guaranteed benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of policy reserves at the 75% confidence level is secured. For participating business, the higher of the guaranteed benefit liabilities or the total benefit liabilities at fund level is taken. In computing the total benefit liabilities, the expected cash flows of total guaranteed and non-guaranteed benefits are determined using best estimate assumptions together with the assumption that the current bonus rate to policyholders will be maintained.

The liabilities in respect of the non-unit component of a non-participating deferred annuity and investment-linked policy have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows can be met at the policy level without recourse to additional finance or capital support at any future time during the duration of the policy. The liabilities of the unit component is the net asset value ("NAV") of the fund.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, is set as liability if the accumulated amount is higher than the figure calculated using the gross premium valuation method.

For yearly renewable policies covering death or survival contingencies, the liabilities have been valued on an unexpired risk basis.

For yearly renewable policies covering other contingencies such as medical benefits, recognised liabilities comprise the best estimate premium and claim liabilities with an appropriate allowance for PRAD.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xix) Family Takaful certificate liabilities

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xx) Financial liabilities

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxi) Expense liabilities

The expense liabilities of the shareholder's fund of the Takaful subsidiaries consist of expense liabilities of the General and Family Takaful funds 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.

(a) General Takaful business

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

(1) 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 actual unearned contribution reserves ("UCR").

(2) Unexpired expense reserves

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxi) Expense liabilities (contd.)

(b) Family Takaful fund

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

The expense liabilities in respect of an investment-linked certificate have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows in shareholder's fund can be met at the certificate level without recourse to additional finance or capital support at any future time during the duration of the investment-linked certificate. In valuing the expense liabilities for contribution paying riders attached to an investment-linked certificate, the present value of expected future expenses payable by the shareholder's fund in managing the riders less any expected cash flows from future wakalah fee income of the riders.

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

For a yearly renewable family certificate, expense liabilities in relation to certificates of the Family Takaful fund is reported as the higher of the aggregate of the provision for UWF and the UER with an appropriate allowance for PRAD.

(1) <u>Provision for unearned wakalah fees</u>

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing Family Takaful certificates that relate to the unexpired periods of certificates at the end of the reporting period. The method used in computing UWF is consistent with the method used to reflect the actual UCR.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxi) Expense liabilities (contd.)

(b) Family Takaful fund (contd.)

(2) Unexpired expense reserves

UER consists of the best estimate value of the unexpired expense reserves at the valuation date with an appropriate allowance for PRAD. The best estimate UER is determined based on the expected expenses in maintaining certificates with unexpired risks. The method used in computing UER is consistent with the calculation of URR.

(xxii) Measurement and impairment of Qard

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

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

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

(xxiii) Insurance/takaful payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxiv) Offsetting of financial assets and financial liabilities

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

(xxv) Premium/contribution income

Premiums or contributions represent consideration paid for an Insurance contract or Takaful certificate, respectively, and is accounted for as follows:

(a) General Insurance/General Takaful business

Premium/contribution income is recognised in the financial year in respect of risks assumed during that particular financial year. Premiums/contributions from direct business are recognised during the financial year upon the issuance of debit notes. Premiums/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 reinsurance premiums/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 policies/certificates, following the individual risks' inception dates.

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

Outward reinsurance premiums/retakaful contributions are recognised in the same financial year as the original policies/certificates to which the reinsurance/retakaful relates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxv) Premium/contribution income (contd.)

(b) Life Insurance/Family Takaful business

Premium/contribution income is recognised as soon as the amount of the premium/contribution can be reliably measured. Initial premium/contribution is recognised from inception date and subsequent premiums/contributions are recognised on due dates. At the end of the financial year, all due premiums/contributions are accounted for to the extent that they can be reliably measured.

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

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

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

(xxvi) Benefits and claim expenses

(a) General Insurance/Takaful business

Claim expenses represent compensation paid or payable on behalf of the insured/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 Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxvi) Benefits and claim expenses (contd.)

(b) Life Insurance/Family Takaful business

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

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

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

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

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

(xxvii) Commission expenses and acquisition costs

(a) General Insurance business

The gross cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(b) General Takaful business

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxvii) Commission expenses and acquisition costs (contd.)

(b) General Takaful business (contd.)

Mudharabah principle

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

Wakalah principle

Under the Wakalah principle, commission expenses are borne by the Shareholder's fund. This is in accordance with the principles of Wakalah as approved by the Shariah Committee and agreed between the participants and the Takaful subsidiary.

(c) Life Insurance business

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding premiums to reinsurers, are charged to profit or loss in the year in which they are incurred.

(d) Family Takaful business

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxvii) Commission expenses and acquisition costs (contd.)

(d) Family Takaful business (contd.)

Mudharabah principle

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

Wakalah principle

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

(xxviii) Other revenue recognition

Revenue from contracts with customers

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxviii) Other revenue recognition (contd.)

Other revenue

(a) Interest/profit income

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

(b) Dividend income

Dividend income is recognised at a point in time when the Group’s and 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 terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) Fund management fees

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

(e) Management fees

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

(f) Wakalah fees

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxviii) Fee and commission income

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

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

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

(xxix) Employee benefits

(a) Short-term benefits

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

(b) Long-term employee benefits

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

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

(c) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). The Insurance subsidiary makes contributions to its respective country's statutory pension scheme, being the Singapore Central Provident Fund ("CPF"). Such contributions are recognised as an expense in profit or loss when incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxix) Employee benefits (contd.)

(d) Share-based compensation

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxx) Foreign currencies

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxx) Foreign currencies (contd.)

(c) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

- assets and liabilities of foreign operations presented are translated at the closing rate prevailing as at the reporting date;

- income and expenses are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and

- all resulting exchange differences are taken directly to other comprehensive income through the foreign currency translation reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to the income statements (as a reclassification adjustment) when the gain or loss on disposal is recognised.

The principal exchange rate for every unit of foreign exchange currency ruling at the reporting date used for translation of foreign operations is as follows:

	31.12.2020	**31.12.2019**
Singapore Dollar	3.05	3.04
100 Pakistan Rupee	-	0.03
United States Dollar	4.20	4.09
Brunei Dollar	3.05	3.04

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxxi) Income tax

Income tax on profit or loss for the financial year comprises current and deferred taxes. 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 not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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 or insurance contract/takaful certificate liabilities, in which case the deferred tax is also recognised directly in other comprehensive income or insurance contract/takaful certificate liabilities, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(xxxii) Zakat

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxxiii) Provisions

Provisions are recognised when the Group and the Company have 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 Group and the Company expect 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 the income statements 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 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 profit or loss.

(xxxiv) 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 Group and the Company. The Group and the Company do not recognise contingent assets but disclose its existence when inflows of economic benefits are probable but not virtually certain.

Contingent liabilities are possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and 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 Group and the Company do not recognise contingent liabilities. Contingent liabilities are disclosed, unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxxv) Segment Reporting

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

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

The Group disclosed its segment information in Note 53.

2.3 Prior year adjustments and reclassification

(i) Non-elimination of Wakalah fee receivables and payables

This adjustment arose from the General Takaful subsidiary, Etiqa General Takaful Berhad ("EGTB") where an adjustment was made to the balances relating to wakalah fee receivables, allowance for impairment losses on wakalah fee receivables and wakalah fee payables and thereon the effects on retained earnings as at 31 December 2019 and 1 January 2019.

This arose from the omission of interfund elimination entries for the wakalah fee receivables, including impairment losses and wakalah fee payables resulting in misstatement of the Group's results and financial position for year ended 31 December 2019 and as at 1 January 2019.

(ii) Capital injection for Participants' fund

This arose from the Singapore subsidiary, Etiqa Insurance Pte. Ltd. ("EIPL") and was in relation to the capital injection into the participating fund (“Par fund”) in 2018, which was correctly accounted for in the Monetary Authority of Singapore ("MAS") returns, but was not accounted for in the financial statements for the year ended 31 December 2018. In 2018, the capital injection made to absorb the FVOCI losses incurred was omitted from the financial statements, resulting in an understatement of policy liabilities and an overstatement of profit before tax. 2018 was the first year that EIPL had to a perform a capital injection in relation to losses in the FVOCI reserve. Prior to that, the FVOCI reserve was in a gain position. The impact of such capital injection to the financial statements was not fully considered in 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Prior year adjustments and reclassification (contd.)

(iii) Presentation of current tax assets and current tax liabilities

There was tax recoverable recorded by Etiqa Family Takaful Berhad ("EFTB") arising from payments made to the Inland Revenue Board ("IRB") in respect of certain additional tax assessments made on EFTB, the recovery of which was also supported by opinions from tax lawyers and tax agents. EFTB also has current tax liabilities arising from its operations which have been recorded as tax liabilities on the statement of financial position ("SOFP").

MFRS 112 Income Taxes provides that an entity shall offset current tax assets and current tax liabilities if, and only if the entity:

(a) has a legally enforceable right to set off the recognised amounts; and
(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In evaluating the above legally enforceable right, there is no ability to settle the balances with IRB on a net basis, until and unless a decision on the additional tax assessment has been ruled in EFTB's favour and is granted the right to offset its tax payable amounts against the tax recoverable balances. Based on this, EFTB has incorrectly set off the recognised amounts in the previous years and has re-grossed the current tax assets and the current tax liabilities as at 31 December 2019 and 1 January 2019.

The 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 adjustments on the assets, liabilities and equity on the statement of financial position of the Group 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

Group	**As previously stated as at 1 January 2019 RM'000**	**Effect of Adjustments RM'000**	**As restated as at 1 January 2019 RM'000**
Assets			
Other assets	604,206	(20,787)	583,419
Comprising:			
- Wakalah fee receivables		(20,787)	
Current tax assets	135,037	26,811	161,848

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Prior year adjustments and reclassification (contd.)

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

Group	As previously stated as at 1 January 2019 RM'000	Effect of Adjustments RM'000	As restated as at 1 January 2019 RM'000
Equity			
Reserves - retained profits	5,326,013	(18,754)	5,307,259
Comprising:			
- Impairment on Wakalah fee receivables		634	
- Capital injection for Singapore Par fund		(19,388)	
Liabilities			
Insurance contract/ Takaful certificate liabilities	25,799,681	19,388	25,819,069
Comprising:			
- Capital injection for Singapore Par fund		19,388	
Other liabilities	1,218,263	(21,421)	1,196,842
Comprising:			
- Wakalah fee payables		(21,421)	
Current tax liabilities	281,408	26,811	308,219

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Prior year adjustments and reclassification (contd.)

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

Group	As previously stated as at 31 December 2019 RM'000	Effect of Adjustments RM'000	As restated as at 31 December 2019 RM'000
Assets			
Other assets	499,471	(26,488)	472,983
Comprising:			
- Wakalah fee receivables		(26,488)	
Current tax assets	152,886	22,995	175,881
Deferred tax assets	19,459	(250)	19,209
Comprising:			
- Deferred tax on impairment for Wakalah fee receivables		(250)	
Equity			
Reserves - retained profits	5,761,110	(18,595)	5,742,515
Comprising:			
- Impairment on Wakalah fee receivables		793	
- Capital injection for Singapore Par fund		(19,388)	
Liabilities			
Insurance contract/ Takaful certificate liabilities	29,844,344	19,388	29,863,732
Comprising:			
- Capital injection for Singapore Par fund		19,388	
Other liabilities	1,357,464	(27,531)	1,329,933
Comprising:			
- Wakalah fee payables		(27,531)	
Current tax liabilities	54,067	22,995	77,062

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Prior year adjustments and reclassification (contd.)

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

Group	As previously stated for the year ended 31 December 2019 RM'000	Effect of Adjustments RM'000	As restated for the year ended 31 December 2019 RM'000
Profit before taxation and zakat	931,077	409	931,486
Taxation	(234,111)	(250)	(234,361)
Net profit for the financial year	689,270	159	689,429

2.4. New and amended standards and interpretations

On 1 January 2010, 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 amended standards did not have any financial impacts to the Group's and the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 Standard Board ("MASB"), but which are not yet effective, up to the date of issuance of the Group's and the Company's financial statements. The Group and the Company intend 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 Fulfilling 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
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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

The adoption of the above pronouncements are not expected to have a significant impact on the Group or the Company except for the following:

MFRS 17 *Insurance Contracts* and Amendments to 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;

- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts* (contd.)

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) Modified retrospective approach

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

(ii) Fair value approach

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

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

The 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 Group believes that it is achieving the relevant milestones in adopting this new standard.

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3. PROPERTY, PLANT AND EQUIPMENT

Group	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
31.12.2020							
Cost							
At 1 January 2020	112,098	71,383	48,030	51,466	1,874	14,106	298,957
Additions	-	5,189	2,609	1,114	110	13,068	22,090
Disposals	-	-	(3,551)	-	(73)	(4,650)	(8,274)
Reclassification	-	-	-	501	-	(501)	-
Transfer to:							
- Intangible assets (Note 7)	-	-	711	-	-	(5,829)	(5,118)
Translation differences	-	(3)	(24)	-	-	(56)	(83)
At 31 December 2020	112,098	76,569	47,775	53,081	1,911	16,138	307,572
Accumulated depreciation and impairment losses							
At 1 January 2020	43,523	63,183	32,702	33,890	1,594	-	174,892
Depreciation charge for the year	2,148	3,352	6,175	3,306	134	-	15,115
Disposals	-	-	(3,551)	-	(18)	-	(3,569)
Transfer to:							
- Intangible assets (Note 7)	-	-	(90)	-	-	-	(90)
Translation differences	-	-	(30)	-	-	-	(30)
At 31 December 2020	45,671	66,535	35,206	37,196	1,710	-	186,318
Analysed as:							
Accumulated depreciation	44,351	66,535	35,206	37,196	1,710	-	184,998
Accumulated allowance for impairment losses	1,320	-	-	-	-	-	1,320
	45,671	66,535	35,206	37,196	1,710	-	186,318
Net Book Value							
At 31 December 2020	66,427	10,034	12,569	15,885	201	16,138	121,254

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group	**Properties #**	**Furniture & fittings, equipment and renovations**	**Computers and peripherals**	**Electrical and security equipment**	**Motor vehicles**	**Work-in-progress**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31.12.2019							
Cost							
At 1 January 2019	112,098	67,800	47,397	50,769	2,056	3,141	283,261
Additions	-	4,511	2,323	697	73	10,950	18,554
Disposals	-	(9)	(540)	-	(131)	-	(680)
Transfer to:							
- ROU assets (Note 6)	-	(911)	-	-	-	-	(911)
- Intangible assets (Note 7)	-	-	(1,180)	-	-	9	(1,171)
Translation differences	-	(8)	30	-	(124)	6	(96)
At 31 December 2019	112,098	71,383	48,030	51,466	1,874	14,106	298,957
Accumulated depreciation and impairment losses							
At 1 January 2019	41,333	61,004	27,599	30,719	1,663	-	162,318
Depreciation charge for the year	2,190	3,044	5,612	3,171	149	-	14,166
Disposals	-	(9)	(539)	-	(100)	-	(648)
Transfer from intangible assets							
- ROU assets (Note 6)	-	(841)	-	-	-	-	(841)
Translation differences	-	(15)	30	-	(118)	-	(103)
At 31 December 2019	43,523	63,183	32,702	33,890	1,594	-	174,892
Analysed as:							
Accumulated depreciation	42,203	63,183	32,702	33,890	1,594	-	173,572
Accumulated allowance for impairment losses	1,320	-	-	-	-	-	1,320
	43,523	63,183	32,702	33,890	1,594	-	174,892
Net Book Value							
At 31 December 2019	68,575	8,200	15,328	17,576	280	14,106	124,065

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	**Computers and peripherals RM'000**	**Motor vehicles RM'000**	**Work-in-progress RM'000**	**Total RM'000**
31.12.2020				
Cost				
At 1 January 2020	5	465	924	1,394
Additions	29	-	-	29
Transfer to:				
- Intangible assets (Note 7)	-	-	(924)	(924)
At 31 December 2020	34	465	-	499
Accumulated depreciation and impairment losses				
At 1 January 2020	2	243	-	245
Depreciation charge for the year	2	116	-	118
At 31 December 2020	4	359	-	363
Analysed as:				
Accumulated depreciation	4	359	-	363
Net Book Value				
At 31 December 2020	30	106	-	136

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3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	Computers and peripherals RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
<u>31.12.2019</u>				
Cost				
At 1 January 2019	5	465	500	970
Additions	-	-	424	424
At 31 December 2019	5	465	924	1,394
Accumulated depreciation and impairment losses				
At 1 January 2019	1	126	-	127
Depreciation charge for the year	1	117	-	118
At 31 December 2019	2	243	-	245
Analysed as:				
Accumulated depreciation	2	243	-	245
	2	243	-	245
Net Book Value				
At 31 December 2019	3	222	924	1,149

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

Group	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
31.12.2020				
Cost				
At 1 January/31 December 2020	1,829	3,273	106,996	112,098
Accumulated depreciation and impairment losses				
At 1 January 2020	55	2,196	41,272	43,523
Depreciation charge for the year	-	8	2,140	2,148
At 31 December 2020	55	2,204	43,412	45,671
Analysed as:				
Accumulated depreciation	-	939	43,412	44,351
Accumulated allowance for impairment losses	55	1,265	-	1,320
	55	2,204	43,412	45,671
Net Book Value				
At 31 December 2020	1,774	1,069	63,584	66,427
31.12.2019				
Cost				
At 1 January/31 December 2019	1,829	3,273	106,996	112,098
Accumulated depreciation and impairment losses				
At 1 January 2019	55	2,146	39,132	41,333
Depreciation charge for the year	-	50	2,140	2,190
At 1 January/31 December 2019	55	2,196	41,272	43,523
Analysed as:				
Accumulated depreciation	-	931	41,272	42,203
Accumulated allowance for impairment losses	55	1,265	-	1,320
	55	2,196	41,272	43,523
Net Book Value				
At 31 December 2019	1,774	1,077	65,724	68,575

4. INVESTMENT PROPERTIES

Group

	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Total RM'000
31.12.2020			
At 1 January 2020	487,331	427,219	914,550
Additions	-	1,370	1,370
Fair value adjustments (Note 30)	(1,360)	20,030	18,670
At 31 December 2020	485,971	448,619	934,590
31.12.2019			
At 1 January 2019	478,698	411,974	890,672
Addition	-	2,796	2,796
Fair value adjustments (Note 30)	8,633	12,449	21,082
At 31 December 2019	487,331	427,219	914,550

The rental income and rental related expenses in relation to the investment properties are as disclosed below:

	31.12.2020 RM'000	31.12.2019 RM'000
Rental income	33,377	55,300
Rental related expenses	(19,753)	(21,312)
	13,624	33,988

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repair, maintenance and enhancements other than as disclosed in Note 41.

5. PREPAID LAND LEASE PAYMENTS

Group	31.12.2020 RM'000	31.12.2019 RM'000
Cost		
At 1 January/31 December	24,018	24,018
Accumulated amortisation and impairment losses		
At 1 January	6,434	5,948
Amortisation charge for the year	486	486
At 31 December	6,920	6,434
Analysed as:		
Accumulated amortisation	6,743	6,257
Accumulated allowance for impairment losses	177	177
	6,920	6,434
Net book value		
At 31 December	17,098	17,584

6. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

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

Group **<u>31.12.2020</u>**	**Premise** **RM'000**	**Office equipments** **RM'000**	**Total** **RM'000**
Cost			
At 1 January 2020	32,671	248	32,919
Additions	1,551	65	1,616
Contract renewal	1,632	-	1,632
Terminations	(955)	(71)	(1,026)
Translation differences	(898)	1	(897)
At 31 December 2020	34,001	243	34,244
Accumulated depreciation and impairment losses			
At 1 January 2020	9,709	91	9,800
Depreciation charge for the year	9,504	89	9,593
Contract renewal	-	(71)	(71)
Terminations	(249)	-	(249)
Translation differences	(990)	-	(990)
At 31 December 2020	17,974	109	18,083
Net Book Value			
At 31 December 2020	16,027	134	16,161

The movement of lease liabilities is disclosed as follows:

<u>31.12.2020</u>	**Premises** **RM'000**	**Office equipments** **RM'000**	**Total** **RM'000**
Lease liabilities			
At 1 January 2020	22,504	159	22,663
Additions	3,114	68	3,182
Accretion of interest	553	3	556
Contract modifications	(52)	-	(52)
Terminations	(763)	-	(763)
Settlement	(9,482)	(90)	(9,572)
Adjustment	(11)	-	(11)
Translation differences	51	1	52
At 31 December 2020	15,914	141	16,055
Lease liabilities by remaining maturity:			
Less than 12 months	9,161	69	9,230
More than 12 months	6,753	72	6,825
Total	15,914	141	16,055

6. RIGHT-OF-USE ASSETS / LEASE LIABILITIES (CONTD.)

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

Group **31.12.2019**	**Premise** **RM'000**	**Office equipments** **RM'000**	**Total** **RM'000**
Cost			
At 1 January 2019	29,983	248	30,231
Additions	1,584	-	1,584
Contract modifications	472	-	472
Terminations	(136)	-	(136)
Adjustments	(104)	-	(104)
Transfer from:			
- Property, plant and equipment (Note 3)	911	-	911
Translation differences	(39)	-	(39)
At 31 December 2019	32,671	248	32,919
Accumulated depreciation and impairment losses			
At 1 January 2019	-	-	-
Depreciation charge for the year	8,886	91	8,977
Terminations	(58)	-	(58)
Transfer from:			
- Property, plant and equipment (Note 3)	841	-	841
Translation differences	40	-	40
At 31 December 2019	9,709	91	9,800
Net Book Value			
At 31 December 2019	22,962	157	23,119

6. RIGHT-OF-USE ASSETS / LEASE LIABILITIES (CONTD.)

The movement of lease liabilities is disclosed as follows:

Group **31.12.2019**	**Premises** **RM'000**	**Office equipments** **RM'000**	**Total** **RM'000**
Lease liabilities			
At 1 January 2019	28,726	248	28,974
Additions	1,574	-	1,574
Accretion of interest	780	7	787
Contract modifications	473	-	473
Terminations	(111)	-	(111)
Settlement	(8,730)	(96)	(8,826)
Adjustment	(100)	-	(100)
Translation differences	(108)	-	(108)
At 31 December 2019	22,504	159	22,663
Lease liabilities by remaining maturity:			
Less than 12 months	9,459	83	9,542
More than 12 months	13,045	76	13,121
Total	22,504	159	22,663

7. INTANGIBLE ASSETS

Group	Computer Software and Licences RM'000	Software Development Cost RM'000	Total RM'000
31.12.2020			
Cost			
At 1 January 2020	202,592	1,449	204,041
Adjustments	-	-	-
Additions	8,221	1,965	10,186
Disposals	(1,007)	-	(1,007)
Reclassification	8	(8)	-
Transfer from:			
- Property, plant and equipment (Note 3)	(711)	5,829	5,118
Translation differences	(30)	-	(30)
At 31 December 2020	209,073	9,235	218,308
Accumulated amortisation and impairment losses			
At 1 January 2020	109,385	1,216	110,601
Adjustments	1,216	(1,216)	-
Amortisation charge for the year	15,807	-	15,807
Disposals	(727)	-	(727)
Transfer from:			
- Property, plant and equipment (Note 3)	90	-	90
Translation differences	(16)	-	(16)
At 31 December 2020	125,755	-	125,755
Analysed as:			
Accumulated amortisation	125,755	-	125,755
Net book value			
At 31 December 2020	83,318	9,235	92,553

7. INTANGIBLE ASSETS (CONTD.)

Group	**Computer Software and Licences RM'000**	**Software Development Cost RM'000**	**Total RM'000**
31.12.2019			
Cost			
At 1 January 2019	189,396	-	189,396
Additions	12,273	1,458	13,731
Disposals	(300)	-	(300)
Transfer from:			
- Property, plant and equipment (Note 3)	1,180	(9)	1,171
Translation differences	43	-	43
At 31 December 2019	202,592	1,449	204,041
Accumulated amortisation and impairment losses			
At 1 January 2019	96,238	-	96,238
Amortisation charge for the year	13,803	554	14,357
Translation differences	(656)	662	6
At 31 December 2019	109,385	1,216	110,601
Analysed as:			
Accumulated amortisation	109,385	1,216	110,601
Net book value			
At 31 December 2019	93,207	233	93,440

7. INTANGIBLE ASSETS (CONTD.)

Company	Computer Software and Licences RM'000	Software Development Cost RM'000	Total RM'000
31.12.2020			
At 1 January 2020	8	-	8
Additions	2	-	2
Transfer from:			
- Property, plant and equipment (Note 3)	-	924	924
At 31 December 2020	10	924	934
Accumulated amortisation and impairment losses			
At 1 January 2020	2	-	2
Amortisation charge for the year	1	-	1
At 31 December 2020	3	-	3
Analysed as:			
Accumulated amortisation	3	-	3
Net book value			
At 31 December 2020	7	924	931
31.12.2019			
Cost			
At 1 January / 31 December 2019	8	-	8
Accumulated amortisation and impairment losses			
At 1 January 2019	1	-	1
Amortisation charge for the year	1	-	1
At 31 December 2019	2	-	2
Analysed as:			
Accumulated amortisation	2	-	2
Net book value			
At 31 December 2019	6	-	6

8. INVESTMENT IN SUBSIDIARIES

Company	**31.12.2020 RM'000**	**31.12.2019 RM'000**
Unquoted shares, at cost, at beginning of year	2,488,438	2,488,438
Addition during the year (Note 51(b))	153,448	-
Disposal during the year (Note 51(a))	*	-
Unquoted shares, at cost, at end of year	2,641,886	2,488,438

***** *RM3 for the investment cost of the disposed subsidiary.*

Details of the subsidiaries of the Company are as follows:

Name of company	**Country of incorporation**	**Effective interest (%) 31.12.2020**	**31.12.2019**	**Principal activities**
Etiqa General Insurance Berhad ("EGIB")	Malaysia	100	100	Underwriting of General Insurance business
Etiqa Life Insurance Berhad ("ELIB")	Malaysia	100	100	Underwriting of Life Insurance and investment-linked businesses
Etiqa Family Takaful Berhad ("EFTB")	Malaysia	100	100	Management of Family Takaful and investment-linked businesses
Etiqa General Takaful Berhad ("EGTB")	Malaysia	100	100	Management of General Takaful business
Etiqa Insurance Pte. Ltd.[1] ("EIPL")	Singapore	100	100	Underwriting of General Insurance and Life Insurance businesses
Etiqa Life International (L) Ltd. ("ELIL")	Malaysia	100	100	Offshore investment-linked business
Etiqa Offshore Insurance (L) Ltd. ("EOIL")	Malaysia	100	100	Provision of bureau services in the Federal Territory of Labuan
Overseas Investment Pte. Ltd. ("OIPL") *(Formerly known as Etiqa Overseas Investment Pte. Ltd.)*	Malaysia	-	100	Investment holding
Double Care Sdn Bhd ("DCSB")	Malaysia	100	100	Under members' voluntary winding-up

8. INVESTMENT IN SUBSIDIARIES (CONTD.)

There are no significant restrictions on the Group's ability to access or use its assets and settle its liabilities other than the following:

(a) In line with the requirements of the Financial Services Act 2013, the Islamic Financial Services Act 2013, Monetary Authority of Singapore ("MAS") Notice 133 and the Labuan Financial Services and Securities Act 2010 ("LFSSA"), the net assets of the Group's Insurance and Takaful funds amounting to RM31.30 billion (2019: RM26.40 billion) cannot be transferred to or used by other entities/components within the Group;

(b) The total capital available of the Company's Insurance and Takaful subsidiaries as prescribed under the RBC/RBCT Frameworks for Insurers and Takaful Operators issued by BNM are RM4.39 billion (2019: RM4.52 billion) and RM5.65 billion (2019: RM5.35 billion) respectively. The Insurance and Takaful subsidiaries in Malaysia have complied with the minimum capital adequacy requirement prescribed under the RBC/RBCT Frameworks;

(c) The available solvency capital of the Company's Insurance subsidiary in Singapore as prescribed under the Risk-Based Capital Framework regulation set by the MAS is RM1,052 billion (2019: RM914.14 million) or SGD346.40 million (2019: SGD300.71 million). The Company's Insurance subsidiary in Singapore has a Capital Adequacy Ratio "CAR" in excess of the current requirement as at 31 December 2020 and 2019; and

(d) ELIL, the Company's Insurance subsidiary in Labuan, is required to maintain at all times a surplus of assets over liabilities, which is:

    (i) equivalent to, or more than 3% of actuarial liabilities valuation; or
    (ii) RM7,500,000, whichever is greater.

    As at 31 December 2020, the margin of solvency of the Company's Insurance subsidiary in Labuan is a surplus of RM8.70 million (2019: RM8.60 million) or USD2.16 million (2019: USD2.13 million) which complies with the requirements of Section 109 of the LFSSA 2010.

On 15 June 2020, the Company disposed its subsidiary, OIPL and this is further disclosed in Note 51(a).

On 30 September 2020 and 1 December 2020, the Company injected additional capital into EIPL totaling RM46,215,000 and RM107,233,000 respectively as further disclosed in Note 51(b).

Note

1 Audited by a firm affiliated to Ernst & Young PLT.

9. INVESTMENT IN ASSOCIATES

Group	Pak-Kuwait Takaful Company Ltd.		Asian Forum Inc.		Total	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Unquoted shares, at cost	-	6,832	152	152	152	6,984
Post-acquisition reserve	-	1,262	1,620	1,620	1,620	2,882
Foreign exchange reserve	-	(502)	(534)	(534)	(534)	(1,036)
Allowance for impairment losses	-	(7,592)	-	-	-	(7,592)
	-	-	1,238	1,238	1,238	1,238
Represented by:						
Share of net assets, after impairment losses	-	-	1,238	1,238	1,238	1,238

Details of the associates are as follows:

Name of company	Country of incorporation	Effective interest (%) 31.12.2020	Effective interest (%) 31.12.2019	Principal activities
Pak-Kuwait Takaful Company Ltd. ("PKTCL")*	Pakistan	-	32.50	General Takaful business
Asian Forum Inc. ("AFI")**	Malaysia	33.33	33.33	In liquidation

* The Company held PKTCL via OIPL. The Company disposed its subsidiary, OIPL together with the associate company of PKTCL on 15 June 2020. This is further disclosed in Note 51.

** AFI is currently in a run-off position and is also in liquidation. The latest available summarised financial information of the associate was for the financial year ended 30 September 2020 as follows:

	AFI 2020 RM'000	AFI 2019 RM'000
Assets and liabilities		
Current assets	3,862	3,461
Non-current assets	-	-
Total assets	3,862	3,461
Current liabilities	30	30
Total liabilities	30	30
Net assets	3,832	3,431

10. INVESTMENTS

Group	**31.12.2020 RM'000**	**31.12.2019 RM'000**
Malaysian government papers	2,822,053	1,519,563
Singapore government securities	1,126,102	690,150
Equity securities	2,512,204	2,435,767
Debt securities	24,617,700	24,742,499
Unit and property trust funds	254,743	175,651
Structured products (Note 11)	87,737	189,468
Investment-linked units	-	300
Deposits with financial institutions	7,175,074	3,400,307
	38,595,613	33,153,705

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

	31.12.2020 RM'000	**31.12.2019 RM'000**
Fair value through profit or loss ("FVTPL")(Note a):		
- Designated upon initial recognition	16,342,378	15,792,967
- Held for trading ("HFT")	3,043,961	2,779,799
Fair value through other comprehensive income ("FVOCI") (Note b)	12,034,200	11,286,492
Amortised cost ("AC")(Note c)	7,175,074	3,294,447
	38,595,613	33,153,705

The following investments mature after 12 months:

	31.12.2020 RM'000	**31.12.2019 RM'000**
FVTPL:		
- Designated upon initial recognition	13,088,002	13,661,041
- HFT	608,029	500,794
FVOCI	7,562,986	6,348,287
	21,259,017	20,510,122

10. INVESTMENTS (CONTD.)

Group	31.12.2020 RM'000	31.12.2019 RM'000
(a) FVTPL		
(i) Designated upon initial recognition		
At fair value		
Malaysian government papers	1,302,319	468,444
Singapore government securities	399,847	87,384
Equity securities:		
Quoted in Malaysia	240,859	400,808
Unquoted outside Malaysia	65,890	-
Debt securities:		
Quoted in Malaysia	1,195,840	-
Quoted outside Malaysia	6,787,639	1,104,380
Unquoted in Malaysia	6,059,898	13,456,220
Unquoted outside Malaysia	163,122	47,902
Unit and property trust funds:		
Quoted in Malaysia	39,828	39,701
Structured products (Note 11)	87,136	188,128
Total financial assets designated as FVTPL upon initial recognition	16,342,378	15,792,967
(ii) HFT		
At fair value		
Malaysian government papers	166,492	36,119
Equity securities:		
Quoted in Malaysia	2,011,604	1,876,547
Quoted outside Malaysia	44,737	13,056
Unquoted in Malaysia	149,114	145,356
Debt securities:		
Unquoted in Malaysia	456,498	465,271
Unit and property trust funds:		
Quoted in Malaysia	66,013	24,533
Quoted outside Malaysia	148,902	111,417
Structured products (Note 11)	601	1,340
Investment-linked units	-	300
Fixed and call deposits with licensed bank	-	105,860
Total HFT financial assets	3,043,961	2,779,799

10. INVESTMENTS (CONTD.)

Group	31.12.2020 RM'000	31.12.2019 RM'000
(b) FVOCI		
At fair value		
Malaysian government papers	1,353,242	1,015,000
Singapore government securities	726,255	602,766
Debt securities:		
Quoted in Malaysia	2,698,438	1,238,396
Unquoted in Malaysia	7,216,069	8,035,476
Unquoted outside Malaysia	40,196	394,854
Total FVOCI financial assets	12,034,200	11,286,492
(c) AC		
Fixed and call deposits with:		
Licensed financial institutions	6,068,523	2,580,330
Others	1,106,551	714,117
Total AC financial assets	7,175,074	3,294,447

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

10. INVESTMENTS (CONTD.)

Company	31.12.2020 RM'000	31.12.2019 RM'000
Malaysian government papers	26,559	135,140
Debt securities	385,071	394,854
Deposits with financial institutions	185,864	27,425
	597,494	557,419

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

FVOCI (Note a)	411,630	529,994
AC (Note b)	185,864	27,425
	597,494	557,419

The following investments mature after 12 months:

FVOCI	386,688	459,531
	386,688	459,531

(a) FVOCI

At fair value		
Malaysian government papers	26,559	135,140
Unquoted debt securities in Malaysia	385,071	394,854
Total FVOCI financial assets	411,630	529,994

(b) AC

Fixed and call deposits with:		
Licensed financial institutions	168,809	25,425
Others	17,055	2,000
Total AC financial assets	185,864	27,425

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

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 50.

11. STRUCTURED PRODUCTS

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

Group	**<----------------31.12.2020------------>**		**<------------31.12.2019 ------------>**	
	Principal/ Notional Amount RM'000	**Net Carrying Amount RM'000**	**Principal/ Notional Amount RM'000**	**Net Carrying Amount RM'000**
Financial assets at FVTPL				
Structured deposits	90,000	87,136	197,320	188,128
Index-linked notes	27,063	601	27,063	1,340
Grand total	117,063	87,737	224,383	189,468

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

12. FINANCING RECEIVABLES

	31.12.2020 RM'000	**31.12.2019 RM'000**
Group		
Policy/automatic premium loans	242,175	223,960
Corporate loans	-	3,583
Staff loans:		
Secured	59,386	52,645
Unsecured	6,672	124
Non-staff loans	7,321	8,780
Allowance for impairment losses (Note 47(i))	(8,012)	(10,760)
	307,542	278,332
Receivable after 12 months	56,239	45,658

12. FINANCING RECEIVABLES (CONTD.)

	31.12.2020 RM'000	31.12.2019 RM'000
Company		
Staff loans:		
Secured	4,608	3,193
Unsecured	-	42
Allowance for impairment losses (Note 47(i))	(4)	(4)
	4,604	3,231
Receivable after 12 months	3,597	2,499

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

The weighted average effective interest/profit rates during the financial year were as follows:

	31.12.2020 Per annum	31.12.2019 Per annum
Policy/automatic premium loans	7.25%	8.00%
Non-staff loans	5.04%	6.02%
Staff loans	3.06%	3.20%

13. REINSURANCE/RETAKAFUL ASSETS

Group	31.12.2020 RM'000	31.12.2019 RM'000
Reinsurers' share of:	4,510,709	3,109,294
Life insurance contract liabilities	480,292	74,534
General insurance contract liabilities	4,030,417	3,034,760
Retakaful operators' share of:	474,480	350,989
Family takaful certificate liabilities	162,030	111,198
General takaful certificate liabilities	312,450	239,791
	4,985,189	3,460,283
Allowance for impairment losses (Note 47(i))	(13,804)	(12,551)
	4,971,385	3,447,732

14. INSURANCE/TAKAFUL RECEIVABLES

Group	31.12.2020 RM'000	31.12.2019 RM'000
Due premiums/contribution including agents/brokers and co-insurers/co-takaful operators balances	539,726	553,739
Due from reinsurers/retakaful operators and cedants	49,354	70,785
	589,080	624,524
Allowance for impairment losses (Note 47(i))	(47,695)	(31,344)
	541,385	593,180

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

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 23)	Net amounts in the Statement of Financial Position RM'000
31.12.2020			
Due premiums/contribution including agents/brokers and co-insurers/ co-takaful balances	570,875	(31,149)	539,726
Due from reinsurers/retakaful operators and cedants	87,619	(38,265)	49,354
	658,494	(69,414)	589,080
31.12.2019			
Due premiums/contribution including agents/brokers and co-insurers/ co-takaful balances	577,215	(23,476)	553,739
Due from reinsurers/retakaful operators and cedants	133,515	(62,730)	70,785
	710,730	(86,206)	624,524

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

15. OTHER ASSETS

	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)
Group			
Management fees receivable	366	380	445
Allowance for impairment losses (Note 47(i))	(78)	(98)	(63)
	288	282	382
Sundry receivables, deposits and prepayments	63,230	56,319	51,809
Allowance for impairment losses (Note 47(i))	(4,578)	(4,495)	(10,765)
	58,652	51,824	41,044
Income and profits due and accrued	361,940	358,937	340,843
Allowance for impairment losses (Note 47(i))	(140)	(983)	(567)
	361,800	357,954	340,276
Amount due from*:			
- Ultimate holding company	1,463	-	618
- Holding company	1,302	5,840	-
- Other related companies within the Maybank Group	434	196	179
Amount due from stockbrokers	14,723	5,925	136,882
Share of net assets in the Malaysian Motor Insurance Pool ("MMIP")	50,502	48,889	56,398
Goods and Services Tax recoverable	-	2,073	7,640
	68,424	62,923	201,717
Total other assets	489,164	472,983	583,419

15. OTHER ASSETS (CONTD.)

	31.12.2020 RM'000	31.12.2019 RM'000
Company		
Income due and accrued	5,030	7,208
	5,030	7,208
Amount due from related parties*:		
- Holding company	1,251	4,757
- Within the MAHB Group	389	8,278
	1,640	13,035
Allowance for impairment losses (Note 47(i))	-	(7,161)
Total other assets	6,670	13,082

* Amounts due from related companies are non-trade in nature, unsecured, interest-free and repayable in the short-term.

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

16. DERIVATIVES

The table below shows the fair values of derivative financial instruments, recorded as assets (being derivatives which are in a net gain position) or liabilities (being derivatives which are in a net loss position), together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of financial year and are neither indicative of the market risk nor the credit risk.

	<--------------31.12.2020----------->			<--------------31.12.2019---------->		
	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000
Hedging derivatives:						
Cross currency swap	49,300	6,099	3,473	54,576	320	-
Forward foreign exchange contract	4,243,487	146,440	-	2,131,930	34,831	-
Total derivatives		152,539	3,473		35,151	-
Total derivatives		152,539	3,473		35,151	-

The fair value of derivatives are derived based on valuation techniques from market observable inputs and are revalued at the reporting date based on valuations provided by the respective counterparties. An analysis of the fair value measurement bases used in the determination of the fair values of derivatives are further disclosed in Note 50.

<u>Hedging derivatives:</u>

Forwards are customised contracts transacted with a specific counterparty who agrees to buy or sell a specified asset at a pre-agreed rate at a specified future date. The contracts are settled at gross at a specified future date and are considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. It also bears market risks related to the underlying investment. The Group enters into forward foreign exchange contracts for the purpose of hedging part of its investment portfolio in USD denominated mutual funds, USD denominated debt and equities securities and AUD denominated debt and equities securities.

Swaps are contractual agreements between two parties to exchange streams of payments over time, based on specified notional amounts, in relation to movements in a specified underlying index such as interest rates, foreign currency rates or equity indices. The Group uses swap contracts to hedge the principal amount invested in foreign debt securities denominated in USD which will be settled at a specified contract rate on the maturity date of the contract.

17. DEFERRED TAXATION

	Group		Company	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Group				
At 1 January, as previously stated	(539,521)	(391,807)	(1,018)	-
- Effect due to prior year adjustment (Note 2.3 (b))	(250)	-	-	-
At 1 January, as restated	(539,771)	(391,807)	(1,018)	-
Recognised in:				
Profit or loss (Note 38)	(102,270)	(75,517)	321	476
- Taxation borne by policyholders/ participants	(89,026)	(107,220)	-	-
- Tax (income)/expense of the Group	(13,244)	31,703	321	476
Other comprehensive income (Note 38)	8,774	(72,224)	(1,987)	(1,494)
Exchange differences	279	(223)	-	-
At 31 December	(632,988)	(539,771)	(2,684)	(1,018)

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 of the Group is presented on a gross basis as it relates to different entities within the Group as follows:

	Group		Company	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Deferred tax assets	21,339	19,209	-	-
Deferred tax liabilities	(654,327)	(558,980)	(2,684)	(1,018)
	(632,988)	(539,771)	(2,684)	(1,018)

17. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Assets

Group	**FVOCI reserve RM'000**	**Fair value adjustment RM'000**	**Net amortisation of premiums on investments RM'000**	**Impairment losses on receivables RM'000**	**Impairment losses on investments RM'000**	**General insurance liabilities RM'000**	**Unit-linked RM'000**	**Others RM'000**	**Total RM'000**
31.12.2020									
At 1 January 2020, as previously stated	-	1,521	9,171	7,276	1,310	134	-	47	19,459
- Effect due to prior year adjustments (Note 2.3 (b))		-	-	(250)	-	-	-	-	(250)
At 1 January 2020, as restated	-	1,521	9,171	7,026	1,310	134	-	47	19,209
Reclassification	-	-	-	-	325	-			325
Recognised in:									
Profit or loss	-	(304)	1,034	395	(794)	411	-	1,063	1,805
- Taxation borne by policyholders/participants	-		4	31	(799)	14	-	190	(560)
- Tax (income)/expense of the Group	-	(304)	1,030	364	5	397	-	873	2,365
At 31 December 2020	-	1,217	10,205	7,421	841	545	-	1,110	21,339
31.12.2019									
At 1 January 2019	2,954	4,605	8,828	2,991	1,226	-	1,587	330	22,521
Reclassification	-	-	-	-	-	(245)	-	(47)	(292)
Recognised in:									
Profit or loss	-	(3,084)	343	4,035	84	379	(1,587)	(236)	(66)
- Taxation borne by policyholders/participants	-	698	(809)	1,048	(26)	(61)	(1,587)	45	(692)
- Tax (income)/expense of the Group	-	(3,782)	1,152	2,987	110	440	-	(281)	626
Other comprehensive income	(2,954)	-	-	-	-	-	-	-	(2,954)
At 31 December 2019	-	1,521	9,171	7,026	1,310	134	-	47	19,209

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(Incorporated in Malaysia)

17. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities

Group 31.12.2020	Accelerated capital allowances RM'000	Fair value adjustment RM'000	FVOCI reserve RM'000	Life insurance contract liabilities RM'000	Non-Participating Fund unallocated surplus RM'000	General insurance liabilities RM'000	Unit-linked RM'000	Others RM'000	Total RM'000
At 1 January 2020	(11,282)	(119,918)	(71,219)	(114,981)	(238,897)	-	(2,683)	-	(558,980)
Reclassification	-	-	(325)	-	-	-	-	-	(325)
Recognised in:									
Profit or loss	2,256	(36,034)	-	(59,583)	(4,858)	42	(5,896)	(2)	(104,075)
- Taxation borne by policyholders/participants	473	(23,501)	-	(59,583)	-	42	(5,896)	(1)	(88,466)
- Tax expense/(income) of the Group	1,783	(12,533)	-	-	(4,858)	-	-	(1)	(15,609)
Other comprehensive income	-	-	8,774	-	-	-	-	-	8,774
Exchange differences	2	-	(2)	279	-	-	-	-	279
At 31 December 2020	(9,024)	(155,952)	(62,772)	(174,285)	(243,755)	42	(8,579)	(2)	(654,327)

17. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities (contd.)

Group **31.12.2019**	**Accelerated capital allowances RM'000**	**Fair value adjustment RM'000**	**FVOCI reserve RM'000**	**Life insurance contract liabilities RM'000**	**Non-Participating Fund unallocated surplus RM'000**	**Unit-linked RM'000**	**Others RM'000**	**Total RM'000**
At 1 January 2019	(10,368)	(21,308)	(1,382)	(85,169)	(295,012)	-	(1,089)	(414,328)
Reclassification	(2,044)	-	(565)	2,609	-	-	292	292
Recognised in:								
Profit or loss	1,130	(98,610)	-	(32,200)	56,115	(2,683)	797	(75,451)
- Taxation borne by policyholders/participants	(192)	(72,250)	-	(32,200)	-	(2,683)	797	(106,528)
- Tax expense/(income) of the Group	1,322	(26,360)	-	-	56,115	-	-	31,077
Other comprehensive income	-	-	(69,270)	-	-	-	-	(69,270)
Exchange differences	-	-	(2)	(221)	-	-	-	(223)
At 31 December 2019	(11,282)	(119,918)	(71,219)	(114,981)	(238,897)	(2,683)	-	(558,980)

17. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities (contd.)

Company	FVOCI reserve RM'000	Impairment losses on investments RM'000	Net accretion of discounts on investments RM'000	Total RM'000
31.12.2020				
At 1 January 2020	(1,494)	87	389	(1,018)
Recognised in:				
- Profit or loss	-	(17)	338	321
- Other comprehensive income	(1,987)	-	-	(1,987)
At 31 December 2020	(3,481)	70	727	(2,684)
31.12.2019				
At 1 January 2019	-	-	-	-
Recognised in:				
- Profit or loss	-	87	389	476
- Other comprehensive income	(1,494)	-	-	(1,494)
At 31 December 2019	(1,494)	87	389	(1,018)

18. CURRENT TAX ASSETS

Group

	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)
Current tax assets	140,701	175,881	161,848

The current tax assets related to EFTB and EGIB as follows.

<u>EFTB</u>

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

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

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

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

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

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

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

18. CURRENT TAX ASSETS (CONTD.)

EFTB (CONTD.)

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

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

EGIB

(a) The current tax assets arise from the appeals made by EGIB prior to its Conversion of Composite Licences to Single Licenses (“Licence Split”) on 28 December 2017.

The IRB had raised additional assessments to EGIB for Years of Assessment (“YA”) 2013 to 2015, totalling RM12,883,000, YA2015 additional assessments amounting to RM7,214,000 was raised on 26 November 2020. IRBM had raised the additional assessments in respect to the profit commission earned on reinsurance ceded for life business as incidental income of EGIB under Section 60(8) of the Income Tax Act, 1967, disallowing the deduction of expenses directly attributable to rental income of its investment properties, and disallowing the deduction of an under accrual fee.

EGIB has made full settlement on the additional assessments raised and submitted the notices of appeal by filing Form Q with the SCIT.

EGIB had decided to pursue these appeals after obtaining the relevant opinions from its legal counsel, which was premised on the fact that the bases used to raise the additional assessments are not equitable. The Court has fixed the case mention date on 10 March 2021 for the submission of cause papers and fixing of the hearing dates.

Based on legal advice, EGIB is of the view that it has strong justifications for the appeals and have treated the additional assessments as tax recoverable in the financial statements.

(b) EGIB has overpayment of taxes for YA2018 and YA2019 amounted to RM28,392,000, upon the finalisation of its tax returns. Applications of refund and set-off of the overpayment against current year of assessment has been made.

The overpayment of tax for YA2016 amounting to RM58,016,000 was refunded on 5 February 2020.

19. SHARE CAPITAL

	Number of shares		Amount	
	31.12.2020 Units '000	31.12.2019 Units '000	31.12.2020 RM'000	31.12.2019 RM'000
Issued and fully paid				
Ordinary shares:				
At 1 January/31 December	252,005	252,005	660,866	660,866

20. RESERVES

Group		31.12.2020 RM'000	31.12.2019 RM'000
FVOCI reserve	(i)	155,950	137,747
Other reserves:			
Revaluation reserve	(ii)	788	788
Currency translation reserve	(iii)	55,608	56,343
		56,396	57,131
Retained profits:			
Distributable	(iv)	5,287,525	4,966,019
Non-distributable non-par surplus	(v)	896,398	776,496
		6,183,923	5,742,515
Total reserves		6,396,269	5,937,393

20. RESERVES (CONTD.)

		31.12.2020 RM'000	31.12.2019 RM'000
Company			
FVOCI reserve	(i)	11,023	4,732
Distributable:			
Retained profits	(iv)	2,561,622	2,377,984
Total reserves		2,572,645	2,382,716

(i) The FVOCI reserve of the Group and of the Company arose from changes in the fair values of the financial assets at FVOCI in the shareholders' and non-DPF funds as disclosed in Note 2.2(ix)(a)(iii)(c).

(ii) The revaluation reserve of the Group represents the difference between the carrying amount of properties previously classified as self-occupied properties but subsequently transferred to investment properties upon the end of owner occupation and its fair value at the date of change in use.

(iii) The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of a foreign operations whose functional currencies are different from the presentation currency of the Group.

(iv) The entire distributable retained earnings may be distributed to the shareholders under the single-tier system.

(v) Non-distributable non-par surplus represents the unallocated surplus of the non-Par fund. In accordance with the Financial Services Act 2013, the unallocated surplus is only available for distribution to the shareholders' fund upon approval by the Appointed Actuary. Upon such approval, the distribution is presented as a transfer from non-distributable non-par surplus to distributable retained profits.

21. INSURANCE CONTRACT/TAKAFUL CERTIFICATE LIABILITIES

	31.12.2020			31.12.2019		
	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000
Group						
Life Insurance/Family Takaful (Note A)	29,263,279	(642,322)	28,620,957	24,075,310	(185,732)	23,889,578
General Insurance/Takaful (Note B)	7,008,230	(4,342,865)	2,665,365	5,788,422	(3,274,551)	2,513,871
	36,271,509	(4,985,187)	31,286,322	29,863,732	(3,460,283)	26,403,449

(A) Life Insurance/Family Takaful

The Life Insurance contract/Family Takaful certificate liabilities and its movements are further analysed as follows:

(i) Life Insurance contract/Family Takaful certificate liabilities

	31.12.2020			31.12.2019		
	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000
Claim liabilities	244,507	(33,409)	211,098	182,953	(18,076)	164,877
Actuarial liabilities	24,139,860	(608,913)	23,530,947	19,105,614	(167,656)	18,937,958
DPF's unallocated surplus	2,427,692	-	2,427,692	2,658,538	-	2,658,538
DPF's FVOCI reserve	335,508	-	335,508	297,982	-	297,982
Net asset value ("NAV") attributable to unitholders	2,115,712	-	2,115,712	1,830,223	-	1,830,223
	29,263,279	(642,322)	28,620,957	24,075,310	(185,732)	23,889,578

21. INSURANCE CONTRACT/TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

(A) Life Insurance/Family Takaful (contd.)

(ii) Movements of Life Insurance contract/Family Takaful certificate liabilities

31.12.2020	Claim liabilities RM'000	Actuarial liabilities RM'000	DPF's unallocated surplus RM'000	DPF's FVOCI reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000
At 1 January 2020, as previously stated	182,953	19,105,614	2,639,150	297,982	1,830,223	24,055,922	(185,732)	23,870,190
- Effect of prior year adjustment (Note 2.3 (b))	-	-	19,388	-	-	19,388	-	19,388
At 1 January 2020, as restated	182,953	19,105,614	2,658,538	297,982	1,830,223	24,075,310	(185,732)	23,889,578
Reclassification	-	-	-			-	-	-
Premiums/contributions received	-	-	3,708,413	-	689,276	4,397,689	-	4,397,689
Other revenue	-	-	1,194,328	(169,144)	5,852	1,031,036	-	1,031,036
Net benefits and claims	61,554	-	(1,811,426)	-	(403,875)	(2,153,747)	(73,418)	(2,227,165)
Other expenses	-	611	(609,713)	-	(5,775)	(614,877)	58,085	(556,792)
Change in reserves :								
- Discounting	-	483,094	(345,780)	-	-	137,314	(3,840)	133,474
- Assumptions	-	136,732	19,593	-	-	156,325	(1,074)	155,251
- Policy movements	-	4,416,851	(2,109,142)	-	-	2,307,709	(437,518)	1,870,191
Exchange differences	-	(3,042)	767	(357)	(59)	(2,691)	1,175	(1,516)
Changes in FVOCI reserve	-	-	-	201,882	-	201,882	-	201,882
Taxation	-	-	(61,596)	5,145	70	(56,381)	-	(56,381)
Transferred to shareholders' funds	-	-	(168,343)	-	-	(168,343)	-	(168,343)
Surplus paid to participants	-	-	(37,947)	-	-	(37,947)	-	(37,947)
Covid-19 charity donation	-	-	(10,000)	-	-	(10,000)	-	(10,000)
At 31 December 2020	244,507	24,139,860	2,427,692	335,508	2,115,712	29,263,279	(642,322)	28,620,957

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21. INSURANCE CONTRACT/TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

(A) Life Insurance/Family Takaful (contd.)

(ii) Movements of Life Insurance contract/Family Takaful certificate liabilities (contd.)

31.12.2019	Claim liabilities RM'000	Actuarial liabilities RM'000	DPF's Unallocated Surplus RM'000	DPF's FVOCI reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000
At 1 January 2019, as previously stated	228,329	16,477,186	2,401,223	(16,191)	1,504,839	20,595,386	(126,041)	20,469,345
- Effect of prior year adjustment (Note 2.3 (a))	-	-	19,388	-	-	19,388	-	19,388
At 1 January 2019, as restated	228,329	16,477,186	2,420,611	(16,191)	1,504,839	20,614,774	(126,041)	20,488,733
Reclassification	-	-	-	-	-	-	-	-
Premiums/contributions received	-	-	3,079,094	-	560,480	3,639,574	-	3,639,574
Other revenue	-	-	1,704,222	(15,895)	122,799	1,811,126	-	1,811,126
Experience/benefit variation	1,028,718	-	-	-	(262)	1,028,456	-	1,028,456
Net benefits and claims	(1,074,094)	-	(1,574,650)	-	(343,879)	(2,992,623)	(631)	(2,993,254)
Other expenses	-	-	(666,041)	-	(4,731)	(670,772)	-	(670,772)
Change in reserves :								
- Discounting	-	389,538	(160,292)	-	-	229,246	(64,175)	165,071
- Assumptions	-	(39,322)	38,770	-	-	(552)	56,635	56,083
- Policy movements	-	2,238,074	(1,882,488)	-	(31)	355,555	(51,508)	304,047
Exchange differences	-	6,875	(87)	108	-	6,896	(12)	6,884
Changes in FVOCI reserve	-	-	-	347,838	-	347,838	-	347,838
Taxation	-	-	(69,237)	(17,878)	(8,992)	(96,107)	-	(96,107)
Transfer to shareholders' funds	-	-	(177,700)	-	-	(177,700)	-	(177,700)
Surplus paid to participants	-	33,263	(53,664)	-	-	(20,401)	-	(20,401)
At 31 December 2019	182,953	19,105,614	2,658,538	297,982	1,830,223	24,075,310	(185,732)	23,889,578

21. INSURANCE CONTRACT/TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

(B) General Insurance/Takaful

	31.12.2020			31.12.2019		
	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000
Claim liabilities (i)	5,489,324	(4,048,876)	1,440,448	4,187,105	(2,941,598)	1,245,507
Premiums/contribution liabilities (ii)	1,286,569	(293,989)	992,580	1,378,799	(332,953)	1,045,846
Unallocated surplus of General Takaful fund	197,961	-	197,961	182,124	-	182,124
FVOCI reserve	34,376	-	34,376	40,394	-	40,394
	7,008,230	(4,342,865)	2,665,365	5,788,422	(3,274,551)	2,513,871

(i) Claims liabilities

	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000
At 1 January	4,187,105	(2,941,598)	1,245,507	3,759,920	(2,658,712)	1,101,208
Claims incurred in the current accident year	2,325,393	(1,066,710)	1,258,683	2,063,577	(796,594)	1,266,983
Movements in claims incurred in prior accident years	248,997	(284,120)	(35,123)	(80,427)	36,971	(43,456)
Claims paid during the year	(1,314,824)	283,802	(1,031,022)	(1,554,364)	472,450	(1,081,914)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	1,049	-	1,049	1,310	-	1,310
Movements in PRAD	41,794	(40,339)	1,455	(3,228)	4,445	1,217
Exchange differences	(190)	89	(101)	317	(158)	159
At 31 December	5,489,324	(4,048,876)	1,440,448	4,187,105	(2,941,598)	1,245,507

(ii) Premium/contribution liabilities

	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ Retakaful RM'000	Net RM'000
At 1 January	1,378,799	(332,953)	1,045,846	1,241,697	(349,993)	891,704
Premiums/contributions written in the year	3,079,494	(1,047,664)	2,031,830	3,111,020	(943,231)	2,167,789
Premiums/contributions earned during the year	(3,171,633)	1,086,596	(2,085,037)	(2,974,217)	960,375	(2,013,842)
Exchange differences	(91)	32	(59)	299	(104)	195
At 31 December	1,286,569	(293,989)	992,580	1,378,799	(332,953)	1,045,846

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22. EXPENSE LIABILITIES

Group	31.12.2020 RM'000	31.12.2019 RM'000
UWF of General Takaful fund	139,797	148,713
UER of Family Takaful fund	572,186	535,282
	711,983	683,995

	UWF of General Takaful fund RM'000	UER of Family Takaful fund RM'000	Total RM'000
31.12.2020			
At 1 January 2020	148,713	535,282	683,995
Wakalah fee received during the year	497,366	-	497,366
Wakalah fee earned during the year	(506,283)	-	(506,283)
Movement in UWF (Note 36)	(8,916)	-	(8,916)
Movement in UER (Note 36)	-	36,904	36,904
At 31 December 2020	139,797	572,186	711,983
31.12.2019			
At 1 January 2019	127,590	445,941	573,531
Wakalah fee received during the year	514,135	-	514,135
Wakalah fee earned during the year	(493,012)	-	(493,012)
Movement in UWF (Note 36)	21,123	-	21,123
Movement in UER (Note 36)	-	89,341	89,341
At 31 December 2019	148,713	535,282	683,995

23. INSURANCE/TAKAFUL PAYABLES

Group	31.12.2020 RM'000	31.12.2019 RM'000
Due to agents and intermediaries	281,800	226,515
Due to reinsurers/retakaful operators and cedants	450,314	415,846
	732,114	642,361

Insurance/takaful payables have been offset against amount due from the same counterparties as follows:

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 14)	Net amount in the Statement of Financial Position RM'000
31.12.2020			
Due to agents and intermediaries	312,949	(31,149)	281,800
Due to reinsurers/retakaful operators and cedants	488,579	(38,265)	450,314
	801,528	(69,414)	732,114
31.12.2019			
Due to agents and intermediaries	249,991	(23,476)	226,515
Due to reinsurers/retakaful operators and cedants	478,576	(62,730)	415,846
	728,567	(86,206)	642,361

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

24. OTHER LIABILITIES

	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)
Group			
Premium/contribution deposits	453,326	218,999	197,831
Dividend payable to policyholders	69,638	73,564	78,997
Lease liabilities (Note 6)	16,055	22,663	-
Provision for restoration costs	1,336	1,257	-
Amount due to*:			
- Ultimate holding company	15,940	8,670	8,332
- Holding company	211	285	-
- Other related companies within the Maybank Group	512	342	1,715
Amount due to stockbrokers	198,922	24,300	41,762
Mudharabah payable	9,667	187,425	181,510
Unclaimed monies	212,048	82,032	75,165
Provisions for expenses	62,409	110,573	67,033
Service tax payable	32,643	25,239	25,222
Goods and services tax	-	-	16,657
Zakat payable	23,933	11,962	16,231
Claims pending disbursement	6,069	18,916	-
Withholding tax payable	52,840	38,463	25,197
Surplus payable to participants	157,994	187,425	220,343
Sundry payables and accrued liabilities	677,758	317,818	240,847
Total other liabilities	1,991,301	1,329,933	1,196,842

	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)
Company		
Amount due to related parties*:		
- Ultimate holding company	2,566	1,141
- Within the MAHB Group	1,499	-
Sundry payables and accrued liabilities	10,611	18,465
Total other liabilities	14,676	19,606

* Amounts due to related companies are non-trade in nature, unsecured, interest free and is repayable in the short term.

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

25. OPERATING REVENUE

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Gross premiums/contributions	10,616,539	7,598,166	-	-
Investment income (Note 28)	1,320,195	1,357,549	461,429	888,244
	11,936,734	8,955,715	461,429	888,244

26. NET EARNED PREMIUMS/CONTRIBUTIONS

Group	2020 RM'000	2019 RM'000
(a) Gross earned premiums/contributions		
Life Insurance contracts	5,952,786	2,864,678
General Insurance contracts	1,507,493	1,454,045
Family Takaful certificates	1,586,714	1,674,739
General Takaful certificates	1,569,546	1,604,704
Gross premiums/contributions	10,616,539	7,598,166
Change in premium/contribution liabilities	92,139	(136,803)
Gross earned premiums/contributions	10,708,678	7,461,363
(b) Earned premiums/contributions ceded to reinsurers/retakaful operators		
Life Insurance contracts	(418,162)	(32,062)
General Insurance contracts	(882,891)	(771,024)
Family Takaful certificates	(87,904)	(72,215)
General Takaful certificates	(162,504)	(121,225)
Premium/contribution ceded to reinsurers/ retakaful operators	(1,551,461)	(996,526)
Change in premium/contribution liabilities	(38,932)	(17,144)
Earned premium/contribution ceded to reinsurers/ retakaful operators	(1,590,393)	(1,013,670)
Net earned premiums/contributions	9,118,285	6,447,693

27. FEE AND COMMISSION INCOME

Group	2020 RM'000	2019 RM'000
Profit commission	2,948	362
Reinsurance/retakaful commission income	98,218	80,870
Others	2,596	190
Fee and commission income related to Insurance contracts/Takaful certificates	103,762	81,422

28. INVESTMENT INCOME

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Interest/profit income	672,297	736,460	-	-
Dividend/distribution income				
Equity securities				
- quoted in Malaysia	-	1,071	-	-
- quoted outside Malaysia	6,324	12,366	-	-
Unit and property trusts	-	25	-	
	678,621	749,922	-	-
(ii) HFT				
Interest/profit income	27,112	25,806	-	-
Dividend/distribution income				
Equity securities				
- quoted in Malaysia	48,923	44,869	-	-
- quoted outside Malaysia	302	227	-	-
- unquoted in Malaysia	1,787	3,681	-	-
Unit and property trusts	3,035	945	-	-
	81,159	75,528	-	-
Financial assets at FVOCI				
Interest/profit income	389,857	427,908	17,698	12,128
Financial assets at AC				
Interest/profit income	178,433	100,914	6,197	2,692
Dividend/distribution income				
- Subsidiaries	-	-	439,966	875,000
	178,433	100,914	446,163	877,692
Interest/profit income from financing receivables and other loans	19,656	19,935	38	14
Rental income	37,905	41,033	-	-
Rental related expenses	(19,764)	(21,323)	-	-
Net amortisation of premiums	(35,533)	(20,169)	(2,328)	(1,535)
Other investment income	3,811	14,853	-	-
Investment related expenses	(13,950)	(31,052)	(142)	(55)
	(7,875)	3,277	(2,432)	(1,576)
Total investment income	1,320,195	1,357,549	461,429	888,244

29. REALISED GAINS/(LOSSES)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Realised gains/(losses) on disposal of:				
Property, plant and equipment	(11)	-	-	-
A subsidiary	(11,512)	-	(11,501)	-
	(11,523)	-	(11,501)	-
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	36,400	7,671	-	-
Equity securities	(53,967)	2,730	-	-
Debt securities	171,735	156,497	-	-
Other investments	7,044	(4,341)	-	-
Derivative liabilities, net	(13,961)	(15,038)	-	-
	147,251	147,519	-	-
(ii) HFT				
Malaysian government papers	3,681	1,355	-	-
Equity securities	(239,932)	-	-	-
Debt securities	3,677	(54,304)	-	-
Unit and property trusts	5,388	2,320	-	-
NCD	-	5,908	-	-
Other investments	454	-	-	-
Foreign notes	-	221	-	-
Derivative assets	(716)	-	-	-
	(227,448)	(44,500)	-	-
Financial assets at FVOCI				
Malaysian government papers	57,745	5,974	-	-
Equity securities	10,679	-	-	-
Debt securities	193,619	54,285	2,955	558
	262,043	60,259	2,955	558
Total realised gains/(losses)	170,323	163,278	(8,546)	558

30. FAIR VALUE GAINS

Group	2020 RM'000	2019 RM'000
Fair value gains:		
Investment properties (Note 4)	18,670	21,082
Financial assets at FVTPL:		
- designated upon initial recognition	386,354	1,071,381
- HFT	166,232	158,047
Total fair value gains on financial assets at FVTPL	552,586	1,229,428
Total fair value gains	571,256	1,250,510

31. OTHER OPERATING (EXPENSES)/INCOME, NET

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other income				
Gain on foreign exchange				
- realised	22,772	10	5	-
- unrealised	150	9,490	48	20
Processing income	94	131	-	-
Recovery of bad debts	-	1,916	-	-
Reversal of impairment losses on:				
- financing receivables	2,944	836	-	-
- other assets	2,074	-	1,491	-
- investments	-	-	70	-
Surrender charges	565	20	-	-
Sundry income	26,089	21,297	169	182
	54,688	33,700	1,783	202
Other expenses				
Bad debts written off	(2,871)	-	-	-
Impairment losses on:				
- other assets	-	(273)	-	(594)
- insurance/takaful receivables	(16,353)	(16,972)	-	-
- reinsurance/retakaful assets	(1,253)	(9,909)	-	-
- investments	(1,627)	(580)	-	(363)
Losses on foreign exchange				
- realised	(19,986)	(10,299)	(1)	-
- unrealised	(143,679)	(46,982)	(65)	(567)
Sundry expenditure	(13,333)	(4,741)	-	(343)
	(199,102)	(89,756)	(66)	(1,867)
Total other operating (expenses)/income, net	(144,414)	(56,056)	1,717	(1,665)

32. NET BENEFITS AND CLAIMS

	2020 RM'000	2019 RM'000
Group		
(a) Gross Benefits and Claims Paid		
Life Insurance	(1,232,855)	(1,143,299)
General Insurance	(557,130)	(759,274)
Family Takaful	(1,310,398)	(1,098,300)
General Takaful	(751,735)	(789,425)
	(3,852,118)	(3,790,298)
(b) Claims Ceded to Reinsurers/Retakaful Operators		
Life Insurance	10,019	12,724
General Insurance	252,122	445,989
Family Takaful	58,085	58,968
General Takaful	25,745	22,013
	345,971	539,694
(c) Gross Change in Contract/Certificate Liabilities		
Life Insurance	(4,644,364)	(2,178,700)
General Insurance	(1,068,758)	(314,772)
Family Takaful	(597,730)	(997,888)
General Takaful	(330,285)	(166,855)
	(6,641,137)	(3,658,215)
(d) Change in Contract/Certificate Liabilities Ceded to Reinsurers/Retakaful Operators		
Life Insurance	406,933	22,284
General Insurance	1,031,402	262,991
Family Takaful	50,832	37,396
General Takaful	75,965	19,837
	1,565,132	342,508

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33. MANAGEMENT EXPENSES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (a)	503,222	493,737	58,008	39,804
Directors' remuneration (Note 34)	7,047	7,186	2,017	1,958
Shariah Committee's remuneration (Note 35)	432	451	-	-
Auditors' remuneration:				
- statutory audits	3,056	2,805	72	82
- regulatory related services	112	141	-	15
- other services	355	307	25	-
Amortisation of intangible assets (Note 7)	15,807	14,357	1	1
Amortisation of prepaid land lease payments (Note 5)	486	486	-	-
Auto assist service	11,057	13,378	-	-
Assured medical fees	1,459	2,313	-	-
Bank charges	21,611	26,930	9	7
Depreciation of property, plant and equipment (Note 3)	15,115	14,166	118	118
Depreciation of right-of-use assets	9,593	8,977	-	-
Interest on lease liabilities	556	787	-	-
Other management fees	6,799	14,746	792	380
Professional fees	18,648	3,978	-	-
Rental of offices/premises	6,025	6,046	721	526
Office facilities expenses	3,622	3,334	-	-
Electronic data processing expenses	25,770	25,425	771	680
Outsourcing services	6,954	1,865	(17)	-
Information technology outsourcing	12,785	23,357	-	-
Postage and stamp duties	5,502	5,873	5	91
Printing and stationery	3,671	3,831	12	24
Promotional and marketing cost	103,849	130,721	5	-
Training expenses	2,211	6,051	143	412
Utilities, assessment and maintenance	13,214	7,418	230	70
Entertainment	690	1,628	5	40
Travelling expenses	2,046	6,809	30	287
Legal fees	549	1,280	12	189
Other expenses	48,423	56,864	1,138	1,049
Total management expenses	850,666	885,247	64,097	45,733

33. MANAGEMENT EXPENSES (CONTD.)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(a) Employee benefits expense:				
Wages, salaries and bonuses	421,514	381,657	47,063	31,486
EPF and CPF	41,099	57,328	6,948	4,239
SOCSO	1,875	2,150	283	103
Share based compensation	5,719	4,956	1,827	1,059
Other benefits	33,015	47,646	1,887	2,917
	503,222	493,737	58,008	39,804

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

	Company	
	2020	2019
	RM'000	RM'000
Salary	1,740	1,740
Directors fees	158	152
Bonus	1,450	1,440
EPF and pension scheme	586	569
Other emoluments	501	435
	4,435	4,336

34. DIRECTORS' REMUNERATION

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors of the Group				
Executive directors:				
Fees	313	663	183	183
Other emoluments	38	86	22	22
	351	749	205	205
Non-executive directors:				
Fees	5,691	5,478	1,460	1,425
Other emoluments	1,005	959	352	328
	6,696	6,437	1,812	1,753
Total directors' fee and remuneration	7,047	7,186	2,017	1,958

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34. DIRECTORS' REMUNERATION (CONTD.)

The total remuneration of the directors of the Group are as follows:

2020	Company Fees RM'000	Company Other Emoluments RM'000	Company Total RM'000	Subsidiaries Fees RM'000	Subsidiaries Other Emoluments RM'000	Subsidiaries Total RM'000	Group Grand Total RM'000
Executive directors:							
Datuk Normala binti Abdul Manaf	-	-	-	130	16	146	146
Dato' Amirul Feisal bin Wan Zahir	183	22	205	-	-	-	205
	183	22	205	130	16	146	351
Non-executive directors:							
Mr. Koh Heng Kong	61	28	89	240	52	292	381
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	28	8	36	130	12	142	178
Mr. Loh Lee Soon	93	44	137	120	26	146	283
Datuk Karownakaran @ Karunakaran A/L Ramasamy	230	38	268	-	-	-	268
Mr. Bart K.A De Smet	13	-	13	-	-	-	13
Mr. Gary Lee Crist	234	62	296	-	-	-	296
Dr. John Lee Hin Hock	-	-	-	182	33	215	215
Dato' Johan bin Ariffin	215	50	265	588	67	655	920
Mr. Philippe Pol Arthur Latour	28	6	34	252	32	284	318
Mr. Frank Johan Gerard Van Kempen	-	-	-	493	91	584	584
Datuk Sulaiman bin Salleh	-	-	-	4	2	6	6
En.Kamaludin bin Ahmad	-	-	-	152	21	173	173
En. Hj. Sallim bin Abdul Kadir	-	-	-	228	49	277	277
Mr. Wong Pakshong Kat Jeong Colin Stewart	56	28	84	468	81	549	633
Mr. Lee Hin Sze	-	-	-	13	2	15	15
Datuk Mohd Najib bin Abdullah	178	36	214	360	38	398	612
Dato' Majid bin Mohamad	178	36	214	378	47	425	639
Cik Serina binti Abdul Samad	-	-	-	120	21	141	141
Mr. Antonio Cano	137	12	149	-	-	-	149
En. Mohamad Shukor bin Ibrahim	9	4	13	90	18	108	121
Ms. Daniela Adaggi	-	-	-	120	12	132	132
Prof.Dr. Rusni bin Hassan	-	-	-	108	18	126	126
Mr. Andrew King Sun Cheung	-	-	-	108	16	124	124
Prof. Dr. Azman bin Mohd Noor	-	-	-	65	9	74	74
Mr. Eng Poh Yoon	-	-	-	12	6	18	18
	1,460	352	1,812	4,231	653	4,884	6,696
	1,643	374	2,017	4,361	669	5,030	7,047

34. DIRECTORS' REMUNERATION (CONTD.)

The total remuneration of the directors of the Group are as follows:

	<--- Company ---			<--- Subsidiaries ---			Group
2019	**Fees RM'000**	**Other Emoluments RM'000**	**Total RM'000**	**Fees RM'000**	**Other Emoluments RM'000**	**Total RM'000**	**Grand Total RM'000**
Executive directors:							
Datuk Normala binti Abdul Manaf	-	-	-	240	32	272	272
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	-	-	-	240	32	272	272
Dato' Amirul Feisal bin Wan Zahir	183	22	205	-	-	-	205
	183	22	205	480	64	544	749
Non-executive directors:							
Mr. Koh Heng Kong	61	34	95	240	61	301	396
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	28	6	34	-	-	-	34
Dr. Abdul Rahim bin Abdul Rahman	-	-	-	175	13	188	188
Mr. Loh Lee Soon	93	44	137	237	42	279	416
Datuk Karownakaran @ Karunakaran A/L Ramasamy	230	38	268	-	-	-	268
Mr. Bart K.A De Smet	150	10	160	-	-	-	160
Mr. Gary Lee Crist	234	58	292	-	-	-	292
Dato' Mohd Salleh bin Hj. Harun	-	-	-	57	3	60	60
Dr. John Lee Hin Hock	-	-	-	182	30	212	212
Dato' Johan bin Ariffin	215	53	268	551	81	632	900
Mr. Philippe Pol Arthur Latour	28	8	36	480	62	542	578
Mr. Frank Johan Gerard Van Kempen	-	-	-	493	85	578	578
Datuk Sulaiman bin Salleh	-	-	-	35	2	37	37
En. Kamaludin bin Ahmad	-	-	-	152	21	173	173
En.Hj. Sallim bin Abdul Kadir	-	-	-	228	46	274	274
Mr. Wong Pakshong Kat Jeong Colin Stewart	56	30	86	468	82	550	636
Mr. Lee Hin Sze	-	-	-	25	2	27	27
Datuk Mohd Najib bin Abdullah	178	33	211	360	41	401	612
Dato' Majid bin Mohamad	152	14	166	360	56	416	582
Cik Serina binti Abdul Samad	-	-	-	10	4	14	14
	1,425	328	1,753	4,053	631	4,684	6,437
	1,608	350	1,958	4,533	695	5,228	7,186

35. SHARIAH COMMITTEE'S REMUNERATION

	Group	
	2020	**2019**
	RM'000	**RM'000**
Fees	291	309
Other emoluments	141	142
	432	451

The total remuneration of the Shariah Committee of the Takaful subsidiaries are as follows:

	2020			**2019**		
	Fees	**Other Emoluments**	**Total**	**Fees**	**Other Emoluments**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Shariah Committee:						
Assoc. Prof. Dr. Aznan bin Hasan	64	27	91	42	16	58
Dr. Ahcene Lahsasna	-	-	-	25	14	39
Dr. Sarip Adul	50	26	76	50	24	74
Prof. Dr .Rusni bin Hassan	50	26	76	50	23	73
Prof. Dr. Abdul Rahim bin Abdul Rahman	50	22	72	50	23	73
Prof. Dato’ Dr. Mohd Azmi bin Omar	50	26	76	50	23	73
Dato' Dr. Anhar Opir	-	-	-	42	19	61
Assoc. Prof. Dr. Azman bin Mohd Noor	27	14	41	-	-	-
	291	141	432	309	142	451

36. CHANGE IN EXPENSE LIABILITIES

	2020 RM'000	2019 RM'000
Group		
(Decrease)/increase in UWF of General Takaful fund (Note 22)	(8,916)	21,123
Increase in UER of Family Takaful fund (Note 22)	36,904	89,341
	27,988	110,464

37. FEE AND COMMISSION EXPENSES

Group	2020 RM'000	2019 RM'000
Costs incurred for the acquisition of Insurance contract/ Takaful certificate in the current financial year	653,945	631,278
Others	1,376	-
	655,321	631,278

38. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the year ended 31 December 2020 and 31 December 2019 are:

Income Statement

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income tax:				
Current financial year				
- Malaysia	215,328	250,663	6,302	3,730
- Foreign	13,899	5,658	-	-
Under provision of taxation in prior financial years	1,585	8,797	-	-
	230,812	265,118	6,302	3,730

38. INCOME TAX EXPENSE (CONTD.)

Major components of income tax expense (contd.)

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

Income Statement (contd.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 17)	13,244	(31,703)	(321)	(476)
Under provision of deferred taxation in prior years	-	946	-	-
	244,056	234,361	5,981	3,254
Statement of Comprehensive Income:				
Deferred income tax related to other comprehensive income:				
- Fair value changes on FVOCI investments (Note 17)	(8,774)	72,224	1,987	1,494

Reconciliation between tax expense and accounting profit

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before taxation and zakat	958,089	931,486	439,860	872,178
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	319,757	423,291	105,566	209,323
3% on annual profit	(51)	32	-	-
Effects of tax in different jurisdictions	12,014	5,812	-	-

38. INCOME TAX EXPENSE (CONTD.)

Reconciliation between tax expense and accounting profit (contd.)

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

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Tax exemption	(52)	(52)	-	-
Income not subject to tax	(184,673)	(293,668)	(105,592)	(210,000)
Expenses not deductible for tax purposes	106,415	114,253	6,007	3,931
Tax relief on actuarial surplus transferred to shareholders' fund	(3,408)	(14,870)	-	-
Effects of changes in foreign tax rate	(293)	1,807	-	-
Onshore tax in interest at 24%	-	141	-	-
Difference in tax basis for Par fund	332	-	-	-
Under provision of taxation in prior financial years	1,585	8,797		
Under provision of deferred taxation in prior financial years	-	946		
Effect of zakat deduction	(5,006)	(2,180)	-	-
Deficit arising from Annuity Non-Par fund deductible for tax purposes	(4,463)	(7,553)	-	-
Others	1,899	(2,395)	-	-
Tax expense for the financial year	244,056	234,361	5,981	3,254

Tax borne by policyholders/participants

	Group 2020 RM'000	Group 2019 RM'000
Income tax:		
Current financial year		
- Malaysia	23,426	37,538
- Foreign	2,238	2,362
Over provision of taxation in prior financial years	(141)	(2,271)
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 17)	89,026	107,220
	114,549	144,849

38. INCOME TAX EXPENSE (CONTD.)

Taxation of shareholders' and general funds

The income tax for shareholders' fund and general fund in relation to the Malaysian and Singaporean operations respectively are calculated at the statutory tax rate of 24% (2019: 24%) and 17% (2019: 17%) of the estimated assessable profit respectively for the financial year.

Taxation of Life Insurance and Family Takaful business

The income tax for the Life and Family Takaful funds are calculated based on the statutory rate of 8% (2019: 8%) of the estimated assessable investment income net of allowable deductions for the financial year for the Malaysian operations. For Singaporean operations, income allocated to policyholders (participating fund) are taxable at statutory rate of 10% (2019: 10%).

39. EARNINGS PER SHARE

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
Profit attributable to ordinary equity holders (RM'000)	691,287	689,429	433,879	868,924
Number of ordinary shares in issue ('000) (Note 19)	252,005	252,005	252,005	252,005
Basic and diluted earnings per share (sen)	2.74	2.74	1.72	3.45

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

40. DIVIDENDS

Company	**2020 RM'000**	**2019 RM'000**
Recognised during the financial year:		
Final dividend for the financial year ended 31 December 2019:		
- 99.30 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	250,241	-
Final dividend for the financial year ended 31 December 2018:		
- 99.30 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	-	250,241
	250,241	250,241

41. OPERATING LEASE COMMITMENTS

The Group as a lessor

The Group has entered into operating lease agreements on its portfolio of investment properties. The leases have remaining lease terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2020 RM'000	2019 RM'000
Not later than one year	34,460	27,801
Between one and three years	42,980	38,582
	77,440	66,383

Rental income on investment properties recognised in the income statement during the financial year are disclosed in Notes 4 and 28.

42. OTHER COMMITMENTS AND CONTINGENCIES

Group	2020 RM'000	2019 RM'000
Approved and contracted for:		
Property, plant and equipment	1,513	3,115
Intangible assets	8,104	8,799
Information technology services	5,158	6,016
Others	13	43
	14,788	17,973
Approved but not contracted for:		
Property, plant and equipment	38,902	18,934
Intangible assets	405	119
	39,307	19,053

	Full commitment RM'000	Full commitment RM'000
Derivative financial assets:		
Foreign exchange related contracts:		
Less than a year	4,243,487	2,131,930
One year to less than five years	49,300	54,576
	4,292,787	2,186,506

43. 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 Scheme (“CRSU”) and the ESGP Committee may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

Other principal features of the ESGP are as follows:

(i) The employees eligible to participate in the ESGP must be on the payroll of the Participating Maybank Group and have not served a notice of resignation or received a notice of termination. Participating Maybank Group includes Maybank and its overseas branches and subsidiaries, but excluding dormant subsidiaries.

(ii) The entitlement under the ESGP for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of Maybank in a general meeting.

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

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

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group or the Company have 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 Group or the Company and the corresponding 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 Group and of the Company either directly or indirectly. The key management personnel includes the directors and the Chief Executive Officer of the Group and of the Company.

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

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

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

	Group		**Company**	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
<u>Income/(expenses):</u>				
Ultimate holding company:				
Gross premium/contribution income	34,970	36,321	-	-
Commission and fee expenses	(137,501)	(145,106)	-	-
Claims paid	(6,554)	(12,975)	-	-
Dividend income	1,366	1,420	-	-
ESGP expenses	(5,652)	(1,592)	(562)	(212)
Interest/profit income	2,355	12,862	317	2,331
Management fee	-	496	-	-
Rental income (net)	3,224	3,469	-	-
Other expenses (net)	(3,360)	(5,508)	(184)	(166)
Net hedging income	-	126	-	-

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

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Income/(expenses) (contd.):				
Fellow subsidiaries within the MAHB Group:				
Insurance expenses	-	-	(435)	(1,372)
Gross dividend income	-	-	439,966	875,000
Reimbursement of shared services	-	-	46,463	26,174
Rental expense	-	-	(667)	(525)
Reimbursement of expenses	-	-	3,267	3,632
Claims recovery	-	-	106	41
Other related companies within the Maybank Group:				
Gross premium/contribution income	8,205	6,793	-	-
Commission and fee expenses	(181,752)	(153,640)	-	-
Insurance premium expenses	(269)	(124)	-	-
Management fee	(4,694)	(3,583)	-	-
Information technology outsourcing	(23,937)	(24,420)	-	-
Interest/profit income	92,497	25,495	3,995	35
Rental income (net)	4,003	4,057	-	-
Other expenses	(3,936)	(5,200)	(4)	-
Claims paid	(398)	(102)	-	-
Investment advisory fee	(750)	(722)	-	-
Shareholders of MAHB:				
Dividend paid	(250,241)	(250,241)	(250,241)	(250,241)
Reimbursement of expenses	1,394	569	1,199	569
Other income	16	-	-	-

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

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

	Group		Company	
Income/(expenses) (contd.):	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Companies related to a company with significant influence over Maybank Group:				
Claims paid	(12,931)	(8,873)	-	-
Gross premium/contribution income	26,324	18,445	-	-

(ii) Included in the statements of financial position of the Group and of the Company are investments placed with and amounts due from/(to) related companies as follows:

	Group		Company	
	31.12.2020 RM'000	**31.12.2019 RM'000**	**31.12.2020 RM'000**	**31.12.2019 RM'000**
Ultimate holding company:				
Bank balances	385,196	320,124	986	881
Fixed deposits	161,980	274,271	-	-
Structured deposits	-	27,699	-	-
Derivative liabilities, net	27,908	22,542	-	-
Income and profits due and accrued	49	225	-	3
Claim liabilities	(58,926)	(58,402)	-	-
Outstanding premiums/ contributions	19,298	8,389	-	-
Other assets	403	31	-	-
Other liabilities	(44,448)	(26,757)	(2,566)	-
Fellow subsidiaries within the MAHB Group:				
Other assets	-	-	23	1,116
Other liabilities	-	-	(1,499)	-

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

(ii) Included in the statements of financial position of the Group and of the Company are investments placed with and amounts due from/(to) related companies as follows (contd.):

	Group		Company	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Other related companies within the Maybank Group:				
Bank balances	4,447	-	-	-
Fixed and call deposits	3,712,676	610,812	119,614	1,266
Income and profits due and accrued	9,922	2,195	292	9
Outstanding premiums/ contributions	3,549	99	-	-
Other assets	7,269	4,669	-	-
Other liabilities	(13,883)	(4,747)	-	-
Insurance/takaful payables	(25,086)	-	-	-
Claims liabilities	(128)	(64)	-	-
Companies related to a company with significant influence over Maybank Group:				
Outstanding premiums/ contributions	1,494	2,645	-	-
Claims liabilities	(7,862)	(1,810)	-	-
Insurance/takaful payables	-	(31)	-	-
Shareholders of MAHB:				
Other assets	1,251	1,193	-	-
Other liabilities	-	(285)	-	-

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

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Short-term employee benefits				
Fees	6,202	6,307	1,800	1,759
Salaries, allowances and bonuses	9,070	8,147	3,190	3,285
Contribution to EPF and pension scheme	1,246	1,216	586	569
Other emoluments	2,111	1,688	876	659
	18,629	17,358	6,452	6,272

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

	Group		Company	
Award date	2020 '000	2019 '000	2020 '000	2019 '000
At 1 January	1,236	604	416	208
Awarded	472	632	208	208
At 31 December	1,708	1,236	624	416

45. 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.

45. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Principles

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

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

There are Risk Frameworks, Policies, Guidelines & Procedures 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 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.

45. 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 the Board.

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 and the 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 have Adequate Capital to meet its capital requirements on an on-going basis, fulfilling the regulatory requirements on ICAAP that all Insurers/Takaful Operators must operate at capital levels above the Individual Target Capital Level ("ITCL") at all times, which means that in the event that the ITCL is breached, MAHB 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.

Governance and Risk Oversight

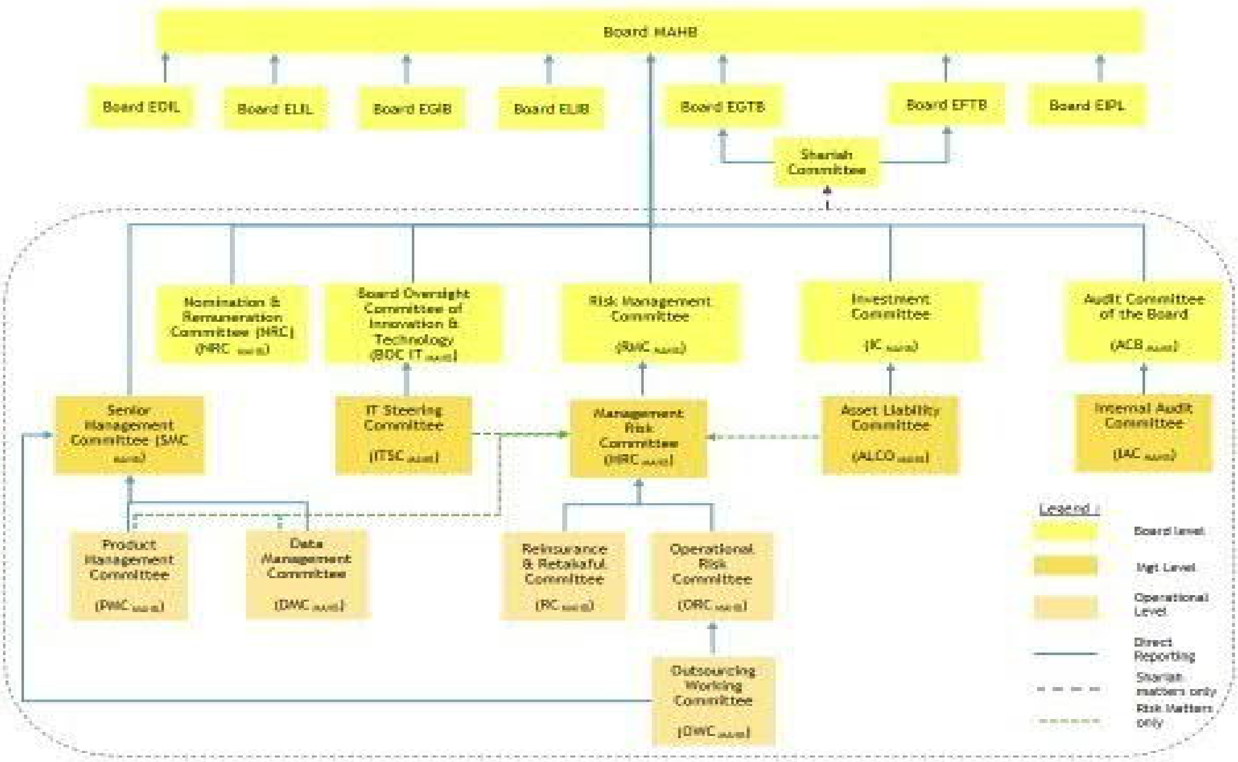
A governance structure should be clear, effective as well as robust and includes the role of the Board, the Risk Committees and the senior management with well defined, transparent and consistent lines of responsibilities.

45. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)

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



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 entities' Board 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.

45. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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 theaudit 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 adequately funded and resourced.

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

Senior Management Committee ("SMC")

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

Management Risk Committee ("MRC")

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

Asset Liability Committee ("ALCO")

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

Information Technology Steering Committee ("ITSC")

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

45. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Board (contd.)

Internal Audit Committee ("IAC")

The IAC is responsible to deliberate the audit findings highlighted in the internal and external auditors' reports as well as internal investigation reports; to deliberate and ensure adequacy and timeliness of the remedial actions; and, to support the 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 their duties:

Operational Risk Committee ("ORC")

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

Product Management Committee ("PMC")

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

Data Management Committee ("DMC")

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

Reinsurance/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/retakaful management of the Insurance/Takaful policies. The scope of the RC covers General Reinsurance/Retakaful, Inward/Outward Reinsurance/Retakaful and Life/Family Catastrophe protection areas/issues under MAHB for the Insurance & Takaful Group.

Outsourcing Working Committee ("OWC")

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

45. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Board (contd.)

Fire Committee ("FC")

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

Motor Committee ("MC")

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

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:

45. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Stress Testing

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

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

Resource and System Infrastructure

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

Resources

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

The personnel within Risk Management Department should possess the requisite skills, qualifications, experience and competencies compatible with the nature, scale and complexity of the Group's business activities.

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these in all facets of risk taking activities.The risk management function should be given full access to internal systems and information for the purpose of performing its roles.

45. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

System Infrastructure

With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated System Infrastructure to support an enterprise-wide or consolidated view of risks. The System Infrastructure should be able to provide adequate and effective data aggregation capabilities at all times, with accurate, complete, timely and adaptable data to facilitate effective risk management practices and processes.

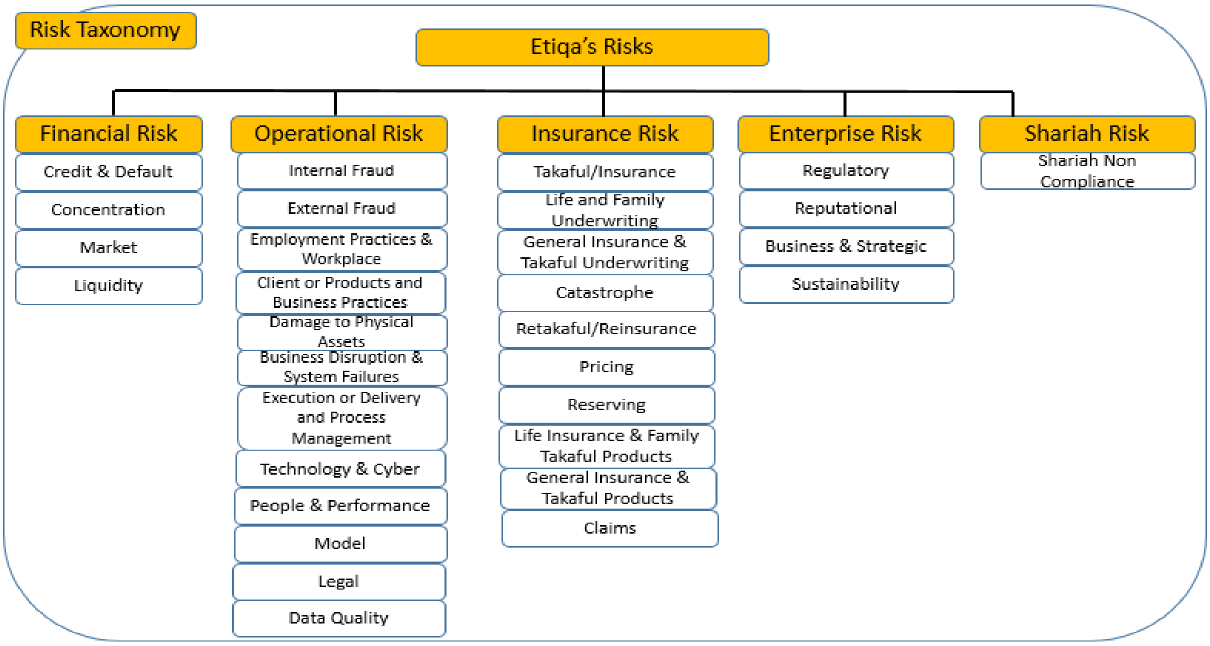
Through the established infrastructure, the roles and responsibilities required for the effective management of risk can be performed appropriately.

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

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.

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



46. INSURANCE/TAKAFUL RISK

Insurance/Takaful risk is risk of loss or of adverse change arising from the underwritten insurance/takaful businesses. This can be due to adverse deviation in portfolio experience as well as underlying assumptions/expectation on which product, pricing, underwriting, claims, reserving and reinsurance/retakaful have been made. Analyses are performed to ensure that Insurance/Takaful risks remain within the Group’s risk appetite. Recommendations are provided to relevant stakeholders after identifying and evaluating significant trends.

Reinsurance/retakaful offers financial protection to insurers/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 reinsurance/retakaful companies are the counterparty risk of reinsurers and retakaful operators failing to honor their obligations. The Group monitors the reinsurers/retakaful operators creditworthiness on a monthly basis.

The Group 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 Group's guidelines and standards.

(i) Underwriting Risk

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

(ii) Pricing Risk

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

(iii) Reinsurance/Retakaful Risk

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(iv) Products Risk

Risk of loss or adverse impact arising from the development of new products and management of product. All product-related risk including investment risk, pricing risk, business risk, reinsurance/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

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

(vi) Catastrophe Risk

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

Catastrophe Risks could arise from either Life/Family businesses as well as General Insurance/General Takaful businesses. It also includes Catastrophe Risks arising from climate change and any other ESG/VBI factors.

46. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance

Group

(i) The table below discloses the concentration of Life Insurance actuarial liabilities by geography and type of business:

	2020			2019		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Malaysia						
Whole life	1,086,343	-	1,086,343	979,773	-	979,773
Endowment	4,251,008	-	4,251,008	3,910,095	-	3,910,095
Mortgage	1,054,959	(75,918)	979,041	981,033	(60,562)	920,471
Term assurance	260,470	-	260,470	277,706	-	277,706
Annuity	937,361	-	937,361	841,962	-	841,962
Others	169,236	-	169,236	126,877	-	126,877
	7,759,377	(75,918)	7,683,459	7,117,446	(60,562)	7,056,884
Singapore						
Whole life	3,436,297	(9,433)	3,426,864	2,109,696	(103)	2,109,593
Endowment	3,250,771	(385,382)	2,865,389	800,716	(5,585)	795,131
Mortgage	112	(55)	57	3	(3)	-
Term assurance	653	(21)	632	452	(76)	376
Others	11,101	(43)	11,058	784	(52)	732
	6,698,934	(394,934)	6,304,000	2,911,651	(5,819)	2,905,832
Total	14,458,311	(470,852)	13,987,459	10,029,097	(66,381)	9,962,716

46. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance (contd.)

Group

(ii) Key Assumptions

Significant judgement is required in determining the insurance contract liabilities. Assumptions used in determining the insurance contract liabilities are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a periodic basis in order to ensure realistic and reasonable valuations.

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

(a) Discount rate

The discount rate used for non-participating policies, guaranteed benefit liabilities of participating policies and the non-unit liability of investment-linked policies is the yield observed on Malaysian Government Securities ("MGS") and Singapore Government Securities of the appropriate duration for the Group's Malaysian and Singaporean operations respectively.

In the case of the total (guaranteed and non-guaranteed) of participating policies, the discount rate is based on the expected fund yield of the participating fund, net of tax on investment income of the participating fund. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes and long term strategic assets allocation. Participating business includes participating annuity. The discount rate for participating annuity business is the gross rate as these funds are tax exempt.

46. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance (contd.)

Group

(ii) Key Assumptions (contd.)

(b) Mortality and morbidity rates

Mortality and morbidity rates represent the expected claims experience of the Group.

The Group bases mortality and morbidity on local established industry tables which reflect historical experiences and reinsurance premium rates, adjusted when appropriate to reflect the insurer's unique risk exposure, product characteristics, target markets and its own claims severity and frequency experiences.

(c) Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business i.e. the expectation that policyholders will renew their policies. These rates are based on the insurer's historical experience of lapses and surrenders.

(d) Expenses

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

(iii) Sensitivity Analysis

The analyses below are performed for reasonably possible movements in key assumptions affecting the determination of insurance contract liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

46. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance (contd.)

Group

(iii) Sensitivity Analysis (contd.)

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

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities** RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
<u>Life Insurance - Malaysia</u>		<------------------------	Increase/(Decrease)	------------------------>	
2020					
Discount rate *	-1%	575,924	568,284	(377,576)	(286,958)
Mortality and morbidity rates	+/- 10% (adverse)	157,827	132,953	(115,234)	(87,577)
Lapse and surrender rates	+/- 10% (adverse)	40,356	39,646	(15,788)	(11,999)
Expenses	+10%	39,723	38,723	(32,516)	(24,712)
2019					
Discount rate *	-1%	568,509	562,711	(322,631)	(252,800)
Mortality and morbidity rates	+/- 10% (adverse)	144,674	129,766	(103,143)	(78,389)
Lapse and surrender rates	+/- 10% (adverse)	32,644	32,145	(7,070)	(5,373)
Expenses	+10%	41,303	41,303	(33,503)	(25,462)

* excludes impact of fixed income securities
** the impact on net liabilities results in a corresponding, but opposite impact on profit before tax and equity

46. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance (contd.)

Group

(iii) Sensitivity Analysis (contd.)

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities** RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
Life Insurance - Singapore		<------------------------	Increase/(Decrease)		------------------------>
2020					
Discount rate *	-1%	133,185	126,485	(126,485)	(104,983)
Mortality and morbidity rates	+/- 10% (adverse)	1,519	8,738	(8,738)	(7,253)
Lapse and surrender rates	+/- 10% (adverse)	27,637	27,337	(27,337)	(22,690)
Expenses	+10%	14,031	14,010	(14,010)	(11,629)
2019					
Discount rate *	-1%	20,326	19,685	(19,685)	(16,338)
Mortality and morbidity rates	+/- 10% (adverse)	5,536	9,466	(9,466)	(7,856)
Lapse and surrender rates	+/- 10% (adverse)	12,396	14,993	(14,993)	(12,445)
Expenses	+10%	14,786	14,777	(14,777)	(12,266)

* excludes impact of fixed income securities
** the impact on net liabilities results in a corresponding, but opposite impact on profit before tax and equity

46. INSURANCE/TAKAFUL RISK (CONTD.)

(B) Family Takaful Fund

Group

(i) The table below shows the concentration of Family Takaful actuarial liabilities by type of business:

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

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

(ii) Key Assumptions

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(B) Family Takaful Fund (contd.)

Group

(ii) Key Assumptions (contd.)

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

(a) <u>Discount rate</u>
The discount rates used in the determination of PRF cashflows are based on the yield observed on Government Investment Issues ("GII") of the appropriate duration.

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

(c) <u>Lapse and surrender rates</u>
Lapse and surrender rates are used to determine the expected persistency of the business ie. the expectation that participants will renew their certificates etc. These rates are based on the takaful operator's historical experience of lapses and surrenders.

(d) <u>Expenses</u>
Expense assumptions represent the expected amount that will be incurred in servicing the certificates over their expected lives. Assumptions on future expenses take into consideration current expense levels and the expected expense inflation.

46. INSURANCE/TAKAFUL RISK (CONTD.)

(B) Family Takaful Fund (contd.)

Group

(iii) Sensitivity analysis

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

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

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

* excludes impact of fixed income securities
** the impact on net liabilities results in a corresponding, but opposite impact on profit before tax and zakat and equity

46. INSURANCE/TAKAFUL RISK (CONTD.)

(B) Family Takaful Fund (contd.)

Group

(iii) Sensitivity analysis (contd.)

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

* excludes impact of fixed income securities
** the impact on net liabilities results in a corresponding, but opposite impact on profit before tax and zakat and equity

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance

Group

(i) The table below discloses the General Insurance premiums written by geography and type of business:

	2020 Gross RM'000	2020 Reinsurance RM'000	2020 Net RM'000	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000
Malaysia						
Motor	265,519	(9,003)	256,516	286,423	(7,252)	279,171
Fire	230,242	(125,248)	104,994	222,112	(104,384)	117,728
Marine, Aviation, Cargo and Transit	588,648	(567,629)	21,019	570,879	(553,831)	17,048
Miscellaneous	212,395	(111,670)	100,725	200,498	(75,810)	124,688
	1,296,804	(813,550)	483,254	1,279,912	(741,277)	538,635
Singapore						
Motor	43,518	(3,960)	39,558	37,380	(1,364)	36,016
Fire	72,607	(47,143)	25,464	34,281	(7,987)	26,294
Marine, Aviation, Cargo and Transit	6,071	(2,678)	3,393	5,676	(2,530)	3,146
Miscellaneous	88,493	(15,560)	72,933	96,796	(17,866)	78,930
	210,689	(69,341)	141,348	174,133	(29,747)	144,386
Total	1,507,493	(882,891)	624,602	1,454,045	(771,024)	683,021

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (contd.)

Group

(ii) Key assumptions and methods

The estimation of claims liabilities based on BNM's RBC Framework for Insurers requires all general insurance businesses 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.

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 any one-off occurrences, changes in external or market factors such as the 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 allowed for in the reserving process explicitly 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 ULAE is the same as last year. A loading is applied directly to the best estimates for loss and allocated loss adjustment expense to provide for the ULAE.

Unallocated loss adjustment expense to paid ratio	**2020**	**2019**
Malaysian operations	4%	5%
Singaporean operations	3%	3%

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (contd.)

Group

(iii) Sensitivity analysis

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development in 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 insurance funds' claims 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. Accordingly, 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 equity.

General Insurance - Malaysia	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
		<------------------------	Increase/(Decrease)	------------------------>	
2020					
Net Incurred Claims Ratio	+ 5%	67,250	24,774	(24,774)	(18,828)
	- 5%	(67,250)	(24,774)	24,774	18,828
2019					
Net Incurred Claims Ratio	+ 5%	63,213	25,009	(25,009)	(19,007)
	- 5%	(63,213)	(25,009)	25,009	19,007

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (contd.)

Group

(iii) Sensitivity analysis (contd.)

General Insurance - Singapore	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
		<------------------------	Increase/(Decrease)	------------------------>	
2020					
Net Incurred Claims Ratio	+ 5%	11,082	7,518	(7,518)	(6,242)
	- 5%	(11,082)	(7,518)	7,518	6,242
2019					
Net Incurred Claims Ratio	+ 5%	9,809	6,678	(6,678)	(5,542)
	- 5%	(9,809)	(6,678)	6,678	5,542

The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

(iv) Claims development table

The following tables show estimated incurred claims for the insurance subsidiaries, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the insurance subsidiary believes the estimate of total claims outstanding as at the financial year end are adequate. The insurance subsidiaries give 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.

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (contd.)

Group

(iv) Claims development table (contd.)

Analysis of claims development - Gross Insurance Contract Liabilities

	Before	<------------------------------------	As at 31 December	--------------------------------------->				
	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**
Estimate of gross cumulative claims:									
At the end of accident year		3,368,421	472,373	500,223	650,926	623,423	998,184	1,145,769	
1 year later		3,324,465	644,826	427,229	653,550	628,613	1,053,315		
2 years later		3,870,607	677,394	408,481	636,539	991,592			
3 years later		3,318,450	655,504	394,858	582,219				
4 years later		3,297,763	646,590	391,376					
5 years later		3,296,421	641,943						
6 years later		3,229,245							
Estimate of gross cumulative claims (A)		3,229,245	641,943	391,376	582,219	991,592	1,053,315	1,145,769	
Estimate of gross cumulative payments to date:									
At the end of accident year		1,120,319	117,553	115,349	228,448	114,737	254,960	162,538	
1 year later		1,383,292	382,244	249,580	417,498	316,439	474,617		
2 years later		1,774,084	441,823	315,396	492,679	385,996			
3 years later		1,923,898	482,763	334,206	500,353				
4 years later		2,003,707	514,891	350,088					
5 years later		2,020,524	517,432						
6 years later		1,942,830							
Gross cumulative payments (B)		1,942,830	517,432	350,088	500,353	385,996	474,617	162,538	

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46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (contd.)

Group

(iv) Claims development table (contd.)

Analysis of claims development - Gross Insurance Contract Liabilities (contd.)

	Before 2014 RM'000	<------ As at 31 December ------ 2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000 ------>	Total RM'000
Gross outstanding claim liabilities for Malaysia (A) - (B)	118,179	1,286,415	124,511	41,288	81,866	605,596	578,698	983,231	3,819,784
Gross outstanding claim liabilities for Brunei and Treaty Inward									55,079
Gross outstanding claim liabilities for Singapore									152,383
Unallocated loss adjustment expenses									8,207
Best estimate of gross claim liabilities									4,035,453
PRAD									238,838
At 31 December 2020									4,274,291

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (contd.)

Group

(iv) Claims development table (contd.)

Analysis of claims development - Net of Reinsurance

Accident year	Before 2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
		<------ As at 31 December						------>	
Estimate of net cumulative claims:									
At the end of accident year		263,503	255,864	248,567	206,014	216,540	283,922	267,388	
1 year later		251,303	249,573	227,268	201,881	222,226	284,297		
2 years later		246,969	244,085	227,687	199,313	219,512			
3 years later		238,975	244,196	229,240	200,240				
4 years later		240,031	244,512	227,706					
5 years later		238,868	243,162						
6 years later		237,547							
Estimate of net cumulative claims (A)		237,547	243,162	227,706	200,240	219,512	284,297	267,388	
Estimate of net cumulative payments to date:									
At the end of accident year		113,052	105,240	109,745	95,787	105,268	131,115	114,009	
1 year later		195,128	197,502	183,464	161,937	171,037	208,718		
2 years later		215,245	220,400	207,112	181,876	188,484			
3 years later		225,251	229,927	216,410	187,529				
4 years later		231,551	233,849	218,264					
5 years later		231,761	235,578						
6 years later		232,279							
Net cumulative payments (B)		232,279	235,578	218,264	187,529	188,484	208,718	114,009	

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (contd.)

Group

(iv) Claims development table (contd.)

Analysis of claims development - Net of Reinsurance (contd.)

	Before 2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
		<---- As at 31 December ---->							
Net outstanding claim liabilities for Malaysia (A) - (B)	6,004	5,268	7,584	9,442	12,711	31,028	75,579	153,379	300,995
Net outstanding claim liabilities for Brunei and Treaty Inward									54,211
Net outstanding claim liabilities for Singapore									105,007
Unallocated loss adjustment expenses									8,207
Best estimate of net claim liabilities									468,420
PRAD									40,802
At 31 December 2020									509,222

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (contd.)

Group

(iv) Claims development table (contd.)

Analysis of claims development - Gross Insurance Contract Liabilities

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
		<---- As at 31 December ---->							
Estimate of gross cumulative claims:									
At the end of accident year		687,574	3,368,421	472,373	500,223	650,926	623,423	998,184	
1 year later		507,493	3,324,465	644,826	427,229	653,550	628,613		
2 years later		600,092	3,870,607	677,394	408,481	636,539			
3 years later		552,955	3,318,450	655,504	394,858				
4 years later		559,641	3,297,763	646,590					
5 years later		555,275	3,296,421						
6 years later		549,360							
Estimate of gross cumulative claims (A)		549,360	3,296,421	646,590	394,858	636,539	628,613	998,184	
Estimate of gross cumulative payments to date:									
At the end of accident year		167,692	1,120,319	117,553	115,349	228,448	114,737	254,960	
1 year later		307,101	1,383,292	382,244	249,580	417,498	316,439		
2 years later		408,804	1,774,084	441,823	315,396	492,679			
3 years later		483,555	1,923,898	482,763	334,206				
4 years later		494,548	2,003,707	514,891					
5 years later		509,307	2,020,524						
6 years later		521,846							
Gross cumulative payments (B)		521,846	2,020,524	514,891	334,206	492,679	316,439	254,960	

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (contd.)

Group

(iv) Claims development table (contd.)

Analysis of claims development - Gross Insurance Contract Liabilities (contd.)

	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
		<---- As at 31 December ---->							
Gross outstanding claim liabilities for Malaysia (A) - (B)	118,500	27,514	1,275,897	131,699	60,652	143,860	312,174	743,224	2,813,520
Gross outstanding claim liabilities for Brunei and Treaty Inward									59,224
Gross outstanding claim liabilities for Singapore									128,523
Unallocated loss adjustment expenses									7,160
Best estimate of gross claim liabilities									3,008,427
PRAD									197,298
At 31 December 2019									3,205,725

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (contd.)

Group

(iv) Claims development table (contd.)

Analysis of claims development - Net of Reinsurance

	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
		<---- As at 31 December						---->	
Estimate of net cumulative claims:									
At the end of accident year		283,985	263,503	255,864	248,567	206,014	216,540	283,922	
1 year later		265,906	251,303	249,573	227,268	201,881	222,226		
2 years later		274,429	246,969	244,085	227,687	199,313			
3 years later		273,160	238,975	244,196	229,239				
4 years later		270,774	240,031	244,512					
5 years later		269,262	238,868						
6 years later		268,763							
Estimate of net cumulative claims (A)		268,763	238,868	244,512	229,239	199,313	222,226	283,922	
Estimate of net cumulative payments to date:									
At the end of accident year		131,720	113,052	105,240	109,745	95,787	105,268	131,115	
1 year later		224,674	195,128	197,502	183,464	161,937	171,037		
2 years later		244,820	215,245	220,400	207,112	181,876			
3 years later		255,638	225,251	229,927	216,410				
4 years later		259,964	231,551	233,849					
5 years later		261,876	231,761						
6 years later		263,590							
Net cumulative payments (B)		263,590	231,761	233,849	216,410	181,876	171,037	131,115	

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46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (contd.)

Group

(iv) Claims development table (contd.)

Analysis of claims development - Net of Reinsurance (contd.)

	Before 2013 RM'000	<---- As at 31 December 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000 ---->	Total RM'000
Net outstanding claim liabilities for Malaysia (A) - (B)	3,128	5,173	7,107	10,663	12,829	17,437	51,189	152,807	260,333
Net outstanding claim liabilities for Brunei and Treaty Inward									58,738
Net outstanding claim liabilities for Singapore									99,818
Unallocated loss adjustment expenses									7,160
Best estimate of net claim liabilities									426,049
PRAD									45,922
At 31 December 2019									471,971

46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund

Group

(i) The table below discloses the General Takaful contribution written by type of business:

	2020			2019		
	Gross RM'000	**Retakaful RM'000**	**Net RM'000**	**Gross RM'000**	**Retakaful RM'000**	**Net RM'000**
Motor	1,103,527	(7,364)	1,096,163	1,173,888	(7,610)	1,166,278
Fire	193,115	(51,869)	141,246	192,876	(50,037)	142,839
Marine, Aviation, Cargo and Transit	14,621	(10,702)	3,919	14,985	(11,398)	3,587
Miscellaneous	258,283	(92,569)	165,714	222,955	(52,180)	170,775
	1,569,546	(162,504)	1,407,042	1,604,704	(121,225)	1,483,479

All of the General Takaful business is derived from Malaysia and, accordingly, a geographical analysis by country is not relevant to the Group.

(ii) Key assumptions and methods

The estimation of the claim liabilities of General Takaful Fund is based on BNM/RH/GL 004-21 *Guidelines on Valuation Basis for Liabilities of General Takaful Business* as issued by BNM. It requires all General Takaful operators to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The claim liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and, 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.

46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (contd.)

Group

(ii) 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 PRAD for the best estimate of the cost of future claim payments.

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

(iii) 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.

46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful fund (contd.)

Group

(iii) Sensitivity analysis (contd.)

Illustrative results of sensitivity analysis for the general takaful fund's claims 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 zakat and the participants' fund.

	% change in Key assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax and zakat RM'000	Impact on participants' fund RM'000
		<------------------------	Increase/(Decrease)	------------------------	------------------------>
2020					
Incurred Claims Ratio	+ 5%	80,250	71,959	71,959	71,959
	- 5%	(80,250)	(71,959)	(71,959)	(71,959)
2019					
Incurred Claims Ratio	+ 5%	75,690	69,017	69,017	69,017
	- 5%	(75,690)	(69,017)	(69,017)	(69,017)

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46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (contd.)

Group

(iv) Claims development table

The following tables show the Takaful subsidiary's estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the takaful subsidiary believes the estimate of total claims outstanding as at the financial year end are adequate. The Takaful subsidiary 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.

Analysis of claims development - Gross Takaful Certificate Liabilities

	Before	<---------- As at 31 December					---------->		
	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**
Estimate of cumulative claims:									
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	

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46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (contd.)

Group

(iv) Claims development table (contd.)

Analysis of claims development - Gross Takaful Certificate Liabilities (contd.)

Accident year	Before 2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
		<------	------	------	As at 31 December	------	------	------>	
Estimate of cumulative payments to date:									
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 of 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									72,906
Gross takaful claim liabilities as at 31 December 2020									1,215,033

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46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (contd.)

Group

(iv) Claims development table (contd.)

Analysis of claims development - Net of Retakaful

Accident year	Before 2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
		<----- As at 31 December						----->	
Estimate of cumulative claims:									
At the end of accident year		532,858	630,670	708,666	699,503	699,161	913,618	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	
Estimate of cumulative payments to date:									
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 of net claim liabilities (A) - (B)	5,343	8,477	12,307	22,249	33,001	66,580	213,723	510,291	871,971
Provision for Potential Reinsurance Uncollectibles									-
PRAD									59,253
Net takaful claim liabilities as at 31 December 2020									931,224

46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (contd.)

Group

(iv) Claims development table (contd.)

Analysis of claims development - Gross Takaful Certificate Liabilities

	Before	<----	----	----	As at 31 December	----	----	---->	
	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**
Estimate of cumulative claims:									
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	
Estimate of cumulative payments to date:									
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 of gross claim liabilities (A) - (B)	12,847	13,837	16,199	21,232	134,987	64,556	150,772	494,298	908,728
PRAD									72,652
Gross takaful claim liabilities as at 31 December 2019									981,380

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46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (contd.)

Group

(iv) Claims development table (contd.)

Analysis of claims development - Net of Retakaful

	Before	As at 31 December							
	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
Estimate of cumulative claims:									
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	
Estimate of cumulative payments to date:									
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 of net claim liabilities (A) - (B)	6,400	4,867	7,446	15,697	31,878	57,724	133,481	463,365	720,858
PRAD									52,679
Net takaful claim liabilities as at 31 December 2019									773,537

47. FINANCIAL RISKS

(i) Credit Risk

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

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

Credit Risk arises when a counterparty is no longer able to pay its contractual obligations. The Group's exposure to credit risk arises mainly from fixed income investment activities.

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

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

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

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

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

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure

The table below shows the maximum exposure to credit risk for the components of the statements of financial position which are subject to credit risk and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreement.

Group	Total Insurance Funds RM'000	Total Takaful Funds RM'000	Total Shareholders' Funds RM'000	Total RM'000
31.12.2020				
Financial assets at				
FVTPL	9,539,867	5,948,072	1,131,453	16,619,392
FVOCI	4,721,507	4,238,312	3,074,381	12,034,200
AC	2,216,244	3,587,924	1,370,906	7,175,074
Financing receivables	242,700	-	64,842	307,542
Insurance/takaful receivables	313,132	228,253	-	541,385
Other assets*	191,258	135,953	104,802	432,013
Derivative assets	149,864	-	2,675	152,539
Cash and bank balances**	789,271	231,043	50,708	1,071,022
	18,163,843	14,369,557	5,799,767	38,333,167

* Excluding non-financial assets such as prepayments, deposits, net share of MMIP assets and service tax recoverable.
** Excluding petty cash.

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure (contd.)

Group	**Total Insurance Funds RM'000**	**Total Takaful Funds RM'000**	**Total Shareholders' Funds RM'000**	**Total RM'000**
31.12.2019				
Financial assets at				
FVTPL	8,237,407	6,431,114	1,292,527	15,961,048
FVOCI	2,543,824	5,454,446	3,288,222	11,286,492
AC	1,640,095	1,154,385	499,967	3,294,447
Financing receivables	218,860	-	59,472	278,332
Insurance/takaful receivables	389,718	203,462	-	593,180
Other assets*	240,475	154,442	63,312	458,229
Derivative assets	35,151	-	-	35,151
Cash and bank balances**	212,737	153,449	37,967	404,153
	13,518,267	13,551,298	5,241,467	32,311,032

* Excluding non-financial assets such as prepayments, deposits, net share of MMIP assets and service tax recoverable.
** Excluding petty cash.

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure (contd.)

Company

	31.12.2020 RM'000	31.12.2019 RM'000
Financial assets at		
FVOCI	411,630	529,994
AC	185,864	27,425
Financing receivables	4,604	3,231
Other assets	6,670	13,082
Cash and bank balances	986	881
	609,754	574,613

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit quality of financial assets

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

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

Risk category is as described below:

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

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

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

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

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

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

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating

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

Group	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							
Malaysian government papers	1,302,319	-	-	-	-	-	1,302,319
Singapore government securities	399,847	-	-	-	-	-	399,847
Debt securities, structured products, NCDs & NICDs	4,602,640	3,318,081	6,007,033	365,881	-	-	14,293,635

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure by rating (contd.)

Group	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 (contd.)							
(ii) HFT							
Malaysian government papers	166,492	-	-	-	-	-	166,492
Debt securities, structured products, NCDs & NICDs	75,005	105,926	252,443	23,725	-	-	457,099
Financial assets at FVOCI							
Malaysian government papers	1,353,242	-	-	-	-	-	1,353,242
Singapore government securities	726,255	-	-	-	-	-	726,255
Debt securities, structured products, NCDs & NICDs	2,127,604	2,954,779	4,686,522	185,798	-	-	9,954,703

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure by rating (contd.)

Group	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 AC							
Fixed and call deposits							
Licensed financial institutions	-	6,556,550	73,348	-	-	-	6,629,898
Others	-	194,462	350,714	-	-	-	545,176
Financing receivables	-	-	-	-	-	307,542	307,542
Insurance/takaful receivables	-	2,446	463	1,242	5	537,229	541,385
Other assets *	90,356	82,575	107,665	5,052	-	146,365	432,013
Derivative assets	-	152,539	-	-	-	-	152,539
Cash and bank balances	-	1,063,671	5,006	616	-	1,729	1,071,022
	10,843,760	14,431,029	11,483,194	582,314	5	992,865	38,333,167

* Excluding non-financial assets such as prepayments, deposits, net share of MMIP assets and service tax recoverable.
** Excluding petty cash.

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure by rating (contd.)

Group	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							
Malaysian government papers	468,444	-	-	-	-	-	468,444
Singapore government securities	87,384	-	-	-	-	-	87,384
Debt securities, structured products, NCDs & NICDs	4,812,676	3,350,247	6,163,097	470,610	-	-	14,796,630
(ii) HFT							
Malaysian government papers	36,119	-	-	-	-	-	36,119
Debt securities, structured products, NCDs & NICDs	91,380	74,476	231,070	69,685	-	-	466,611
Fixed and call deposits							
- Licensed financial institutions	-	105,860	-	-	-	-	105,860

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit Exposure by rating (contd.)

Group	**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 FVOCI							
Malaysian government papers	1,015,000	-	-	-	-	-	1,015,000
Singapore government securities	602,766	-	-	-	-	-	602,766
Debt securities, structured products, NCDs & NICDs	2,862,505	2,722,417	3,848,093	235,711	-	-	9,668,726
Financial assets at AC							
Fixed and call deposits							
Licensed financial institutions	-	2,426,879	588,178	-	-	-	3,015,057
Others	-	279,390	-	-	-	-	279,390
Financing receivables	-	-	-	-	-	278,332	278,332
Insurance/takaful receivables	-	372	8,241	13,558	-	571,009	593,180
Other assets *	107,963	103,124	117,987	7,392	-	121,763	458,229
Derivative assets	-	34,275	-	-	-	876	35,151
Cash and bank balances **	-	398,746	2,687	338	-	2,382	404,153
	10,084,237	9,495,786	10,959,353	797,294	-	974,362	32,311,032

* Excluding non-financial assets such as prepayments, deposits, net share of MMIP assets and service tax recoverable.
** Excluding petty cash.

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating

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 FVOCI							
Malaysian government papers	26,559	-	-	-	-	-	26,559
Debt securities, structured products, NCDs & NICDs	45,612	125,026	198,675	15,758	-	-	385,071
Financial assets at AC							
Fixed and call deposits	-	132,516	53,348	-	-	-	185,864
Financing receivables	-	-	-	-	-	4,604	4,604
Other assets (net of prepayment)	679	1,588	2,606	155	-	1,642	6,670
Cash and bank balances	-	986	-	-	-	-	986
	72,850	260,116	254,629	15,913	-	6,246	609,754
31.12.2019							
Financial assets at FVOCI							
Malaysian government papers	135,140	-	-	-	-	-	135,140
Debt securities, structured products, NCDs & NICDs	51,719	96,645	205,588	40,902	-	-	394,854
Financial assets at AC							-
Fixed and call deposits	-	27,425	-	-	-	-	27,425
Financing receivables	-	-	-	-	-	3,231	3,231
Other assets (net of prepayment)	2,530	7,392	2,732	428	-	-	13,082
Cash and bank balances	-	881	-	-	-	-	881
	189,389	132,343	208,320	41,330	-	3,231	574,613

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - reconciliation of allowance account

Significant increase in credit risk

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

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

Expected credit loss

The Group and the Company assess the possible default events within 12 months for the calculation of the 12-month ECL in Stage 1. Given the impairment policy, the probability of default for new instruments acquired is generally determined to be minimal, in addition to the exception rule to apply zero loss given default ratio to specified financial assets which is applicable to the Group and 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 Group and the Company are required to estimate the probability of default occurring in the 12 month after the reporting date and in each subsequent year throughout the expected life of the financial instruments. The lifetime ECL allowance measured for the Group and the Company during the year are mostly due to the debt security is 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.

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

Group **31.12.2020**	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL not credit impaired**	**Stage 3** **Lifetime ECL credit impaired**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at FVOCI				
Sovereign	4,044,030	163,071	-	4,207,101
Very low	2,954,779	-	-	2,954,779
Low	4,371,554	314,968	-	4,686,522
Medium	185,798	-	-	185,798
Total carrying amount	11,556,161	478,039	-	12,034,200
Total ECL	(3,925)	(1,361)	(154)	(5,440)

Movements in allowances for impairment losses for financial assets are as follows:

Group **31.12.2020**	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL not credit impaired**	**Stage 3** **Lifetime ECL credit impaired**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at FVOCI				
At 1 January 2020	4,296	167	165	4,628
Net adjustment of loss allowance	1,079	805	-	1,884
New financial assets originated or purchased	1,670	373	-	2,043
Financial assets that have been derecognised	(2,998)	(66)	(11)	(3,075)
Write-offs	(40)	-	-	(40)
Changes in models/ risk parameters	(82)	82	-	-
At 31 December 2020	3,925	1,361	154	5,440

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

Group 31.12.2019	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
Financial assets at FVOCI				
Sovereign	4,322,047	158,224	-	4,480,271
Very low	2,617,070	105,347	-	2,722,417
Low	3,817,851	30,242	-	3,848,093
Medium	235,711	-	-	235,711
Total carrying amount	10,992,679	293,813	-	11,286,492
Total ECL	(4,296)	(167)	(165)	(4,628)

Movements in allowances for impairment losses for financial assets at FVOCI are as follows:

Group Group	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
Financial assets at FVOCI				
At 1 January 2019	3,892	277	200	4,369
Net adjustment of loss allowance	(984)	(60)	-	(1,044)
New financial assets originated or purchased	2,034	78	-	2,112
Financial assets that have been derecognised	(513)	(110)	(35)	(658)
Write-offs	(133)	(18)	-	(151)
At 31 December 2019	4,296	167	165	4,628

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

Group

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

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

Overall, the total allowance for impairment on financial assets at FVOCI increased by RM812,000 for the financial year ended 31 December 2020 due to the following:

(a) 12-month ECL (Stage 1)
The decrease of RM371,000 is mainly due to financial assets at FVOCI that were derecognised.

(b) Lifetime ECL Not Credit-Impaired (Stage 2)
The increase of RM1,194,000 is mainly due to increase in ECL on financial assets at FVOCI due to deterioration in credit quality.

(c) Lifetime ECL Credit-Impaired (Stage 3)
The decrease of RM11,000 is mainly due to financial assets at FVOCI that were derecognised.

Overall, the total allowance for impairment on financial assets at FVOCI increased by RM259,000 for the financial year ended 31 December 2019 due to the following:

(a) 12-month ECL (Stage 1)
The increase of RM404,000 was mainly due to financial assets at FVOCI that were newly originated and partially offset by financial assets at FVOCI that were derecognised.

(b) Lifetime ECL Not Credit-Impaired (Stage 2)
The decrease of RM110,000 was mainly due to financial assets at FVOCI that were derecognised.

(c) Lifetime ECL Credit-Impaired (Stage 3)
The decrease of RM35,000 was mainly due to financial assets at FVOCI that were derecognised.

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

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

Company	**Stage 1**	**Stage 2**	**Stage 3**	
31.12.2020	**12-month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at FVOCI				
Sovereign	72,171	-	-	72,171
Very low	125,026	-	-	125,026
Low	193,402	5,273	-	198,675
Medium	15,758	-	-	15,758
Total carrying amount	406,357	5,273	-	411,630
Total ECL	(273)	(20)	-	(293)

Movements in allowances for impairment losses for financial assets are as follows:

	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at FVOCI				
At 1 January 2020	363	-	-	363
Net adjustment of loss allowance	13	16	-	29
New financial assets originated or purchased	14	-	-	14
Financial assets that have been derecognised	(113)	-	-	(113)
Change in credit risk	(4)	4	-	-
At 31 December 2020	273	20	-	293

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

Company	**Stage 1**	**Stage 2**	**Stage 3**	
31.12.2019	**12-month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at FVOCI				
Sovereign	186,859	-	-	186,859
Very low	96,645	-	-	96,645
Low	205,588	-	-	205,588
Medium	40,902	-	-	40,902
Total carrying amount	529,994	-	-	529,994
Total ECL	(363)	-	-	(363)

Movements in allowances for impairment losses for financial assets are as follows:

	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at FVOCI				
At 1 January 2019	-	-	-	-
New financial assets originated or purchased	363	-	-	363
At 31 December 2019	363	-	-	363

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

Company

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

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

Overall, the total allowance for impairment on financial assets at FVOCI decreased by RM70,000 for the financial year ended 31 December 2020 due to the following:

(a) 12-month ECL (Stage 1)
The decrease of RM90,000 is 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)
The increase of RM20,000 is mainly due to increase in ECL on financial assets at FVOCI due to deterioration in credit quality.

The total allowance for impairment on financial assets at FVOCI increased by RM363,000 for the financial year ended 31 December 2019 due to the newly originated financial assets at FVOCI during the year.

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - Reconciliation of allowance account

Upon implementation of MFRS 9, the Group and the Company applied the Simplified Approach where the ECL is measured at initial recognition 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 insurance/takaful and reinsurance/retakaful receivables are grouped based on different sales channels and different reinsurance premium/retakaful contribution arrangements respectively with forward-looking elements being applied to it.

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

Group

	<-------- Not-credit impaired-------->			<-------- Credit-impaired-------->			<------------------Total----------------->		
	Financing receivables RM'000	Insurance/ takaful receivables RM'000	Other assets RM'000	Financing receivables RM'000	Insurance/ takaful receivables RM'000	Other assets RM'000	Financing receivables RM'000	Insurance/ takaful receivables RM'000	Other assets* RM'000
Gross carrying amount									
At 1 January 2019	261,526	534,500	374,526	15,375	60,850	31,988	276,901	595,350	406,514
Increase/(decrease)	12,947	32,733	(73,040)	(756)	(3,559)	145,085	12,191	29,174	72,045
At 31 December 2019	274,473	567,233	301,486	14,619	57,291	177,073	289,092	624,524	478,559
Increase/(decrease)	28,186	(40,011)	(6,427)	(1,724)	4,567	21,828	26,462	(35,444)	15,401
At 31 December 2020	302,659	527,222	295,059	12,895	61,858	198,901	315,554	589,080	493,960
Lifetime ECL									
At 1 January 2019	14	160	229	3,296	(2,190)	5,543	3,310	(2,030)	5,772
Increase/(decrease)	(6)	(45)	198	7,456	33,419	(394)	7,450	33,374	(196)
At 31 December 2019	8	115	427	10,752	31,229	5,149	10,760	31,344	5,576
Increase/(decrease)	4	1,393	27	(2,752)	14,958	(807)	(2,748)	16,351	(780)
At 31 December 2020	12	1,508	454	8,000	46,187	4,342	8,012	47,695	4,796

* Excluding MMIP, GST recoverable and prepayments

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

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

Company

	Not-credit impaired	
	Financing receivables RM'000	**Other assets RM'000**
Gross carrying amount		
At 1 January 2019	2,087	11,935
Increase	1,148	8,308
At 31 December 2019	3,235	20,243
Increase/(decrease)	1,373	(13,573)
At 31 December 2020	4,608	6,670
Lifetime ECL		
At 1 January/31 December 2019	4	7,161
Decrease	-	(7,161)
At 31 December 2020	4	-

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial Effects of Collateral Held

The main types of collateral held as security by the Group to mitigate credit risk are as follows:

Type of financing receivables	Type of collaterals
Policy/automatic premium loans	Cash value of policies
Corporate loans	Charges over properties, lands being financed and bank guarantees
Secured staff/non-staff loans	Charges over residential properties and vehicles

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables is 98% as at 31 December 2020 (2019: 96%). The financing receivables amounted to RM301.2 million as at 31 December 2020 (2019: RM253.2 million) are collateralised.

The remaining balance of financing receivables are not collateralised.

Company

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables of the Company is 100% as at 31 December 2020 (2019: 100%). The financing receivables amounted to RM4.6 million as at 31 December 2020 (2019: RM2.1 million) are collateralised.

47. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk

Liquidity Risk is the risk of an adverse impact to the Group'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 Group measures and manages Liquidity Risk following the philosophy and principles below:

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

(b) The Investment Management Department ensures that reasonable liquidity is maintained in the assets at all times.

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

Maturity Profiles

The following table summarises the Maturity Profile of the financial assets and financial liabilities of the Group and the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For Insurance contracts/Takaful certificates liabilities and reinsurance/retakaful assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised insurance liabilities.

Premium/contribution liabilities, the reinsurers' share of premium/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.

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47. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Group	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
31.12.2020						
Financial investments:						
FVTPL	19,386,339	2,216,280	5,666,253	16,604,318	2,794,560	27,281,411
FVOCI	12,034,200	1,733,846	4,311,059	10,413,028	-	16,457,933
AC	7,175,074	7,188,383	-	-	-	7,188,383
Financing receivables	307,542	251,008	28,365	42,215	-	321,588
Reinsurance/retakaful assets*	4,677,396	3,420,861	1,136,320	416,797	-	4,973,978
Insurance/takaful receivables	541,385	200,713	-	-	-	200,713
Other assets	489,164	488,879	-	-	285	489,164
Derivative assets	152,539	152,539	-	-	-	152,539
Cash and bank balances	1,071,056	5,521	-	-	1,065,535	1,071,056
Total assets	45,834,695	15,658,030	11,141,997	27,476,358	3,860,380	58,136,765
Insurance contract/Takaful certificate liabilities**	34,950,564	6,228,669	4,055,813	23,564,630	184,149	34,033,261
	-	-	-	-	-	-
Expense liabilities***	572,186	48,180	119,039	609,807	-	777,026
Derivative liabilities	3,473	-	3,473	-	-	3,473
Insurance/takaful payables	732,114	1,247,000	-	-	10,885	1,257,885
Other liabilities	1,991,301	1,663,209	1,661	-	-	1,664,870
Interest/profit payable on subordinated obligation	-	-	-	-	-	-
Total liabilities	38,249,638	9,187,058	4,179,986	24,174,437	195,034	37,736,515

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47. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Group **31.12.2019**	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
Financial investments:						
FVTPL	18,572,766	1,280,735	5,172,833	18,973,213	2,615,936	28,042,717
FVOCI	11,286,492	1,122,110	4,473,863	10,921,069	-	16,517,042
AC	3,294,447	3,392,732	-	-	-	3,392,732
Financing receivables	278,332	225,460	24,442	32,619	-	282,521
Reinsurance/retakaful assets*	3,114,779	2,338,768	674,160	137,756	-	3,150,684
Insurance/takaful receivables	593,180	549,779	-	-	-	549,779
Other assets	472,983	707,357	-	-	49,185	756,542
Derivative assets	35,151	35,151	-	-	-	35,151
Cash and bank balances	404,153	8,652	-	-	395,501	404,153
Total assets	38,052,283	9,660,744	10,345,298	30,064,657	3,060,622	53,131,321

47. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Group **31.12.2019 (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**
Insurance contract/Takaful certificate liabilities**	28,444,539	10,464,273	3,462,165	22,210,663	445,612	36,582,713
Expense liabilities***	535,282	36,108	107,212	598,158	-	741,478
Insurance/takaful payables	642,361	666,286	-	-	-	666,286
Other liabilities	1,329,933	1,786,193	14,262	403	-	1,800,858
Total liabilities	30,952,115	12,952,860	3,583,639	22,809,224	445,612	39,791,335

* Excluding premium/contribution liabilities.
** Excluding premium/contribution liabilities and FVOCI reserves for General Takaful fund.
*** Excluding expense liabilities relating to General Takaful fund.

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

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47. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Company	**Carrying value RM'000**	**Up to a year RM'000**	**1 - 5 years RM'000**	**> 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
31.12.2020						
Financial investments:						
FVOCI	411,630	42,444	283,868	151,363	-	477,675
AC	185,864	185,865	-	-	-	185,865
Financing receivables	4,604	1,184	2,756	1,438	-	5,378
Other assets	6,670	6,670	-	-	-	6,670
Cash and bank balances	986	987	-	-	-	987
Total assets	609,754	237,150	286,624	152,801	-	676,575
Other liabilities	14,676	14,676	-	-	-	14,676
Total liabilities	14,676	14,676	-	-	-	14,676

47. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

Company

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2019						
Financial investments:						
FVTPL	-	-	-	-	-	-
FVOCI	529,994	63,846	320,448	262,839	-	647,133
AC	27,425	27,425	-	-	-	27,425
Financing receivables	3,231	732	1,936	564	-	3,232
Other assets	13,082	-	-	-	-	-
Derivative assets	-	-	-	-	-	-
Cash and bank balances	881	881	-	-	-	881
Total assets	574,613	92,884	322,384	263,403	-	678,671
Other liabilities	19,606	19,609	-	-	-	19,609
Total liabilities	19,606	19,609	-	-	-	19,609

47. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market Risk is the risk of loss or of adverse change in the Group'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) Interest/Profit Rates Risk; and
(c) Equity Price Risk.

The Group has three main key features in respect of its Market Risk management practices and policies:

(a) The Group's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Group's risk management policies and risk appetite after taking cognisance of regulatory requirements in respect of the maintenance of assets and solvency.

(b) Compliance with the policies is monitored and exposures and breaches are reported as soon as practical.

(c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Group also issues investment-linked investment policies with a number of products. In the investment-linked business, the policyholders/participants bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Group's exposure to Market Risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analyses disclosed for each component of Market Risk in the following pages do not include analyses on the impact of such risks on the investment-linked funds.

47. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(a) Currency Risk

Currency Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group'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.

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

The Group’s main foreign exchange risk from recognised assets and liabilities arises from reinsurance 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 Group has no significant concentration of foreign currency risk.

(b) Interest/Profit Rate Risk

Interest/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 interest/profit rates.

Interest/Profit Rate Risk arise from exposures to interest/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 Group.

The Group measures and manages Interest/Profit Rate Risk mainly based on the following three philosophies and principles.

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

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

47. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Interest/Profit Rate Risk (contd.)

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

Changes in variables	2020 Impact on profit before tax RM'000	2020 Impact on equity* RM'000	2019 Impact on profit before tax RM'000	2019 Impact on equity* RM'000
	<----------------	(Decrease)/Increase		--------------->
+100 basis points	(374,625)	(543,669)	(388,204)	(556,872)
-100 basis points	374,625	543,669	388,204	556,872

* Impact on equity is after tax of 24% for Malaysian operations and 17% for Singaporean operation.

(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 Group'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 Group'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 also to such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may occur over time.

47. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk (contd.)

Group

		2020		2019	
	Changes in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		<-------------------	Increase/(Decrease)		----------------->
Market	+10%	39,162	30,634	33,698	26,164
Index	-10%	(39,162)	(30,634)	(33,698)	(26,164)

* Impact on equity is after tax of 24% for Malaysian operations and 17% for Singaporen operation.

(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 Group 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 companies or an aggregate of exposures to a number of positively correlated companies for example within one sector or region.

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

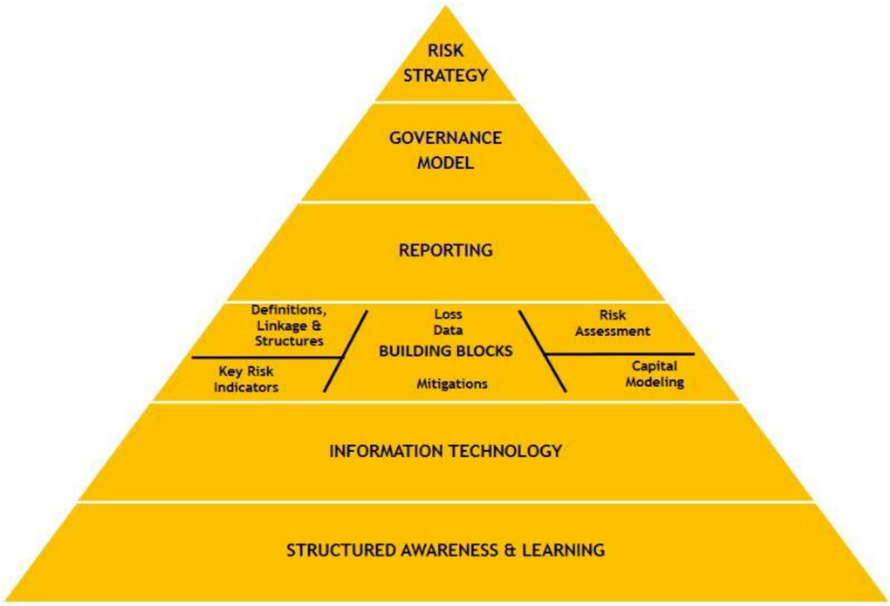
48. OPERATIONAL RISKS

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

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

48. OPERATIONAL RISKS (CONTD.)

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



The continuous review and monitoring of the risks and the control effectiveness are vital for an effective Operational Risk management. Hence, specific tools and methodologies to identify, assess, measure, control, monitor and report the Operational Risks that affect the Company are established. Those include among other things: Risk and Control Self-assessment, Key Risk Indicators, Incident Management & Data Collection, Information Technology and Cyber Risk related assessment through awareness and learning programme.

Operational Risk Taxonomy

(i) Internal Fraud

Losses due to illegal acts (explicitly prohibited by the internal policies/guidelines or external regulations/law provisions) committed by employees. It also includes fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation.

(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.

48. OPERATIONAL RISKS (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.

48. OPERATIONAL RISKS (CONTD.)

(ix) People & Performance Risk

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

(x) Model Risk

Risk of a model not performing the tasks or 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.

49. ENTERPRISE RISK

Risk of loss or adverse impact arising from business/strategic, industry, corporate governance and systematic risk. Enterprise risk covers the external and internal factors that can impact the Group's ability to meet its current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave and can also be due to poor internal decision making and management or due to loss of reputation. 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.

49. ENTERPRISE RISK (CONTD.)

(ii) Corporate Governance Risk

Risk of failure in the process and structure used to direct and manage the business and affairs of MAHB Group towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

(iii) Industry Risk

Risk arising from changes in opportunities, threats, competitors and other conditions affecting the attractiveness of an industry.

(iv) Distribution Risk

This is the risk of a loss due to distribution plans deviating adversely from expectations, especially in reliance on external parties and partners for the distribution and may include causes such as lack of alignment of incentives, poor relationship management and lack of sufficient bargaining power in the relationship.

(v) Reputational Risk

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

(vi) Business & Strategic Risk

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

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

(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.

50. FAIR VALUE MEASUREMENTS

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

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy;
(d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
(e) Movements of Level 3 instruments; and
(f) Sensitivity of fair value measurements to changes in unobservable input assumptions.

(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 Group 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 Group 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 generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Group follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Group 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.

50. FAIR VALUE 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 into 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 listed derivatives, quoted equities and unit and property trust funds traded on an exchange.

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

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

  Examples of level 2 financial instruments include corporate and government bonds, structured products, NCDs/NICDs,and over- the- counter ("OTC") derivatives.

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

  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 financial instruments include corporate bonds in illiquid markets, private equity investments and investment properties.

50. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Valuation techniques

(i) Cash and cash equivalents and other receivables/payables

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Financing receivables

Financing receivables are granted at interest/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) Insurance/takaful receivables and payables

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

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(ix) and 2.2(x). The carrying amounts and fair values of investments are disclosed in Note 10 to the financial statements.

(v) Investment properties

The fair values of investment properties are determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. Income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process may consider the relationships including yield and discount rates.

50. FAIR VALUE MEASUREMENTS (CONTD.)

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

Group	**Valuation technique using :**			
	Level 1	**Level 2**	**Level 3**	
31.12.2020	**Quoted market prices RM'000**	**Using observable inputs RM'000**	**Using significant unobservable inputs RM'000**	**Total RM'000**
Assets				
Investment properties	-	-	934,590	934,590
Financial investments at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	1,302,319	-	1,302,319
Singapore government securities	399,847	-	-	399,847
Equity securities	306,749	-	-	306,749
Unit and property trust funds	39,828	-	-	39,828
Other debt securities, structured products NCDs and NICDs	1,138,060	13,155,575	-	14,293,635
(ii) Held-for-trading (HFT)				
Malaysian government papers	-	166,492	-	166,492
Equity securities	2,056,341	-	149,114	2,205,455
Unit and property trust funds	213,388	1,527	-	214,915
Other debt securities, structured products NCDs and NICDs	-	457,099	-	457,099

50. FAIR VALUE MEASUREMENTS (CONTD.)

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

Group	Valuation technique using :			
	Level 1	Level 2	Level 3	
31.12.2020	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	Total RM'000
Assets (contd.)				
Financial investments at FVOCI				
Malaysian government papers	-	1,353,242	-	1,353,242
Singapore government papers	726,255	-	-	726,255
Debt securities, structured products, NCDs and NICDs	2,681,600	7,273,103		9,954,703
Derivative assets	-	152,539	-	152,539
Total assets	7,562,068	23,861,896	1,083,704	32,507,668
Liabilities				
Derivative liabilities	-	3,473	-	3,473
Total liabilities	-	3,473	-	3,473
31.12.2019				
Assets				
Investment properties	-	-	914,550	914,550
Financial investments at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	468,444	-	468,444
Singapore government securities	87,384	-	-	87,384
Equity securities	400,808	-	-	400,808
Unit and property trust funds	39,701	-	-	39,701
Other debt securities, structured products NCDs and NICDs	1,104,380	13,692,250	-	14,796,630

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50. FAIR VALUE MEASUREMENTS (CONTD.)

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

Group	Valuation technique using :			
	Level 1	Level 2	Level 3	
31.12.2019	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	Total RM'000
Assets (contd.)				
Financial investments at FVTPL (contd.)				
(ii) Held-for-trading (HFT)				
Equity securities	1,889,603	-	145,356	2,034,959
Malaysian government papers	-	36,119	-	36,119
Unit and property trust funds	135,950	-	-	135,950
Other debt securities, structured products and NCDs	-	466,911	-	466,911
Fixed and call deposits				
Licensed financial instituti	-	105,860	-	105,860
Financial investments at FVOCI				
Malaysian government papers	-	1,015,000	-	1,015,000
Singapore government papers	602,766	-	-	602,766
Debt securities, structured products, NCDs and NICDs	1,238,396	8,430,330	-	9,668,726
Derivative assets	-	35,151	-	35,151
Total assets	5,498,988	24,250,065	1,059,906	30,808,959

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50. FAIR VALUE MEASUREMENTS (CONTD.)

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

Company	Valuation technique using :			
	Level 1	Level 2	Level 3	
31.12.2020	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	Total RM'000
Assets				
Financial investments at FVOCI				
Malaysian government papers	-	26,559	-	26,559
Debt securities, structured products, NCDs and NICDs	-	385,071	-	385,071
	-	411,630	-	411,630
31.12.2019				
Assets				
Financial investments at FVOCI				
Malaysian government papers	-	135,140	-	135,140
Debt securities, structured products, NCDs and NICDs	-	394,854	-	394,854
	-	529,994	-	529,994

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

Assets and liabilities of the Group and the Company are recognised in the financial statements on a recurring basis. The Group and the Company determine whether transfers have occurred between fair value hiarerchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the Group and the Company during the financial years ended 31 December 2020 and 31 December 2019.

50. FAIR VALUE MEASUREMENTS (CONTD.)

(e) Movements of Level 3 assets and financial investments

Group

31.12.2020

	Assets and financial investments measured at fair value		
	Investment properties RM'000	Designated at FVTPL RM'000	Total RM'000
At 1 January	914,550	145,356	1,059,906
Recognised in income statement:			
Realised gains	-	3,900	3,900
Fair value gains	18,670	4,538	23,208
Purchases	1,370	-	1,370
Settlements	-	(4,680)	(4,680)
Translation differences	-	-	-
At 31 December	934,590	149,114	1,083,704
Total gains recognised in income statement for assets and financial instruments measured at fair value at the end of the reporting period	18,670	8,438	27,108

31.12.2019

	Investment properties RM'000	Designated at FVTPL RM'000	Total RM'000
As at 1 January	890,672	140,157	1,030,829
Recognised in income statement:			
Fair value gains	21,082	5,199	26,281
Purchases	2,796	-	2,796
As at 31 December	914,550	145,356	1,059,906
Total gains recognised in income statement for assets and financial instruments measured at fair value at the end of the reporting period	21,082	5,199	26,281

50. FAIR VALUE MEASUREMENTS (CONTD.)

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

The Group's exposure to financial investments measured with valuation techniques using significant unobservable inputs comprised a small number of financial investments which constitute an insignificant component of the Group's portfolio of financial investments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

(i) Investment properties

Recent sale transactions transacted in the real estate market would result in a significant change of estimated fair value for investment properties.

All investment properties of the Group carried at fair values were classified under Level 3. The valuation of investment properties were performed by an accredited independent valuer using a variety of approaches such as the comparison method and the income capitalisation approach.

	Valuation Method	Significant unobservable inputs	Range
2020			
Building	Income capitalisation	Rental per square foot	RM1.98 to RM10.25
Land	Comparison	Sales price per square foot for similar properties	RM3,292.49
Shop lots	Comparison	Sales price per square foot for similar properties	RM50.00 to RM1,128.30
2019			
Building	Income capitalisation	Rental per square foot	RM1.68 to RM10.00
Land	Comparison	Sales price per square foot for similar properties	RM3,226.98
Shop lots	Comparison	Sales price per square foot for similar properties	RM50.00 to RM1,091.90

50. FAIR VALUE MEASUREMENTS (CONTD.)

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions (contd.)

(i) Investment properties (contd.)

Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold, adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. The income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process also considers the relationships including yield and discount rates. Recent transactions transacted in the market resulting in an increase in these inputs, would result in a significant increase in the estimated fair values of the investment properties.

A significant increase or decrease in the unobservable input used in the valuation would result in a correspondingly higher or lower fair value of the investment properties.

(ii) Unquoted equity instruments

All unquoted equity instruments of the Group at fair values were classified under Level 3. The fair value of investments in unquoted equity instruments that do not have quoted market prices in an active market, are measured based on the net asset method by referencing to the annual financial statements of the entity that the Group invested in.

Net asset value	Changes in variables	Impact on profit before tax RM'000	Impact on equity* RM'000
		<------ Increase/(Decrease)	------->
2020	+10%	8,217	6,245
	-10%	(8,217)	(6,245)
2019	+10%	8,367	6,359
	-10%	(8,367)	(6,359)

* Impact on equity is computed after tax at the statutory tax rate.

51. SIGNIFICANT EVENTS

(a) Disposal of Overseas Investment Private Limited ("OIPL"), a holding company of Pak-Kuwait Takaful Company Limited ("PKTCL") in Pakistan

As part of Group's activities to rationalise its regional operations, MAHB had signed a Sale and Purchase Agreement with HM Holding (a third party company based in Labuan) on 15 June 2020, to sell its entire stake in OIPL (previously known as Etiqa Overseas Investment Private Limited). The sale was completed on 23 June 2020.

The Group's Board representatives in OIPL and its subsidiary (i.e. Pak-Kuwait Takaful Company Limited of Pakistan) had resigned from their positions effective 15 June 2020.

(b) Capital injection into Etiqa Insurance Pte. Ltd. ("EIPL")

On 14 September 2020, MAHB Board had approved the proposed capital injection of SGD 50 million by MAHB into EIPL. The capital injection is required to meet the local regulatory capital requirement given the rapid business expansion of EIPL.

The capital injection was made in two tranches. The first tranche of SGD15 million was transferred by the Company to EIPL on 30 September 2020. The remaining SGD35 million was transferred on 1 December 2020, upon obtaining BNM Foreign Exchange Administration's approval (as the amount has exceeded the annual limit of RM50 million for the Group's overseas transaction).

(c) Update on the Malaysia Competition Commission ("MyCC") against the General Insurance Association of Malaysia ("PIAM") and its 22 general insurers

On 22 February 2017, the Malaysia Competition Commission ("MyCC") has issued a Proposed Decision against the General Insurance Association of Malaysia ("PIAM") and its 22 general insurers, including the subsidiary, Etiqa General Insurance Berhad ("EGIB") for an alleged infringement of the Competition Act 2010 ("CA 2010"). The MyCC alleged that PIAM and all 22 general insurers were parties to an anti-competitive agreement to fix the parts trade discount for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops.

PIAM and all the 22 general insurers have filed their respective written representations with the MyCC. EGIB represented by its legal counsel, Messrs Raja Darryl & Loh ("RDL") has filed its written representations with the MyCC on 25 April 2017 and has further made oral representations on 14 December 2017 and 17 June 2019 to defend its position, in line with PIAM and other general insurers.

The MyCC has on 25 September 2020 issued their final decision (which is dated 14 September 2020) under Section 40 of the CA 2010 ("Final Decision") and the financial penalty for EGIB has been determined. EGIB has since filed an appeal against the Final Decision with the Competition Appeal Tribunal ("CAT") on 14 October 2020 and a stay of the financial penalty imposed pending the decision of the CAT on 27 October 2020.

51. SIGNIFICANT EVENTS (CONTD.)

(c) Update on the Malaysia Competition Commission ("MYCC") against the General Insurance Association of Malaysia ("PIAM") and its 22 general insurers (contd.)

The parties have completed their oral submissions in respect of the stay applications on 12 March 2021. The Tribunal has fixed 23 March 2021 for the decision of the stay application. In relation to the Appeal proper, the Tribunal has informed parties that it will only deal with/give directions in respect thereof once the stay applications have been disposed of.

(d) Covid-19 impact

The Covid-19 Pandemic has undoubtedly impacted Etiqa Insurance and Takaful Group, both the business operations as well as investments. The impact was varied widely across the Group. The Group achieved commendable gains from several business lines, especially the areas equipped with comprehensive digital platform that moderated the areas dampened by the pandemic and economic uncertainty. The Management and the Board have closely monitored the situation and positioning the Group to preserve and strengthen our business operations, and responded to business uncertainty as well as to support our communities. This is further explained below:-

(i) 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 Group's performance in acquiring, maintaining and servicing customers. Etiqa Group 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 Group has leveraged business opportunities from its existing and improved digital platforms, which has enabled the Group to continue sustaining good business growth in certain business lines.

(ii) Investment Operations

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

51. SIGNIFICANT EVENTS (CONTD.)

(d) Covid-19 impact (contd.)

(iii) Capital Management

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

(iv) Customers and Society

On the measures announced by BNM to assist individuals, small-medium enterprises ("SMEs") and corporates affected by Covid-19, Etiqa has provided temporary relief of RM5,000 cash payout to Etiqa's Life policyholders and Family Takaful participants that were diagnosed with Covid-19. Under the moratorium announced by the Government, the affected Life policyholders and Family Takaful participants are allowed to have options to defer their regular premium/contribution payments due for three months without affecting their policy/certificate coverage. General Insurers and Takaful operators are to facilitate their policyholders and participants request for payment deferment or restructuring of their respective insurance and takaful plans.

In combating the Covid-19 outbreak, Etiqa Group has sponsored RM12 million to fund the test kits for government hospitals, the preparedness and response plan in combating the virus and the purchase of ventilators to ease the impending shortage faced by designated hospitals.

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

52. CAPITAL MANAGEMENT

The Company is a Financial Holdings Company and is required to satisfy the Capital Adequacy requirement as prescribed under BNM Risk Based Capital Framework where same requirement is applies to a licence insurer. The Company monitors its Group Capital Adequacy Ratio ("GCAR") on a regular basis to assess whether such requirements have been met, and reports to the BNM its solvency position annually. Internally, capital is managed in accordance with the aim to provide adequate returns to its shareholders without resulting in deterioration of its current capital position. The GCAR is in excess of the current requirement as at 31 December 2020.

53. INSURANCE FUNDS

The Group's principal activities are organised by funds and segregated into Shareholders', General, Life, General Takaful and Family Takaful funds in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996.
The Group's statement of financial position and Income Statement have been further analysed by funds.
The Life and Family Takaful insurance businesses offer a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Annuity products, as well as Unit-linked products.
The General Insurance and General Takaful insurance businesses offer general insurance/takaful products which include Motor, Fire, Marine, Aviation and Transit ("MAT"), Health & Surgical and Miscellanous products.

STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2020

	Total			* Consolidation elimination			Shareholders' and General Funds			Life Fund			General Takaful Fund			Family Takaful Fund		
	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)
Assets:																		
Property, plant and equipment	121,254	124,065	120,943				80,194	86,410	81,227	41,060	37,655	39,716	-	-	-	-	-	-
Investment properties	934,590	914,550	890,672				(19,020)	(19,420)	(22,168)	953,610	933,970	912,840	-	-	-	-	-	-
Prepaid land lease payments	17,098	17,584	18,070				16,309	16,769	17,229	789	815	841	-	-	-	-	-	-
Right-of-use assets	16,161	23,119	-				16,075	23,119	-	86	-	-	-	-	-	-	-	-
Intangible assets	92,553	93,440	93,158				43,512	45,537	51,182	49,041	47,903	41,976	-	-	-	-	-	-
Investment in subsidiaries	-	-	-				-	-	-	-	-	-	-	-	-	-	-	-
Investment in associates	1,238	1,238	1,238				1,238	1,238	1,238	-	-	-	-	-	-	-	-	-
Investments	38,595,613	33,153,705	28,924,918	*(27,618)*	*(22,128)*	*(24,632)*	6,970,031	6,348,436	4,946,701	17,399,452	13,358,401	11,995,394	2,228,791	2,003,790	1,697,218	12,024,957	11,465,206	10,310,237
Financing receivables	307,542	278,332	262,365				65,683	54,606	50,537	241,859	223,726	211,828	-	-	-	-	-	-
Reinsurance/retakaful assets	4,971,385	3,447,732	3,132,102				4,016,872	3,022,925	2,773,886	480,292	74,534	52,241	312,191	239,075	232,173	162,030	111,198	73,802
Insurance/takaful receivables	541,385	593,180	514,020				257,288	347,721	342,808	55,844	41,997	32,386	88,158	83,063	63,235	140,095	120,399	75,591
Other assets	489,164	472,983	583,419				161,953	127,014	136,235	191,258	191,510	261,493	17,524	21,859	19,568	118,429	132,600	166,123
Derivative assets	152,539	35,151	4,124				12,037	1,278	296	140,502	33,873	3,828	-	-	-	-	-	-
Deferred tax assets	21,339	19,209	22,521				10,957	8,593	8,260	2,531	1,972	4,421	2,897	4,128	6,983	4,954	4,516	2,857
Current tax assets	140,701	175,881	161,848				88,665	151,582	135,594	27,736	-	1,190	3,884	3,883	3,883	20,416	20,416	21,181
Cash and bank balances	1,071,056	404,153	487,146				122,041	120,350	190,544	717,972	130,354	130,956	37,779	33,260	62,114	193,264	120,189	103,532
Total Assets	47,473,618	39,754,322	35,216,544				11,843,835	10,336,158	8,713,569	20,302,032	15,076,710	13,689,110	2,691,224	2,389,058	2,085,174	12,664,145	11,974,524	10,753,323
Equity:																		
Share capital	660,866	660,866	660,866				660,866	660,866	660,866	-	-	-	-	-	-	-	-	-
Reserves	6,396,269	5,937,393	5,360,585	*(7,618)*	*(2,128)*	*(3,632)*	6,403,887	5,939,521	5,364,217	-	-	-	-	-	-	-	-	-
Total Equity	7,057,135	6,598,259	6,021,451				7,064,753	6,600,387	6,025,083	-	-	-	-	-	-	-	-	-
Liabilities:																		
Insurance contract/Takaful certificate liabilities	36,271,509	29,863,732	25,819,069	*(20,000)*	*(20,000)*	*(21,000)*	4,842,842	3,859,212	3,473,621	17,361,065	12,599,860	10,373,091	2,137,408	1,929,211	1,706,242	11,950,194	11,495,449	10,287,115
Subordinated obligations	-	-	300,000				-	-	300,000	-	-	-	-	-	-	-	-	-
Expense liabilities	711,983	683,995	573,531				711,983	683,995	573,531	-	-	-	-	-	-	-	-	-
Derivative liabilities	3,473	-	15,463				-	-	249	3,473	-	15,214	-	-	-	-	-	-
Deferred tax liabilities	654,327	558,980	414,328				321,828	306,035	302,841	264,365	187,363	110,397	11,526	12,540	-	56,608	53,042	1,090
Insurance/takaful payables	732,114	642,361	566,452				373,678	438,544	421,867	193,376	59,390	42,404	144,695	114,642	68,666	20,365	29,785	33,515
Other liabilities	1,991,301	1,329,933	1,196,842				(1,507,030)	(1,684,101)	(2,693,031)	2,463,858	2,285,125	3,148,004	397,595	332,665	310,266	636,878	396,244	431,603
Interest/profit payable on subordinated obligations	-	-	1,189				-	-	1,189	-	-		-	-	-	-	-	-
Current tax liabilities	51,776	77,062	308,219				35,781	132,086	308,219	15,895	(55,028)		-	-	-	100	4	-
Total Liabilities	40,416,483	33,156,063	29,195,093				4,779,082	3,735,771	2,688,486	20,302,032	15,076,710	13,689,110	2,691,224	2,389,058	2,085,174	12,664,145	11,974,524	10,753,323
Total Equity and Liabilities	47,473,618	39,754,322	35,216,544				11,843,835	10,336,158	8,713,569	20,302,032	15,076,710	13,689,110	2,691,224	2,389,058	2,085,174	12,664,145	11,974,524	10,753,323

** The consolidation elimination indicated the group inter-fund elimination.*

53. INSURANCE FUNDS (CONTD.)

**INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Total		*Consolidation elimination		Shareholders' Funds		General fund		Life Fund		General Takaful Fund		Family Takaful Fund	
	2020 RM'000	2019 RM'000 (Restated)	2020 RM'000	2019 RM'000 (Restated)	2020 RM'000	2019 RM'000 (Restated)	2020 RM'000	2019 RM'000 (Restated)	2020 RM'000	2019 RM'000 (Restated)	2020 RM'000	2019 RM'000 (Restated)	2020 RM'000	2019 RM'000 (Restated)
Operating revenue	11,936,734	8,955,715	*(811,745)*	*(890,914)*	991,410	1,027,245	1,559,630	1,549,351	6,508,547	3,420,001	1,642,506	1,684,131	2,046,386	2,165,901
Gross earned premiums/contributions	10,708,678	7,461,363	*(171)*	*(89)*	-	-	1,564,356	1,408,247	5,952,786	2,864,677	1,604,993	1,513,789	1,586,714	1,674,739
Earned premiums/contributions ceded to reinsurers/retakaful operators	(1,590,393)	(1,013,670)			-	-	(918,516)	(775,948)	(418,162)	(32,062)	(165,811)	(133,445)	(87,904)	(72,215)
Net earned premiums/contributions	9,118,285	6,447,693			-	-	645,840	632,299	5,534,624	2,832,615	1,439,182	1,380,344	1,498,810	1,602,524
Fee and commission income	103,762	81,422	*(811,574)*	*(878,892)*	813,901	859,835	78,788	88,268	12,061	4,392	9,076	7,458	1,510	361
Investment income	1,320,195	1,357,549			190,792	188,528	41,181	43,197	555,761	555,324	72,789	79,338	459,672	491,162
Realised gains/(losses)	170,323	163,278			66,116	11,503	(8,304)	36	(136,728)	108,378	33,946	6,254	215,293	37,107
Fair value gains	571,256	1,250,510			38,046	119,207	15,688	12,170	401,891	697,615	2,473	2,613	113,158	418,905
Other operating (expenses)/ income, net	(144,414)	(56,056)			(14,481)	(3,467)	(14,579)	(14,008)	(133,835)	(46,291)	3,311	(2,435)	15,170	10,145
Other revenue	2,021,122	2,796,703			1,094,374	1,175,606	112,774	129,663	699,150	1,319,418	121,595	93,228	804,803	957,680
Gross benefits and claims paid	(3,852,118)	(3,790,298)			-	5,665	(557,130)	(764,940)	(1,232,855)	(1,143,298)	(751,735)	(789,424)	(1,310,398)	(1,098,301)
Claims ceded to reinsurers/ retakaful operators	345,971	539,694			-	(5,104)	252,123	451,094	10,018	12,724	25,745	22,013	58,085	58,967
Gross change in contract/certificate liabilities	(6,641,137)	(3,658,215)			356	2,196	(1,068,757)	(314,772)	(4,644,721)	(2,180,896)	(330,285)	(166,855)	(597,730)	(997,888)
Change in contract/certificate liabilities ceded to reinsurers/retakaful operators	1,565,132	342,508			-	-	1,031,401	262,995	406,934	22,280	75,965	19,837	50,832	37,396
Net benefits and claims	(8,582,152)	(6,566,311)			356	2,757	(342,363)	(365,623)	(5,460,624)	(3,289,190)	(980,310)	(914,429)	(1,799,211)	(1,999,826)
Management expenses	(850,666)	(885,247)	*171*	*89*	(439,544)	(455,584)	(159,811)	(182,302)	(221,620)	(220,670)	-	-	(29,862)	(26,780)
Reimbursement of shared services	49,358	30,774			49,358	30,774	-	-	-	-	-	-	-	-
Change in expense liabilities	(27,988)	(110,464)			(27,988)	(110,464)	-	-	-	-	-	-	-	-
Fee and commission expenses	(655,321)	(631,278)	*811,574*	*878,892*	(267,526)	(258,763)	(122,732)	(144,933)	(264,166)	(226,624)	(497,556)	(514,345)	(314,915)	(365,505)
Interest on subordinated obligations	-	(5,535)			-	(5,535)	-	-	-	-	-	-	-	-
Tax borne by policyholders/participants	(114,549)	(144,849)			-	-	-	-	(104,062)	(111,655)	(2,117)	(11)	(8,370)	(33,183)
Other expenses	(1,599,166)	(1,746,599)			(685,700)	(799,572)	(282,543)	(327,235)	(589,848)	(558,949)	(499,673)	(514,356)	(353,147)	(425,468)
Profit before taxation and zakat before surplus transfer	958,089	931,486			409,030	378,791	133,708	69,104	183,302	303,894	80,794	44,787	151,255	134,910
Surplus transfer from:														
- General Fund	-	-			133,708	52,143	(133,708)	(52,143)	-	-	-	-	-	-
- Life Par Fund	-	-			21,400	42,790	-	-	(21,400)	(42,790)	-	-	-	-
- Life Non Par Fund	-	-			161,902	256,573	-	-	(161,902)	(256,573)	-	-	-	-
- General Takaful Fund	-	-			80,794	44,787	-	-	-	-	(80,794)	(44,787)	-	-
- Family Fund	-	-			151,255	134,910	-	-	-	-	-	-	(151,255)	(134,910)
Profit before taxation and zakat after surplus transfer from Insurance and Takaful funds	958,089	931,486			958,089	909,994	-	16,961	-	4,531	-	-	-	-
Taxation	(244,056)	(234,361)			(244,056)	(212,869)	-	(16,961)	-	(4,531)	-	-	-	-
Zakat	(22,746)	(7,696)			(22,746)	(7,696)	-	-	-	-	-	-	-	-
Net profit for the year	691,287	689,429			691,287	689,429	-	-	-	-	-	-	-	-

** The consolidation elimination indicated the group inter-fund elimination.*