GREAT EASTERN TAKAFUL BERHAD

201001032332 (916257-H)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2022

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(Incorporated in Malaysia)

CONTENTS

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

The Company is principally engaged in managing family takaful business including takaful investment-linked business.

RESULTS

	RM'000
Net profit for the financial year	14,611

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

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

ULTIMATE HOLDING COMPANY

The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public listed company incorporated in the Republic of Singapore.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS

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

Mr Norman Ka Cheung Ip (Chairman)
YBhg. Datin Zaharah binti Ali
Mr Khor Hock Seng
YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)
YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)
YBhg. Dato' Albert Yeoh Beow Tit
YBhg. Prof. Dato' Dr. Wan Sabri bin Wan Yusof (Appointed w.e.f. 10 June 2022)
En. Mohamed Rashdi bin Mohamed Ghazalli (Resigned w.e.f. 31 March 2022)

In accordance with Article 72 of the Company's Constitution, Mr Khor Hock Seng and YBhg. Dato' Albert Yeoh Beow Tit would retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Article 76 of the Company's Constitution, YBhg. Prof. Dato' Dr. Wan Sabri bin Wan Yusof would retire at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options over shares in the Company's ultimate holding company as disclosed in this report.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 27 and Note 30 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest to be disclosed under Fifth Schedule, Part I Section 3 of the Companies Act 2016.

A Director and Officer’s Liability Takaful has been entered into by the Company for the financial year ended 31 December 2022 pursuant to Section 289 of the Companies Act 2016. The cost of takaful effected amounted to a gross contribution of RM72,679.56.

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and options over shares in the Company's ultimate holding company, OCBC Bank, during the financial year were as follows:

	Shareholdings in which Directors have a direct interest			
	1.1.2022	Acquired	Disposed	31.12.2022
(a) Ordinary shares in the capital of OCBC Bank				
Mr Norman Ka Cheung Ip	4,614	-	-	4,614
Mr Khor Hock Seng	586,596	109,380	(135,000)	560,976
Dato' Albert Yeoh Beow Tit	262,335	-	-	262,335
(b) Deemed Interest				
Mr Norman Ka Cheung Ip	10,340(1)	-	-	10,340(1)
Mr Khor Hock Seng	266,086(1)	123,361	(109,380)	280,067(1)
En. Mohamad Rashdi Mohamed Ghazalli (Resigned w.e.f. 31 March 2022)	68(2)	-	-	68(2)

Note:
(1) Deemed interest (OCBC Deferred Share Plan)
(2) Deeemed interest (Administrator in the estate of Mohamed Ghazalli bin Dato Mahmud.)

			Options held by Directors in their own name			
	Expiry Date	Exercise Price (S$)	1.1.2022	Granted	Exercised	31.12.2022
(c) Options to subscribe for ordinary shares in the capital of OCBC Bank						
Mr Khor Hock Seng	22.03.2027	9.60	150,000	-	-	150,000
	21.03.2028	13.34	122,135	-	-	122,135

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

CORPORATE GOVERNANCE DISCLOSURES

The Company has taken concerted steps to comply with Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance (the "CG PD") issued on 3 August 2016. The Company is committed to the standards and practices prescribed in this policy document.

OTHER STATUTORY INFORMATION

(a) Before the statement of financial position, income statement and statement of comprehensive income 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 provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

  (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 have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (i) it necessary to write-off any bad debts or to make any impairment allowance for impaired debts in respect of the financial statements of the Company; and

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

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

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

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability in respect of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONTINUED)

(f) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

(g) Before the statement of financial position and income statement of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its takaful certificate liabilities in accordance with the valuation method specified in Part D of the Risk-Based Capital Framework for Takaful Operators issued by Bank Negara Malaysia ("BNM").

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

AUDITORS

Auditors' Remuneration

Auditors' remuneration of the Company for the financial year ended 31 December 2022 amounted to RM431,999 are set out in Note 27 to the financial statements.

There was no indemnity given to, or takaful effected for auditors of the Company in respect of the liability for any act or omission in their capacity as auditors of the Company during the financial year.

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept the reappointment as auditors.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 March 2023.

Dato' Albert Yeoh Beow Tit

Major General Dato' Zulkiflee bin Mazlan (Rtd)

Kuala Lumpur, Malaysia

STATEMENT OF CORPORATE GOVERNANCE

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)

The Board of Directors ("the Board") and Management of Great Eastern Takaful Berhad (the "Company") place great importance on high standards of corporate conduct and are committed to upholding values of integrity, honesty and proper conduct at all times in the business operations and dealings of the Company.

The Company adopts corporate governance practices which are in conformity with BNM's CG PD and is continually enhancing standards of the overall governance.

THE BOARD'S CONDUCT OF AFFAIRS

Board's responsibilities and accountability

1. The Board provides strategic directions to, and oversight of the operations of the Company. The principal roles and functions of the Board, as set out in the Board Charter, include the following:

   (a) reviewing and approving the overall business strategy as well as the organisation structure of the Company, developed and recommended by the Management;

   (b) overseeing and approving the risk appetite of the Company that is consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;

   (c) overseeing the implementation of the Company's governance framework and internal control framework, and periodically reviewing the frameworks to ensure they remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;

   (d) overseeing, through the Board Nominations and Remuneration Committee, the selection, performance, remuneration and succession plans of the Chief Executive Officer ("CEO"), Senior Officers and Non-Senior Officers, such that the Board is satisfied with their collective competence as Senior Officers to effectively lead the operations of the Company;

   (e) ensuring that the decisions and investments are consistent with the long-term strategic goals of the Company and reasonable standards of fair dealing with all stakeholders;

   (f) ensuring that interests of shareholders, certificate holders and other stakeholders are taken into account in managing the Company's business;

   (g) ensuring that the necessary human resources are in place for the Company to achieve its objectives;

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Board's responsibilities and accountability (Continued)

1. The Board provides strategic directions to, and oversight of the operations of the Company. The principal roles and functions of the Board, as set out in the Board Charter, include the following: (Continued)

   (h) ensuring that the Company is operated in accordance with the relevant laws and regulations, as well as policies, processes and guidelines approved by the Board, so as to preserve its financial integrity;

   (i) overseeing, through the Board Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures, and system of internal controls;

   (j) overseeing, through the Board Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and the quality of the risk management processes and systems;

   (k) reviewing and approving any transaction for the acquisition or disposal of assets that is material to the Company;

   (l) establishing corporate values and standards, emphasizing integrity, honesty and proper conduct at all times, with respect to internal dealings and external transactions, including situations where there are potential conflicts of interests;

   (m) promoting sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;

   (n) overseeing and approving the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and to maintain or preserve critical operations and services when they come under stress;

   (o) promoting timely and effective communications between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company;

   (p) promoting Shariah compliance in accordance with the Shariah governance framework and ensuring its integration with the Company's business and risk strategies; and

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Board's responsibilities and accountability (Continued)

1. The Board provides strategic directions to, and oversight of the operations of the Company. The principal roles and functions of the Board, as set out in the Board Charter, include the following: (Continued)

   (q) overseeing the adequacy, effectiveness and implementation of Anti-Corruption function.

2. The Company has adopted internal guidelines on matters which require Board's approval. Matters requiring Board's approval include, but are not limited to, the overall business strategy and direction, significant policies governing the operations of the Company, strategic or significant acquisitions and disposal of assets by the Company, corporate restructuring, major corporate initiatives and other activities of a significant nature, all material and special related party transactions, authority levels for the Company's core functions and outsourcing of core business functions.

3. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board Committees and Management to optimise operational efficiency.

Board Committees

4. The Board has established a number of Board committees ("Board Committees") to assist it in carrying out more effective oversight of the operations and business affairs of the Company. These Board Committees consist of the Board Nominations and Remuneration Committee, Board Audit Committee and Board Risk Management Committee. All the Board Committees have been constituted with clear Board-approved terms of reference. An additional committee, namely, the Governance Committee ("GC") was formed on 24 January 2011. The current GC consist of 2 Board Members, the Chairman of Shariah Committee and the Appointed Actuary. The purpose of GC is to promote and maintain the appropriate balance in addressing the interests of all stakeholders, while giving special attention to the interests of Takaful participants. The GC has been constituted with clear Board-approved terms of reference.

5. The Company's Board Committees and the GC, in carrying out responsibilities pursuant to their respective terms of reference, are also actively involved in assisting the Board to ensure compliance with good corporate governance practices by the Company. Details of the principal roles and responsibilities of the Board Committees and GC are set out in the relevant sections in this report. Minutes of all Board Committees and GC meetings, which provide a fair and accurate record of the discussions, key deliberations and decisions taken during the meetings, are maintained and are circulated to the Board.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Meetings and Directors' attendance

6. The Board meets regularly during the year to review the business performance and key activities of the Company, and to consider business proposals presented by the Management. All members of the Board participate actively in Board discussions and decisions are taken objectively in the interests of the Company. The Board guides the Management with strategic directions to achieve its stated goals and the Management remains accountable to the Board. Where warranted by particular circumstances, ad hoc Board or Board Committee meetings will be convened.

7. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Constitution. Any Director who is unable to attend any Board or Board Committee meeting will still be provided with all meeting papers for information. Directors are equipped with electronics tablets that allow secured access to Board and Board Committee meeting materials.

8. All Directors have complied with the minimum 75% meeting attendance requirement at Board meetings as stipulated in the CG PD and Board Charter.

9. The number of meetings of the Board and Board Committees held in 2022 and the attendance of the Directors at those meetings are tabulated below:

Directors' attendance at Board and Board Committee meetings in 2022

Name of Directors	Board				Board Nominations and Remuneration Committee			
	No. of Meetings				No. of Meetings			
	Scheduled		Ad Hoc		Scheduled		Ad Hoc	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Norman Ka Cheung Ip (Chairman)	8	8	1	1	6	6	1	1
YBhg. Datin Zaharah binti Ali	8	8	1	1	6(1)	6(1)	-	-
Mr Khor Hock Seng	8	8	1	1	6(1)	6(1)	1(1)	1(1)
YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)	8	8	1	1	6	6	1	1
YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	8	8	1	1	6(1)	6(1)	-	-
YBhg. Dato' Albert Yeoh Beow Tit	8	8	1	1	6	6	1	1
YBhg. Prof. Dato' Dr. Wan Sabri bin Wan Yusof (Appointed w.e.f. 10 June 2022)	4	4	1	1	2(1)	2(1)	-	-
En. Mohamed Rashdi bin Mohamed Ghazalli (Resigned w.e.f. 31 March 2022)	4	4	-	-	3(1)	3(1)	-	-

Notes:
(1) Attendance by Invitation
(-) Not Applicable to the Non-Members of the respective Board/Board Committees

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Directors' attendance at Board and Board Committee meetings in 2022 (Continued)

Name of Directors	Board Audit Committee		Board Risk Management Committee	
	No. of Meetings Scheduled		No. of Meetings Scheduled	
	Held	Attended	Held	Attended
Mr Norman Ka Cheung Ip (Chairman)	4	4	$5^{(1)(1a)}$	$5^{(1)(1a)}$
YBhg. Datin Zaharah binti Ali	$2^{(1)}$	$2^{(1)}$	5	5
Mr Khor Hock Seng	$2^{(1)}$	$2^{(1)}$	$2^{(1)}$	$2^{(1)}$
YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)	4	4	$1^{(1)}$	$1^{(1)}$
YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	$2^{(1)}$	$2^{(1)}$	5	5
YBhg. Dato' Albert Yeoh Beow Tit	4	4	$1^{(1)}$	$1^{(1)}$
En. Mohamed Rashdi bin Mohamed Ghazalli (Resigned w.e.f. 31 March 2022)	$1^{(1)}$	$1^{(1)}$	2	2
YBhg. Prof. Dato' Dr. Wan Sabri bin Wan Yusof (Appointed w.e.f. 10 June 2022)	$1^{(1)}$	$1^{(1)}$	-	-

Notes:

(1) Attendance by Invitation

(1a) Attendance as Member 3/3

(2) Ceased as Member of Board Risk Management Committee w.e.f. 31 March 2022

(3) Appointed as Member of Board Risk Management Committee w.e.f. 1 April 2022

(-) Not Applicable to the Non-Members of the respective Board Committees

Directors' attendance at the Annual General Meeting of the Company on 13 April 2022 is not included in the above table.

There were 2 Joint Board Audit Committee and Board Risk Management Committee meetings held on 24 January 2022 and 29 August 2022. Directors' attendance at this meeting is not included in the above table.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Directors' attendance at Governance Committee meeting in 2022

	Governance Committee No. of Meetings Scheduled	
Name of Directors	Held	Attended
YBhg. Dato' Albert Yeoh Beow Tit (Chairman)	2	2
YBhg. Datin Zaharah binti Ali	2	2

The Governance Committee is represented by two board representatives.

BOARD COMPOSITION AND GUIDANCE

Board Membership

The number of meetings indicated in "Held" above reflects the number of meetings held during the time the respective Directors held office.

10. The Company's Board of Directors during the financial year comprised an Independent Chairman, five other Non-Executive Directors and one Executive Director.

11. Mr. Norman Ka Cheung Ip and YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd) retired by rotation and were re-elected to the Board at the Company's Annual General Meeting on 13 April 2022 pursuant to Article 72 of the Company's Constitution.

12. In addition, all appointments and reappointments of Directors of the Company are subject to the approval of BNM. The composition of the Board during the financial year 2022 is as follows:

Members of the Board	Status of Directorship
Mr Norman Ka Cheung Ip	Independent Non-Executive Director
YBhg. Datin Zaharah binti Ali	Independent Non-Executive Director
Mr Khor Hock Seng	Non-Independent Executive Director
YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)	Non-Independent Non-Executive Director
YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	Non-Independent Non-Executive Director
YBhg. Dato' Albert Yeoh Beow Tit	Independent Non-Executive Director
YBhg. Prof. Dato' Dr. Wan Sabri bin Wan Yusof (Appointed w.e.f. 10 June 2022)	Independent Non-Executive Director
En Mohamed Rashdi bin Mohamed Ghazalli (Resigned w.e.f. 31 March 2022)	Independent Non-Executive Director

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD COMPOSITION AND GUIDANCE (CONTINUED)

Board Membership (Continued)

13. The Directors of the Company have confirmed that they are not active politicians as defined in the CG PD. Further, they have no prior involvement as an external auditor for the Company; nor served in the capacity of an officer who is directly involved in the Company's engagement or partner of the external auditor firm; nor served as an auditor of the Company for the past 2 years. The Directors made such confirmation to BNM prior to their respective appointment as Director.

Key information on Directors

14. Key information on each Director's professional qualifications and background are set out under the section 'Board of Directors' Profile' of the Company's Financial Report[1]. The Directors' membership in the various Board Committees is set out herein.

15. Directors' interests in shares and share options in the Company's ultimate holding company, OCBC Bank are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2022 ("FY2022"). The Directors do not hold any shares in the Company or its penultimate holdings company, Great Eastern Holdings Limited ("GEH").

Note:
1 Available at the Company's website.

Board Composition and Independence

16. The Company determines the independence of its Directors in accordance with the requirements under the CG PD. Under the CG PD, the Board will determine whether an individual to be appointed as an Independent Director is independent in character and judgment, and free from associations or circumstances that may impair the exercise of his/her independent judgment. An Independent Director of the Company must be one who himself/herself or any person linked to him/her is independent from Management, the substantial shareholders of the Company and/or any of its affiliates, and has no significant business or other contractual relationship with the Company or any of its affiliates within the last two years; and has not served for more than nine years on the Board. CG PD also provides for tenure limits of Independent Directors to generally not exceed nine years except under exceptional circumstances or as part of the transitional arrangement.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD COMPOSITION AND GUIDANCE (CONTINUED)

Board Composition and Independence (Continued)

17. The current Board comprises a majority of Independent Directors as determined by the Board Nominations and Remuneration Committee annually, pursuant to the definition of 'independence' of a Director under the CG PD. The Company's Independent Directors are currently Mr Norman Ka Cheung Ip, YBhg. Datin Zaharah binti Ali, YBhg. Dato' Albert Yeoh Beow Tit and YBhg. Prof. Dato' Dr. Wan Sabri bin Wan Yusof.

18. Under the CG PD, YBhg. Maj. Gen. Dato' Zulkiflee bin Mazlan (Rtd) and YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd) are deemed non-independent as they both represent the interests of Koperasi Angkatan Tentera Malaysia Berhad, the shareholder of the Company.

19. Mr Khor Hock Seng is an Executive Director as he is the Group Chief Executive Officer of GEH.

20. The current Board complies with the CG PD requirements on Board independence. Four out of seven of the Board members are Independent Directors.

21. The Board, through its Board Nominations and Remuneration Committee, is of the view that the current Board size is appropriate to facilitate effective decision making, taking into account the scope and nature of the operations of the Company.

22. In addition, the Board Nominations and Remuneration Committee also assesses the diversity of its members' competency profiles and determines the collective skills required to discharge its responsibilities effectively.

23. The Board members of the Company have diverse backgrounds and qualifications, and bring a wide range of financial and commercial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and core competencies to the Company, including industry knowledge in insurance, takaful, investment and asset management, banking, accounting, finance, strategy formulation, management experience, risk management and familiarity with regulatory requirements. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, taking into account the skill set required for the Board Committees to perform their respective roles and responsibilities.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD COMPOSITION AND GUIDANCE (CONTINUED)

Board Composition and Independence (Continued)

24. With the knowledge, objectivity and balance contributed by the Non-Executive Directors, the Board constructively challenges and enhances proposals on strategy, reviews the performance of Management against agreed goals and objectives, and monitors the reporting of performances.

CHAIRMAN AND CEO

25. The roles of the Chairman, Mr Norman Ka Cheung Ip and the CEO, En. Shahrul Azlan bin Shahriman are distinct and separate, with a clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater independence in decision making. The Chairman and the CEO are not related to each other.

26. The principal responsibilities of the Chairman include leading the Board to ensure it effectively discharges its roles and responsibilities, approving the meeting agenda of the Board, monitoring the quality and timelines of the flow of information from Management to the Board and promoting effective communication with shareholders. The Chairman also facilitates robust discussions and deliberations at Board meetings, encourages constructive relations between Executive and Non-Executive Directors, as well as between the Board and Management, and promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management. He also leads efforts to address the Board’s developmental needs.

27. The CEO manages the Company and oversees the Company’s business operations and implementation of the Company’s strategies, plans and policies to achieve planned corporate performance and financial goals. His management of the Company’s businesses, including implementing the Board’s decisions, is carried out with the assistance of the Senior Officers of the Company. Collectively, they are responsible for the day-to-day operations and administration of the Company, ensuring, inter alia, operational and organisational efficiency, profitable performance of the operating units, regulatory and Shariah compliance, good corporate governance and effective risk management.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

SHARIAH COMMITTEE

28. A Shariah governance framework is put in place as a distinct feature in the organizational structure of the Company, which includes the establishment of the Shariah Committee, in line with the requirement of the Islamic Financial Services Act 2013 and BNM's Shariah Governance Policy for Islamic Financial Institutions ("Shariah Governance Policy"). On 20 September 2019, BNM has issued a new Shariah Governance Policy Document which took effect on 1 April 2020. The Company has met with the requirements of the Shariah Governance Policy in ensuring the effectiveness of Shariah governance.

29. The Shariah Committee members are scholars who have the qualification, expertise and experience in the areas especially Islamic jurisprudence (usul al-fiqh) and Islamic commercial laws (fiqh al-mu'amalat). The Shariah Committee consists of six members, all of whom have the necessary experiences and expertise in their respective fields.

30. The Shariah Committee met ten times (including 4 Special Meetings) in FY2022 with details of meeting attendance of each member as follows:

Name of Shariah Committee Members	Shariah Committee			
	No. of Meetings			
	Scheduled		Special	
	Held	Attended	Held	Attended
Dr. Akhtarzaite binti Abdul Aziz (Resigned as Chairman and Member of Shariah Committee w.e.f. 12 December 2022)	6	6	4	4
Dr. Mohamad Sabri bin Zakaria (Resigned as Member of Shariah Committee w.e.f. 12 December 2022)	6	6	4	4
Assoc. Prof. Dr. Siti Salwani binti Razali	6	6	4	4
Dr. Mohammad Firdaus bin Mohammad Hatta (Appointed as Chairman of Shariah Committee w.e.f. 13 December 2022)	6	6	4	4
Dr. Ahmad Basri bin Ibrahim (Appointed as Member of Shariah Committee w.e.f. 1 June 2022)	3	3	2	2
Dr. Muhammad Naim bin Omar (Appointed as Member of Shariah Committee w.e.f. 7 June 2022)	3	3	2	2
Dr. Muhammad Pisol bin Mat Isa (Appointed as Member of Shariah Committee w.e.f. 13 December 2022)	-	-	-	-
Dr. Nurul Aini binti Muhamed (Appointed as Member of Shariah Committee w.e.f. 13 December 2022)	-	-	-	-

Notes:
(-) There was no meeting held since the appointment of the respected Shariah Committee Member

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

SHARIAH COMMITTEE (CONTINUED)

31. The Shariah Committee is responsible and accountable for all its decisions, views and opinions related to Shariah matters. All matters which require the Shariah Committee's opinion and decision are deliberated at Shariah Committee meetings with the attendance of the Management and representatives from the Shariah Department. Thereon, the said matters are brought to the attention of the Board for an informed decision making.

32. Functionally, the Shariah Committee reports to the Board and its duties and responsibilities are prescribed by the Shariah Governance Framework. The main duties and responsibilities of the Shariah Committee are as follows:

    (a) advising the Board and providing input to the Company on Shariah matters in order for the Company to comply with Shariah principles at all times.

    (b) endorsing Shariah policies and procedures prepared by the Company and to ensure that the contents do not contain any elements which are not in line with Shariah.

    (c) ensuring that the products of the Company comply with Shariah principles by approving the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions.

    (d) approving the product manual, marketing advertisements, benefit illustrations and brochures used to describe the product.

    (e) assessing the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties on providing their assessment of Shariah compliance and assurance information in the Shariah Committee's Report at page 44 to 46.

    (f) providing necessary assistance to the Company's related parties such as its legal counsel, auditor or consultant on Shariah matters.

    (g) advising the Company in consultation with the BNM Shariah Advisory Council ("SAC") on Shariah matters which have not been resolved or endorsed by the BNM SAC.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE

33. The CG PD requires the Board Nominations and Remuneration Committee to have at least three Non-Executive Directors, with necessary skills, knowledge and experience relevant to the responsibilities of the committee. The committee is required to comprise at least a majority of Independent Directors and be chaired by an Independent Director, who is not the Chairman of the Company.

34. For FY2022, the Board Nominations and Remuneration Committee comprised of the following Directors:

    - YBhg. Dato' Albert Yeoh Beow Tit, Chairman
    - Mr Norman Ka Cheung Ip, Member
    - YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd), Member

35. The responsibilities of the Board Nominations and Remuneration Committee are set out in its Board-approved terms of reference. Amongst others the responsibilities include identifying, reviewing and recommending candidates for nominations and recommending the reappointment and re-election of Directors on the Board and Board Committees and Shariah Committee members. It also reviews and recommends nominations of Senior Officer positions in the Company to the Board.

36. The Board Nominations and Remuneration Committee held a total of seven meetings (including 1 Ad Hoc meeting) in 2022.

37. The Board Nominations and Remuneration Committee has a key role in carrying out the formal and transparent process established for the appointment and reappointment of Directors to the Board. Proposals for the appointment of new Directors are reviewed by the Board Nominations and Remuneration Committee. The Board Nominations and Remuneration Committee meet with the candidates to assess their suitability and commitment. Amongst others, the Board Nominations and Remuneration Committee takes into consideration the candidate's professional qualifications, integrity, financial and commercial business experience and expertise relevant to the Company, as well as his/her potential to contribute to the effectiveness of the Board and to complement the skills, knowledge and expertise of the Board. Competent individuals are nominated for the Board's consideration, before submitting the application to BNM for approval.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Process for Appointment of New Directors

38. In addition, the Board Nominations and Remuneration Committee further determines the proposed candidate’s independence status under the CG PD, and ensures that the proposed candidate will satisfy the criteria under the CG PD that his/her appointment would not result in non-compliance with any of the composition requirements for the Board and Board Committees, and that he/she is a fit and proper person for the office, taking into account his/her track record, age, experience, capabilities, skills and other relevant factors as may be determined by the Board Nominations and Remuneration Committee. Similar checks are also conducted on an annual basis to ensure that each Director remains qualified for the office based on the above criteria.

Reappointment/Re-election of Directors

39. All Directors subject themselves for reappointment and/or re-election upon the expiry of their BNM Appointment Term or by rotation at the Annual General Meeting of the Company pursuant to the Company’s Constitution, where applicable. The Board Nominations and Remuneration Committee is responsible to recommend the reappointment and/or re-election of Directors to the Board, taking into account the comprehensive evaluation of the Directors in addition to the Directors’ attendance at meetings, their expertise, knowledge, commitment, and contributions to Board discussions and to the overall effectiveness of the Board.

Board Orientation and Training

40. Upon the appointment of a new Director, a formal appointment letter will be issued together with a Director's Orientation Kit which will include key information on the Company, the terms of reference of the Board and Board Committees, duties and obligations of Directors as well as relevant rules and regulations. As part of the induction programme for new Directors, the Senior Officers will conduct presentation sessions for new Directors on the Company’s principal activities, business operations, staff strengths, and applicable rules and regulations. The Company constantly reviews and improves on the contents of such briefings to new Directors to take into account any new legislative changes which may affect the Directors and to enable them to have a more comprehensive understanding of the Company, the takaful business and practices and the Company's financial performance. Director's In-House Orientation and Educational Programme for newly appointed Director were held on 21 June 2022 and 25 July 2022. Refresher course for the Board of Directors were conducted on 26 July 2022, 29 August 2022 and 8 November 2022.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Board Orientation and Training (Continued)

41. The Board Nominations and Remuneration Committee ensures there is a professional development programme for all Directors, so that they are equipped with the appropriate skills and knowledge to perform their roles on the Board and Board Committees effectively. The Directors are continually updated on developments affecting the takaful industry. The Company facilitates the attendance of the first-time Directors in completing the mandatory Financial Institutions Directors' Education ("FIDE") Core Programme within a year from their date of appointment. From time to time, the Company organises the *Board Educational Series* which include talks, seminars or presentations by external professionals, consultants or Management staff on topics relevant to the takaful industry and provides updates on developments in the industry locally. Industry-related and topical articles are regularly circulated to Directors as part of the Company's continuous development programme for Directors. Directors may attend appropriate courses, conferences and seminars conducted by professional bodies within the industry or other professional organisations including programmes conducted by the FIDE FORUM, where relevant. The Company has dedicated sufficient resources towards the on-going development of its directors and also maintains formal records of the training and development received by its Directors.

42. During the financial year, the Directors, collectively or on their own, attended seminars, courses and briefing organised by professional bodies and regulatory authorities as well as those *Board Educational Series* conducted in-house, including the following:

- Board Educational Series:
  a) Directors' Guide to Crisis Management & Leadership During Crisis
  b) Digital Transformation Strategy & Roadmap
- Board Educational Series:
  a) Top 5 Cyber Attacks & How to Protect Against It
  b) Transaction Monitoring - A Better Way to Fight Money Laundering
- Board Educational Series:
  a) Liquidity Risk
  b) Key Directors' Responsibilities On Sustainability ("ESG")
  c) Value Based Intermediation ("VBIT") For Takaful
- Board Educational Series:
  a) Introductions to Carbon Market Presentation
  b) Lesson Learnt from Past Cyber Incidents – Role of Board Members and Management
  c) Talk on Broader Application of Ta'awun in Takaful
- Board Educational Series:
  a) Reach for Great Towards Bespoke Servicing
  b) Withdrawal Syndrome after Sugar Rush
  c) Malaysia Equity Market Review & Outlook

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Board Orientation and Training (Continued)

42. During the financial year, the Directors, collectively or on their own, attended seminars, courses and briefing organised by professional bodies and regulatory authorities as well as those *Board Educational Series* conducted in-house, including the following (Continued):

- Board Educational Series:
  a) Implementation of MFRS 17: Transition and Other Updates
  b) Understanding Climate Terminologies
  c) Refresher on Sukuk
- GE Virtual Forum
  a) Considerations in Adopting a Sustainable Investment Strategy
  b) Outlook on Financial Markets, and the Implications of Geopolotical Events
  c) Tech War: China's Competitiveness and Challenge
- Great Eastern Financial Advisers Private Limited: Cybersecurity Trends & Case Studies
- FIDE FORUM: Leadership Perspectives Forum on Board Effectiveness in Conjunction with the Launch of FIDE Forum Board Effectiveness Evaluation Guidebook
- Singapore Institute of Directors ("SID"): Managing Cyber Risks in a Post-Pandemic World
- SID: ARC Pit-Stop - Underztanding the Emerging Sustainability Reporting Landscape in Singapore
- SID Conference 2022: Breakout Track B: Decarbonised
- Global Reporting Initiative ("GRI") ASEAN Regional Hub : The Emergence of Sustainable Human Resource Management
- GRI ASEAN Regional Hub: Sustainable Procurement in Supply Chain Operations
- GRI ASEAN Regional Hub: Role of Investor realtions in Integrating Sustainability and Investment Strategies
- The Institute of Corporate Directors Malaysia ("ICDM"): Environmental, Social and Governance ("ESG") Series 2022 - Demystifying ESG: From Aspirations to Action - Plan Your ESG Journey: Lessons for the Boardroom
- Oliver Wyman, A business of Marsh McLennan: Sustainability in Insurance Committee ("SIC") Masterclass 2022: Climate, Nature and the 1.5 Deg Future

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Board Performance

43. The Board has an annual performance evaluation process, carried out by the Board Nominations and Remuneration Committee, to assess the effectiveness of the Board, Board Committees and each Director’s contributions. This annual assessment process, which is facilitated by external consultants, consists principally of evaluation by and feedback from each Director. Each Director evaluates the performance of the Board and Board Committees. The assessment of the contributions of individual Directors to the effectiveness of the Board is also performed annually. Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year. Board Evaluation questionnaire focused on areas such as competency and independence, information quality and timeliness, conduct of meetings, corporate social responsibility, managing performance, succession planning, Directors development, internal controls and risk management as well as Board Committees. An external consultant is engaged to facilitate the process, provide industry benchmarks and maintain confidentiality of results.

44. The purpose of the evaluation is to increase the overall effectiveness of the Board. The Board has found the evaluation process useful and constructive since its implementation several years ago. This collective process has also provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board.

45. Directors are expected to set aside adequate time for their oversight of matters relating to the Company. The Directors provide declarations of changes in their other appointments which are disseminated to all Board Members. The Company has established guidelines on meeting attendance and the extent of other appointments outside the Company that a Director may assume. Generally, a Director who has full-time employment in any organisation shall have appointments in no more than four other listed companies, and fifteen unlisted companies, while a Director who does not have any full-time employment shall have appointments in no more than seven listed companies and fifteen unlisted companies. The Board Nominations and Remuneration Committee annually assess each Director’s attendance record.

Conflicts of Interest

46. The Company has implemented a Directors’ Conflict of Interest (“COI”) Guide which sets out the procedures to address actual and potential conflicts of interest of the Directors. The COI Guide serves to safeguard against the risk that a Director’s decision may be unduly influenced by other secondary interests, instead of the interests of the Company. Pursuant to the COI Guide, the Directors of the Company shall disclose to the Board the nature and extent of such Director’s interest whether directly or indirectly, in a material transaction or material arrangement with the Company.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Appointment and Performance of Shariah Committee and Senior Officers

47. The Board Nominations and Remuneration Committee also recommends and assesses the nominee for the position of Shariah Committee members and CEO and reappointment of existing Shariah Committee members and CEO as well as oversees the appointment and succession planning of the Senior Officers of the Company.

48. Additionally, it is responsible to oversee the performance evaluation of the CEO, Shariah Committee, Senior Officers and Non-Senior Officers. Whenever applicable and consistent with the prescribed internal Remuneration Framework, the Board Nominations and Remuneration Committee's recommendations on the CEO and Senior Officers would be made in consultation with the input from the Board Audit Committee and Board Risk Management Committee.

49. Further, the Board Nominations and Remuneration Committee 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.

Procedure for Developing Remuneration Policies, Level and Mix of Remuneration and Disclosure on Remuneration

50. The Board Nominations and Remuneration Committee ensures that the Company implements formal and transparent procedures for developing policies on executive remuneration and for determining the remuneration packages of individual Directors, Shariah Committee members and Senior Officers.

51. It is also responsible to recommend to the Board the Policy on Remuneration for Directors, Shariah Committee, CEO and Senior Officers; and its review thereof from time to time. This will ensure that the Company remains competitive along with the industry and is able to attract, retain and motivate the calibre needed to manage the Company successfully, while at the same time satisfying itself that the remuneration packages are not excessive and consistent with the prudent management of the Company's affairs.

Remuneration of Non-Executive Directors

52. The Non-Executive Directors are paid Directors' fees, which take into account factors such as the Directors' contributions, effort and time spent, attendance at meetings and frequency of meetings, the respective responsibilities of the Directors including the Board Committees on which they serve, market practices and the need to pay competitive fees to attract, retain and motivate Directors. No Director is involved in deciding his/her own remuneration.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Remuneration of Non-Executive Directors (Continued)

53. The Board Nominations and Remuneration Committee performs an annual review of the fee structure for Directors' fees and of the computation of the aggregate Directors' fees based on the Board-approved fee structure. The Directors' fees proposed by the Board each year are subject to the shareholders' approval at the Company's Annual General Meeting.

54. The Board has considered the market practices for non-executive Director's remuneration, and has decided to use the same fee structure for computing the fee for each non-executive Director for the FY2022 as that used in the previous financial year (in the table set out below):

Description	Chairman (RM/Year)	Member (RM/Year)
Board	70,000	35,000
Board Audit Committee	18,000	9,000
Board Risk Management Committee	18,000	9,000
Board Nominations and Remuneration Committee	12,000	6,000
Governance Committee	12,000	6,000
Chairman of Meeting	-	5,000
Attendance of Directors invited to Shareholders' meeting/Board Meeting	1,400	1,400
Special Project and In House Seminars & Workshops	2,000	2,000
Meeting Allowance (except for Special Project)	1,400 per meeting	

Attendance fees are paid to non-executive Directors to recognise their contribution and time spent in attending meetings.

Disclosure of Directors' and CEO Remuneration

55. The total Directors' Remuneration from the Company in respect of FY2022 is shown under Note 27(b) in the Company's financial statements. Fees for non-executive Directors totalling RM621,891.67 in respect of FY2022 will be tabled for approval at the forthcoming Annual General Meeting of the Company. The Directors' and CEO's Remuneration for FY2022 are disclosed under Note 27(b) and Note 27(a) in the Company's financial statements.

Remuneration Policy in respect of Senior Officers ("SOs") and Other Material Risk Takers ("OMRT") of the Company

56. The objective of the Company's remuneration policy is to attract, motivate, reward and retain quality personnel. The remuneration policy is approved by the Board and is subject to annual review taking into account changes in the remuneration practices and/or regulator's requirements from time to time.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Remuneration Policy in respect of Senior Officers ("SOs") and Other Material Risk Takers ("OMRT") of the Company (Continued)

57. The remuneration of the CEO and the respective SOs of the Company are reviewed annually by the Board Nominations and Remuneration Committee, based on the overall remuneration framework approved by the Board. SOs comprises the Senior Management Team and such other executives as the Board of Directors and/or regulator should determine. Currently, there are ten identified SOs.

58. Staff engaged in all control functions including Compliance, Risk, Actuarial, Shariah and others do not carry business profit targets in their goal sheets and hence are compensated independent of the business profit achievements. Their compensation is dependent on the achievement of key results in their respective domain.

59. Besides the SOs, the Company has identified another key segment of officers, i.e. OMRT. OMRT is defined to include an officer who can materially commit or control significant amounts of the Company’s resources or whose actions are likely to have a significant impact on the Company’s risk profile. There are two identified OMRTs who are subject to risk control Key Performance Indicators and risk adjusted variable compensation commencing from FY2017.

60. In such annual remuneration reviews, the Board Nominations and Remuneration Committee takes into consideration factors such as market competitiveness and market benchmark, and that the remuneration packages commensurate with individual performance and contribution. The Board Nominations and Remuneration Committee also takes into account the time horizon of risks, such as ensuring that variable compensation payments shall not be fully paid over short periods when risks are realised over long periods.

61. As part of the Company’s continuous efforts to create sustainable value for stakeholders through broad-based growth across its core markets, delivering sustained earning, driving core competencies of disciplined risk management, prudent investment and continued upgrading of technology and people, and ensuring sustainable business practices, the performance measures set for each business units embeds these objectives, which match their functions and are consistent with the Company’s risk appetite. In determining the remuneration of SOs and OMRTs, risk and control indicators as well as audit findings and compliance issues are taken into account when assessing their overall performance, in addition to their achievement in business and operations performance. SOs and OMRTs are remunerated based on the achievements of their own performance measures, and the demonstration of core values and competencies, while taking into account market compensation data for their respective job roles.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Remuneration Policy in respect of Senior Officers ("SOs") and Other Material Risk Takers ("OMRT") of the Company (Continued)

62. To ensure that its remuneration packages are competitive, the Company regularly reviews salary levels and benefits packages based on market data provided by recognised consultants who conduct surveys on comparative groups in the financial sector. The determination of the Company’s variable compensation pool is fully discretionary and the factors taken into consideration include financial and non-financial metrics such as the Company’s performance, audit ratings, risk indicators and compliance issues, market condition and competitive market practices.

63. The total compensation packages for SOs and OMRTs comprise basic salary, various performance bonus, allowances and benefits. The variable components have been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company, and approved by the Board Nominations and Remuneration Committee and the Board. SOs are subject to an additional performance measurement approach by embedding corporate governance indicator for more prudent risk taking.

64. The annual budget for salary increment, performance-related variable compensation, reviewed and endorsed by the Board Nominations and Remuneration Committee, is submitted to the Board for approval.

65. As a consequence of the financial crisis in recent years, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. While the Company has adopted compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it also continues to review its compensation practices on an ongoing basis to further ensure that decisions made are conducive to sustain business performance. In its deliberations, the Board Nominations and Remuneration Committee also takes into account the remuneration principles, practices and standards issued by the regulator from time to time.

66. SOs and OMRT, through annual self-declaration, commit not to undertake activities (such as personal hedging strategies and liability-related insurance) that will undermine the risk alignment effects embedded in their remuneration.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Remuneration Policy in respect of Senior Officers ("SOs") and Other Material Risk Takers ("OMRT") of the Company (Continued)

67. In collaboration with the Board Nominations and Remuneration Committee, the Company has designed and developed its Performance Assessment and Remuneration Framework, which takes into consideration the prevailing regulatory requirements, and with the input from the SOs. The Performance Assessment and Remuneration Framework is independently reviewed by the Board Audit Committee and Board Risk Management Committee. The Board Risk Management Committee may with the assistance of the Risk Management Department assess how the Performance Assessment and Remuneration Framework affects the Company's risk profile.

68. The Company's variable compensation varies in line with its financial performance and the meeting of corporate governance requirements.

69. All grants and awards are subject to cancellation and clawback if it is determined that they were made on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Company's risk profile/rating. Details of the remuneration granted to the eligible executives are disclosed in the table below:

Total value of remuneration awards for the financial year	**Unrestricted**	
	No. of pax	**RM**
Fixed remuneration		
Cash-based	12	5,878,490
Other*	12	172,517
Variable remuneration		
Cash-based	12	1,683,360
Other*	7	10,499

* Include SOs

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

ACCESS TO INFORMATION

70. The Board members are provided with relevant and timely information by Management on matters to be discussed or considered at meetings of the Board and Board Committees. For matters requiring approval, information furnished by Management usually includes background explanatory information, relevant facts and/or analysis to support the proposal, implications or merits of the case, risk analysis and mitigating strategies, the budget (if applicable) and Management's recommendation. The Senior Officers who can provide additional information and insight or provide clarifications to queries raised are usually present at the meeting during discussion on such matters. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board or Board Committees, where relevant. All Board Members have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities.

71. Directors have separate and independent access to the Company Secretary and to Senior Officers of the Company at all times.

72. The Company Secretary attends all Board meetings and prepares minutes of Board proceedings. The Company Secretary assists the Chairman to ensure that appropriate Board procedures are followed and that applicable regulations are complied with. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and Board Committees and between Senior Officers and Directors. The Company Secretary also facilitates the orientation of new Directors and professional development of Directors as required. The appointment and removal of Company Secretary is considered to be a matter for the Board as a whole.

73. The Directors may take independent professional advice as and when necessary to enable them to discharge their duties effectively. Similarly, the Board and each Board Committee may obtain the professional advice, whenever necessary and appropriate, so as to effectively discharge their roles and responsibilities.

BOARD AUDIT COMMITTEE

74. Under the CG PD, the Board Audit Committee is required to comprise at least three Non-Executive Directors, with majority of them being Independent Directors. The Board Audit Committee must be chaired by an Independent Director who is not the Chairman of the Company.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD AUDIT COMMITTEE (CONTINUED)

75. The Board Audit Committee comprises the following Directors:

- YBhg. Dato' Albert Yeoh Beow Tit, Chairman
- Mr Norman Ka Cheung Ip, Member
- YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd), Member

All the Members (including the Chairman) are Independent Directors except for YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd), who is a Non-Independent Non-Executive Director.

The Board Audit Committee has explicit authority to investigate any matters within its terms of reference and has the full co-operation of and access to Management. The Board Audit Committee has full discretion to invite any Director or Senior Officer to attend its meetings. It has resources to enable it to discharge its functions properly.

76. The functions performed by the Board Audit Committee and details of the Board Audit Committee’s activities during FY2022 included the following:

(a) Reviewed with the Internal Auditors:-

(i) their audit plan, their evaluation of the system of internal controls, and their audit reports;

(ii) the scope and results of the internal audits; and

(iii) the assistance given by the Officers of the Company to the internal auditors.

(b) Reviewed with the External Auditors:-

(i) their audit plan prior to the commencement of the annual audit;

(ii) the interim financial statements and the audited financial statements of the Company for the financial year and the auditors’ report thereon for submission to the Board for consideration and approval thereafter;

(iii) the scope and results of the audit procedures and cost effectiveness and their independence and objectivity taking into consideration factors including the nature and extent of the non-audit services provided by them (if any);

(iv) the implications and impact of new or proposed changes in financial reporting standards, accounting policies or regulatory requirements on the financial statements together with the Senior Officers;

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD AUDIT COMMITTEE (CONTINUED)

76. The functions performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2022 included the following: (Continued)

    (b) Reviewed with the External Auditors (Continued):-

    (v) any significant financial reporting issues, to ensure the integrity of the financial statements of the Company; and

    (vi) the assistance given by the Officers of the Company, including the internal auditors to the external auditors.

    (c) Reviewed the adequacy, independence and effectiveness of the outsourced internal audit function.

    (d) Maintained an appropriate relationship with both the internal and external auditors.

    (e) Recommended the re-appointment of the external auditors to the Board.

    (f) Recommended the remuneration and terms of engagement of the external auditors to the Board.

    (g) Reviewed and updated the Board on all related-party transactions.

    (h) Monitored compliance with the Directors' Conflict of Interest Guide.

77. The Board Audit Committee, in performing its functions, meets at least once annually with the internal and external auditors in separate sessions without the presence of Management, to consider any other matters which may be raised privately.

    The Board Audit Committee held a total of four meetings in 2022. By invitation, the Board Audit Committee meetings were also attended by the internal and external auditors, Executive Director, Group Chief Financial Officer, Group Chief Internal Auditor and relevant Senior Officers.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD AUDIT COMMITTEE (CONTINUED)

WHISTLEBLOWING POLICY

78. The Company has a whistleblowing policy in place whereby employees of the Company and external parties may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. The whistleblowing policy and procedures for raising such concerns are clearly communicated to employees. All whistleblowing incidents are reported to the Board Audit Committee. Concerns expressed anonymously are considered and investigated on the basis of their merits. The Board Audit Committee ensures that arrangements are in place for the independent investigation of such matters and appropriate follow-up actions. If fraud is determined, appropriate remedial actions are taken and the Board Audit Committee is updated regularly on their status. The whistleblower has protection against reprisals provided he has acted in good faith.

79. The Board Audit Committee Chairman is responsible for the effective implementation of the whistleblowing policy, which includes evaluating periodic reports that monitor and assess how concerns are escalated and dealt with, and overseeing the periodic review of the effectiveness of the policy.

INTERNAL AUDIT

80. The Company utilises the services of the Internal Audit Department (“Internal Audit”) of GELM via an outsourcing arrangement. Internal Audit assists the Board Audit Committee in discharging its duties and responsibilities. It serves to provide the Board and Senior Management with independent and objective assessments of the adequacy and effectiveness of the governance, risk management and internal control processes as designed and implemented by Senior Management. The Internal Audit Charter is approved by the Board.

81. Internal Audit, which is independent of the activities it audits, is staffed by executives with the relevant qualifications and experience, and the Board Audit Committee ensures that the Internal Audit is adequately resourced. The Chief Internal Auditor reports to the Chairman of the Board Audit Committee and administratively to GELM Chief Executive Officer.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

INTERNAL AUDIT (CONTINUED)

82. The work undertaken by Internal Audit involves the assessment of the adequacy and effectiveness of the Company's risk management and internal control environment, including ascertaining if the internal controls are sufficient in ensuring that significant financial, managerial and operating information is accurate, reliable and timely, operations and programs are effective and efficient, and assets are safeguarded. Internal Audit has unrestricted access to the Board, Board Audit Committee, and all functions, records, property and personnel of the Company. Internal Audit meets the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

BOARD RISK MANAGEMENT COMMITTEE

83. Under the CG PD, the Board Risk Management Committee is required to comprise at least three Non-Executive Directors, with a majority of them being Independent Directors. The Board Risk Management Committee must be chaired by an Independent Director, who is not the Chairman of the Company.

84. The Board Risk Management Committee comprises the following Directors:

- YBhg. Datin Zaharah binti Ali, Chairman
- Mr Norman Ka Cheung Ip, Member (Appointed as Member of the Board Risk Committee w.e.f. 1 April 2022)
- YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd), Member
- En Mohamed Rashdi bin Mohamed Ghazalli, Member (Resigned w.e.f. 31 March 2022)

85. The Committee is responsible for overseeing all risk management and compliance matters (strategic, market, credit, liquidity, takaful, operational, technology, cyber security, information/data loss, regulatory, compliance, sustainability and Shariah risks; and any other category of risks, as well as the state of risk culture maturity and technology-related matters) as delegated by the Board or as deemed necessary by the Committee. It reviews the overall risk management philosophy (i.e. risk profile, risk tolerance level, and risk and capital management strategy), in line with the overall corporate strategy and risk appetite as set and approved by the Board. The Board Risk Management Committee also assists the Board in monitoring the effectiveness and adequacy of the risk management process and systems set up by the Company. It oversees the cultivation of a strong risk culture that promotes risk awareness and sound risk taking.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)

86. The Board Risk Management Committee performs its functions pursuant to its Board-approved written terms of reference. The terms of reference include the review and endorsement or the review and approval of (where applicable) frameworks, policies and charters; strategies for effective risk management, investment management and asset-liability management as well as the review of major risk management initiatives, significant investment and certain financial transactions that exceed the authorisation limits of the Management Committees. Material investment-related activities and transactions are reviewed by the Board Risk Management Committee and recommended to the Board for information or approval, as applicable.

87. In discharging its duties and responsibilities, the Company engages the services of the Risk Management and Compliance Departments of GELM which are adequately resourced with experienced and qualified employees who are sufficiently independent to perform their duties objectively. They regularly engage Senior Officers to develop enterprise-wide risk controls and risk mitigation procedures. The Board Risk Management Committee reviews the performance of the outsourced services and its servicing fees annually.

88. The Board Risk Management Committee meets with the Division Head, Risk Management and the Division Head of Compliance of GELM at least once a year without the presence of Management to discuss matters which may be raised privately.

89. The Company's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 33 of the Audited Financial Statements.

90. The Board Risk Management Committee held a total of five meetings in 2022.

GOVERNANCE COMMITTEE (In compliance with Paragraph 6.2 of the Governance Committee's Terms of Reference)

91. The Governance Committee shall comprises of at least three members, who are an Independent Director, the Chairman of Shariah Committee and the Appointed Actuary and be chaired by an Independent Director. Any increase of membership in Governance Committee should preferably be filled by Independent Non-Executive Director. The Governance Committee was formed following the Guiding Principles on Governance for Islamic Insurance (Takaful) Operations (IFSB-8) issued by the Islamic Financial Services Board ("IFSB"), an international standard-setting body of regulatory and supervisory agencies based in Kuala Lumpur, Malaysia.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

GOVERNANCE COMMITTEE (In compliance with Paragraph 6.2 of the Governance Committee's Terms of Reference) (Continued)

92. For FY2022, the Governance Committee comprised the following:

- YBhg.Dato' Albert Yeoh Beow Tit, Chairman
- YBhg. Datin Zaharah binti Ali, Member
- Dr. Akhtarzaite binti Abdul Aziz, Member (Resigned as Member w.e.f. 12 December 2022 due to retirement as Chairman of Shariah Committee in accordance with the Shariah Governance Policy Document's tenure policy).
- Dr. Mohammad Firdaus bin Mohammad Hatta (Appointed as Member of the Governance Committee w.e.f. 13 December 2022 due to his appointment as Chairman of Shariah Committee)
- En. Mohd Khalid bin Khairullah, Member/Appointed Actuary

93. On 10 November 2021, the Board resolved that the position of the Chairman of the Shariah Committee will be a permanent member of the Governance Committee. Dr. Mohammad Firdaus bin Mohammad Hatta is currently the Chairman of the Shariah Committee and was appointed as a Governance Committee member, in replacement of Dr. Akhtarzaite binti Abdul Aziz.

94. The primary objective of the Governance Committee is to discover, support and maintain the balance in addressing the interests of the Company’s stakeholders such as its shareholders, management and the government, whilst giving special attention to the interests of its Takaful participants.

95. The Governance Committee carries out the functions set out in its Board-approved written terms of reference. The duties and responsibilities of the Governance Committee are, amongst others, to develop and recommend to the Board a set of effective corporate governance policies and procedures applicable to the Takaful undertaking, including the formulation of appropriate business conduct and code of ethics for the Company’s employees and agents. The Governance Committee is also responsible to monitor the financial management of the Takaful undertaking, particularly in reserving and distribution of underwriting surplus and/or investment profit. In addition, the Governance Committee will regularly carry out a full analysis in order to detect and mitigate any conflict of interest in the course of operating and management of the Takaful funds, especially on the costs and expenses chargeable to the Takaful funds and to consider the best solutions to address the Company’s stakeholder’s interests by focusing on the Takaful participants’ interests and concerns in the management of the Takaful fund.

96. The Governance Committee deliberated on the following matters including but not limited to: surplus and investment income distribution, governance related matters, treating customer fairly, public communications to stakeholders and complaint handling.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

INTERNAL CONTROL FRAMEWORKS

Risk Management

97. The Board is responsible for the governance of risk. It sets the tone for the Company’s risks culture and monitors, through the Board Risk Management Committee, the effectiveness and adequacy of the risk management processes and systems of the Company. The Board approves the Company’s risk appetite and has oversight of the risk activities to ensure that the Company’s strategic intent, operating environment, internal control mechanisms and capital sufficiency are consistent with the Company’s risk appetite and regulatory standards. Further details of the Enterprise Risk Management Framework implemented by the Company are set out in Note 33 of the Notes to the Financial Statements.

98. The Board emphasises the importance of institutionalising a strong risk culture within the Company. As a subset of the broader organisational culture, a strong risk culture supports appropriate risk awareness, bolsters effective risk management and promotes sound risk taking to ensure the Company’s risk profile remains within its risk appetite. The Board also approves the risk culture principles and, along with it, the set of desired risk culture behaviours to support the target risk culture throughout the Company.

99. Annually, an Own Risk and Solvency Assessment report is submitted to apprise the Board Risk Management Committee and the Board of the Company’s risk profile, the manner in which the Company determines its solvency and the various measures put in place to ensure that the solvency requirements are met at all times.

Internal Controls

100. The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and is equipped with effective and efficient operations and risk management, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard the assets of the Company and the stakeholders' interest.

101. The system of internal controls provide reasonable but not absolute assurance that the Company would not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, it is noted that no system of internal controls can provide absolute assurance against material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

102. The internal control framework comprises among others, the infrastructure in the form of risk oversight committees at the Board and Management level; frameworks, policies and procedures; risk and compliance self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their system of internal controls and their level of compliance with applicable rules and regulations; and a monitoring and reporting process.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

INTERNAL CONTROL FRAMEWORKS (CONTINUED)

Infrastructure

103. While the Board is ultimately responsible for the management of risks within the Company, there are risk oversight committees that facilitate in depth review of the risks associated with specific aspects of the business such as the Board Risk Management Committee, Board Audit Committee, Senior Management Team, the Asset Liability Committee, the Information Technology Steering Committee, the Product Development Committee and the Financial Crime Committee. The duties and scope of work of these committees are documented in their respective terms of reference.

104. The authority delegated by the Board to the Board Committees and the CEO are formalised in the Company's Authority Grid. Other documents that guide on the delegation of the CEO's authority include underwriting limits, claim limits and investment limits.

105. The segregation of duties is paramount in ensuring that members of staff are not assigned with potential conflicting responsibilities, that relate to matters such as approvals, disbursements and administration of certificates, execution and recording of investment, operational and internal audit/compliance functions, underwriting and credit control.

Frameworks, Policies and Procedures

106. The Company has established risk management frameworks and policies that set forth the means by which the Company shall evaluate and manage the risks inherent in the business. The frameworks outline the common risk management process across all risk types within the Company.

107. A number of policies and procedures have also been put in place to guide and facilitate consistency in application across the Board. These cover key risk areas such as:

- Investments
- Family takaful operations
- Technology, information and cyber
- Data governance
- Fraud and market conduct
- Anti-money laundering and countering the financing of terrorism
- Capital management, capital contingency and stress testing
- Related party and interested party transactions
- Shariah compliance standards
- Third party service providers
- Retakaful management strategy
- Business continuity management
- Anti-Bribery and Corruption
- Climate

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

INTERNAL CONTROL FRAMEWORKS (CONTINUED)

Frameworks, Policies and Procedures (Continued)

108. Frameworks, policies and procedures are reviewed each year to ensure continued relevance and to capture the latest regulatory and Group requirements. They are then approved by the Board or relevant Board or Management Committees.

Shariah Internal Controls

109. Shariah internal controls play a vital role in ensuring that the activities and operations of the Company are in compliance with Shariah regulations and resolutions. It also will contribute to the public confidence in the Company as an Islamic Financial Institution. The Company has established robust Shariah governance functions with distinct roles in order to assess and evaluate the Company activities and operations to be consistent with Shariah and regulatory requirements.

(i) Shariah Review

Shariah review is conducted regularly by the Company to assess the level of Shariah compliance on the Company's activities and operations. The annual Shariah review plans are reviewed and approved by the Shariah Committee for implementation by the review officer.

The findings and reports are deliberated in the Shariah Committee meetings to confirm that the Company is operating within the applicable Shariah regulations and resolutions.

(ii) Shariah Audit

The Company engages the services of GELM Internal Audit Department to conduct periodic Shariah audits and provide independent and objective assessments to help improve the quality and effectiveness of governance, risk management and internal controls on Shariah compliance. The annual audit plan is endorsed by the Shariah Committee and Shariah-related findings are circulated to the Shariah Committee. The Internal Audit regularly updates the Shariah Committee on the status of implementation of the Shariah-related action plans for more effective monitoring.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

INTERNAL CONTROL FRAMEWORKS (CONTINUED)

Shariah Internal Controls (Continued)

(iii) Shariah Risk Management

The Company has established a Shariah Risk Management Policy to set forth the means by which the Company shall manage Shariah risks. The policy which was endorsed and approved by the Shariah Committee and Board respectively, outlines the roles and responsibilities of the Board, Senior Management and individual functions in relation to Shariah risk management and provides a framework for monitoring, reviewing, reporting and improving Shariah risk management standards throughout the Company on an ongoing basis. The Company's Shariah risk management is supported by a self-assessment process that uses the Risk and Control Self-assessment as a tool to document the risks and the controls identified to mitigate the Shariah non-compliance risks in each business unit. With respect to Shariah compliance risk management, the Compliance Requirements Self-Assessment is in place to facilitate assessment on the Company's level of compliance with the relevant Shariah regulations and resolutions.

Self-assessment Process

110. A mature self-assessment process that is supported by the use of the Risk and Control Self-Assessment and Compliance Requirements Self-Assessment tools is entrenched in the Company. The results of the assessment are reviewed by the Senior Officers who in turn would provide an annual assurance to the CEO on the adequacy and effectiveness of the Company's operational risk management and internal control systems, and compliance with the relevant statutory and regulatory requirements.This self-assessment process is further supplemented by an annual assurance report on risk management and internal controls.

111. Annually an Own Risk and Solvency Assessment report is submitted to apprise the Board Risk Management Committee and Board of the Company's risk profile, the manner in which the Company determines its solvency and the various measures put in place to ensure that the solvency requirements are met at all times.

Monitoring and Reporting

112. An Enterprise Risk Dashboard that features the Company's risk profile from various perspectives (namely strategic, financial, operational, technology, market conduct compliance, climate and Shariah) is submitted to the Board, Board Risk Management Committee and Senior Management Team for notation.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

INTERNAL CONTROL FRAMEWORKS (CONTINUED)

Monitoring and Reporting (Continued)

113. Regulatory breaches, risk concerns and operational incidents are reported in the Enterprise Risk Dashboard while investment breaches are reported via the limits report and compliance assurance reports. The respective business units are required to provide the corrective and preventive measures once a regulatory breach or operational incident is discovered. The Company has a process to collate statistics for several Key Risk Indicators for reporting internally as well as to BNM on a regular basis.

114. Stress test scenarios and the corresponding stress factors are developed and reviewed by the Board anually and thereafter, the stress scenarios and factors are used to stress the financial positions.

RELATED PARTY TRANSACTION

115. The Company has implemented policies and procedures on related party transactions covering the definitions of relatedness, limits applied, terms of transactions and the authorities and procedures for approving and monitoring whenever necessary, and writing off such transactions. All related party transactions are conducted on reasonable commercial terms and in the ordinary course of business. The terms and conditions of such transactions are carried out on an arm’s length basis. Directors with conflict of interest are excluded from the approval process of granting and managing related party transactions. Material and/or special related party transactions and the write-off of material and/or special related party transactions are reported to the Board Audit Committee for review and to the Board for approval.

116. Details of the Company’s related party transactions during FY2022 are set out in Note 30 of the Notes to the Financial Statements.

ETHICAL STANDARDS

117. The Directors and Management are committed to promoting and maintaining values which emphasise integrity, honesty and proper conduct at all times in the business operations and dealings of the Company. The Company has adopted a Code of Conduct that sets out the guiding principles and minimum standards expected of its employees such as the highest standards of conduct and professional integrity. The Code of Conduct also provides guidance on areas such as responsible stewardship of the Company’s resources, the Company’s position against fraudulent conduct, conflicts of interests and the appropriate disclosures to be made, and maintaining confidentiality of information. The Code of Conduct is available on the Company’s staff intranet.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report) (CONTINUED)

ETHICAL STANDARDS (CONTINUED)

118. The Company has a suite of policies in place for proper governance and management that staff have to comply with. All policies are prepared in accordance with the Company's risk management and internal control systems and processes, including Management self-assessment and independent audits.

119. The Company treats feedback and complaints from its customers seriously, and has instituted channels whereby customers may provide feedback or complaints. The Company aims to resolve feedback and complaints professionally and fairly in accordance with the service standards indicated on its website.

BOARD OF DIRECTORS' PROFILE

Mr Norman Ka Cheung Ip, Chairman

Mr Norman Ka Cheung Ip was appointed to the Company's Board on 8 August 2014 as an Independent Director. He is also the Chairman of Great Eastern Life Assurance (Malaysia) Berhad and Great Eastern General Insurance (Malaysia) Berhad.

Mr Norman Ka Cheung Ip is a Member of Securities Industry Council, and QAF Limited.

Mr Norman Ka Cheung Ip was previously the Group Managing Director of United Engineers Limited, Chairman of Malaysia Smelting Corporation Berhad, UE E&C Ltd, WBL Corporation Limited, Deputy Chairman of Singapore Building and Construction Authority as well as a Director of Australia Oriental Minerals NL, a company listed on the Australian Securities Exchange. He is a Chartered Accountant by training and has over 33 years of experience in finance and investments, real estate and managing companies. From 2000 to 2009, he was President and Group Chief Executive Officer of The Straits Trading Company Limited ("STC"), the main activities of which are in real estate, mining and hospitality. Prior to joining STC in 1983, he was with Ernst & Whinney (now known as Ernst & Young LLP).

YBhg. Datin Zaharah binti Ali

YBhg. Datin Zaharah binti Ali was appointed to the Company's Board as Non-Independent Non-Executive Director on 29 April 2016. Subsequently, she was redesignated as an Independent Director on 29 April 2018.

YBhg. Datin Zaharah has over 30 years of experience in the public sector and has served at various ministries and departments in the IT Division. Her last position was as the Secretary of Information Management Division in the Ministry of Defence before her retirement in November 2015. She had previously served on the Board of Koperasi Angkatan Tentera Malaysia Berhad from June 2013 to May 2016.

BOARD OF DIRECTORS' PROFILE (CONTINUED)

YBhg. Major General Dato’ Zulkiflee bin Mazlan (Rtd)

YBhg. Major General Dato' Zulkiflee bin Mazlan was appointed to the Company's Board as a Non-Independent Non-Executive Director on 29 April 2016.

YBhg. Major General Dato' Zulkiflee had served distinguishably in the Malaysian Army Forces and held numerous commands and staff appointments at the Ministry of Defence. He had served on the Board of Yayasan Veteran Angkatan Tentera Malaysia and Perbadanan Hal Ehwal Bekas Tentera. He was the Chairman of Koperasi Angkatan Tentera Malaysia Berhad from June 2015 to June 2022.

YBhg. Major General Dato' Zulkiflee was previously the Chairman of Affin Hwang Investment Bank Berhad, Director of Affin Hwang Trustee Berhad and Affin Hwang Asset Management Berhad.

He presently sits on the Board of Aiiman Asset Management Sdn Bhd as Director and Chairman.

YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)

YBhg. Rear Admiral Dato' Anuwar bin Mad Said was appointed to the Company's Board on 18 May 2018 as a Non-Independent Non-Executive Director.

He joined the Royal Malaysian Navy ("RMN") in 1976 as a Cadet Officer. In his 40 years of service, he has held various appointments in RMN. Among his previous appointments was Director of Information Technology, Assistance Chief of Human Resource as well as Strategic Management.

YBhg. Rear Admiral Dato' Anuwar had served on the Board of Koperasi Angkatan Tentera Malaysia Berhad from June 2008 until July 2017. He is currently the Director Envirox Sdn Bhd.

Mr Khor Hock Seng

Mr Khor Hock Seng was appointed to the Company's Board on 1 March 2016 as a Non-Independent Non-Executive Director and was later redesignated as a Non-Independent Executive Director on 3 August 2016. He is also a Director of Great Eastern General Insurance (Malaysia) Berhad.

He has over 30 years of insurance experience and has held senior leadership positions in major multinational insurance companies.

Mr Khor presently sits on the Board of several companies within the Great Eastern Group in Singapore, Malaysia and Indonesia.

BOARD OF DIRECTORS' PROFILE (CONTINUED)

YBhg. Dato' Albert Yeoh Beow Tit

YBhg. Dato' Albert Yeoh Beow Tit was appointed to the Company's Board on 1 January 2020 as an Independent Non-Executive Director.

YBhg. Dato’ Albert Yeoh started his career in the financial industry particularly in banking sector and has held various senior management positions in Citibank Berhad, the last being the Director of Corporate Banking till February 1996. He was the Chief Executive Officer of OCBC Bank (Malaysia) Berhad, a position which he held until his retirement in 2008.

He was formerly the Director of Great Eastern Life Assurance (Malaysia) Berhad from 2002 until March 2019 and Great Eastern General Insurance (Malaysia) Berhad from January 2002 until March 2020. He was also the Director of Alliance Investment Bank Berhad from May 2016 until May 2019, and Director of Danajamin Nasional Bhd.from May 2009 to May 2018. YBhg. Dato Albert Yeoh Beow Tit also sit as Director of BOS Wealth Management Malaysia Berhad from November 2019 until May 2022.

YBhg. Dato' Albert Yeoh is currently a Director in several companies, namely Cagamas MBS Berhad and Cagamas SRP Berhad.

YBhg. Prof. Dato' Dr. Wan Sabri bin Wan Yusof

YBhg Prof. Dato’ Dr. Wan Sabri was appointed to the Company's Board on 10 June 2022 as an Independent Non-Executive Director.

He is currently the Deputy Vice Chancellor for Academic and Student Affairs, Universiti Sultan Azlan Shah ("USAS") and a Director of Yayasan Al Ammar.

Prof. Dato' Dr. Wan Sabri currently serves as a Shariah Committee member of OCBC Al-Amin. From 2010 to 2021, he was a Shariah Committee member for Great Eastern Takaful Berhad. Prior to that, he was a Shariah Committee member for Southern Bank Berhad, CIMB Islamic and Alliance Bank.

Prof. Dato’ Dr. Wan holds a Ph.D and a Master of Arts from Temple University, USA (specialising in Islamic Thought and Comparative Religion). He further holds a master’s degree in Islamic Revealed Knowledge and Heritage ("IRKH") (specialising in Tafsir) and a Bachelor of (Economic) Islamic Economics from International Islamic University Malaysia ("IIUM"). He has published numerous articles and books among others monograph on prominent Muslim scholars in this region, Issue in Islamic Thought and Tafsir (Quranic exegesis).

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GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

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

We, Dato' Albert Yeoh Beow Tit and Major General Dato' Zulkiflee bin Mazlan (Rtd), being two of the Directors of Great Eastern Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 51 to 228 are drawn up in accordance with Malaysian Financial Reporting Standard, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 March 2023.

Dato' Albert Yeoh Beow Tit

Major General Dato' Zulkiflee bin Mazlan (Rtd)

Kuala Lumpur, Malaysia

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

I, Jasveen Kaur Marne, being the Officer primarily responsible for the financial management of Great Eastern Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 51 to 228 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
Jasveen Kaur Marne
at Kuala Lumpur in the
Federal Territory on 31 March 2023

Jasveen Kaur Marne

Before me,

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
W 800
AMIR BIN ISMAIL
01.01.2023-31.12.2025
MALAYSIA

NO. 33-4, JALAN MEDAN TUANKU
50300 KUALA LUMPUR.

REPORT OF THE SHARIAH COMMITTEE

Shariah Committee

The Company is advised by a Shariah Committee, whose composition is as follows:

Dr. Akhtarzaite binti Abdul Aziz (Chairman) (resigned due to tenure limit on 12 December 2022)
Dr. Mohamad Sabri bin Zakaria (resigned due to tenure limit on 12 December 2022)
Assoc. Prof. Dr. Siti Salwani binti Razali
Dr. Mohammad Firdaus bin Mohammad Hatta (appointed as Chairman with effect from 13 December 2022)
Dr. Ahmad Basri bin Ibrahim (appointed as member with effect from 1 June 2022)
Dr. Muhammad Naim bin Omar (appointed as member with effect from 7 June 2022)
Dr. Muhammad Pisol bin Mat Isa (appointed as member with effect from 13 December 2022)
Dr. Nurul Aini binti Muhamed (appointed as member with effect from 13 December 2022)

The Shariah Committee meets, at minimum, six times a year and must attend at least 75% of the Scheduled Meetings held in each financial year. In 2022, the Shariah Committee met 10 times including Scheduled and Special Meetings. The attendance of members at the Scheduled & Special Shariah Committee meetings is as follows:

Name of Shariah Committee Members	Shariah Committee			
	No. of Meetings			
	Scheduled		Special	
	Held	Attended	Held	Attended
Dr. Akhtarzaite binti Abdul Aziz (Resigned as Chairman and Member of Shariah Committee w.e.f. 12 December 2022)	6	6	4	4
Dr. Mohamad Sabri bin Zakaria (Resigned as Member of Shariah Committee w.e.f. 12 December 2022)	6	6	4	4
Assoc. Prof. Dr. Siti Salwani binti Razali	6	6	4	4
Dr. Mohammad Firdaus bin Mohammad Hatta (Appointed as Chairman of Shariah Committee w.e.f. 13 December 2022)	6	6	4	4
Dr. Ahmad Basri bin Ibrahim (Appointed as Member of Shariah Committee w.e.f. 1 June 2022)	3	3	2	2
Dr. Muhammad Naim bin Omar (Appointed as Member of Shariah Committee w.e.f. 7 June 2022)	3	3	2	2
Dr. Muhammad Pisol bin Mat Isa (Appointed as Member of Shariah Committee w.e.f. 13 December 2022)	-	-	-	-
Dr. Nurul Aini binti Muhamed (Appointed as Member of Shariah Committee w.e.f. 13 December 2022)	-	-	-	-

Notes:
(-) There was no meeting held since the appointment of the respected Shariah Committee Member

REPORT OF THE SHARIAH COMMITTEE (CONTINUED)

STATEMENT BY THE SHARIAH COMMITTEE

In accordance with the letter of appointment and the requirements of the Shariah Governance Policy Document, we have fulfilled the responsibilities to Great Eastern Takaful Berhad which are as follows:

a) providing a decision or advice to the Islamic Financial Institution ("IFI") on the application of any rulings of the Shariah Advisory Council ("SAC") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the IFI;
b) providing a decision or advice on matters which require a reference to be made to the SAC;
c) providing a decision or advice on the operations, business, affairs and activities of the IFI which may trigger a Shariah non-compliance event;
d) deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
e) endorsing a rectification measure to address a Shariah non-compliance event.

We have reviewed the principles and contracts relating to the transactions and applications introduced by Great Eastern Takaful Berhad during the period from 1 January 2022 to 31 December 2022. We have also conducted our review to form an opinion as to whether Great Eastern Takaful Berhad has complied with Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of Great Eastern Takaful Berhad is responsible for ensuring that Great Eastern Takaful Berhad conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of Great Eastern Takaful Berhad and to report to you.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentations and procedures adopted by Great Eastern Takaful Berhad. We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Great Eastern Takaful Berhad has not violated any Shariah principles.

In our opinion, to the best of our knowledge:

1. the contracts, transactions and dealings entered into by Great Eastern Takaful Berhad, during the financial year from 1 January 2022 to 31 December 2022 that we have reviewed, are in compliance with Shariah principles except for two (2) Shariah non-compliance ("SNC") events which are as follows:

   1. Claims Overpayment for mySalam Scheme; and
   2. Delay in Renewal and/ or Conversion of One (1) Master Certificate for Corporate Takaful Business

   Several control measures have been implemented to address the above gaps. The progress of rectification plans were monitored closely by Shariah Committee.

REPORT OF THE SHARIAH COMMITTEE (CONTINUED)

STATEMENT BY THE SHARIAH COMMITTEE (CONTINUED)

2. the allocation of profit and surplus sharing and charging of losses and deficits between shareholders' fund and/or tabarru' and participant's investment funds conform to the basis that had been approved by us in accordance with Shariah principles;

3. no earnings that have been realised from sources or means prohibited by the Shariah principles during the financial year from 1 January 2022 to 31 December 2022; and

4. the calculation of zakat is in compliance with Shariah principles.

We, Dr. Mohammad Firdaus bin Mohammad Hatta and Dr. Siti Salwani Razali, being two of the Members of the Shariah Committee of Great Eastern Takaful Berhad, do hereby confirm that the operations of Great Eastern Takaful Berhad for the financial year from 1 January 2022 to 31 December 2022 were conducted in conformity with the Shariah principles.

Signed on behalf of the Shariah Committee.

Dr. Mohammad Firdaus bin Mohammad Hatta
Kuala Lumpur, Malaysia

Dr. Siti Salwani Razali

3 1 MAR 2023

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)
Registration No. 201001032332 (916257-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Great Eastern Takaful Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2022, and the Income Statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 228.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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 Report of the Shariah Committee, but does not include the financial statements of the Company and our auditors' report thereon.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GREAT EASTERN TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201001032332 (916257-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GREAT EASTERN TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201001032332 (916257-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GREAT EASTERN TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201001032332 (916257-H)

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.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

LIEW CHI MIN
03529/09/2024 J
Chartered Accountant

Kuala Lumpur
31 March 2023

201001032332 (916257-H)

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		2022			2021		
	Note	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Assets							
Motor vehicles and equipment	4	12,735	-	12,735	9,426	-	9,426
Right-of-use assets	5(a)	1,123	-	1,123	2,453	-	2,453
Intangible assets	6	8,790	-	8,790	10,114	-	10,114
Investments	7	141,540	1,080,122	1,221,662	124,762	1,036,569	1,161,331
Retakaful assets	8	-	1,243,766	1,243,766	-	728,703	728,703
Takaful receivables	9	-	2,406,825	2,406,825	-	1,435,106	1,435,106
Other receivables	10	42,603	21,911	41,436	104,727	7,843	24,359
Deferred tax assets	11	12,702	2,784	15,486	8,396	1,177	9,573
Tax recoverable		3,103	2,913	6,016	-	-	-
Cash and cash equivalents		174,534	328,826	503,360	138,140	262,539	400,679
Total assets		397,130	5,087,147	5,461,199	398,018	3,471,937	3,781,744
Equity							
Share capital	12	195,000	-	195,000	195,000	-	195,000
Accumulated losses		(46,418)	-	(46,418)	(60,209)	-	(60,209)
Other comprehensive income fair value reserves		(720)	-	(720)	(1,538)	-	(1,538)
Total equity		147,862	-	147,862	133,253	-	133,253

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

		2022			2021		
	Note	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Liabilities and participants' fund							
Participants' fund	13	-	39,109	-	-	44,459	-
Expense liabilities	14	62,081	-	62,081	53,821	-	53,821
Takaful certificate liabilities	15	-	3,215,346	3,254,455	-	2,164,715	2,209,174
Lease liabilities	5(b)	1,297	-	1,297	2,679	-	2,679
Takaful payables	16	16,088	1,643,619	1,659,707	18,181	1,077,548	1,095,729
Other payables	17	149,922	189,073	315,917	167,362	183,847	262,998
Provisions	18	9,447	-	9,447	9,705	-	9,705
Amounts due to related companies	19	10,296	-	10,296	11,449	-	11,449
Provision for zakat		137	-	137	33	-	33
Provision for taxation		-	-	-	1,535	1,368	2,903
Total liabilities and participants' fund		249,268	5,087,147	5,313,337	264,765	3,471,937	3,648,491
Total equity, liabilities and participants' fund		397,130	5,087,147	5,461,199	398,018	3,471,937	3,781,744

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

201001032332 (916257-H)

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 Shareholders' fund RM'000	2022 Family takaful fund RM'000	2022 Company RM'000	2021 Shareholders' fund RM'000	2021 Family takaful fund RM'000	2021 Company RM'000
Wakalah fee income	20	313,693	-	-	284,925	-	-
Gross earned contributions		-	2,029,908	2,029,908	-	1,307,382	1,307,382
Earned contributions ceded to retakaful operators		-	(902,004)	(902,004)	-	(624,687)	(624,687)
Net earned contributions	21	-	1,127,904	1,127,904	-	682,695	682,695
Investment income	22	7,813	40,646	48,459	5,647	34,846	40,493
Realised losses	23	(1,161)	(28,077)	(29,238)	(998)	(3,788)	(4,786)
Fair value losses	24	(1,093)	(24,806)	(25,899)	(3,017)	(21,749)	(24,766)
Fee and commission income	25	-	2,574	1,660	-	3,672	2,601
Other operating revenue/(outgo)		1	427	428	(10,183)	581	(9,602)
Other revenue		5,560	(9,236)	(4,590)	(8,551)	13,562	3,940
Gross benefits and claims paid	15	-	(516,366)	(516,366)	-	(329,570)	(329,570)
Claims ceded to retakaful operators	15	-	280,854	280,854	-	188,344	188,344
Gross change in certificate liabilities	15	-	(1,018,647)	(1,057,971)	-	(116,812)	(158,120)
Change in certificate liabilities ceded to retakaful operators	15	-	515,063	515,063	-	(72,637)	(72,637)
Net benefits and claims		-	(739,096)	(778,420)	-	(330,675)	(371,983)
Change in expense liabilities	14	(8,260)	-	(8,260)	(7,069)	-	(7,069)
Wakalah fee expense	26	-	(313,693)	-	-	(284,925)	-
Commission expenses/administration fees		(174,436)	(38)	(173,560)	(155,937)	(625)	(155,491)
Management expenses	27	(154,481)	(160)	(154,641)	(131,303)	1,095	(130,208)
Operating expenses		-	3,162	3,162	-	232	232
Impairment gain/(loss) on FVOCI financial assets		-	1,055	1,055	6	(545)	(539)
Taxation of family takaful business	28(a)	-	5,440	5,440	-	(1,385)	(1,385)
Other expenses		(337,177)	(304,234)	(326,804)	(294,303)	(286,153)	(294,460)

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

		2022			2021		
	Note	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Operating (loss)/profit before surplus transfers		(17,924)	75,338	18,090	(17,929)	79,429	20,192
Surplus attributable to participants		-	(39,324)	-	-	(41,308)	-
Surplus attributable to shareholders		36,014	(36,014)	-	38,121	(38,121)	-
Profit before zakat and taxation		18,090	-	18,090	20,192	-	20,192
Zakat		(100)	-	(100)	-	-	-
Taxation	28(b)	(3,379)	-	(3,379)	(1,726)	-	(1,726)
Net profit for the year		14,611	-	14,611	18,466	-	18,466
Profit per share (sen)							
Basic and diluted	29	-	-	8.3	-	-	10.6

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 Shareholders' fund RM'000	2022 Family takaful fund RM'000	2022 Company RM'000	2021 Shareholders' fund RM'000	2021 Family takaful fund RM'000	2021 Company RM'000
Net profit for the year		14,611	-	14,611	18,466	-	18,466
Other comprehensive (loss)/income:							
Other comprehensive (loss)/income that will not be reclassified to income statement in subsequent periods (net of tax):							
Equity instruments designated at Fair Value through Other Comprehensive Income ("FVOCI"):							
Net (loss)/gain on fair value changes		(3)	4,032	4,029	(656)	943	287
Tax on realised gain/(loss)		259	(252)	7	(38)	246	208
Deferred tax relating to components of other comprehensive (loss)/income	11	(258)	(361)	(619)	195	(76)	119
		(2)	3,419	3,417	(499)	1,113	614
Other comprehensive (loss)/income that will be reclassified to income statement in subsequent periods (net of tax):							
Islamic debt instruments at FVOCI:							
Net loss on fair value changes		-	(4,977)	(4,977)	(15)	(16,256)	(16,271)
Net realised gain transferred to income statement	23	-	(17)	(17)	(35)	(766)	(801)
Changes in allowance for Expected Credit Loss ("ECL")	33(f)	-	(1,055)	(1,055)	(6)	545	539
Deferred tax relating to components of other comprehensive income	11	-	41	41	-	1,529	1,529
Other comprehensive income attributable to participants	13	-	2,589	2,589	-	13,835	13,835
Other comprehensive loss for the year, net of tax		-	(3,419)	(3,419)	(56)	(1,113)	(1,169)
Total comprehensive income for the year		14,609	-	14,609	17,911	-	17,911

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to Equity Holders of the Company			
	Share capital RM'000 (Note 12)	**Non-distributable Fair value reserves RM'000**	**Accumulated losses RM'000**	**Total RM'000**
At 1 January 2021	195,000	(863)	(78,795)	115,342
Net profit for the year	-	-	18,466	18,466
Other comprehensive loss	-	(555)	-	(555)
Total comprehensive (loss)/income	-	(555)	18,466	17,911
Transfer of fair value reserve of equity instruments designated at FVOCI	-	(120)	120	-
At 31 December 2021	195,000	(1,538)	(60,209)	133,253
At 1 January 2022	195,000	(1,538)	(60,209)	133,253
Net profit for the year	-	-	14,611	14,611
Other comprehensive loss	-	(2)	-	(2)
Total comprehensive (loss)/income	-	(2)	14,611	14,609
Transfer of fair value reserve of equity instruments designated at FVOCI	-	820	(820)	-
At 31 December 2022	195,000	(720)	(46,418)	147,862

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

GREAT EASTERN TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
OPERATING ACTIVITIES			
Profit before zakat and taxation		18,090	20,192
Adjustments for:			
Depreciation for motor vehicles and equipment	4, 27	1,768	1,711
Depreciation for right-of-use assets	5(a), 27	1,330	1,334
Amortisation of intangible assets	6, 27	5,151	5,987
Investment income	22	(48,459)	(40,493)
Realised losses	23	29,238	4,786
Fair value losses in income statement	24	25,899	24,766
Impairment (gain)/loss on FVOCI financial assets		(1,055)	539
Profit expense on lease liabilities	5(b), 27	131	192
Taxation of family takaful business	28(a)	(5,440)	1,385
Operating gain before working capital changes		26,653	20,399
Purchase of FVOCI investments		(278,028)	(344,441)
Proceeds from sales of FVOCI investments		306,598	380,233
Purchase of FVTPL investments		(727,703)	(807,824)
Proceeds from sales of FVTPL investments		583,420	629,418
Increase in takaful and other receivables		(977,744)	(528,594)
(Increase)/Decrease in retakaful assets		(515,063)	72,637
Increase in lease liabilities		-	982
Increase in takaful and other payables		615,781	517,399
Increase in takaful certificate liabilities		1,047,869	150,980
Net change in balance with related companies		(1,153)	(3,039)
Cash generated from operating activities		80,630	88,150
Income tax paid		(13,343)	(15,988)
Zakat paid		(25)	(22)
Investment income received		45,835	40,439
Net cash generated from operating activities		113,097	112,579
INVESTING ACTIVITIES			
Purchase of motor vehicles and equipment	4	(5,077)	(2,200)
Increase of right-of-use assets	5	-	(982)
Purchase of intangible assets	6	(3,827)	(4,318)
Net cash used in investing activities		(8,904)	(7,500)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
FINANCING ACTIVITIES			
Repayment of lease liabilities	5(b)	(1,513)	(1,520)
Net cash used in financing activities		(1,513)	(1,520)
Net increase in cash and cash equivalents		102,680	103,560
Cash and cash equivalents at beginning of financial year		400,680	297,120
Cash and cash equivalents at end of financial year		503,360	400,680
Cash and cash equivalents comprise:			
Cash and bank balances		160,060	174,180
Short term Islamic investment accounts with original maturity period of less than 3 months		343,300	226,500
		503,360	400,680

Reconciliation of liabilities arising from financing activities:

	Balances as at beginning of the financial year RM'000	Net cash flow from operating activities RM'000	Net cash flow from financing activities RM'000	Additions to lease liability RM'000	Finance cost of leases RM'000	Balances as at year end of the financial year RM'000
2022						
Lease liabilities	2,679	131	(1,513)	-	-	1,297
2021						
Lease liabilities	3,025	192	(1,520)	982	-	2,679

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 20, Menara Great Eastern, 303 Jalan Ampang, 50450 Kuala Lumpur.

The Company is principally engaged in managing family takaful business including takaful investment-linked business. There has been no significant change in the principal activity during the financial year.

The immediate holding company is I Great Capital Holdings Sdn. Bhd., a company incorporated in Malaysia. The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public-listed company incorporated in the Republic of Singapore.

The financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 March 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and the requirements of the Companies Act 2016 in Malaysia.

At the beginning of the current financial year, the Company had adopted the amended MFRSs and new MFRSs applicable for annual financial periods beginning on or after 1 January 2022, as described fully in Note 2.3.

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of significant accounting policies. The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

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

Takaful operations and its funds

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

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

Under the concept of takaful, individuals make contributions to a pool which is managed by a takaful operator with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a takaful operator, the Company is not a participant of the family takaful fund but manages the fund in line with the principles of Wakalah bi al-Ujrah (agency with fees) which is the business model adopted by the Company. The takaful operator manages both the shareholders' fund and the family takaful fund (including the relevant assets and liabilities) towards the purpose outlined above.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

In accordance with the Islamic Financial Services Act 2013, the assets and liabilities of the family takaful fund is segregated from those of the takaful operator: a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statements* , the assets, liabilities, income and expenses of the family takaful fund are consolidated with those of the takaful operator to represent the control of the operator over the fund. The balances and transactions of the family takaful fund include those of the mySalam family takaful fund and the balances and transactions of the Company/shareholders' fund include those of the mySalam shareholders' fund.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Motor vehicles and equipment and depreciation

Motor vehicles and equipment are stated at cost less accumulated depreciation and impairment losses. The initial cost of motor vehicle and equipment comprises its purchase price, including non-refundable taxes and any costs to enhance the working condition of the asset for its intended use.

Expenditure incurred after the motor vehicle and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which the costs are incurred. Where the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of motor vehicle and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of motor vehicles and equipment.

Depreciation of motor vehicle and equipment is calculated on a straight-line basis to write off the cost of each amount to its residual value over its estimated useful family. Work-in-progress is not depreciated until such time that it is available for active use. The annual depreciation rates are:

Motor vehicles	20%
Computer equipment	20 - 33%
Furniture and fittings	10 - 20%
Office equipment	10%

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Motor vehicles and equipment and depreciation (Continued)

The carrying values of motor vehicle and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual values, useful family and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of motor vehicle and equipment.

An item of motor vehicle and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the income statement.

(b) Intangible assets and amortisation

Intangible assets acquired separately are measured, on initial recognition, at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic family and 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 family are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite family is reviewed annually to determine whether the indefinite family continues to be supportable. If not, the change in useful family from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Intangible assets and amortisation (Continued)

Intangible assets of the Company comprise of the following:

(i) A portal (“Distribution Platform”) developed to sell or distribute the Company’s products digitally. This Distribution Platform is recognised at cost on initial recognition. Following initial recognition, this Distribution Platform is amortised on a straight-line basis over its estimated useful life.

(ii) Software intangible assets are capitalised on a basis of the costs incurred to acquire and bring to use the specific software. Software development costs are incurred for the development of software for systems. These costs are amortised on a straight-line basis from the date of system commissioning.

Cost associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

No amortisation is provided on capital works in progress as the assets are not yet available for use. Amortisation of an asset begins when it is available for use and calculated on a straight-line basis over the estimated useful family of an asset.

The useful lives are as follows:

Computer software and licences	3 to 10 years
Distribution platform	6.5 years

(c) Financial assets

Initial Recognition and Measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial assets. The Company determines the classification of its financial assets and liabilities at initial recognition.

At initial recognition, the Company measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs for financial assets carried at fair value through profit or loss are recognised as expense in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets (Continued)

Initial Recognition and Measurement (Continued)

Classification
On initial recognition, a financial asset is classified as measured at Amortised Cost ("AC"), Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through Profit and Loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

An Islamic debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as measured at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

A Shariah-approved equity that is not held for trading may by irrevocable election, be designated and measured at FVOCI. This election is made on an investment-by-investment basis. The Company has designated certain equity securities held for strategic purposes as measured at FVOCI.

A financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI may, by irrevocable election, be designated and measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company has designated certain debt securities which are held with the intent to, both, hold to collect contractual cash flows and to sell to be measured at FVTPL.

All other financial assets are measured as FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets (Continued)

Initial Recognition and Measurement (Continued)

Business model assessment

The Company assesses the objective of the business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis, are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets (Continued)

Initial Recognition and Measurement (Continued)

<u>Assessment whether contractual cash flows are solely payments of principal and profit</u>

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers the following key aspects:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money, credit risk, other basic financing risks and costs associated with the principal amount outstanding.

Subsequent measurement

I. Islamic Debt Instruments

Subsequent measurement of Islamic debt instruments depends on the Company’s business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised Cost (“AC”)

Islamic debt instruments that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and profit are measured at amortised cost using the effective profit method. Profit income, foreign exchange gains and losses and impairment are recognised in the income statement. Gains or losses are also recognised in the income statement when the assets are derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets (Continued)

Subsequent measurement (Continued)

I. Islamic Debt Instruments (Continued)

(ii) Fair value through other comprehensive income ("FVOCI")

Islamic debt instruments that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and profit, are classified as FVOCI. Any gains or losses from changes in fair value are recognised in other comprehensive income and accumulated in fair value reserve. Impairment, foreign exchange gains and losses and profit calculated using the effective profit method are recognised in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement when the financial asset is derecognised.

(iii) Fair value through profit or loss ("FVTPL")

Islamic debt instruments that do not meet the criteria for classification as amortised cost or FVOCI are measured at FVTPL. Any gains or losses from changes in fair value and profit are recognised in the income statement.

Fair value changes of financial assets at FVTPL are analysed between change resulting from foreign currency fluctuation and other fair value changes. Foreign currency fluctuation and other fair value changes are included under other operating income/(expense) and fair value gains/(losses) in the income statement respectively.

II. Shariah-approved Equity Instruments

The Company subsequently measures all Shariah-approved equity instruments at fair value. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than held for trading. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to income statement, including upon disposal. Equity instruments designated at FVOCI are not subject to impairment assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets (Continued)

Subsequent measurement (Continued)

II. Shariah-approved Equity Instruments (Continued)

Dividends, when representing a return from such investments are to be recognised in income statement when the Company's right to receive payments is established.

Changes in fair value of financial assets at FVTPL are recognised in the income statement.

III. Derivatives and Hedging Activities

The Company applies economic hedge for currency and foreign exchange risks involving derivatives such as cross currency swap and forward currency contracts. All derivatives are carried as financial asset when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. As at the reporting date, the Company has not invested in such instruments.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

(d) Takaful receivables

Takaful receivables comprise of outstanding contribution from certificate holders, agents, intermediaries and corporate shareholders and also retakaful receivables. Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective profit method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Takaful receivables (Continued)

Loss allowance is measured at an amount equal to the lifetime expected credit losses ("ECL") using a simplified net flow rate model for outstanding contributions from certificate holders, agents, intermediaries and corporate shareholders. For ECL arising from tafakul receivables arising from mySalam per Note 39's background, the ECL is assessed to be immaterial due to low credit risk associated with the debtor.

The ECL impairment provisional amounts are recognised in the income statement. Subsequent increases in the recoverable amount of the takaful receivables are treated as reversal of the previous ECL impairment amount.

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

All financial assets, except for those measured at FVTPL, are subject to review for impairment as in Note 2.2(g).

(e) Financial liabilities and takaful payables

<u>Initial recognition and measurement</u>

Financial liabilities and takaful payables are recognised in the statement of financial position when the Company becomes a party to the contractual obligations of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

The Company's financial liabilities include other creditors and provision for agents' retirement benefits.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities, and derivative liabilities. Currently, the Company does not have any derivative liabilities.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial liabilities and takaful payables (Continued)

(i) Financial liabilities at FVTPL (Continued)

Financial liabilities held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains and losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

The Company has not designated any financial liabilities at FVTPL.

(ii) Other financial liabilities

Other financial liabilities are recognised when due and measured on initial recognition at the fair value of the consideration received plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains or losses are recognised in the income statement.

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 new liability. The difference in the respective carrying amounts is recognised in the income statement.

(iii) Agents' retirement benefits

Agents' Retirement Benefit ("ARB") is considered a financial instrument as it gives rise to a financial asset in one entity and a financial liability of another entity. The contractual obligation to pay ARB arises from the agency supplementary agreement ("Agreement”) signed between the Company and takaful agents, thus creating a financial liability for the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial liabilities and takaful payables (Continued)

(iii) Agents' retirement benefits (Continued)

The carrying amount for ARB is calculated in accordance with the terms and conditions in the respective agents' Agreement. The carrying amount for ARB is initially recognised at fair value and subsequent to initial recognition, it is measured at amortised cost. The accrued profit is recognised in the income statement.

The terms and conditions of the Agreement stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the agent shall be allocated a deferred benefit/retirement benefit.

The deferred benefit/retirement benefit accumulated at the statement of financial position date includes an element of accrued profit, which is calculated at the shareholders' fund investment rate of return. The accrued deferred benefit shall only become payable provided the Agreement has been in force for certain continuous contract years and the agent has attained the minimum age stipulated in the Agreement.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains or losses are recognised in the income statement.

(f) Fair value measurement

The Company measures certain financial instruments at fair value at each reporting date. In addition, fair values of financial instruments measured at amortised cost are also disclosed in Note 7.

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or bid prices on the balance sheet date. If quoted prices are not available over the counter, broker or dealer price quotations are used. For financial instruments where there is no active market, the fair value is determined by using valuation techniques.

For units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published bid-values.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fair value measurement (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable including quotes from brokers and market makers, discounted cash flows and other valuation techniques commonly used by market participants.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy 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.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of financial assets that are actively traded in organised financial markets i.e. quoted Shariah-approved equities and financial instruments with embedded derivatives is determined by reference to quoted market bid prices for assets at the close of business on statement of financial position date. Fair value for investments in quoted unit trusts ("REITS"), and similar investments, is determined by reference to published net asset values.

For financial instruments where there is no active market such as unquoted Islamic private debt securities and government investment issues, fair value is obtained from Bond Pricing Agency Malaysia Sdn. Bhd. ("BPAM").

For unquoted and unrated Islamic private debt securities, the unrated Islamic private debt securities are first assigned an internal rating using the Internal Credit Rating model and subsequently benchmarked against BPAM's indicative yields for an Islamic private debt security with similar rating, classification and tenure.

In cases where the fair value cannot be reliably measured, the financial instruments are stated at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(g) Impairment of financial assets

The Company recognises ECL on the following financial instruments that are not measured at FVTPL:

(i) Islamic private debt instruments measured at FVOCI;
(ii) Financing and other receivables measured at amortised cost; and
(iii) Financing commitments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (Continued)

The Company assesses on a forward looking basis the ECL associated with its financing and Islamic debt instruments carried at amortised cost and FVOCI and its financing commitments. For trade and takaful receivables, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses. The Company recognises a loss allowance for ECL at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company measures loss allowances at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL represents the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

<u>Not credit-impaired financial assets</u>

For financial assets that are not credit-impaired at the reporting date, the ECL is the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

<u>Modified financial assets</u>

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected modification will not result in derecognition of the existing asset, and then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; or

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (Continued)

Modified financial assets (Continued)

- If the expected modification will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortised cost and debt financial assets measured at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Company considers factors as evidence that a financial instrument is credit impaired:

- Significant financial difficulty of the counterparty or issuer;
- A breach of contract such as default or past due event;
- The restructuring of a financing or receivable of the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

For financial assets that are not credit-impaired at the reporting date: the ECL is the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

For financial assets that are credit-impaired at the reporting date: the ECL is the difference between the gross carrying amount and the present value of estimated future cash flows.

Where there is objective evidence of impairment, the Company will recognise the impairment loss in the income statement at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (Continued)

Write-off

Financing and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(h) Derecognition of financial assets and liabilities

A financial asset is derecognised when:

- The contractual right to receive cash flows from the asset has expired; or
- The Company has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass through’ arrangement and either (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent it has retained the risk and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset except for equity securities measured at FVOCI, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised in other comprehensive income is recognised in the income statement.

On derecognition of Shariah-approved equity securities measured at FVOCI, any cumulative gain/loss recognised in other comprehensive income is not recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on trade date i.e., the date that the Company commits to purchase or sell the 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.

(j) Impairment of non-financial assets

The carrying amount of non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured in reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is recognised in the income statement in the period in which it arises. Subsequent increases in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. A reversal of impairment loss is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(k) Employee benefits

(i) Defined contribution plans under statutory regulations

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statements as incurred.

(ii) Employee leave entitlements

An employee's entitlement to annual leave is estimated and accrued according to the Company’s Human Capital policy.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provision is discounted using a current pre-tax rate that reflects the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(m) Offsetting of Financial Assets and Liabilities

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

(n) Income tax

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

In addition to paying tax on shareholders' profit, the family takaful business pays tax on participants' investment returns at a tax rate of 8%. Tax on participants' investment returns is recognised as an expense and disclosed separately under taxation of family takaful business in the income statements.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused taxed 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Income tax (Continued)

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 in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(o) Family takaful fund

The family takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act 2013 and consists of FVOCI reserves and accumulated surplus in the fund attributable to participants which represents the participants' share in FVOCI reserves and net surplus of the family takaful fund. The family takaful fund surplus or deficit is determined by an annual actuarial valuation of the family takaful fund.

Surplus distributable to participants is determined by net cash flows (excluding investment income) in the family takaful fund and distributed in accordance with the terms and conditions prescribed by the Shariah Committee, is aligned with GETB’s Tabarru’ Surplus and Investment Profit Management Policy and is in compliance with the BNM's Takaful Operational Framework Guidelines.

(i) Contribution income

Contribution is recognised as soon as the amount of the contribution can be reliably measured. First year contribution is recognised from inception date and subsequent contribution is recognised when due. For single contribution business, revenue is recognised on the date on which the certificate is effective. Contributions from the investment-linked business, universal takaful and certain family products are recognised as revenue when payment is received.

At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured. Contribution not received on due date are recognised as revenue in the income statement and reported as outstanding contributions in the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Family takaful fund (Continued)

(ii) Creation or cancellation of units

Net creation of units which represent contributions paid by participants or unit holders as payments for new certificate or subsequent payments to increase the amount of that certificate are reflected in the income statement of the investment-linked funds. Net creation of units is recognised on a receipt basis.

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

(iii) Retakaful ceded contribution

Gross retakaful ceded contributions are recognised as an expense when payable or on the date when the certificate is effective.

(iv) Commission and agency expenses

Commission and agency expenses, which are costs directly incurred in securing contribution on takaful certificates, net of income derived from retakaful operators in the course of ceding of contribution to retakaful operators, are charged to the income statement in the period in which they are incurred.

(v) Benefits and claim expenses

Claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or when the Company is notified.

Claims and provisions for claims arising from family takaful certificates, including settlement costs less retakaful recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under family takaful certificates are recognised as follows:

- Maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- Death, surrender and other benefits without due dates are treated as claims payables on the date of receipt of intimation of death of the participant or occurrence of the contingency covered; and
- Benefits payable under investment-linked business include net cancellation of units and are recognised as surrender.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Family takaful fund (Continued)

(vi) Actuarial liabilities

Types of Takaful Certificates

Takaful certificate liabilities are classified into principal components as follows:

i. Family takaful liabilities comprising:
   - Ordinary family takaful plans
   - Investment-linked takaful plans
   - Group credit takaful plans

ii. Retakaful arrangements

Takaful certificates are recognised and measured in accordance with the terms and regulations of the respective takaful certificates and are based on regulatory guidelines. Contribution, claims and benefit payments, acquisition and management expenses and valuation of future certificate benefit payments or contribution reserve as the case may be, are recognised in the income statements of the respective funds in line with the concept of takaful.

Family takaful liabilities are recognised when certificates are entered into and contribution is charged. The liabilities are based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of liabilities. Zerorisation is applied at certificate level and no certificate is treated as an asset under the valuation method adopted.

In the case of a family certificate where a part of, or the whole of the contributions are accumulated in a fund, the accumulated amount, as declared to the participants, are set as liabilities.

Adjustments to the liabilities at each reporting date are recorded in the income statements. Profits originating from margins of adverse deviations on run-off certificates are recognised in the income statements over the family of the contract, whereas losses are fully recognised in the income statements during the first year of run-off. The liability is de-recognised when the contract expires, is discharged or is cancelled.

The valuation of takaful certifcate liabilities is determined according to BNM's RBCT Framework for Takaful Operators and MFRS 4 Takaful Contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Family takaful fund (Continued)

(vi) Actuarial liabilities (Continued)

The liability is de-recognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised family takaful liabilities are adequate by using a liability adequacy test.

Any deficiency is recorded in the income statement by establishing technical reserves for the loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of loss recognition. Losses arising from liability adequacy testing can be reversed in future years if the deficiency no longer exists.

(p) Product classification

The family takaful fund consists of certificates that transfer takaful and financial risks. Financial risk is the risk of a possible future change in one or more of a specified profit rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the certificate. Takaful risk is risk other than financial risk.

Takaful certificates are those certificates that transfer significant takaful risk. A takaful certificate is a certificate under which the fund has accepted significant takaful risk from another party (the certificate holders) by agreeing to compensate participants if a specified uncertain future event (the covered event) adversely affects participants. As a general guideline, to determine whether a certificate has significant takaful risk, benefits paid are compared with benefits payable if the covered event did not occur.

Investment certificates are those certificates that do not transfer significant takaful risk. There are no certificates that are classified as investment certificates in the family takaful fund.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Product classification (Continued)

Takaful certificates in the current portfolio are classified as being without discretionary participation features (“DPF”) as it does not satisfy the criteria for DPF. DPF is a contractual right to receive additional benefits that are supplemental to guaranteed benefits and:

i. Are likely to be a significant portion of the total contractual benefits;

ii. Whose amount or timing is contractually at the discretion of the issuer; and

iii. That are contractually based on the:

- Performance of a specified pool of certificates or a specified type of contract; or
- Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
- Profit or loss of the fund.

(q) Retakaful

The Company cedes takaful risk in the normal course of business for all its business. Retakaful assets represent amounts receivable in respect of ceded takaful liabilities. These amounts are estimated in a manner consistent with the takaful certificate liabilities which are ceded out, the outstanding claims provision or settled claims associated with the retakaful contracts. Retakaful assets arising from ceding of in-force book and gross onerous contracts are recognised in the same period when the gross liabilities are accrued.

Retakaful arrangements entered into by the Company that meet the classification requirements of takaful certificates as described in Note 2.2(o) are accounted for as described below. Arrangements that do not meet these classification requirements are accounted for as financial assets. As at the reporting date, all retakaful arrangements entered into by the Company during the year met the classification requirements of takaful certificates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Retakaful (Continued)

Retakaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the Company may not receive part or all outstanding amounts due under the terms of the contract. The impairment loss is recorded in the income statement. Gains or losses on retakaful is recognised in the income statement immediately at the date of contract and are not amortised. Ceded retakaful arrangements do not relieve the Company from its obligations to certificate holders.

Ceded retakaful arrangements do not relieve the Company from their obligations to participants. For both ceded and assumed retakaful, contributions and claims are presented on a gross basis. Retakaful assets are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(r) Other revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Company/takaful fund expects to be entitled when the performance obligation is satisfied. Revenue is measured at the fair value of consideration received or receivable.

Profit income is recognised on a time proportion basis that takes into account the effective yield of the asset.

Dividend is recognised when the right to receive payment is established.

All sales of investments are recognised on their trade dates i.e., the date the Company commits to sell the assets. Gains or losses arising from the sale of investments are calculated as the difference between net sales proceeds and the original or carrying amount and are credited or charged to the income statement.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments with original maturity of three months or less from the date of acquisition, or are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Zakat

This represent tithes payable by the Company to comply with the principles of Shariah and is approved by the Shariah Committee of the Company. Zakat is calculated using the net asset method and is only provided when there is a commitment or obligation to pay at the end of financial year, as approved by the Shariah Committee.

(u) Shareholders' fund

(i) Wakalah fees, commission expenses, management expenses and other charges

In accordance with the principles of wakalah, as approved by the Shariah Committee of the Company and agreed between the participants and the Company, wakalah fee will be charged by the shareholders' fund for the underwriting and management of the services provided to participants.

These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, the fees are deferred and recognised over those future periods.

Wakalah fees include upfront fees, risk management charges and fund management and service charges as described in the certificate with the participants of the Company. The components of wakalah fee are disclosed in Note 20.

The wakalah fees charged by the shareholders' fund are used to pay all management and commission expenses in the shareholders' fund, which are incurred on behalf of the family takaful fund. All management expenses are recognised in the shareholders' fund as incurred.

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates are recognised in the shareholders' fund as incurred and properly allocated to the periods in which it is probable they give rise to income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Shareholders' fund (Continued)

(ii) Expense liabilities of the family takaful fund

The valuation of expense liabilities in relation to certificates of the family takaful fund is conducted separately by the Appointed Actuary in the shareholders' fund. The method used to value expense liabilities is broadly consistent with the method used to value takaful liabilities of the corresponding family takaful certificates, with the added component of expense overruns.

The expense liabilities is released over the term of the takaful certificates and recognised in the income statement.

In valuing the expense liabilities, the present value of expected future expenses payable by the shareholders' 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 shareholders' fund that can be determined with reasonable certainty, are taken into consideration.

In valuing the expense overrun, a comparison is done between the projected expense in the budget against the best estimate expense projection.

At each reporting date, the Company reviews the expense liabilities of the shareholders' fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of the shareholders' fund for all managed takaful certificates still in force at the financial year end.

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

(v) Foreign Currencies

(i) Functional and Presentation Currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign Currencies (Continued)

(ii) Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences arising on the settlement of monetary items and translation of monetary items are included in the income statements. Exchange differences on items such as equity investments classified as Fair Value Through Other Comprehensive Income (“FVOCI”) financial assets are included in the fair value reserve in equity.

The principal exchange rate for every unit of Singapore Dollar ruling at the statement of financial position date is RM3.28 (2021: RM3.09).

(w) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration – i.e. the customer has the right to:

- obtain substantially all of the economic benefits from using the asset; and
- direct the use of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Leases (Continued)

(i) As Lessee

The Company recognises a right-of-use asset and a lease liability in its statement of financial position at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made or before the commencement date, any indirect costs incurred and an estimate of the 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 incentive received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental financing rate.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful family of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment (see Note 2.2(a)). In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective profit method. It is remeasured to reflect any lease modifications or reassessments.

<u>Short-term leases and leases of low-value assets</u>

The Company has elected not to recognise right-of-use assets and leases liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(x) Measurement and impairment of Qard

Any deficit in the participants' tabarru' fund is made good via an interest free loan, or Qard, granted by the shareholders' fund to the participants' tabarru' fund. The Qard is measured using the time value of money ("TVM") principle consistent with MFRS requirements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Measurement and impairment of Qard (Continued)

Initial measurement

During the initial measurement of Qard, the application of TVM will result in a lower expected value of Qard to be repaid at a future date given that Qard is interest-free in nature and does not compensate for TVM. In this regard, the difference between the initial and nominal value (original value) of Qard will represent the TVM effect and recorded in the respective financial statements as a gain to the takaful fund and a loss to the takaful operator.

Qard repayment

Throughout the Qard repayment period, the value of Qard will be adjusted to unwind the TVM effect with corresponding gain and loss recorded in the financial statements of the takaful fund and the takaful operator, respectively. This will ultimately zerorise the TVM effect recorded at initial measurement resulting in no gain or loss in respect of Qard transaction throughout the period where Qard is being repaid. Such adjustment is intended to ensure that the value of Qard reaches the original value of Qard when it is fully repaid and ultimately affirming the takaful fund's obligation to repay the original amount of Qard and takaful operator's right to receive the original amount of Qard.

(y) Shareholders' Equity

Shareholders' equity is defined as the residual profit in the assets of an entity after deducting all its liabilities. The following outlines the various types of equity and reserves of the Company.

(i) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(ii) Retained earnings

A portion of the retained earnings has been set aside to meet risk-based capital requirements for regulatory reporting purposes. These reserves are deemed statutory reserves and are not available for distribution to shareholders. These statutory reserves are measured according to the regulatory prescriptions and are subject to changes in line with the underlying risks underwritten.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Shareholders' Equity (Continued)

(iii) FVOCI reserves

Fair value reserves comprise the cumulative net change in fair value of financial assets measured at FVOCI and the related loss allowance of Islamic debt instruments recognised in income statement until the debt is derecognised, net of tax.

(iv) Redeemable preference shares

Proceeds from issuance of redeemable preference shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of redeemable preference shares are deducted against share capital.

The redeemable preference shares ("RPS") are classified as equity as they are non-cumulative, non-convertible, non-participating in profits, assets or other rights, and has no fixed rate for dividends. The RPS are transferable only in the manner provided in the Articles of Association, and have no specific redemption date but the Company has an option to redeem the preference shares, which option shall only be exercisable after the expiry of the period of ten (10) years from 14 December 2017 to 14 December 2027.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following standards, amendments to standards and interpretation of standards:

On 1 January 2022, the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2022.

- Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 3 *Reference to the Conceptual Framework*
- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2018 – 2020 Cycle)*
- Annual Improvements to Illustrative Example accompanying MFRS 16 *Leases: Lease Incentives*
- Amendments to MFRS 137 *Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 9 *Financial Instruments Fees in the 10 per cent Test for Derecognition of Financial Liabilities (Annual Improvements to MFRSs 2018 – 2020 Cycle)*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The adoption of the above standards and pronouncements did not have any significant impact on the financial statements of the Company.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following are standards, amendments to standards and interpretations to standards issued by MASB, but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards, amendments to standards and interpretations to standards, if applicable, when they become effective:

Effective for financial periods beginning on or after 1 January 2023

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 101 *Classification of liabilities as current or non-current and Non-current Liabilities with Covenants*
- Amendments to MFRS 101, MFRS Practice Statement 2 *Disclosure of Accounting Policies* and MFRS 108 *Definition of Accounting Estimates*
- Amendments to MFRS 17 *Insurance Contracts and its amendments*
- Amendments to MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendment to MFRS 17 Initial Application of MFRS 17 and MFRS 9 - *Comparative Information*
- Amendments to MFRS 16 *Lease Liability in a Sale and Leaseback*

Deferred

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Management expects that the adoption of the above standards, amendments to standards and interpretations to standards issued by MASB, but not yet effective, will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 17 Insurance Contracts

The Company will apply MFRS 17 for the first time on 1 January 2023. It is a comprehensive new accounting standard for insurance and reinsurance contracts, including takaful, covering recognition, measurement, presentation and disclosure, and is expected to have a material impact on the Company’s financial statements in the period of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts

MFRS 17 replaces MFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023. The nature and effects of the changes in the Company accounting policies are summarised below.

i. Identifying contracts in the scope of MFRS 17

MFRS 17 establishes specific principles for the recognition, measurement, presentation and disclosure of takaful contracts issued and retakaful contracts held by the Company.

The key principles of MFRS 17 are that the Company:

- Identifies takaful contracts as those under which the Company accepts significant risk from another party (the certificateholder) by agreeing to compensate the certificateholder if a specified uncertain future event (the covered event) adversely affects the certificateholder;
- Separates specified embedded derivatives, distinct investment components and distinct non-takaful goods or services from takaful contracts and accounts for them in accordance with other standards; and
- Divides the takaful and retakaful contracts into groups they will recognise and measure.

ii. Level of aggregation

Under MFRS 17, takaful contracts are aggregated into groups for measurement purposes. Groups of takaful contracts are determined by identifying portfolios of takaful contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into quarterly cohorts (by quarters) for family takaful or annual cohort (by calendar year) for non-family takaful, into three groups based on the expected profitability of the contracts:

(i) any contracts that are onerous at initial recognition;
(ii) any contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
(iii) any remaining group of contracts.

These groups represent the level of aggregation at which takaful contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts (Continued)

ii. Level of aggregation (Continued)

Portfolios of retakaful contracts held are assessed for aggregation separately from portfolios of takaful contracts issued. Applying the grouping requirements to retakaful contracts held, the Company aggregates retakaful contracts into quarters (quarterly cohorts) for family retakaful treaties and each annual cohort (by calendar year) for non-family retakaful contracts into groups of:

(i) contracts for which there is a net gain at initial recognition, if any;
(ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
(iii) remaining contracts in the portfolio, if any.

Retakaful contracts held are assessed for aggregation requirements on an individual retakaful treaty basis.

The level of aggregation of MFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a CSM, against losses on groups of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under MFRS 4 (i.e. portfolio of contracts level), the level of aggregation under MFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

iii. Contract Boundary

Under MFRS 17, the measurement of a group of takaful contracts includes all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an takaful contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the certificateholder to pay the contributions, or in which the Company has a substantive obligation to provide the certificateholder with takaful contract services. A substantive obligation to provide takaful contract services ends when:

- The Company has the practical ability to reassess the risks of the particular certificateholder and, as a result, can set a price or level of benefits that fully reflects those risks, or

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts (Continued)

iii. Contract Boundary (Continued)

- Both of the following criteria are satisfied:
  - The Company has the practical ability to reassess the risks of the portfolio of takaful contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - The pricing of the contributions up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected contributions or claims outside the boundary of the takaful contract are not recognised. Such amounts relate to future takaful contracts.

For family takaful contracts with renewal periods, The Company assesses whether contributions and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals is established by The Company by considering all the risks covered for the certificateholder by The Company, that The Company would consider when underwriting equivalent contracts on the renewal dates for the remaining service.

For groups of retakaful contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of The Company that exist during the reporting period in which The Company is compelled to pay amounts to the retakaful operator or in which The Company has a substantive right to receive takaful contract services from the retakaful operator.

The Company reassesses contract boundary of each group at the end of each reporting period.

Cash flows that are not directly attributable to a portfolio of takaful contracts, are recognised in other operating expenses as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts (Continued)

iv. Measurement - Overview

MFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. For an explanation of how the Company will apply the measurement model, see note 2.4 A(v).

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Takaful contracts with direct participation features are takaful contracts that are substantially investment-related service contracts under which The Company distributes an investment return based on underlying items; they are contracts for which, at inception:

- the contractual terms specify that the certificateholder participates in a share of a clearly identified pool of underlying items;
- The Company expects to pay to the certificateholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- The Company expects a substantial proportion of any change in the amounts to be paid to the certificateholder to vary with the change in fair value of the underlying items.

All other takaful and all retakaful contracts are expected to be classified as contracts without direct participation features.

v. Measurement – contracts not measured under the PAA

On initial recognition, the Company measures a group of takaful contracts as the total of (a) the fulfilment cash flows, and (b) the Contractual Service Margin. The fulfilment cash flows of a group of takaful contracts do not reflect the Company's non-performance risk.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts (Continued)

v. Measurement – contracts not measured under the PAA (Continued)

If the total is a net outflow, then the group is onerous. A loss from onerous takaful contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised.

Fulfilment Cash Flows ("FCF")

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from contributions and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

(a) are based on a probability-weighted mean of the full range of possible outcomes;
(b) are determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables; and
(c) reflect conditions existing at the measurement date.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of takaful contracts, including timing, currency and liquidity of cash flows.

Contractual Service Margin ("CSM")

The CSM is a component of the carrying amount of the asset or liability for a group of takaful contracts issued representing the unearned profit that the Company will recognise as it provides takaful contract services in the future.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts (Continued)

v. Measurement – contracts not measured under the PAA (Continued)

Contractual Service Margin ("CSM") (Continued)

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous or takaful revenue and takaful service expenses are recognised as in (d) below) arising from:

(a) the initial recognition of the FCF;
(b) cash flows arising from the contracts in the group at that date;
(c) the derecognition of any takaful acquisition cash flows asset; and
(d) the derecognition of any other pre-recognition cash flows. takaful revenue and takaful service expenses are recognised immediately for any such assets derecognised.

Subsequent Measurement

Subsequently, carrying amount of a group of takaful contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage ("LRC") comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims ("LIC") includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

- The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognise as follows:

Changes relating to future service	Adjusted against CSM (or recognised in the takaful service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the takaful service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated cash	Recognised as takaful finance income or expenses

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts (Continued)

v. Measurement – contracts not measured under the PAA (Continued)

Subsequent Measurement(Continued)

- The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future services.

Retakaful contracts

The Company will apply the same accounting policies to measure a group of retakaful contracts, with the following modifications.

The carrying amount of a group of retakaful contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Company will measure the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying takaful contracts, with an adjustment for any risk of non-performance by the retakaful operator. The effect of the non-performance risk of the retakaful operator is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk will represent the amount of risk being transferred by the Company to the retakaful operator.

For groups of retakaful contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing retakaful relates to past events, in which case The Company recognises the net cost immediately in profit or loss. For retakaful contracts held, the CSM represents a deferred gain or loss that The Company will recognise as a retakaful expense as it receives takaful contract services from the retakaful operator in the future.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts (Continued)

v. Measurement – contracts not measured under the PAA (Continued)

Takaful Acquisition Cash Flows

Takaful acquisition cash flows arise from the costs of selling, underwriting and starting a group of takaful contracts that are directly attributable to the portfolio of takaful contracts to which the group belongs. If takaful acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group.

Takaful acquisition cash flows are allocated to groups of takaful contracts on a systematic and rational basis. takaful acquisition cash flows that are directly attributable to a group of takaful contracts are allocated to that group; and to groups that will include takaful contracts that are expected to arise from renewals of the takaful contracts in that group.

Takaful acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

Under MFRS 17, only takaful acquisition cash flows that arise before the recognition of the related takaful contracts are recognised as separate assets and tested for recoverability, whereas other takaful acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related takaful contracts.

MFRS 17 will require The Company to assess at each reporting date whether facts and circumstances indicate that an asset for takaful acquisition cash flows may be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts (Continued)

v. Measurement – contracts not measured under the PAA (Continued)

Impact assessment

Under MFRS 17, all profits will be recognised in profit or loss over the family of the contracts, and this will primarily be driven by the timing of the recognition in profit or loss of the CSM as services are provided and the risk adjustment for non-financial risk as the related risk expires. The Company expects that, even though the total profit recognised over the lifetime of the contracts will not change, it will emerge differently under MFRS 17. This is mainly because, for certain family contracts, all profits are currently recognised in profit or loss on initial recognition of the contracts. The different timing of profit recognition will result in an increase in liabilities on adoption of MFRS 17 because a portion of profits previously recognised and accumulated in equity under MFRS 4 will be included in the measurement of the liabilities under MFRS 17.

The increase in liabilities for family contracts on transition to MFRS 17 can mainly be attributed to the following.

Changes from MFRS 4	Impact on equity on transition to MFRS 17
The estimates of the present value of future cash flows will increase as a result of a reduction in the discount rates because of the MFRS 17 requirements to measure future cash flows using current	Decrease
The risk adjustment for non-financial risk under MFRS 17 will be lower than the risk margin under MFRS 4 as a result of (a) recalibration of the measurement techniques to confirm with the MFRS 17 requirements, and (b) exclusion of financial risk and general operational risk from MFRS 17 risk adjustment for non-	Increase
A CSM, determined using the transition approaches described under (2.2.2B), will be recognised for the unearned profit for these	Decrease

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts (Continued)

vi. Measurement – Significant Judgements and Estimates

The Company makes estimates, assumptions and judgements in its estimates of future cash flows, discount rates used, risk adjustments for non-financial risk, and CSM. The Company is still in the midst of finalising the judgements and estimation techniques employed, which are subject to change until the Company finalises its first financial statements that include the date of initial application.

vii. Presentation and disclosure

Under MFRS 17, for presentation in the balance sheet, the Company will aggregate portfolios of takaful and retakaful contracts held and present separately:

- Portfolios of takaful contracts that are assets;
- Portfolios of retakaful contracts held that are assets;
- Portfolios of takaful contracts that are liabilities; and
- Portfolios of retakaful contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the MFRS 17 requirements.

The descriptions of the line items in the income statement will change significantly compared with the Company's current practice. Under MFRS 4, the Company reports the following line items: contributions, claims, maturities, surrenders and annuities and change in takaful certificate liabilities. MFRS 17 requires separate presentation of:

- takaful revenue;
- takaful service expense; and
- takaful finance income or expense
- Income or expenses from retakaful contracts held

The Company will provide disaggregated qualitative and quantitative information in the notes to the financial statements about:

- The amounts recognised in its financial statements from takaful contracts and retakaful contracts; and
- Significant judgments, and changes in those judgments made when applying the standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts (Continued)

vii. Presentation and disclosure (Continued)

Takaful service result comprises takaful revenue and takaful service expenses.

Takaful revenue

As the Company provides takaful contract services under the group of takaful contracts, it reduces the LRC and recognises takaful revenue. The amount of takaful revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

The requirements of MFRS 17 to recognise takaful revenue over the coverage period will result in slower revenue recognition compared with the Company's current practice of recognising revenue when the related contributions are written. Many takaful contributions include an investment (that is, deposit) component – an amount that will be paid to certificateholders or their beneficiaries in all circumstances, regardless of whether an insured event occurs. The receipt and repayment of these non-distinct investment components do not relate to the provision of takaful services; therefore, such amounts are not presented as part of the insurer's revenue or takaful service expenses.

Takaful service expense

For contracts not measured under the PAA, amortisation of takaful acquisition cash flows is reflected in takaful service expenses in the same amount as takaful acquisition cash flows recovery reflected within takaful revenue, as described above.

Other expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as takaful service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment contracts are included in other operating expenses in the consolidated statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts (Continued)

vii. Presentation and disclosure (Continued)

Takaful finance income or expenses

Takaful finance income or expenses comprise the change in the carrying amount of the group of takaful contracts arising from:

(a) the effect of the time value of money and changes in the time value of money; and
(b) the effect of financial risk and changes in financial risk.

The Company disaggregates changes in the risk adjustment for non-financial risk between takaful service results and takaful finance income or expenses for family takaful. For non-family takaful, the entire change in the risk adjustment for non-financial risk is included in takaful service results.

For family and non-family takaful contracts, The Company includes all takaful finance income or expenses for the period in profit or loss, except for certain portfolios measured using the GMM where the OCI option is applied. This is expected to reduce accounting mismatches in profit or loss, considering that many of the supporting financial assets will be debt investments measured at FVOCI.

The Company systematically allocates expected total takaful finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts.

In the event of transfer of a group of takaful contracts or derecognition of an takaful contract, the Company reclassifies the takaful finance income or expenses to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

A. MFRS 17 Insurance Contracts (Continued)

vii. Presentation and disclosure (Continued)

Disclosure

MFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying MFRS 17. There will also be expanded disclosures about the nature and extent of risks from takaful contracts and retakaful contracts. Disclosures will generally be made at a more granular level than under MFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

B. Transition

The Company will restate the comparative information based on the transition approaches taken on adoption of MFRS 17.

Changes in accounting policies resulting from the adoption of MFRS 17 will be applied using the full retrospective approach to the extent practicable. The full retrospective approach was applied to takaful contracts that were originated less than one year prior to the effective date. The modified retrospective approach will be applied to certain groups of takaful contracts that were originated less than 10 years prior to the transition date. The fair value approach will be applied to the remaining takaful contracts in force at transition date.

Modified Retrospective Approach

The modified retrospective approach will be applied to certain groups of takaful contracts that were originated less than 10 years prior to the transition date. The application of the full retrospective approach on transition for these portfolios was determined to be impracticable for the Company, as obtaining all required historical data was not possible without undue cost and effort.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

B. Transition (Continued)

The Company will be applying the following procedures to determine the CSM at initial recognition for these contracts:

- Estimate future cash flows at the date of initial recognition as the amount of the future cash flows at the transition date, adjusted by the cash flows that have occurred between the date of initial recognition and the transition date. The cash flows that are known to have occurred include cash flows resulting from contracts that ceased to exist before the transition date.
- Estimate historical discount rates applied to cash flows in the period prior to 2012 using an observable market profit curve for that period, adjusted by the spread between observable market yield curves and the yield curve used to determine current discount rates for the years between 1 January 2012 and 1 January 2022.
- Estimate the risk adjustment for non-financial risk at the date of initial recognition by adjusting the risk adjustment at the transition date by the expected release of risk in the periods before the transition date. The expected release of risk was determined with reference to the release of risk for similar contracts that The Company has issued subsequent to the transition date.

The CSM at the transition date has been further determined by:

- Using the modified discount rates determined at initial recognition to accrete profit on the CSM.
- Applying the amount of the CSM recognised in profit or loss because of the transfer of services before the transition date, by comparing the remaining coverage units at that date with the coverage units provided under The Company of contracts before the transition date.

<u>Fair Value Approach</u>

The Company will apply the fair value approach to the remaining takaful contracts, as obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. Under the fair value approach, The Company determines the CSM of the liability for remaining coverage at the date of transition, as the difference between the fair value of a group of takaful contracts, measured in accordance with MFRS 13 Fair Value Measurement, and its fulfilment cash flows (“FCF”) at that date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 17 Insurance Contracts (Continued)

B. Transition (Continued)

Fair Value Approach (Continued)

The Company will aggregate contracts issued more than one year apart in determining groups of takaful contracts under the fair value approach at transition.

For the application of the fair value approach, The Company will use reasonable and supportable information available at the transition date in order to:

- Identify groups of takaful contracts
- Determine whether any contracts are direct participating takaful contracts
- Identify any discretionary cash flows for takaful contracts without direct participation features

The discount rate for The Company of contracts incepted after 2012 applying the fair value approach will be determined based on the inception year discount rate. Whereas, the discount rate for The Company of contracts incepted before 2012 applying the fair value approach will be determined on transition date.

The discount rate used for accretion of profit on the CSM will be determined using the bottom- up approach at inception.

The Company will use the income approach to determine the fair value amount used for establishing the takaful certificate liabilities at the transition date.

Redesignation of Financial Assets and Classification Overlay

MFRS 17 allows for entities that had applied MFRS 9 to annual periods before the initial application of MFRS 17, to redesignate its financial assets to address possible accounting mismatches between financial assets and takaful certificate liabilities. A transition option will be elected to apply classification overly for the financial assets as if the classification and measurement requirements of MFRS 9 had been applied to those financial assets during the comparative period. At the transition date, certain debt instruments which were previously presented at fair value through profit or loss will be reclassified to fair value through other comprehensive income.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 CRITICAL JUDGEMENTS MADE IN APPLICATION OF ACCOUNTING POLICIES

In the preparation of the Company's financial statements, management makes estimates, assumptions and judgements that affect the reported amounts of revenues, expenses, assets and liabilities at reporting date. Estimates, assumptions and judgements are continually evaluated and based on internal studies of actual historical experience and other factors. Best estimates and assumptions are constantly reviewed to ensure that they remain relevant and valid. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The following are judgements made by the management in the process of applying the Company's accounting policies that have significant effect on the amounts recognised in the financial statements.

(a) Impairment of FVOCI financial assets (Note 7(a))

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(b) Takaful certificate classification (Note 15)

Certificates are classified as takaful certificates where they transfer significant takaful risk from the certificate holder to the Company. The Company exercises judgement about the level of takaful risk transferred. As a general guideline, the Company determines whether it has significant takaful risk by comparing benefits paid with benefits payable if the covered event did not occur. These additional benefits include claims liability and assessment costs, but exclude loss of the ability to charge the certificate holder for future services. The assessment covers the whole of the expected term of the certificate where such additional benefits could be payable.

(c) Impairment of receivables (Note 8 and Note 9)

For retakaful receivables, the Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is an objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting for Takaful Operators (BNM/RH/PD 033-5). According to the Guidelines, objective evidence of impairment is deemed to exist where the financial assets are individually assessed for impairment if past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 CRITICAL JUDGEMENTS MADE IN APPLICATION OF ACCOUNTING POLICIES (CONTINUED)

(d) mySalam Scheme (Note 39)

The Company was appointed by the National B40 Protection Trust Fund ("the Trust") to operate the mySalam Scheme in financial year 2019.

The significant accounting policies applied by the Company over the mySalam Scheme is consistent with those applied to the Company's own shareholders' fund and family takaful funds.

3.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

(a) Uncertainty in accounting estimates for family takaful certificate liabilities (Note 14 and Note 15)

The estimation of the ultimate liability arising from claims made under family takaful certificates is a critical accounting estimate. There are several sources of uncertainty that need to be considered in estimation of the liabilities that the family takaful fund will ultimately be required to pay as claims.

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns, surrenders, lapses, contribution holidays and expenses in accordance with contractual and regulatory requirements. One of the most critical liability for the Company would be the claims arising from the takaful certificate. The family takaful fund bases the estimate of expected number of deaths and event when disability occurs according to retakaful rates where applicable. Estimates for medical and accidental claims are made based on the Company’s historical experience and/or retakaful operators’ rate.

All of these will give rise to estimation uncertainties of projected ultimate liability of the family takaful fund. At each financial year end, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability. The principal uncertainty in the shareholders' fund takaful certificate liabilities arises from the technical provisions, which comprise the expense liabilities.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(a) Uncertainty in accounting estimates for family takaful certificate liabilities (Note 14 and Note 15) (Continued)

The expense reserve for family takaful business is estimated assuming that the block of in-force certificates are to be maintained on a ‘going concern’ basis.

The expense reserve is calculated using adjusted parameters to provide sufficient reserves at the appropriate percentile of statistical variation that is higher than the best estimate values. It is the present value of future maintenance expenses on the current in-force family takaful certificates and is further reduced by the present value of future shareholders income that can be realised with reasonable certainty relating to those in-force family takaful certificates.

(b) Deferred tax assets (Note 11)

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management’s estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainties hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

4. MOTOR VEHICLES AND EQUIPMENT

Shareholders' fund/ Company	Motor vehicles RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
2022					
Cost					
At 1 January 2022	570	14,660	6,306	5,584	27,120
Additions	-	1,059	30	7,403	8,492
Transfer	-	3,387	921	(4,308)	-
Reclassification (Note 6)	-	(3,415)	-	-	(3,415)
At 31 December 2022	570	15,691	7,257	8,679	32,197
Accumulated depreciation					
At 1 January 2022	(324)	(12,013)	(5,357)	-	(17,694)
Charge for the year	(78)	(1,354)	(336)	-	(1,768)
At 31 December 2022	(402)	(13,367)	(5,693)	-	(19,462)
Net book value					
At 31 December 2022	168	2,324	1,564	8,679	12,735

Shareholders' fund/ Company	Motor vehicles RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
2021					
Cost					
At 1 January 2021	570	13,953	6,175	4,222	24,920
Additions	-	1,114	103	4,567	5,784
Transfer	-	3,177	28	(3,205)	-
Reclassification (Note 6)	-	(3,584)	-	-	(3,584)
At 31 December 2021	570	14,660	6,306	5,584	27,120
Accumulated depreciation					
At 1 January 2021	(246)	(10,789)	(4,948)	-	(15,983)
Charge for the year	(78)	(3,389)	(409)	-	(3,876)
Reclassification (Note 6)	-	2,165	-	-	2,165
At 31 December 2021	(324)	(12,013)	(5,357)	-	(17,694)
Net book value					
At 31 December 2021	246	2,647	949	5,584	9,426

4. MOTOR VEHICLES AND EQUIPMENT (CONTINUED)

Included in motor vehicles and equipment are the cost of fully depreciated assets which are still in use amounting to RM8,908,424 (2021: RM4,771,706).

5. (a) RIGHT-OF-USE ASSETS

Shareholders' fund/Company	Right-of-Use: Buildings RM'000	Right-of-Use: Office equipment RM'000	Total RM'000
2022			
Cost			
At 1 January 2022	6,361	176	6,537
At 31 December 2022	6,361	176	6,537
Accumulated amortisation			
At 1 January 2022	(3,984)	(100)	(4,084)
Charge for the year	(1,295)	(35)	(1,330)
At 31 December 2022	(5,279)	(135)	(5,414)
Net book value			
At 31 December 2022	1,082	41	1,123

Shareholders' fund/Company	Right-of-Use: Buildings RM'000	Right-of-Use: Office equipment RM'000	Total RM'000
2021			
Cost			
At 1 January 2021	5,379	176	5,555
Additions	982	-	982
At 31 December 2021	6,361	176	6,537
Accumulated amortisation			
At 1 January 2021	(2,686)	(64)	(2,750)
Charge for the year	(1,298)	(36)	(1,334)
At 31 December 2021	(3,984)	(100)	(4,084)
Net book value			
At 31 December 2021	2,377	76	2,453

5. (a) RIGHT-OF-USE ASSETS (CONTINUED)

This note provides information for leases where the Company is a lessee.

The Company has entered into operating lease agreements for office rental and other office equipment. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 5 years. There are also several lease contracts that include extension and termination options.

The Company also has certain leases of office rental with lease terms of 12 months or less and leases of low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognised in profit or loss:

	2022 RM'000	2021 RM'000
Depreciation expense of right-of-use assets	1,330	1,334
Profit expense on lease liabilities	131	192
Expense related to leases of low-value assets	14	14
Rental of properties	34	14
Total amount recognised in profit or loss	1,509	1,554

5. (b) LEASE LIABILITIES

Shareholders' fund/Company	**Lease Liabilities: Buildings RM'000**	**Lease Liabilities: Office equipment RM'000**	**Total RM'000**
2022			
Lease liabilities			
At 1 January 2022	2,507	172	2,679
Payment of lease liabilities	(1,464)	(49)	(1,513)
Profit expense on lease liabilities	93	38	131
At 31 December 2022	1,136	161	1,297
2021			
Lease liabilities			
At 1 January 2021	2,846	179	3,025
Additions	982	-	982
Payment of lease liabilities	(1,475)	(45)	(1,520)
Profit expense on lease liabilities	154	38	192
At 31 December 2021	2,507	172	2,679

6. INTANGIBLE ASSETS

Shareholders' fund/Company	Computer software and licences RM'000	Distribution platform RM'000	Total RM'000
2022			
Cost			
At 1 January 2022	24,841	3,498	28,339
Additions	412	-	412
Reclassification (Note 4)	3,415	-	3,415
At 31 December 2022	28,668	3,498	32,166
Accumulated amortisation			
At 1 January 2022	(17,104)	(1,121)	(18,225)
Charge for the year	(4,613)	(538)	(5,151)
At 31 December 2022	(21,717)	(1,659)	(23,376)
Net book value			
At 31 December 2022	6,951	1,839	8,790
2021			
Cost			
At 1 January 2021	20,523	3,498	24,021
Additions	734	-	734
Reclassification (Note 4)	3,584	-	3,584
At 31 December 2021	24,841	3,498	28,339
Accumulated amortisation			
At 1 January 2021	(11,656)	(583)	(12,239)
Charge for the year	(3,283)	(538)	(3,821)
Reclassification (Note 4)	(2,165)	-	(2,165)
At 31 December 2021	(17,104)	(1,121)	(18,225)
Net book value			
At 31 December 2021	7,737	2,377	10,114

7. INVESTMENTS

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2022			
FVOCI financial assets:			
Quoted Shariah-approved equities	25,698	3,064	28,762
Government investment issues	-	198,520	198,520
Unquoted Islamic private debt securities	-	239,074	239,074
Financial assets at FVTPL:			
Quoted Shariah-approved equities	5,033	453,231	458,264
Financial instruments with embedded derivatives	-	145	145
Unit trusts - REITS	-	10,148	10,148
Government investment issues	32,645	7,253	39,898
Unquoted Islamic private debt securities	78,164	168,687	246,851
	141,540	1,080,122	1,221,662

The funds' and Company's financial assets are summarised by categories as follows:

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
FVOCI financial assets (Note 7(a))	25,698	440,658	466,356
Financial assets at FVTPL (Note 7(b))	115,842	639,464	755,306
	141,540	1,080,122	1,221,662
The following investments mature after 12 months:			
FVOCI financial assets	-	411,415	411,415
Financial assets at FVTPL	105,806	175,940	281,746
	105,806	587,355	693,161

7. INVESTMENTS (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2021			
FVOCI financial assets:			
Quoted Shariah-approved equities	20,802	23,359	44,161
Government investment issues	-	221,274	221,274
Unquoted Islamic private debt securities	-	230,431	230,431
Financial assets at FVTPL:			
Quoted Shariah-approved equities	5,125	424,371	429,496
Financial instruments with embedded derivatives	-	658	658
Unit trusts - REITS	-	12,877	12,877
Government investment issues	30,478	18,866	49,344
Unquoted Islamic private debt securities	68,357	104,733	173,090
	124,762	1,036,569	1,161,331

The funds' and Company's financial assets are summarised by categories as follows:

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
FVOCI financial assets (Note 7(a))	20,802	475,064	495,866
Financial assets at FVTPL (Note 7(b))	103,960	561,505	665,465
	124,762	1,036,569	1,161,331
The following investments mature after 12 months:			
FVOCI financial assets	-	350,701	350,701
Financial assets at FVTPL	89,259	116,856	206,115
	89,259	467,557	556,816

7. INVESTMENTS (CONTINUED)

(a) FVOCI financial assets

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2022			
At cost:			
Quoted Shariah-approved equities	26,646	3,479	30,125
Government investment issues	-	201,308	201,308
Unquoted Islamic private debt securities	-	243,141	243,141
	26,646	447,928	474,574
At fair value:			
Quoted Shariah-approved equities	25,698	3,064	28,762
Government investment issues	-	198,520	198,520
Unquoted Islamic private debt securities	-	239,074	239,074
	25,698	440,658	466,356
2021			
At cost:			
Quoted Shariah-approved equities	22,825	27,554	50,379
Government investment issues	-	223,382	223,382
Unquoted Islamic private debt securities	-	230,185	230,185
	22,825	481,121	503,946
At fair value:			
Quoted Shariah-approved equities	20,802	23,359	44,161
Government investment issues	-	221,274	221,274
Unquoted Islamic private debt securities	-	230,431	230,431
	20,802	475,064	495,866

During the financial year ended 31 December 2022, the Company sold quoted Shariah-approved equities as the underlying investments are no longer aligned with the Company's long-term investment strategy. These investments had a fair value of RM7,663,955 (2021: RM3,952,766) at the date of disposal. The cumulative loss on disposal of RM1,078,623 was reclassified from fair value reserve to retained earnings (2021: RM158,128).

7. INVESTMENTS (CONTINUED)

(b) Financial assets at FVTPL

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2022			
At fair value:			
Mandatorily measured:			
Quoted Shariah-approved equities	5,033	453,231	458,264
Financial instruments with embedded derivatives	-	145	145
Unit trusts - REITS	-	10,148	10,148
Government investment issues	-	4,295	4,295
Unquoted Islamic private debt securities	-	109,613	109,613
Designated upon initial recognition:			
Government investment issues	32,645	2,958	35,603
Unquoted Islamic private debt securities	78,164	59,074	137,238
	115,842	639,464	755,306

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2021			
At fair value:			
Mandatorily measured:			
Quoted Shariah-approved equities	5,125	424,371	429,496
Financial instruments with embedded derivatives	-	658	658
Unit trusts - REITS	-	12,877	12,877
Government investment issues	-	17,841	17,841
Unquoted Islamic private debt securities	-	84,738	84,738
Designated upon initial recognition:			
Government investment issues	30,478	1,025	31,503
Unquoted Islamic private debt securities	68,357	19,995	88,352
	103,960	561,505	665,465

7. INVESTMENTS (CONTINUED)

(c) Movement in carrying values

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
FVOCI financial assets:			
At 1 January 2021	27,322	520,113	547,435
Purchases	9,024	338,376	347,400
Disposals at fair value	(14,623)	(364,689)	(379,312)
Fair value gains recorded in:			
Other comprehensive income	(865)	(15,833)	(16,698)
Amortisation of premiums - net (Note 22)	(56)	(2,903)	(2,959)
At 31 December 2021	20,802	475,064	495,866
Purchases	11,484	268,900	280,384
Disposals at amortised cost	(7,664)	(299,737)	(307,401)
Fair value losses recorded in:			
Other comprehensive income	1,076	(1,213)	(137)
Amortisation of premiums - net (Note 22)	-	(2,356)	(2,356)
At 31 December 2022	25,698	440,658	466,356

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Financial assets at FVTPL:			
At 1 January 2021	113,630	403,773	517,403
Purchases	79,159	725,027	804,186
Disposals	(85,812)	(545,546)	(631,358)
Fair value losses recorded in:			
Profit or loss (Note 24)	(3,017)	(21,749)	(24,766)
At 31 December 2021	103,960	561,505	665,465
Purchases	99,054	628,649	727,703
Disposals	(86,079)	(525,884)	(611,963)
Fair value losses recorded in:			
Profit or loss (Note 24)	(1,093)	(24,806)	(25,899)
At 31 December 2022	115,842	639,464	755,306

8. RETAKAFUL ASSETS

	2022 RM'000	2021 RM'000
Family takaful fund/Company		
Retakaful of takaful certificates	227,685	210,449
Retakaful of takaful certificates arising from the mySalam Scheme (Note 39)	1,016,081	518,254
Total retakaful of takaful certificates (Note 15)	1,243,766	728,703

9. TAKAFUL RECEIVABLES

Family takaful fund/Company	2022 RM'000	2021 RM'000
Contributions due from agents, other intermediaries and corporate shareholder	26,931	18,446
Contribution due arising from the mySalam Scheme (Note 39)	2,371,950	1,407,818
Amount due arising from retakaful operators	8,998	9,762
	2,407,879	1,436,026
Allowance for impairment	(1,054)	(920)
	2,406,825	1,435,106
Movement in impairment allowance account:		
Individual impairment:		
At 1 January	(920)	(2,031)
Impairment for the year	(134)	1,111
At 31 December	(1,054)	(920)

Included in the takaful receivables is an amount of RM7.97 million (2021: RM4.13 million) due from a corporate shareholder of the Company, Koperasi Angkatan Tentera (Note 30). The amount receivable is subject to settlement terms stipulated in the takaful certificates.

The carrying amounts disclosed above approximate fair values at the reporting date due to the relatively short-term maturity of these balances.

9. TAKAFUL RECEIVABLES (CONTINUED)

The family takaful fund's and Company's amount due from retakaful operators that are offset are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
At 31 December 2022			
Commission earned	-	14	14
Claims recoveries	-	22,375	22,375
Retakaful contributions	(13,391)	-	(13,391)
	(13,391)	22,389	8,998
At 31 December 2021			
Commission earned	-	84	84
Claims recoveries	-	23,431	23,431
Retakaful contributions	(13,753)	-	(13,753)
	(13,753)	23,515	9,762

10. OTHER RECEIVABLES

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2022			
Profit due and accrued	1,498	8,066	9,564
Other receivables and deposits	18,027	13,845	31,872
Amount due from family takaful fund * (Note 17)	23,078	-	-
	42,603	21,911	41,436
2021			
Profit due and accrued	1,197	6,457	7,654
Other receivables and deposits	15,319	1,386	16,705
Amount due from family takaful fund * (Note 17)	88,211	-	-
	104,727	7,843	24,359

* The amount due from family takaful fund is unsecured, not subject to any profit elements and is repayable upon demand.

The carrying amounts disclosed above approximate fair values at the reporting date due to the relatively short-term maturity of these balances.

11. DEFERRED TAX ASSETS/(LIABILITIES)

	2022 RM'000	2021 RM'000
Shareholders' fund		
At beginning of year	8,396	48
Recognised in other comprehensive income	(258)	195
Recognised in income statement (Note 28(b))	4,564	8,153
At end of year	12,702	8,396

The components and movements of deferred tax asset of the shareholders' fund during the financial year are as follows:

	Asset/(liability)			
	FVOCI reserves RM'000	FVTPL investment assets RM'000	Expense liabilities RM'000	Total RM'000
2022				
At 1 January 2022	42	926	7,428	8,396
Recognised in other comprehensive income	(258)	-	-	(258)
Recognised in income statement	-	(7,166)	11,730	4,564
At 31 December 2022	(216)	(6,240)	19,158	12,702
2021				
At 1 January 2021	(153)	201	-	48
Recognised in other comprehensive income	195	-	-	195
Recognised in income statement	-	725	7,428	8,153
At 31 December 2021	42	926	7,428	8,396

Deferred tax asset and liability of the shareholders' fund are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	2022 RM'000	2021 RM'000
Family takaful fund		
At beginning of year	1,177	(2,011)
Recognised in other comprehensive income	(320)	1,453
Recognised in income statement (Note 28(a))	1,927	1,735
At end of year	2,784	1,177

The components and movements of deferred tax asset/(liability) of the family takaful fund during the financial year are as follows:

	← Asset/(liability)		→
	FVOCI reserves RM'000	FVTPL investment assets RM'000	Total RM'000
2022			
At 1 January 2022	702	475	1,177
Recognised in other comprehensive income	(320)	-	(320)
Recognised in income statement	-	1,927	1,927
At 31 December 2022	382	2,402	2,784
2021			
At 1 January 2021	(751)	(1,260)	(2,011)
Recognised in other comprehensive income	1,453	-	1,453
Recognised in income statement	-	1,735	1,735
At 31 December 2021	702	475	1,177

Deferred tax asset and liability of the family takaful fund are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	2022 RM'000	2021 RM'000
Company		
At beginning of year	9,573	(1,963)
Recognised in other comprehensive income	(578)	1,648
Recognised in income statement	6,491	9,888
At end of year	15,486	9,573

The components and movements of deferred tax (liability)/asset of the Company during the financial year are as follows:

	Asset/(liability)			
	FVOCI reserves RM'000	FVTPL investment assets RM'000	Expense liabilities RM'000	Total RM'000
2022				
At 1 January 2022	1,042	1,103	7,428	9,573
Recognised in other comprehensive income	(578)	-	-	(578)
Recognised in income statement	-	(5,239)	11,730	6,491
At 31 December 2022	464	(4,136)	19,158	15,486
2021				
At 1 January 2021	(606)	(1,357)	-	(1,963)
Recognised in other comprehensive income	1,648	-	-	1,648
Recognised in income statement	-	2,460	7,428	9,888
At 31 December 2021	1,042	1,103	7,428	9,573

Deferred tax asset and liability of the Company are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

12. SHARE CAPITAL

	Number of shares		Amount	
Shareholders' fund/Company	**2022 In '000**	**2021 In '000**	**2022 RM'000**	**2021 RM'000**
Ordinary shares (Note (a))	175,000	175,000	175,000	175,000
Redeemable preference shares (Note (b))	20,000	20,000	20,000	20,000
	195,000	195,000	195,000	195,000
(a) Ordinary shares:				
At 1 January/31 December	175,000	175,000	175,000	175,000
(b) Redeemable preference shares:				
At 1 January/31 December	20,000	20,000	20,000	20,000

The salient features of the redeemable preference shares ("RPS") are as follows:

(a) The non-cumulative dividend payable to preference shareholders shall be in priority to the dividend (if any) payable to the ordinary shareholders, subject to the ordinary shareholders agreeing to the amount of the dividend to be distributed prior to each distribution;

(b) Each RPS confers on the preference shareholder the right to receive, *pari passu* with the ordinary shareholders in the share capital of the Company, the repayment in full of the nominal amount of that RPS;

(c) The RPS are non-cumulative, non-convertible, non-participating in profits, assets or other rights, and there is no fixed rate for dividends declared (if any);

(d) The RPS are transferable only in the manner provided in the Articles of Association, and have no specific redemption date but the Company has an option to redeem the preference shares. The Company had entered into a Supplemental Agreement dated 21 October 2016 with its shareholders, I Great Capital Holdings Sdn. Bhd. and Koperasi Angkatan Tentera Malaysia Berhad to extend the tenure for the option to redeem the RPS for a further period of 10 years as part of the measure to improve the Company’s capital adequacy ratio. The redemption period of the RPS was accordingly, extended from 14 December 2017 to 14 December 2027; and

(e) The redeemable preference shares confer on a preference shareholder the right to receive notices of general meetings, reports and balance sheets of the Company, and to attend general meetings and the preference shareholder is entitled to vote in each of the relevant circumstances as stipulated in the Companies Act 2016 only.

13. PARTICIPANTS' FUND

	2022 RM'000	2021 RM'000
Family takaful fund		
Unallocated surplus (Note (i))	45,203	47,965
FVOCI reserves (Note (ii))	(6,094)	(3,506)
	39,109	44,459
(i) Unallocated surplus:		
At beginning of the financial year	47,965	57,092
Surplus distributable to participants (Note 15)	39,324	41,309
Surplus allocated to participants (Note 15)	(42,086)	(50,436)
At end of the financial year	45,203	47,965
(ii) FVOCI reserves:		
At beginning of the financial year	(3,506)	10,329
Net loss recognised during the financial year	(2,588)	(13,835)
At end of the financial year	(6,094)	(3,506)

14. EXPENSE LIABILITIES

	2022 RM'000	2021 RM'000
Shareholders' fund/Company		
Provision for expense liabilities	57,111	48,851
Provision for expense over-run	4,970	4,970
	62,081	53,821
At beginning of the financial year	53,821	46,752
Change in expense liabilities	8,260	6,900
Expense over-run reserves	-	169
	8,260	7,069
	62,081	53,821

The expense liabilities are set aside as a provision, as determined by the Appointed Actuary, in the Shareholders' fund. The total reserves amount in the Shareholders' fund includes the expense liabilities, as well as any potential expense over-run.

15. TAKAFUL CERTIFICATE LIABILITIES

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
Family takaful fund			
2022			
Provision for outstanding claims reported by certificate holders	148,926	(102,879)	46,047
Actuarial reserves	200,774	(124,806)	75,968
Participants' investment account ("PIA")	500,315	-	500,315
Net asset value attributable to certificate holders	555,558	-	555,558
Accumulated surplus	75,480	-	75,480
Takaful certificate liabilities for mySalam (including accumulated surplus (Note 39))	1,734,293	(1,016,081)	718,212
	3,215,346	(1,243,766)	1,971,580

The movement of the family takaful certificate liabilities is further analysed as follows:

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
At 1 January 2022	2,164,715	(728,703)	1,436,012
Benefits intimated during the financial year	293,585	(68,496)	225,089
Benefits paid during the financial year	(272,549)	61,386	(211,163)
Increase in liabilities due to:			
Portfolio movements	106,310	(2,592)	103,718
Surplus allocated to participants during the financial year (Note 13(i))	42,086	-	42,086
Change in assumptions and basis	1,747	(7,534)	(5,787)
Surplus arising during the financial year	(7,701)	-	(7,701)
Movement of takaful certificate liabilities for mySalam (Note 39)	887,153	(497,827)	389,326
At 31 December 2022	3,215,346	(1,243,766)	1,971,580

15. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
Family takaful fund			
2021			
Provision for outstanding claims reported by certificate holders	127,891	(95,769)	32,122
Actuarial reserves	174,557	(114,680)	59,877
Participants' investment account ("PIA")	430,785	-	430,785
Net asset value attributable to certificate holders	501,161	-	501,161
Accumulated surplus	83,181	-	83,181
Takaful certificate liabilities for mySalam (including accumulated surplus (Note 39))	847,140	(518,254)	328,886
	2,164,715	(728,703)	1,436,012

The movement of the family takaful certificate liabilities is further analysed as follows:

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
At 1 January 2021	2,004,607	(801,339)	1,203,268
Benefits intimated during the financial year	236,822	(98,553)	138,269
Benefits paid during the financial year	(196,177)	68,207	(127,970)
Increase in liabilities due to:			
Portfolio movements	79,861	12,008	91,869
Surplus allocated to participants during the financial year (Note 13(i))	50,436	-	50,436
Change in assumptions and basis	25,718	(21,544)	4,174
Surplus arising during the financial year	39,657	-	39,657
Movement of takaful certificate liabilities for mySalam (Note 39)	(76,209)	112,518	36,309
At 31 December 2021	2,164,715	(728,703)	1,436,012

15. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
Company			
2022			
Provision for outstanding claims reported by certificate holders	278,452	(217,543)	60,909
Actuarial reserves	1,182,422	(1,026,223)	156,199
Participants' investment account ("PIA")	500,315	-	500,315
Net asset value attributable to certificate holders	555,558	-	555,558
Accumulated surplus	698,599	-	698,599
Unallocated surplus	45,203	-	45,203
FVOCI reserves	(6,094)	-	(6,094)
	3,254,455	(1,243,766)	2,010,689

The movement of the family takaful certificate liabilities is further analysed as follows:

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
At 1 January 2022	2,209,174	(728,703)	1,480,471
Benefits intimated during the financial year	479,787	(235,913)	243,874
Benefits paid during the financial year	(516,366)	280,854	(235,512)
Increase in liabilities due to:			
Portfolio movements	697,731	(552,470)	145,261
Change in assumptions and basis	1,747	(7,534)	(5,787)
Net surplus arising during the financial year	345,645	-	345,645
Surplus distributable to participants (Note 13)	39,324	-	39,324
FVOCI fair value loss for the year	(2,267)	-	(2,267)
Deferred tax relating to FVOCI fair value loss	(320)	-	(320)
At 31 December 2022	3,254,455	(1,243,766)	2,010,689

15. TAKAFUL CERTIFICATE LIABILITIES (CONTINUED)

Company (Continued)

2021

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
Provision for outstanding claims reported by certificate holders	315,031	(262,484)	52,547
Actuarial reserves	564,784	(466,219)	98,565
Participants' investment account ("PIA")	430,785	-	430,785
Net asset value attributable to certificate holders	501,161	-	501,161
Accumulated surplus	352,954	-	352,954
Unallocated surplus	47,965	-	47,965
FVOCI reserves	(3,506)	-	(3,506)
	2,209,174	(728,703)	1,480,471

The movement of the family takaful certificate liabilities is further analysed as follows:

	Gross RM'000	Retakaful (Note 8) RM'000	Net RM'000
At 1 January 2021	2,072,028	(801,339)	1,270,689
Benefits intimated during the financial year	522,218	(350,898)	171,320
Benefits paid during the financial year	(329,570)	188,343	(141,227)
Increase in liabilities due to:			
Portfolio movements	(193,313)	256,735	63,422
Change in assumptions and basis	25,718	(21,544)	4,174
Net surplus arising during the financial year	84,619	-	84,619
Surplus distributable to participants (Note 13)	41,309	-	41,309
FVOCI fair value loss for the year	(15,288)	-	(15,288)
Deferred tax relating to FVOCI fair value loss	1,453	-	1,453
At 31 December 2021	2,209,174	(728,703)	1,480,471

16. TAKAFUL PAYABLES

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2022			
Due to clients, agents and other intermediaries	16,088	-	16,088
Amount due to retakaful operators	-	22,367	22,367
Amount due to retakaful operators of the mySalam Scheme (Note 39)	-	1,621,252	1,621,252
	16,088	1,643,619	1,659,707
2021			
Due to clients, agents and other intermediaries	18,181	-	18,181
Amount due to retakaful operators	-	11,812	11,812
Amount due to retakaful operators of the mySalam Scheme (Note 39)	-	1,065,736	1,065,736
	18,181	1,077,548	1,095,729

The family takaful fund's and Company's amount due to retakaful operators that are offset are as follows:

2022	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
Commissions	-	(69)	(69)
Surplus shared	-	(3,121)	(3,121)
Claims recoveries	-	(454,495)	(454,495)
Retakaful contributions	2,101,304	-	2,101,304
	2,101,304	(457,685)	1,643,619

16. TAKAFUL PAYABLES (CONTINUED)

2021	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
Commissions	-	(35)	(35)
Surplus shared	-	(2,394)	(2,394)
Claims recoveries	-	(228,413)	(228,413)
Retakaful contributions	1,308,390	-	1,308,390
	1,308,390	(230,842)	1,077,548

The carrying amounts disclosed above approximate fair values at the reporting date due to the relatively short-term maturity of these balances.

17. OTHER PAYABLES

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2022			
Deposit contributions	25	7,592	7,617
Amount due to shareholders' fund* (Note 10)	-	23,078	-
Accruals	11,808	-	11,808
Agents' retirement benefits (Note 17.1)	18,000	-	18,000
Other payables and sundry creditors	120,089	158,403	278,492
	149,922	189,073	315,917
2021			
Deposit contributions	-	8,480	8,480
Amount due to shareholders' fund* (Note 10)	-	88,211	-
Accruals	15,369	-	15,369
Agents' retirement benefits (Note 17.1)	14,368	-	14,368
Other payables and sundry creditors	137,625	87,156	224,781
	167,362	183,847	262,998

* The amount due to shareholders' fund is unsecured, not subject to any profit elements and repayable upon demand.

The carrying amounts disclosed above approximate fair values at the reporting date due to the relatively short-term maturity of these balances.

17. OTHER PAYABLES (CONTINUED)

17.1 Agents' retirement benefits

	2022 RM'000	2021 RM'000
Shareholders' fund		
At 1 January	14,368	11,107
Provision for the year	4,027	4,147
Utilised during the year	(395)	(886)
At 31 December	18,000	14,368
Payable after 12 months	18,000	14,368

18. PROVISIONS

	2022 RM'000	2021 RM'000
Shareholders' fund/Company		
Provision for bonus (Note 18.1)	8,685	8,969
Provision for short-term accumulating compensated absences	762	736
	9,447	9,705

18.1 Provision for bonus

	2022 RM'000	2021 RM'000
Shareholders' fund		
At 1 January	8,969	8,099
Provision for the year	8,685	8,969
Utilised during the year	(8,248)	(7,419)
Overprovision in prior year	(721)	(680)
At 31 December	8,685	8,969

19. AMOUNT DUE TO RELATED COMPANIES - SHAREHOLDERS' FUND/COMPANY

The amount due to related companies is unsecured, not subject to any profit elements and repayable upon demand.

20. WAKALAH FEE INCOME

	2022 RM'000	2021 RM'000
Shareholders' fund		
Upfront fee	297,903	268,637
Fund management and service charges	15,790	16,288
	313,693	284,925

21. NET EARNED CONTRIBUTION

	2022 RM'000	2021 RM'000
Family takaful fund		
(a) Gross contribution		
Family takaful contracts	2,029,908	1,307,382
	2,029,908	1,307,382
(b) Contribution ceded		
Family takaful contracts	(902,004)	(624,687)
	(902,004)	(624,687)
Net earned contribution	1,127,904	682,695

22. INVESTMENT INCOME

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2022			
FVOCI financial assets:			
Profit income	-	18,295	18,295
Dividend income	1,383	468	1,851
Net amortisation	-	(2,356)	(2,356)
Financial assets at FVTPL:			
- mandatorily measured:			
Profit income	1	5,016	5,017
Dividend income	282	14,989	15,271
- designated upon initial recognition:			
Profit income	4,620	1,767	6,387

22. INVESTMENT INCOME (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2022 (Continued)			
Cash and bank balances profit income	1,764	5,212	6,976
Gross investment income	8,050	43,391	51,441
Less: Investment expenses	(237)	(2,745)	(2,982)
	7,813	40,646	48,459

During the year ended 31 December 2022, dividend income relating to quoted Shariah-approved equities measured at FVOCI were:

	RM'000
Derecognised during the reporting year	1,564
Held at the end of the reporting year	288
	1,852

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2021			
FVOCI financial assets:			
Profit income	134	17,410	17,544
Dividend income	1,057	2,985	4,042
Net amortisation	(56)	(2,903)	(2,959)
Financial assets at FVTPL:			
- mandatorily measured:			
Profit income	-	4,288	4,288
Dividend income	358	11,446	11,804
- designated upon initial recognition:			
Profit income	4,357	716	5,073
Cash and bank balances profit income	(245)	3,531	3,286
Gross investment income	5,605	37,473	43,078
Less: Investment expenses	42	(2,627)	(2,585)
	5,647	34,846	40,493

During the year ended 31 December 2021, dividend income relating to quoted Shariah-approved equities measured at FVOCI were:

	RM'000
Derecognised during the reporting year	2,508
Held at the end of the reporting year	1,534
	4,042

23. REALISED GAINS/(LOSSES)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2022			
FVOCI financial assets:			
Government investment issues	-	(150)	(150)
Unquoted Islamic private debt securities	-	167	167
Total realised gains for FVOCI financial assets	-	17	17
Financial assets at FVTPL:			
Mandatorily measured:			
Shariah-approved equities			
- quoted in Malaysia	-	(28,144)	(28,144)
Financial instruments with embedded derivatives	-	289	289
Unit trusts - REITS	-	(397)	(397)
Government investment issues	-	439	439
Unquoted Islamic private debt securities	-	(283)	(283)
	-	(28,096)	(28,096)
Designated upon initial recognition:			
Government investment issues	(1,024)	2	(1,022)
Unquoted Islamic private debt securities	(137)	-	(137)
	(1,161)	2	(1,159)
Total realised losses for financial assets at FVTPL	(1,161)	(28,094)	(29,255)
	(1,161)	(28,077)	(29,238)

23. REALISED GAINS (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2021			
FVOCI financial assets:			
Government investment issues	35	95	130
Unquoted Islamic private debt securities	-	671	671
Total realised gains for FVOCI financial assets	35	766	801
Financial assets at FVTPL:			
Mandatorily measured:			
Shariah-approved equities			
- quoted in Malaysia	(12)	(1,974)	(1,986)
Financial instruments with embedded derivatives	-	122	122
Unit trusts - REITS	-	(121)	(121)
Government investment issues	-	(1,828)	(1,828)
Unquoted Islamic private debt securities	-	(554)	(554)
Units held in investment-linked	-	-	-
	(12)	(4,355)	(4,367)
Designated upon initial recognition:			
Government investment issues	(773)	(199)	(972)
Unquoted Islamic private debt securities	(248)	-	(248)
	(1,021)	(199)	(1,220)
Total realised gains for financial assets at FVTPL	(1,033)	(4,554)	(5,587)
	(998)	(3,788)	(4,786)

24. FAIR VALUE LOSSES

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2022			
Financial assets at FVTPL	(1,093)	(24,806)	(25,899)
2021			
Financial assets at FVTPL	(3,017)	(21,749)	(24,766)

25. FEE AND COMMISSION INCOME

	2022 RM'000	2021 RM'000
Family takaful fund		
Surplus sharing from retakaful operators	1,503	2,394
Commission earned on retakaful	76	169
Other certificate charges	995	1,109
	2,574	3,672

26. WAKALAH FEE EXPENSE

	2022 RM'000	2021 RM'000
Family takaful fund		
Upfront fee	297,903	268,637
Fund management and service charges	15,790	16,288
	313,693	284,925

27. MANAGEMENT EXPENSES

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2022			
Staff costs:			
Salaries, bonus and other related costs	41,602	-	41,602
Defined contribution plans	5,557	-	5,557
Social security contribution	274	-	274
Short-term accumulating compensated absences	26	-	26
	47,459	-	47,459
Non-Executive directors' remuneration (Note 27(b))	622	-	622
Shariah committee members' remuneration (Note 27(c))	231	-	231
Auditors' remuneration:			
- statutory audit	362	-	362
- regulatory related fees	53	17	70
- non-audit fee	63	-	63
Agency related expenses	32,567	-	32,567
Advertising and marketing expenses	17,465	8	17,473
Rental of properties	34	-	34
Rental of equipment	6	-	6
Depreciation of motor vehicles and equipment (Note 4)	1,768	-	1,768
Depreciation of right-of-use assets (Note 5a)	1,330	-	1,330
Amortisation of intangible assets (Note 6)	5,151	-	5,151
Profit expense on lease liabilities (Note 5b)	131	-	131
Marketing and communication	1,489	-	1,489
Electronic data processing	125	-	125
Management fees	1,689	-	1,689
Shared services charges	13,371	-	13,371
Outsourcing charges	14,246	-	14,246
Other expenses	16,319	135	16,454
	154,481	160	154,641

27. MANAGEMENT EXPENSES (CONTINUED)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2021			
Staff costs:			
Salaries, bonus and other related costs	37,777	-	37,777
Defined contribution plans	5,421	-	5,421
Social security contribution	238	-	238
Short-term accumulating compensated absences	45	-	45
	43,481	-	43,481
Non-Executive directors' remuneration (Note 27(b))	643	-	643
Shariah committee members' remuneration (Note 27(c))	301	-	301
Auditors' remuneration:			
- statutory audit	337	12	349
- regulatory related fees	41	-	41
- non-audit fee	-	-	-
Agency related expenses	26,605	-	26,605
Advertising and marketing expenses	10,902	5	10,907
Rental of properties	14	-	14
Rental of equipment	36	-	36
Depreciation of motor vehicles and equipment (Note 4)	1,711	-	1,711
Depreciation of right-of-use assets (Note 5a)	1,334	-	1,334
Amortisation of intangible assets (Note 6)	5,987	-	5,987
Profit expense on lease liabilities (Note 5b)	192	-	192
Marketing and communication	2,799	-	2,799
Electronic data processing	306	-	306
Management fees	2,445	-	2,445
Shared services charges	15,974	-	15,974
Outsourcing charges	13,224	-	13,224
Other expenses	4,971	(1,112)	3,859
	131,303	(1,095)	130,208

27. MANAGEMENT EXPENSES (CONTINUED)

(a) Chief Executive Officer ("CEO")'s remuneration

The details of remuneration received and receivable by the CEO included in staff costs during the year are as follows:

	2022 RM'000	2021 RM'000
Shareholders' fund/Company		
Salaries and bonus	1,481	1,261
Deferred contribution plans	237	202
Others	36	35
	1,754	1,498

(b) Non-Executive directors' remuneration:

	2022 RM'000	2021 RM'000
Shareholders' fund/Company		
Fees:		
Current directors:		
Mr Norman Ka Cheung Ip	92	85
YBhg. Datin Zaharah binti Ali	59	59
YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)	50	50
YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	44	44
YBhg. Dato' Yeoh Beow Tit	82	82
Mohamed Rashdi Bin Mohamed Ghazalli	11	44
YBhg. Prof. Dato' Dr. Wan Sabri bin Wan Yusof	20	-
	358	364

27. MANAGEMENT EXPENSES (CONTINUED)

(b) Non-Executive directors' remuneration (Continued):

Shareholders' fund/Company	2022 RM'000	2021 RM'000
Allowances:		
Current directors:		
Mr Norman Ka Cheung Ip	49	49
YBhg. Datin Zaharah binti Ali	48	50
YBhg. Major General Dato' Zulkiflee bin Mazlan (Rtd)	44	42
YBhg. Rear Admiral Dato' Anuwar bin Mad Said (Rtd)	45	47
YBhg. Dato' Yeoh Beow Tit	46	44
Mohamed Rashdi Bin Mohamed Ghazalli	15	47
YBhg. Prof. Dato' Dr. Wan Sabri bin Wan Yusof	17	-
	264	279
	622	643

The Directors' fees are subject to the recommendation of the Nominations and Remuneration Committee to the Board of Directors for endorsement and approval by shareholders at the Annual General Meeting.

The number of directors whose total remuneration received from the Company during the year that fall within the following bands is analysed as follows:

Shareholders' fund/Company	2022 Band level	2021 Band level
Non-Executive directors		
Below RM50,000	2	-
RM50,001 - RM100,000	2	3
RM100,001 - RM150,000	3	3

27. MANAGEMENT EXPENSES (CONTINUED)

(c) Shariah Committee Members' remuneration:

	2022 RM'000	2021 RM'000
Shareholders' fund/Company		
Fees:		
Dr. Akhtarzaite binti Abdul Aziz	40	42
Dr. Mohamad Sabri bin Zakaria	34	36
Assoc. Prof. Dr. Siti Salwani binti Razali	36	36
Dr. Mohammad Firdaus bin Mohammad Hatta	36	36
Prof. Dato' Dr. Wan Sabri bin Wan Yusof	-	36
Assoc. Prof. Dr. Suhaimi bin Ab Rahman	-	36
Dr. Ahmad Basri Ibrahim	21	-
Dr. Muhammad Naim Omar	20	-
Dr. Muhammad Pisol Mat Isa	2	-
Dr. Nurul Aini Muhamed	2	-
	191	222
Other emoluments:		
Dr. Akhtarzaite binti Abdul Aziz	8	14
Dr. Mohamad Sabri bin Zakaria	8	13
Assoc. Prof. Dr. Siti Salwani binti Razali	8	14
Dr. Mohammad Firdaus bin Mohammad Hatta	8	14
Prof. Dato' Dr. Wan Sabri bin Wan Yusof	-	13
Assoc. Prof. Dr. Suhaimi bin Ab Rahman	-	13
Dr. Ahmad Basri Ibrahim	4	-
Dr. Muhammad Naim Omar	4	-
	40	79
	231	301

28. TAXATION OF FAMILY TAKAFUL BUSINESS/TAXATION

(a) **Family takaful fund**	2022 RM'000	2021 RM'000
Malaysian income tax:		
Current year	(332)	1,626
(Over)/Under provision in prior year	(3,181)	1,494
	(3,513)	3,120
Deferred tax relating to the origination and reversal of temporary differences (Note 11):		
Current year	(1,927)	(1,735)
Tax (expense)/income for the year	(5,440)	1,385

28. TAXATION OF FAMILY TAKAFUL BUSINESS/TAXATION (CONTINUED)

(a) Family takaful fund (Continued)

The Malaysian income tax of the family takaful fund is based on the method prescribed under the Income Tax Act 1967 for takaful business. The income tax for the family takaful fund is calculated based on tax rate of 8% (2021: 8%) of the chargeable investment income net of allowable deductions for the year.

(b) Shareholders' fund/Company

	2022 RM'000	2021 RM'000
Shareholders' fund		
Malaysian income tax:		
Current year	7,712	9,968
Under/(Over) provision in prior year	231	(89)
	7,943	9,879
Deferred tax relating to the origination and reversal of temporary differences (Note 11):		
Current year	(4,564)	(8,153)
Tax expense for the year	3,379	1,726

Domestic income tax for the shareholders' fund/Company is calculated at the Malaysian statutory tax rate of 24% (2021: 24%) of the estimated chargeable income for the year.

A reconciliation of income tax expense applicable to loss before zakat and taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the shareholders' fund is as follows:

	2022 RM'000	2021 RM'000
Shareholders' fund		
Profit before zakat and taxation	18,090	20,192
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	4,342	4,846
Expenses not deductible for tax purposes	3,125	10,110
Income not subject to tax	-	(5,713)
Under/(over) provision in prior year	231	(89)
Effect of changes in taxation	(4,319)	(7,428)
Tax expense for the year	3,379	1,726

28. TAXATION OF FAMILY TAKAFUL BUSINESS/TAXATION (CONTINUED)

(b) Shareholders' fund/Company (Continued)

	2022 RM'000	2021 RM'000
Company		
Malaysian income tax:		
Current year	7,712	9,968
Under/(over) provision in prior year	231	(89)
	7,943	9,879
Deferred tax relating to the origination and reversal of temporary differences (Note 11):		
Current year	(4,564)	(8,153)
Tax expense for the year	3,379	1,726

A reconciliation of income tax expense applicable to loss before zakat and taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

Company	2022 RM'000	2021 RM'000
Profit before zakat and taxation	18,090	20,192
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	4,342	4,846
Expenses not deductible for tax purposes	3,125	10,110
Income not subject to tax	-	(5,713)
Under/(over) provision in prior year	231	(89)
Effect of changes in taxation	(4,319)	(7,428)
Tax expense for the year	3,379	1,726

29. PROFIT PER SHARE - BASIC AND DILUTED

The basic profit per share is calculated by dividing the net profit for the financial year by the number of ordinary shares in issue during the year as follows:

Company	2022	2021
Net profit for the financial year (RM'000)	14,611	18,466
Weighted average number/number of ordinary shares in issue ('000)	175,000	175,000
Basic profit per share (sen)	8.3	10.6

The Company has no potential dilutive ordinary shares in issue as at the date of the statement of financial position and therefore, diluted earnings per share are not separately disclosed.

30. RELATED PARTY DISCLOSURES

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all Directors of the Company, the Chief Executive Officer and members of the Senior Management Team.

The main related parties and their relationship with the Company are as follows:

Related parties	Relationship
Oversea-Chinese Banking Corporation Ltd. ("OCBC Bank")	Ultimate holding company
Great Eastern Holdings Ltd.	Penultimate holding company
Great Eastern Life Assurance Co. Ltd.	Intermediate holding company
Great Eastern Capital (Malaysia) Sdn Bhd	Intermediate holding company
I Great Capital Holdings Sdn Bhd	Immediate holding company
Koperasi Angkatan Tentera Malaysia Berhad	Corporate shareholder of the Company
Great Eastern Life Assurance (Malaysia) Berhad	Subsidiary of intermediate holding company
OCBC Al-Amin Berhad	Subsidiary of ultimate holding company
OCBC Bank (Malaysia) Berhad	Subsidiary of ultimate holding company
Great Eastern Life Indonesia	Subsidiary of ultimate holding company
Axiata Digital Capital Sdn Bhd	Common ultimate shareholder

30. RELATED PARTY DISCLOSURES (CONTINUED)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year:

(i) Transactions with related parties during the financial year:

Company	2022 RM'000	2021 RM'000
(Expenses)/income:		
Service charges (vi):		
- Koperasi Angkatan Tentera Malaysia Berhad	(1,303)	(1,256)
Commission expenses/administration fees paid (ii):		
- OCBC Al-Amin Bank Berhad	(2,219)	(2,179)
- Koperasi Angkatan Tentera Malaysia Berhad	(4,827)	(4,650)
Bank charges (ii):		
- OCBC Al-Amin Bank Berhad	(438)	(273)
Credit card charges (ii):		
- OCBC Bank (Malaysia) Berhad	(2,197)	(2,055)
Rental of properties (v):		
- Great Eastern Life Assurance (Malaysia) Berhad	(1,446)	(1,400)
- Koperasi Angkatan Tentera Malaysia Berhad	(10)	(17)
Profit income (iii):		
- OCBC Al-Amin Bank Berhad	2,715	2,654
(Charges)/income for outsourcing services (iv):		
- Great Eastern Life Assurance (Malaysia) Berhad	(9,664)	(11,772)
- I Great Capital Holdings Sdn Bhd	80	79
Charges for group services (vi):		
- Great Eastern Life Assurance (Malaysia) Berhad	(4,012)	(4,304)
- Great Eastern Life Assurance Co. Ltd.	(1,689)	(2,444)
Mobilisation fees for digital business (vii):		
- Axiata Digital Capital Sdn Bhd	-	(4,600)
Contribution received (viii):		
- OCBC Al-Amin Bank Berhad	2,247	1,914
Charges for project cost (ix):		
- Great Eastern Life Indonesia	1	-

30. RELATED PARTY DISCLOSURES (CONTINUED)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year (Continued):

(i) Transactions with related parties during the financial year (Continued):

Company	2022 RM'000	2021 RM'000
(Expenses):		
Directors' fees	(622)	(643)
Shariah Committee members' fees	(231)	(301)

(ii) Balances with related parties at year end:

	2022 RM'000	2021 RM'000
Cash and bank balances:		
- OCBC Al-Amin Bank Berhad	105,672	139,373
Islamic investment accounts with licensed Islamic banks:		
- OCBC Al-Amin Bank Berhad	131,955	189,450
Amount due (to)/from related companies:		
- Great Eastern Life Assurance (Malaysia) Berhad	(4,096)	(4,667)
- Great Eastern Life Assurance Co. Ltd.	(6,275)	(6,856)
- I Great Capital Holdings Sdn Bhd	41	41
- Great Eastern General Malaysia	33	33
- Great Eastern Life Indonesia	1	-
	(10,296)	(11,449)
Takaful receivables:		
- Koperasi Angkatan Tentera Malaysia Berhad	7,975	4,134

Related companies are companies within the Oversea-Chinese Banking Corporation Limited ("OCBC Group"):

(i) The sale and purchase of investments to related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees;

(ii) Payment of commissions, custodian fees and bank charges to related parties are made according to normal market prices;

(iii) The profit income arose mainly from investments in fixed deposits and repurchase agreements which are made according to prevailing market rates, terms and conditions;

30. RELATED PARTY DISCLOSURES (CONTINUED)

Related companies are companies within the Oversea-Chinese Banking Corporation Limited ("OCBC Group"): (Continued)

(iv) The outsourcing agreements were made at arm's length and approved by the Board;

(v) Rental of property from related parties are made according to normal market prices, terms and conditions;

(vi) Payment of Group function costs based on allocation rates governed by corporate service agreement and in line with Malaysian Transfer Pricing Guidelines and Organisation for Economic Co-operation and Development ("OECD") Transfer Pricing Guidelines. Group function services are derived from immediate parent company in Singapore, Great Eastern Life Assurance Co. Ltd.;

(vii) Payment of mobilisation fees for digital business;

(viii) Contribution received for bancatakaful business; and

(ix) Charge back of project staff cost.

The table below shows the breakdown by type of services received and geographical location for inter company charges:

Geographical Location	Type of Services	2022 RM	2021 RM
Singapore	Group service charges for services rendered, which include those in respect of strategic management, finance, actuarial, risk management and compliance, human capital, investment management, operations, information technology and market distribution.	(1,689)	(2,444)
Indonesia	Charge back of project staff cost.	1	
		(1,688)	(2,444)

30. RELATED PARTY DISCLOSURES (CONTINUED)

The remuneration of Directors and other key management personnel during the year was as follows:

	2022 RM'000	2021 RM'000
Key management personnel's remuneration:		
Non-executive directors	622	643
Salaries and bonus	6,520	6,130
Defined contribution plans ("EPF")	1,042	927
Benefits-in-kind	25	25
	8,209	7,725

31. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as prescribed under the RBCT is provided below:

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
2022			
Tier-1 Capital	128,582	50,484	179,066
Tier-2 Capital	19,094	(1,166)	17,928
Deductions	(21,482)	(42)	(21,524)
Capital Available	126,194	49,276	175,470
2021			
Tier-1 Capital	114,791	53,637	168,428
Tier-2 Capital	18,462	(1,047)	17,415
Deductions	(18,443)	(183)	(18,626)
Capital Available	114,810	52,407	167,217

32. FINANCIAL INSTRUMENTS BY CATEGORY

Shareholders' fund	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
2022							
Assets							
Motor vehicles and equipment	4	-	-	-	-	12,735	12,735
Right-of-use assets	5(a)	-	-	-	-	1,123	1,123
Intangible assets	6	-	-	-	-	8,790	8,790
Investments	7	25,698	115,842	-	141,540	-	141,540
Other receivables	10	-	-	42,603	42,603	-	42,603
Deferred tax assets		-	-	-	-	12,702	12,702
Tax recoverable		-	-	-	-	3,103	3,103
Cash and cash equivalents		-	-	174,534	174,534	-	174,534
Total assets		25,698	115,842	217,137	358,677	38,453	397,130

	Note	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities					
Expense liabilities	14	-	-	62,081	62,081
Lease liabilities	5(b)	1,297	1,297	-	1,297
Takaful payables	16	16,088	16,088	-	16,088
Other payables	17	149,922	149,922	-	149,922
Provisions	18	9,447	9,447	-	9,447
Amounts due to related companies	19	10,296	10,296	-	10,296
Provision for zakat		-	-	137	137
Provision for taxation		-	-	-	-
Total liabilities		187,050	187,050	62,218	249,268

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Shareholders' fund (Continued)	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
2021							
Assets							
Motor vehicles and equipment	4	-	-	-	-	9,426	9,426
Right-of-use assets	5(a)	-	-	-	-	2,453	2,453
Intangible assets	6	-	-	-	-	10,114	10,114
Investments	7	20,802	103,960	-	124,762	-	124,762
Other receivables	10	-	-	104,727	104,727	-	104,727
Deferred tax assets		-	-	-	-	8,396	8,396
Cash and cash equivalents		-	-	138,140	138,140	-	138,140
Total assets		20,802	103,960	242,867	367,629	30,389	398,018

	Note	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities					
Expense liabilities	14	-	-	53,821	53,821
Lease liabilities	5(b)	2,679	2,679	-	2,679
Takaful payables	16	18,181	18,181	-	18,181
Other payables	17	167,362	167,362	-	167,362
Provisions	18	9,705	9,705	-	9,705
Amounts due to related companies	19	11,449	11,449	-	11,449
Provision for zakat		-	-	33	33
Provision for taxation		-	-	1,535	1,535
Total liabilities		209,376	209,376	55,389	264,765

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Family takaful fund	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	Assets not in scope of of MFRS 9 RM'000	Total RM'000
2022							
Assets							
Investments	7	440,658	639,464	-	1,080,122	-	1,080,122
Retakaful assets	8	-	-	-	-	1,243,766	1,243,766
Takaful receivables	9	-	-	2,406,825	2,406,825	-	2,406,825
Other receivables	10	-	-	21,911	21,911	-	21,911
Deferred tax assets	11	-	-	-	-	2,784	2,784
Tax recoverable		-	-	-	-	2,913	2,913
Cash and cash equivalents		-	-	328,826	328,826	-	328,826
Total assets		440,658	639,464	2,757,562	3,837,684	1,249,463	5,087,147

	Note	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities and participants' fund					
Participants' fund	13	-	-	39,109	39,109
Takaful certificate liabilities	15	-	-	3,215,346	3,215,346
Takaful payables	16	1,643,619	1,643,619	-	1,643,619
Other payables	17	189,073	189,073	-	189,073
Total liabilities and participants' fund		1,832,692	1,832,692	3,254,455	5,087,147

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Family takaful fund (Continued)	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	Assets not in scope of of MFRS 9 RM'000	Total RM'000
2021							
Assets							
Investments	7	475,064	561,505	-	1,036,569	-	1,036,569
Retakaful assets	8	-	-	-	-	728,703	728,703
Takaful receivables	9	-	-	1,435,106	1,435,106	-	1,435,106
Other receivables	10	-	-	7,843	7,843	-	7,843
Deferred tax assets	11	-	-	-	-	1,177	1,177
Cash and cash equivalents		-	-	262,539	262,539	-	262,539
Total assets		475,064	561,505	1,705,488	2,742,057	729,880	3,471,937

	Note	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities and participants' fund					
Participants' fund	13	-	-	44,459	44,459
Takaful certificate liabilities	15	-	-	2,164,715	2,164,715
Takaful payables	16	1,077,548	1,077,548	-	1,077,548
Other payables	17	183,847	183,847	-	183,847
Deferred tax liabilities	11	-	-	-	-
Provision for taxation		-	-	1,368	1,368
Total liabilities and participants' fund		1,261,395	1,261,395	2,210,542	3,471,937

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
2022							
Assets							
Motor vehicles and equipment	4	-	-	-	-	12,735	12,735
Right-of-use assets	5(a)	-	-	-	-	1,123	1,123
Intangible assets	6	-	-	-	-	8,790	8,790
Investments	7	466,356	755,306	-	1,221,662	-	1,221,662
Retakaful assets	8	-	-	-	-	1,243,766	1,243,766
Takaful receivables	9	-	-	2,406,825	2,406,825	-	2,406,825
Other receivables	10	-	-	41,436	41,436	-	41,436
Deferred tax assets	11	-	-	-	-	15,486	15,486
Tax recoverable		-	-	-	-	6,016	6,016
Cash and cash equivalents		-	-	503,360	503,360	-	503,360
Total assets		466,356	755,306	2,951,621	4,173,283	1,287,916	5,461,199

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company (Continued)	Note	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
2022					
Liabilities					
Expense liabilities	14	-	-	62,081	62,081
Takaful certificate liabilities	15	-	-	3,254,455	3,254,455
Lease liabilities	5(b)	1,297	1,297	-	1,297
Takaful payables	16	1,659,707	1,659,707	-	1,659,707
Other payables	17	315,917	315,917	-	315,917
Provisions	18	9,447	9,447	-	9,447
Amounts due to related companies	19	10,296	10,296	-	10,296
Provision for zakat		-	-	137	137
Total liabilities		1,996,664	1,996,664	3,316,673	5,313,337

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company (Continued)	Note	FVOCI RM'000	FVTPL RM'000	AC RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
2021							
Assets							
Motor vehicles and equipment	4	-	-	-	-	9,426	9,426
Right-of-use assets	5(a)	-	-	-	-	2,453	2,453
Intangible assets	6	-	-	-	-	10,114	10,114
Investments	7	495,866	665,465	-	1,161,331	-	1,161,331
Retakaful assets	8	-	-	-	-	728,703	728,703
Takaful receivables	9	-	-	1,435,106	1,435,106	-	1,435,106
Other receivables	10	-	-	24,359	24,359	-	24,359
Deferred tax assets	11	-	-	-	-	9,573	9,573
Cash and cash equivalents		-	-	400,679	400,679	-	400,679
Total assets		495,866	665,465	1,860,144	3,021,475	760,269	3,781,744

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company (Continued)	Note	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
2021					
Liabilities					
Expense liabilities	14	-	-	53,821	53,821
Takaful certificate liabilities	15	-	-	2,209,174	2,209,174
Lease liabilities	5(b)	2,679	2,679	-	2,679
Takaful payables	16	1,095,729	1,095,729	-	1,095,729
Other payables	17	262,998	262,998	-	262,998
Provisions	18	9,705	9,705	-	9,705
Amounts due to related companies	19	11,449	11,449	-	11,449
Deferred tax liabilities	11	-	-	-	-
Provision for zakat		-	-	33	33
Provision for taxation		-	-	2,903	2,903
Total liabilities		1,382,560	1,382,560	2,265,931	3,648,491

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES

Governance framework

Managing risk is an integral part of the Company's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Company shall:

- Operate within parameters and limits that have been set based on the risk appetite approved by the Board; and
- Pursue appropriate risk-adjusted returns.

Risk Management Department spearheads the development and implementation of the ERM Framework for the Company.

The Board Risk Management Committee ("BRMC"), constituted in 2003, provides the oversight on the risk management initiatives. Detailed risk management and oversight activities are undertaken by the following Management Committees comprising the Chief Executive Officer and Key Senior Management Executives:

- Senior Management Team ("SMT")
- Asset-Liability Committee ("ALC")
- Product Development Committee ("PDC")
- Information Technology Steering Committee ("ITSC")
- Financial Crime Committee ("FCC")

The SMT is responsible for providing leadership, direction and functional oversight with regard to all matters of the Company. The SMT is also responsible for ensuring compliance and alignment with governance and oversight framework, i.e. standards and guidelines, and ensuring the business operates within the risk appetite in delivering annual business targets.

The ALC is responsible for balance sheet management. Specifically, the ALC reviews and formulates technical frameworks, policies and methodologies relating to balance sheet management.

The PDC oversees the product development and launch process. In addition, the PDC regularly reviews and monitors the performance of new and existing products.

The ITSC is responsible for providing the overall strategic direction and approval of all IT related initiatives to support the Company's strategic growth into the future.

The FCC provides an independent oversight of fraud investigation and anti-money laundering/counter financing of terrorism ("AML/CFT") review, and ensures that investigations and reviews are conducted in a manner that is fair, consistent and transparent.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Regulatory framework

Takaful operators are regulated by the Islamic Financial Services Act 2013 ("IFSA") which came into force on 30 June 2013, and other relevant regulations issued by regulators from time to time.

Capital management framework

The Company's capital management policy is to support balance sheet growth by maintaining a strong capital position with sufficient buffer to meet obligations to certificate holders and regulatory requirements, and to make strategic investments for business growth. The Company has had no significant changes in the policies and processes relating to its capital structure during the year.

Under the Risk-Based Capital Framework for Takaful Operators ("RBCT"), the operator has to maintain a capital adequacy level that commensurate with its risk profiles. The Capital Adequacy Ratio of the Company remained well at above the minimum capital requirement of 130% under the RBCT Framework as prescribed by BNM.

The Internal Capital Adequacy Assessment Process ("ICAAP") Framework came into effect on 1 January 2017. Under this Framework, the Company has to ensure adequate capital to meet its capital requirements on an ongoing basis. The key elements supporting the Framework include Board and Senior Management oversight, comprehensive risk assessment, individual target capital level and stress testing, sound capital management as well as ongoing monitoring, reporting and review of capital position. Capital management and contingencies policies have been further developed and refined under the Framework to outline the approaches and principles under which the Company's capital will be monitored and managed, as well as the corrective actions to be implemented at various critical capital levels. In addition, a risk appetite statement has been established to outline the Company's capacity to take on risks to achieve its business objectives while managing the expectations of key stakeholders.

The following sections provide details regarding the Company's exposure to the key risks faced by the Company and the objectives, policies and processes for the management of these risks. There has been no major change to the Company's exposure to these key risks or the manner in which it manages and measures these risks.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Takaful risk

The principal activity of the Company is managing family takaful business including investment-linked business.

The Company's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of takaful coverage benefits. This is largely achieved through diversification of certificate holders across industry sectors and geography, the selective use of medical screening in order to ensure that product pricing takes into account the current health conditions and family medical history, and regular review of the actual claims experience as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria.

Takaful risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of takaful contracts. Should the actual claims experience be worse than the assumptions used in pricing the products and establishing the provisions and liabilities for claims, there may be potential shortfalls in provision for future claims and expenses. Assumptions that may cause takaful risks to be underestimated include assumptions on certificate lapses, mortality, morbidity and expenses.

The Company utilises retakaful arrangements to manage the mortality and morbidity risks. The Company's retakaful management strategy and policy are reviewed annually by the SMT, BRMC, and the Board as appropriate. Retakaful structures are set based on the type of risk. Catastrophe retakaful is procured to limit catastrophic losses.

Only retakaful operators meeting a minimum credit rating of Standard & Poor's "A-", or its equivalent, are considered. The only exception is in regard to the required retakaful cessions made to the local national retakaful operators, if any. The Company shall not cede out risks to takaful or retakaful companies, except in unavoidable cases. The Company limits its risk to any one retakaful operator by ceding different risks to different retakaful operators or to a panel of retakaful operators.

The SMT reviews the actual experience of mortality, morbidity, lapses and surrenders, as well as expenses to ensure that the policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Takaful risk (Continued)

For family takaful funds, the risk is that the guaranteed certificate benefits must be met even when investment markets perform below expectations, or claims experience is higher than expected. As for investment-linked business, the risk exposure for the Company is limited to the underwriting aspect as all investment risks are borne by the certificate holders. Nevertheless, the fees earned by the Company for managing the investment-linked funds would fluctuate with the changes in underlying fund values.

Stress Testing ("ST") is performed in accordance with BNM requirements. The purpose of the ST is to test the solvency of the Operator and Takaful Funds under the various scenarios (i.e. Chinese Government Crackdown on Strategic Sectors, Local Economic Slump and Inflation Amidst Recovery, and Intensified Competition in the Takaful Market.) according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, market volatilities, expense patterns, mortality/morbidity patterns and lapse rates.

Concentration analysis

Table 33(A): The table below shows the concentration of expense liabilities of the shareholders' fund actuarial liabilities and unit reserves of the family takaful fund as at the reporting date by type of takaful certificates issued:

Shareholders' fund - expense liabilities	Gross RM'000	Retakaful RM'000	Net RM'000
2022			
Family takaful plans	14,217	-	14,217
Investment-linked takaful plans	12,126	-	12,126
Group credit takaful plans	4,534	-	4,534
mySalam	31,204	-	31,204
	62,081	-	62,081
2021			
Ordinary family takaful plans	14,572	-	14,572
Investment-linked takaful plans	12,128	-	12,128
Group credit takaful plans	4,250	-	4,250
mySalam	22,871	-	22,871
	53,821	-	53,821

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Takaful risk (Continued)

Concentration analysis (Continued)

Family takaful fund - actuarial reserves, PIA and net asset value attributable to certificate holders	Gross RM'000	Retakaful RM'000	Net RM'000
2022			
Family takaful plans	286,616	(97,854)	188,762
Investment-linked takaful plans	606,707	(16,478)	590,229
Group credit takaful plans	361,220	(10,474)	350,746
Tabarru Fund 2	2,104	-	2,104
mySalam	981,648	(901,417)	80,231
	2,238,295	(1,026,223)	1,212,072
2021			
Ordinary family takaful plans	196,164	(77,977)	118,187
Investment-linked takaful plans	562,230	(27,468)	534,762
Group credit takaful plans	346,682	(9,235)	337,447
Tabarru Fund 2	1,427	-	1,427
mySalam	390,227	(351,539)	38,688
	1,496,730	(466,219)	1,030,511

Sensitivity analysis

The sensitivity analysis below shows the impact of change in key parameters on the carrying value of takaful certificate liabilities, and hence on the income statement and shareholders' equity.

Sensitivity analyses produced are based on parameters set out as follows:

	Change in Assumptions
(a) Scenario 1 - Mortality and major illness	+ 25% for all future years
(b) Scenario 2 - Mortality and major illness	- 25% for all future years
(c) Scenario 3 - Health and disability	+ 25% for all future years
(d) Scenario 4 - Health and disability	- 25% for all future years
(e) Scenario 5 - Lapse and surrender rates	+ 25% for all future years
(f) Scenario 6 - Lapse and surrender rates	- 25% for all future years
(g) Scenario 7 - Expenses	+25% for all future years
(h) Scenario 8 - Expenses	-25% for all future years

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Takaful risk (Continued)

Sensitivity analysis (Continued)

Table 33(B): The table below shows the sensitivity analysis by applying possible shocks to each key variable, with all other assumptions held constant, showing the impact on gross and net liabilities, surplus of risk funds, profit/loss before taxation, shareholders' equity and participants' fund. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear. The method used and significant assumptions made for deriving sensitivity information have not changed from the previous year.

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit after taxation RM'000	Impact on equity* RM'000
Shareholders' fund - expense liabilities		← Increase/(decrease) →		← Increase/(decrease) →	
2022					
Scenario 1 - Mortality and major illness	+25%	1,521	1,521	(1,521)	(1,156)
Scenario 2 - Mortality and major illness	-25%	(1,464)	(1,464)	1,464	1,113
Scenario 3 - Health and disability	+25%	13,701	13,701	(13,701)	(10,413)
Scenario 4 - Health and disability	-25%	(919)	(919)	919	699
Scenario 5 - Lapse and surrender rates	+25%	(983)	(983)	983	747
Scenario 6 - Lapse and surrender rates	-25%	985	985	(985)	(748)
Scenario 7 - Expenses	+25%	10,810	10,810	(10,810)	(8,216)
Scenario 8 - Expenses	-25%	(6,771)	(6,771)	6,771	5,146

* The impact on equity is stated net of taxation of 24% (2021: 24%).

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Takaful risk (Continued)

Sensitivity analysis (Continued)

Shareholders' fund - expense liabilities (Continued)	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit after taxation RM'000	Impact on equity* RM'000
		← Increase/(decrease) →		← Increase/(decrease) →	
2021					
Scenario 1 - Mortality and major illness	+25%	1,136	1,136	(1,136)	(863)
Scenario 2 - Mortality and major illness	-25%	(1,245)	(1,245)	1,245	946
Scenario 3 - Health and disability	+25%	7,329	7,329	(7,329)	(5,570)
Scenario 4 - Health and disability	-25%	(406)	(406)	406	309
Scenario 5 - Lapse and surrender rates	+25%	(861)	(861)	861	654
Scenario 6 - Lapse and surrender rates	-25%	1,023	1,023	(1,023)	(778)
Scenario 7 - Expenses	+25%	10,047	10,047	(10,047)	(7,636)
Scenario 8 - Expenses	-25%	(6,618)	(6,618)	6,618	5,029

* The impact on equity is stated net of taxation of 24% (2021: 24%).

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Takaful risk (Continued)

Sensitivity analysis (Continued)

Family takaful fund - takaful certificate liabilities	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus RM'000	Impact on profit after taxation RM'000	Impact on participants' fund RM'000
		← Increase/(decrease)	→	←	(Decrease)/increase	→
2022						
Scenario 1 - Mortality and major illness	+25%	379,503	25,470	(25,470)	(3,691)	(14,138)
Scenario 2 - Mortality and major illness	-25%	(208,741)	(18,864)	18,864	1,653	11,552
Scenario 3 - Health and disability	+25%	150,752	78,730	(78,730)	(22,515)	(32,596)
Scenario 4 - Health and disability	-25%	(74,331)	(10,542)	10,542	1,171	6,209
Scenario 5 - Lapse and surrender rates	+25%	(6,081)	(264)	264	65	120
Scenario 6 - Lapse and surrender rates	-25%	7,202	340	(340)	(83)	(154)
2021						
Scenario 1 - Mortality and major illness	+25%	260,110	18,302	(18,302)	(2,733)	(10,079)
Scenario 2 - Mortality and major illness	-25%	(134,443)	(11,457)	11,457	535	7,485
Scenario 3 - Health and disability	+25%	107,957	62,840	(62,840)	(17,990)	(25,998)
Scenario 4 - Health and disability	-25%	(43,477)	(6,504)	6,504	812	3,740
Scenario 5 - Lapse and surrender rates	+25%	(3,365)	(234)	234	51	112
Scenario 6 - Lapse and surrender rates	-25%	4,081	338	(338)	(74)	(163)

* The impact on equity is stated net of taxation of 24% (2021: 24%).

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Takaful risk (Continued)

Sensitivity analysis (Continued)

Company - expense liabilities and takaful certificate liabilities	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit after taxation RM'000	Impact on equity* RM'000
		← Increase/(decrease)	→	← Increase/(decrease)	→
2022					
Scenario 1 - Mortality and major illness	+25%	381,024	26,991	(5,212)	3,961
Scenario 2 - Mortality and major illness	-25%	(210,205)	(20,328)	3,117	(2,369)
Scenario 3 - Health and disability	+25%	164,453	92,431	(36,216)	27,524
Scenario 4 - Health and disability	-25%	(75,250)	(11,461)	2,090	(1,588)
Scenario 5 - Lapse and surrender rates	+25%	(7,064)	(1,247)	1,048	(797)
Scenario 6 - Lapse and surrender rates	-25%	8,187	1,325	(1,068)	812
Scenario 7 - Expenses	+25%	10,810	10,810	(10,810)	8,216
Scenario 8 - Expenses	-25%	(6,771)	(6,771)	6,771	(5,146)
2021					
Scenario 1 - Mortality and major illness	+25%	261,246	19,438	(3,869)	2,941
Scenario 2 - Mortality and major illness	-25%	(135,688)	(12,702)	1,780	(1,353)
Scenario 3 - Health and disability	+25%	115,286	70,169	(25,319)	19,242
Scenario 4 - Health and disability	-25%	(43,883)	(6,910)	1,218	(925)
Scenario 5 - Lapse and surrender rates	+25%	(4,226)	(1,095)	912	(693)
Scenario 6 - Lapse and surrender rates	-25%	5,104	1,361	(1,097)	834
Scenario 7 - Expenses	+25%	10,047	10,047	(10,047)	7,636
Scenario 8 - Expenses	-25%	(6,618)	(6,618)	6,618	(5,029)

* The impact on equity is stated net of taxation of 24% (2021: 24%).

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk

Market risk arises when the market value of assets and liabilities are adversely affected by changes in financial markets. Changes in profit rates, foreign exchange rates and equity prices can impact present and future investment earnings of the takaful operations as well as shareholders' equity.

The Company is exposed to market risk in the shareholders' fund as well as market mismatch risk between the assets and the liabilities of the takaful funds. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction and risk measurement. In the case of the investment-linked funds, investment risks are borne by the certificate holders. Nevertheless, the revenues of the takaful operations are linked to the value of the underlying funds since this has an impact on the level of fund management fees earned.

Investment limits are monitored at various levels to ensure that all investment activities are conducted within the Company's risk appetite and in line with the Company’s risk management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by the Company in managing the various types of risk, including profit rate risk, foreign exchange risk, equity price risk, credit spread risk, liquidity risk, credit risk and concentration risk, is briefly described as follows:

(a) Profit rate risk

The Company is exposed to profit rate risk through (i) investments in fixed income instruments and money market instruments and (ii) expense liabilities in the shareholders' fund. Since the Company discounts its investments in fixed income instruments for valuation, it will incur an economic loss when profit rates rise or vice versa. This effect is offset by expense liabilities in the shareholders' fund which behave in the contrary. This results in a net profit rate risk which is managed and monitored by the ALC.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(a) Profit rate risk (Continued)

The following tables set out the carrying amount, by maturity, of the Company's financial instruments that are exposed to profit rate risk.

Shareholders' fund	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2022				
Government investment issues	-	29,634	3,011	32,645
Unquoted Islamic private debt securities	5,004	59,642	13,518	78,164
	5,004	89,276	16,529	110,809
2021				
Government investment issues	3,017	16,398	11,063	30,478
Unquoted Islamic private debt securities	6,559	45,138	16,660	68,357
	9,576	61,536	27,723	98,835
Family takaful fund				
2022				
Government investment issues	201	122,084	83,488	205,773
Unquoted Islamic private debt securities	25,979	169,888	211,894	407,761
	26,180	291,972	295,382	613,534

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(a) Profit rate risk (Continued)

	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Family takaful fund (Continued)				
2021				
Government investment issues	45,480	114,059	80,601	240,140
Unquoted Islamic private debt securities	62,267	137,342	135,555	335,164
	107,747	251,401	216,156	575,304
Company				
2022				
Government investment issues	201	151,718	86,499	238,418
Unquoted Islamic private debt securities	30,983	229,530	225,412	485,925
	31,184	381,248	311,911	724,343
2021				
Government investment issues	48,498	130,457	91,664	270,619
Unquoted Islamic private debt securities	68,826	182,480	152,215	403,521
	117,324	312,937	243,879	674,140

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(a) Profit rate risk (Continued)

The sensitivity analysis below shows the impact by applying possible shocks to each key variable, with all other variables held constant. While the co-movement of key variables can significantly affect the fair values and/or amortised cost of financial assets, to demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net profit or loss after taxation represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of takaful certificate liabilities. The impact on equity represents the impact on net profit or loss after taxation and the effect on changes in fair value reserves of financial assets measured at Fair Value through Other Comprehensive Income ("FVOCI").

	2022				
Change in profit rate	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus arising RM'000	Impact on profit before taxation RM'000	Impact on equity/ participants' fund* RM'000
	Increase/(Decrease)				
Shareholders' fund					
+100 basis points	(1,105)	(1,105)	-	1,105	840
-100 basis points	1,266	1,266	-	(1,266)	(962)
Family takaful fund					
+100 basis points	(1,758)	(1,758)	1,758	551	418
-100 basis points	2,156	2,156	(2,156)	(677)	(514)
Company					
+100 basis points	(2,863)	(2,863)	1,758	1,655	1,258
-100 basis points	3,422	3,422	(2,156)	(1,943)	(1,477)

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(a) Profit rate risk (Continued)

	2021				
Change in profit rate	**Impact on gross liabilities RM'000**	**Impact on net liabilities RM'000**	**Impact on surplus arising RM'000**	**Impact on profit before taxation RM'000**	**Impact on equity/ participants' fund* RM'000**
	Increase/(Decrease)				
Shareholders' fund					
+100 basis points	(883)	(883)	-	883	671
-100 basis points	1,271	1,271	-	(1,271)	(966)
Family takaful fund					
+100 basis points	(1,545)	(1,545)	1,545	473	359
-100 basis points	1,841	1,841	(1,841)	(565)	(430)
Company					
+100 basis points	(2,428)	(2,428)	1,545	1,355	1,030
-100 basis points	3,112	3,112	(1,841)	(1,836)	(1,396)

* Impact on equity is after taxation of 24% (2021: 24%) and the impact on participants' fund is after tax of 8% (2021: 8%).

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk

Investments denominated in foreign currencies are limited to 10% of individual funds regardless of country, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. In addition, net foreign currency exposure at the Company-level is limited to 10% of the total invested assets. (Refer to Table 33(C)).

Table 33(C): The table below shows the foreign exchange position of the assets and liabilities of the shareholders' fund, family takaful fund and the Company by major currencies.

Shareholders' fund	RM RM'000	SGD RM'000	Total RM'000
2022			
Assets			
Motor vehicles and equipment	12,735	-	12,735
Right-of-use assets	1,123	-	1,123
Intangible assets	8,790	-	8,790
Investments:			
FVOCI financial assets	25,698	-	25,698
Financial assets at FVTPL	115,842	-	115,842
Other receivables	42,603	-	42,603
Deferred tax asset	12,702	-	12,702
Tax recoverable	3,103	-	3,103
Cash and cash equivalents	174,534	-	174,534
Total assets	397,130	-	397,130
Liabilities			
Expense liabilities	62,081	-	62,081
Lease liabilities	1,297	-	1,297
Takaful payables	16,088	-	16,088
Other payables	149,922	-	149,922
Provisions	9,447	-	9,447
Amounts due to related companies	4,021	6,275	10,296
Provision for zakat	137	-	137
Total liabilities	242,993	6,275	249,268

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

Table 33(C): (Continued)

Shareholders' fund (Continued)	RM RM'000	SGD RM'000	Total RM'000
2021			
Assets			
Motor vehicles and equipment	9,426	-	9,426
Right-of-use assets	2,453	-	2,453
Intangible assets	10,114	-	10,114
Investments:			
FVOCI financial assets	20,802	-	20,802
Financial assets at FVTPL	103,960	-	103,960
Other receivables	104,727	-	104,727
Deferred tax asset	8,396	-	8,396
Cash and cash equivalents	138,140	-	138,140
Total assets	398,018	-	398,018
Liabilities			
Expense liabilities	53,821	-	53,821
Lease liabilities	2,679	-	2,679
Takaful payables	18,181	-	18,181
Other payables	167,362	-	167,362
Provisions	9,705	-	9,705
Amounts due to related companies	4,593	6,856	11,449
Provision for zakat	33	-	33
Provision for taxation	1,535	-	1,535
Total liabilities	257,909	6,856	264,765

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

Table 33(C): (Continued)

Family takaful fund	RM RM'000	SGD RM'000	HKD RM'000	Total RM'000
2022				
Assets				
Investments:				
FVOCI financial assets	440,658	-	-	440,658
Financial assets at FVTPL	586,359	16,049	37,056	639,464
Retakaful assets	1,243,766	-	-	1,243,766
Takaful receivables	2,406,825	-	-	2,406,825
Other receivables	21,911	-	-	21,911
Deferred tax assets	2,784	-	-	2,784
Tax recoverable	2,913	-	-	2,913
Cash and cash equivalents	311,118	4,488	13,220	328,826
Total assets	5,016,334	20,537	50,276	5,087,147
Liabilities and participants' fund				
Participants' fund	39,109	-	-	39,109
Takaful certificate liabilities	3,215,346	-	-	3,215,346
Takaful payables	1,643,619	-	-	1,643,619
Other payables	189,073	-	-	189,073
Total liabilities and participants' fund	5,087,147	-	-	5,087,147

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

Table 33(C): (Continued)

Family takaful fund (Continued)	RM RM'000	SGD RM'000	HKD RM'000	Total RM'000
2021				
Assets				
Investments:				
FVOCI financial assets	475,064	-	-	475,064
Financial assets at FVTPL	510,515	26,176	24,814	561,505
Retakaful assets	728,703	-	-	728,703
Takaful receivables	1,435,106	-	-	1,435,106
Other receivables	7,843	-	-	7,843
Deferred tax assets	1,177	-	-	1,177
Cash and cash equivalents	253,947	2,707	5,885	262,539
Total assets	3,412,355	28,883	30,699	3,471,937
Liabilities and participants' fund				
Participants' fund	44,459	-	-	44,459
Takaful certificate liabilities	2,164,715	-	-	2,164,715
Takaful payables	1,077,548	-	-	1,077,548
Other payables	183,847	-	-	183,847
Deferred tax liabilities	0	-	-	0
Provision for taxation	1,368	-	-	1,368
Total liabilities and participants' fund	3,471,937	-	-	3,471,937

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

Table 33(C): (Continued)

Company	RM RM'000	SGD RM'000	HKD RM'000	Total RM'000
2022				
Assets				
Motor vehicles and equipment	12,735	-	-	12,735
Right-of-use assets	1,123	-	-	1,123
Intangible assets	8,790	-	-	8,790
Investments:				
FVOCI financial assets	466,356	-	-	466,356
Financial assets at FVTPL	702,201	16,049	37,056	755,306
Retakaful assets	1,243,766	-	-	1,243,766
Takaful receivables	2,406,825	-	-	2,406,825
Other receivables	41,436	-	-	41,436
Deferred tax assets	15,486	-	-	15,486
Tax recoverable	6,016	-	-	6,016
Cash and cash equivalents	485,652	4,488	13,220	503,360
Total assets	5,390,386	20,537	50,276	5,461,199
Liabilities				
Expense liabilities	62,081	-	-	62,081
Takaful certificate liabilities	3,254,455	-	-	3,254,455
Lease liabilities	1,297	-	-	1,297
Takaful payables	1,659,707	-	-	1,659,707
Other payables	315,917	-	-	315,917
Provisions	9,447	-	-	9,447
Amounts due to related companies	10,296	-	-	10,296
Provision for zakat	137	-	-	137
Total liabilities	5,313,337	-	-	5,313,337

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

Table 33(C): (Continued)

Company (Continued)	RM RM'000	SGD RM'000	HKD RM'000	Total RM'000
2021				
Assets				
Motor vehicles and equipment	9,426	-	-	9,426
Right-of-use assets	2,453	-	-	2,453
Intangible assets	10,114	-	-	10,114
Investments:				
FVOCI financial assets	495,866	-	-	495,866
Financial assets at FVTPL	614,475	26,176	24,814	665,465
Retakaful assets	728,703	-	-	728,703
Takaful receivables	1,435,106	-	-	1,435,106
Other receivables	24,359	-	-	24,359
Deferred tax assets	9,573	-	-	9,573
Cash and cash equivalents	392,087	2,707	5,885	400,679
Total assets	3,722,162	28,883	30,699	3,781,744
Liabilities				
Expense liabilities	53,821	-	-	53,821
Takaful certificate liabilities	2,209,174	-	-	2,209,174
Lease liabilities	2,679	-	-	2,679
Takaful payables	1,095,729	-	-	1,095,729
Other payables	262,998	-	-	262,998
Provisions	9,705	-	-	9,705
Amounts due to related companies	11,449	-	-	11,449
Deferred tax liabilities	0	-	-	0
Provision for zakat	33	-	-	33
Provision for taxation	2,903	-	-	2,903
Total liabilities	3,648,491	-	-	3,648,491

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(b) Foreign currency risk (Continued)

The following table shows the sensitivity analysis for foreign currency:

	2022		2021	
Foreign Currency	Impact on profit before taxation RM'000	Impact on equity RM'000	Impact on loss before taxation RM'000	Impact on equity RM'000
+/-5%	+/- 3,541	+/- 3,541	+/- 2,979	+/- 2,979

(c) Equity price risk

Exposure to equity price risk exists in investment assets through equity investments where the Company bears the volatility in returns and investment performance risk. Equity price risk also exists in investment-linked products where revenues of the takaful operations are linked to the performances of underlying equity funds since this has an impact on the level of fees earned.

A robust monitoring process is in place to manage equity risk by having appropriate risk management strategies to limit the downside risk at certain pre-determined levels. Limits are set for single security holdings as a percentage of equity holdings.

	← 2022 →		← 2021 →	
Change in variables	Impact on surplus arising RM'000	Impact on equity/ participants' fund* RM'000	Impact on surplus arising RM'000	Impact on equity/ participants' fund* RM'000
	← Increase/(decrease) →		← Increase/(decrease) →	
Shareholders' fund				
+ 20%	-	4,671	-	3,941
- 20%	-	(4,671)	-	(3,941)
Family takaful fund				
+ 20%	93,318	85,852	92,253	84,873
- 20%	(93,318)	(85,852)	(92,253)	(84,873)
Company				
+ 20%	-	4,671	-	3,941
- 20%	-	(4,671)	-	(3,941)

* Impact on equity is after taxation of 24% (2021: 24%) and the impact on participants' fund is after tax of 8% (2021: 8%).

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(d) Credit spread risk

Exposure to credit spread risk exists in the Company's investments in Islamic private debt securities or corporate sukuks. Credit spread is the difference between the corporate yields against the risk-free rate of similar tenure. When spreads widen, it generally implies that the market is factoring a deterioration in the creditworthiness of the sukuks. A widening in credit spreads will generally result in a fall in the value of the Company's sukuk portfolio.

(e) Liquidity risk

Liquidity risk arises when a company is unable to meet the cash flow needs of its financial liabilities, or if the assets backing the liabilities cannot be sold quickly enough to meet its financial obligations without incurring significant losses. For a takaful company, the greatest liquidity needs typically arise from its takaful liabilities. Demands for funds can usually be met through ongoing normal operations, contributions received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by mass surrender of takaful certificates due to negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated certificate claims, or other unexpected cash demands from participants.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times.

The projected cash flows from the in-force takaful certificate liabilities consist of renewal contributions, expenses, commissions, claims, maturities and surrenders. Renewal contributions, expenses, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, investment diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in certain takaful contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in profit rates. (Refer to Table 33(D1) and (D2)).

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles

Table 33(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows.

For takaful certificate liabilities and retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised takaful liabilities.

Investment-linked liabilities are repayable or transferable on demand and are included in the 0 - 6 months and 6 - 12 months columns.

Shareholders' fund	**Carrying value RM'000**	**0 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 5 years RM'000**	**> 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
2022							
FVOCI financial assets:							
Quoted Shariah-approved equities	25,698	-	-	-	-	25,698	25,698
Financial assets at FVTPL:							
Quoted Shariah-approved equities	5,033	-	-	-	-	5,033	5,033
Government investment issues	32,645	260	601	34,379	3,286	-	38,526
Unquoted Islamic private debt securities	78,164	5,907	1,649	70,080	16,201	-	93,837

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

Shareholders' fund (Continued)	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2022 (Continued)							
Other receivables	42,603	42,603	-	-	-	-	42,603
Deferred tax assets	12,702	12,702	-	-	-	-	12,702
Tax recoverable	3,103	3,103	-	-	-	-	3,103
Cash and cash equivalents	174,534	174,789	-	-	-	-	174,789
Total financial assets	374,482	239,364	2,250	104,459	19,487	30,731	396,291
Expense liabilities	62,081	1,879	1,927	33,542	24,733	-	62,081
Lease liabilities	1,297	498	105	18	-	-	621
Takaful payables	16,088	16,088	-	-	-	-	16,088
Other payables	149,922	149,922	-	-	-	-	149,922
Provisions	9,447	9,447	-	-	-	-	9,447
Amounts due to related companies	10,296	10,296	-	-	-	-	10,296
Total financial and takaful liabilities	249,131	188,130	2,032	33,560	24,733	-	248,455
Total liquidity surplus	125,351	51,234	218	70,899	(5,246)	30,731	147,836

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

Shareholders' fund (Continued)	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2021							
FVOCI financial assets:							
Quoted Shariah-approved equities	20,802	-	-	-	-	20,802	20,802
Government investment issues	-	-	-	-	-	-	-
Financial assets at FVTPL:							
Quoted Shariah-approved equities	5,125	-	-	-	-	5,125	5,125
Government investment issues	30,478	3,343	502	20,537	13,068	-	37,450
Unquoted Islamic private debt securities	68,357	5,305	3,448	53,932	20,186	-	82,871
Other receivables	104,727	104,727	-	-	-	-	104,727
Deferred tax assets	8,396	8,396	-	-	-	-	8,396
Cash and cash equivalents	138,140	138,153	-	-	-	-	138,153
Total financial assets	376,025	259,924	3,950	74,469	33,254	25,927	397,524

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

Shareholders' fund (Continued)	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2021 (Continued)							
Expense liabilities	53,821	2,917	1,380	25,165	24,359	-	53,821
Lease liabilities	2,679	597	608	434	-	-	1,639
Takaful payables	18,181	18,181	-	-	-	-	18,181
Other payables	167,362	167,362	-	-	-	-	167,362
Provisions	9,705	9,705	-	-	-	-	9,705
Amounts due to related companies	11,449	11,449	-	-	-	-	11,449
Total financial and takaful liabilities	263,197	210,211	1,988	25,599	24,359	-	262,157
Total liquidity surplus	112,828	49,713	1,962	48,870	8,895	25,927	135,367

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

Family takaful fund	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2022							
FVOCI financial assets:							
Quoted Shariah-approved equities	3,064	-	-	-	-	3,064	3,064
Government investment issues	198,520	1,503	2,681	86,613	91,740	-	182,537
Unquoted Islamic private debt securities	239,074	24,584	7,582	138,192	134,665	-	305,023
Financial assets at FVTPL:							
Quoted Shariah-approved equities	453,231	-	-	-	-	453,231	453,231
Financial instruments with embedded derivatives	145	-	-	-	-	145	145
Unit trusts - REITS	10,148	-	-	-	-	10,148	10,148
Government investment issues	7,253	105	158	4,197	9,354	-	13,814
Unquoted Islamic private debt securities	168,687	2,094	4,029	86,765	147,743	-	240,631

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

Family takaful fund (Continued)	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2022 (Continued)							
Retakaful assets	1,243,766	255,955	112	903,030	84,669	-	1,243,766
Takaful receivables	2,406,825	34,875	-	2,371,950	-	-	2,406,825
Other receivables	21,911	21,911	-	-	-	-	21,911
Deferred tax asset	2,784	2,784	-	-	-	-	2,784
Tax recoverable	2,913	2,913	-	-	-	-	2,913
Cash and cash equivalents	328,826	329,361	-	-	-	-	329,361
Total financial/takaful assets	5,087,147	676,085	14,562	3,590,747	468,171	466,588	5,216,153
Participants' fund	39,109	39,109	-	-	-	-	39,109
Takaful certificate liabilities	3,215,346	404,528	14,093	1,644,574	1,152,151	-	3,215,346
Takaful payables	1,643,619	1,643,619	-	-	-	-	1,643,619
Other payables	189,073	189,073	-	-	-	-	189,073
Total financial/takaful liabilities	5,087,147	2,276,329	14,093	1,644,574	1,152,151	-	5,087,147
Total liquidity surplus/(gap)	-	(1,600,244)	469	1,946,173	(683,980)	466,588	129,006

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

Family takaful fund (Continued)	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2021							
FVOCI financial assets:							
Quoted Shariah-approved equities	23,359	-	-	-	-	23,359	23,359
Government investment issues	221,274	13,494	23,534	84,348	61,183	-	182,559
Unquoted Islamic private debt securities	230,431	21,764	23,781	118,431	92,427	-	256,403
Financial assets at FVTPL:							
Quoted Shariah-approved equities	424,371	-	-	-	-	424,371	424,371
Financial instruments with embedded derivatives	658	-	-	-	-	658	658
Unit trusts - REITS	12,877	-	-	-	-	12,877	12,877
Government investment issues	18,866	207	357	7,607	16,292	-	24,463
Unquoted Islamic private debt securities	104,733	1,528	9,027	50,875	81,518	-	142,948

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

Family takaful fund (Continued)	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2021 (Continued)							
Retakaful assets	728,703	318,207	123	401,807	8,566	-	728,703
Takaful receivables	1,435,106	27,288	-	1,407,818	-	-	1,435,106
Other receivables	7,843	7,843	-	-	-	-	7,843
Deferred tax asset	1,177	1,177	-	-	-	-	1,177
Cash and cash equivalents	262,539	262,732	-	-	-	-	262,732
Total financial/takaful assets	3,471,937	654,240	56,822	2,070,886	259,986	461,265	3,503,199
Participants' fund	44,459	44,459	-	-	-	-	44,459
Takaful certificate liabilities	2,164,715	473,100	8,369	745,361	937,885	-	2,164,715
Takaful payables	1,077,548	1,077,548	-	-	-	-	1,077,548
Other payables	183,847	183,847	-	-	-	-	183,847
Total financial/takaful liabilities	3,470,569	1,778,954	8,369	745,361	937,885	-	3,470,569
Total liquidity surplus/(gap)	1,368	(1,124,714)	48,453	1,325,525	(677,899)	461,265	32,630

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

Company	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2022							
FVOCI financial assets:							
Quoted Shariah-approved equities	28,762	-	-	-	-	28,762	28,762
Government investment issues	198,520	1,503	2,681	86,613	91,740	-	182,537
Unquoted Islamic private debt securities	239,074	24,584	7,582	138,192	134,665	-	305,023
Financial assets at FVTPL:							
Quoted Shariah-approved equities	458,264	-	-	-	-	458,264	458,264
Financial instruments with embedded derivatives	145	-	-	-	-	145	145
Unit trusts - REITS	10,148	-	-	-	-	10,148	10,148
Government investment issues	39,898	365	758	38,577	12,640	-	52,340
Unquoted Islamic private debt securities	246,851	8,001	5,677	156,846	163,944	-	334,468

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

Company (Continued)	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2022 (Continued)							
Takaful receivables	2,406,825	34,875	-	2,371,950	-	-	2,406,825
Retakaful assets	1,243,766	255,955	112	903,030	84,669	-	1,243,766
Other receivables	41,436	41,436	-	-	-	-	41,436
Deferred tax asset	15,486	15,486	-	-	-	-	15,486
Tax recoverable	6,016	6,016	-	-	-	-	6,016
Cash and cash equivalents	503,360	504,150	-	-	-	-	504,150
Total financial/takaful assets	5,438,551	892,371	16,810	3,695,208	487,658	497,319	5,589,366
Expense liabilities	62,081	1,879	1,927	33,542	24,733	-	62,081
Takaful certificate liabilities	3,254,455	443,638	14,093	1,644,574	1,152,151	-	3,254,456
Lease liabilities	1,297	498	105	18	-	-	621
Takaful payables	1,659,707	1,659,707	-	-	-	-	1,659,707
Other payables	315,917	315,917	-	-	-	-	315,917
Provisions	9,447	9,447	-	-	-	-	9,447
Amounts due to related companies	10,296	10,296	-	-	-	-	10,296
Total financial/takaful liabilities	5,313,200	2,441,382	16,125	1,678,134	1,176,884	-	5,312,525
Total liquidity surplus/(gap)	125,351	(1,549,011)	685	2,017,074	(689,226)	497,319	276,841

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

Company (Continued)	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2021							
FVOCI financial assets:							
Quoted Shariah-approved equities	44,161	-	-	-	-	44,161	44,161
Government investment issues	221,274	13,494	23,534	84,348	61,183	-	182,559
Unquoted Islamic private debt securities	230,431	21,764	23,781	118,431	92,427	-	256,403
Financial assets at FVTPL:							
Quoted Shariah-approved equities	429,496	-	-	-	-	429,496	429,496
Financial instruments with embedded derivatives	658	-	-	-	-	658	658
Unit trusts - REITS	12,877	-	-	-	-	12,877	12,877
Government investment issues	49,344	3,550	859	28,143	29,360	-	61,912
Unquoted Islamic private debt securities	173,090	6,832	12,475	104,807	101,704	-	225,818

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(e) Liquidity risk (Continued)

Maturity profiles (Continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial and takaful liabilities and the expected recovery or settlement of financial and takaful assets based on remaining undiscounted contractual cash flows. (Continued)

Company (Continued)	Carrying value RM'000	0 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2021 (Continued)							
Takaful receivables	1,435,106	27,288	-	1,407,818	-	-	1,435,106
Retakaful assets	728,703	318,207	123	401,807	8,566	-	728,703
Other receivables	24,359	24,359	-	-	-	-	24,359
Deferred tax asset	9,573	9,573	-	-	-	-	9,573
Cash and cash equivalents	400,679	400,885	-	-	-	-	400,885
Total financial/takaful assets	3,759,751	825,952	60,772	2,145,354	293,240	487,192	3,812,510
Expense liabilities	53,821	2,917	1,380	25,165	24,359	-	53,821
Takaful certificate liabilities	2,209,174	517,559	8,369	745,361	937,885	-	2,209,174
Lease liabilities	2,679	597	608	434	-	-	1,639
Takaful payables	1,095,729	1,095,729	-	-	-	-	1,095,729
Other payables	262,998	262,998	-	-	-	-	262,998
Provisions	9,705	9,705	-	-	-	-	9,705
Amounts due to related companies	11,449	11,449	-	-	-	-	11,449
Total financial/takaful liabilities	3,645,555	1,900,954	10,357	770,960	962,244	-	3,644,515
Total liquidity surplus/(gap)	114,196	(1,075,002)	50,415	1,374,394	(669,004)	487,192	167,995

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

Maturity analysis on expected maturity bases

Table 33(D2): The following table shows the current, non-current and investment-linked classification of assets and liabilities of the Company.

Shareholders' fund	Current* RM'000	Non-current RM'000	Invst-linked RM'000	Total RM'000
2022				
Assets				
Motor vehicles and equipment	-	12,735	-	12,735
Right-of-use assets	-	1,123	-	1,123
Intangible assets	-	8,790	-	8,790
Investments:				
FVOCI financial assets	-	25,698	-	25,698
Financial assets at FVTPL	10,037	105,805	-	115,842
Other receivables	42,603	-	-	42,603
Deferred tax assets	12,702	-	-	12,702
Tax recoverable	3,103	-	-	3,103
Cash and cash equivalents	174,534	-	-	174,534
Total assets	242,979	154,151	-	397,130
Liabilities				
Expense liabilities	3,806	58,275	-	62,081
Lease liabilities	676	621	-	1,297
Takaful payables	16,088	-	-	16,088
Other payables	149,922	-	-	149,922
Provisions	9,447	-	-	9,447
Amounts due to related companies	10,296	-	-	10,296
Provision for zakat	137	-	-	137
Total liabilities	190,372	58,896	-	249,268

* Expected utilisation or settlement within 12 months from the reporting date.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

Maturity analysis on expected maturity bases (Continued)

Table 33(D2): The following table shows the current, non-current and investment-linked classification of assets and liabilities of the Company (Continued).

Shareholders' fund (Continued)	Current* RM'000	Non-current RM'000	Invst-linked RM'000	Total RM'000
2021				
Assets				
Motor vehicles and equipment	-	9,426	-	9,426
Right-of-use assets	-	2,453	-	2,453
Intangible assets	-	10,114	-	10,114
Investments:				
FVOCI financial assets	-	20,802	-	20,802
Financial assets at FVTPL	14,701	89,259	-	103,960
Other receivables	104,727	-	-	104,727
Deferred tax assets	8,396	-	-	8,396
Cash and cash equivalents	138,140	-	-	138,140
Total assets	265,964	132,054	-	398,018
Liabilities				
Expense liabilities	4,297	49,524	-	53,821
Lease liabilities	1,171	1,508	-	2,679
Takaful payables	18,181	-	-	18,181
Other payables	167,362	-	-	167,362
Provisions	9,705	-	-	9,705
Amounts due to related companies	11,449	-	-	11,449
Provision for zakat	33	-	-	33
Provision for taxation	1,535	-	-	1,535
Total liabilities	213,733	51,032	-	264,765

* Expected utilisation or settlement within 12 months from the reporting date.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

Maturity analysis on expected maturity bases (Continued)

Table 33(D2): The following table shows the current, non-current and investment-linked classification of assets and liabilities of the Company (Continued).

Family takaful fund	Current* RM'000	Non-current RM'000	Invst-linked RM'000	Total RM'000
2022				
Assets				
Investments:				
FVOCI financial assets	26,179	414,479	-	440,658
Financial assets at FVTPL	115,455	62,032	461,977	639,464
Takaful receivables	34,875	2,371,950	-	2,406,825
Retakaful assets	255,955	987,811	-	1,243,766
Other receivables	7,029	-	14,882	21,911
Deferred tax assets	1,769	-	1,015	2,784
Tax recoverable	1,182	-	1,731	2,913
Cash and cash equivalents	247,088	-	81,738	328,826
Total assets	689,532	3,836,272	561,343	5,087,147
Liabilities and participants' fund				
Participants' fund	39,109	-	-	39,109
Takaful certificate liabilities	404,528	2,255,260	555,558	3,215,346
Takaful payables	1,643,619	-	-	1,643,619
Other payables	183,288	-	5,785	189,073
Provision for taxation	2,913	-	-	2,913
Total liabilities and participants' fund	2,273,457	2,255,260	561,343	5,090,060

* Expected utilisation or settlement within 12 months from the reporting date.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

Maturity analysis on expected maturity bases (Continued)

Table 33(D2): The following table shows the current, non-current and investment-linked classification of assets and liabilities of the Company (Continued).

Family takaful fund (Continued)	Current* RM'000	Non-current RM'000	Invst-linked RM'000	Total RM'000
2021				
Assets				
Investments:				
FVOCI financial assets	101,004	374,060	-	475,064
Financial assets at FVTPL	104,156	21,019	436,330	561,505
Retakaful assets	27,288	1,407,818	-	1,435,106
Takaful receivables	318,207	410,496	-	728,703
Other receivables	3,204	-	4,639	7,843
Deferred tax assets	1,120	-	57	1,177
Tax recoverable	-	-	54	54
Cash and cash equivalents	201,372	-	61,167	262,539
Total assets	756,351	2,213,393	502,247	3,471,991
Liabilities and participants' fund				
Participants' fund	44,459	-	-	44,459
Takaful certificate liabilities	473,098	1,190,456	501,161	2,164,715
Takaful payables	1,077,548	-	-	1,077,548
Other payables	182,761	-	1,086	183,847
Provision for taxation	1,422	-	-	1,422
Total liabilities and participants' fund	1,779,288	1,190,456	502,247	3,471,991

* Expected utilisation or settlement within 12 months from the reporting date.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

Maturity analysis on expected maturity bases (Continued)

Table 33(D2): The following table shows the current, non-current and investment-linked classification of assets and liabilities of the Company (Continued).

Company	Current* RM'000	Non-current RM'000	Invst-linked RM'000	Total RM'000
2022				
Assets				
Motor vehicles and equipment	-	12,735	-	12,735
Right-of-use assets	-	1,123	-	1,123
Intangible assets	-	8,790	-	8,790
Investments:				
FVOCI financial assets	26,179	440,177	-	466,356
Financial assets at FVTPL	125,492	167,837	461,977	755,306
Retakaful assets	255,955	987,811	-	1,243,766
Takaful receivables	34,875	2,371,950	-	2,406,825
Other receivables	49,632	-	14,882	41,436
Deferred tax assets	14,471	-	1,015	15,486
Tax recoverable	4,285	-	1,731	6,016
Cash and cash equivalents	421,622	-	81,738	503,360
Total assets	932,511	3,990,423	561,343	5,461,199
Liabilities				
Expense liabilities	3,806	58,275	-	62,081
Takaful certificate liabilities	457,731	2,241,167	555,558	3,254,456
Lease liabilities	676	621	-	1,297
Takaful payables	1,659,707	-	-	1,659,707
Other payables	310,132	-	5,785	315,917
Provisions	9,447	-	-	9,447
Amounts due to related companies	10,296	-	-	10,296
Provision for zakat	137	-	-	137
Provision for taxation	6,016	-	-	6,016
Total liabilities	2,457,948	2,300,063	561,343	5,319,354

* Expected utilisation or settlement within 12 months from the reporting date.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(e) Liquidity risk (Continued)

Maturity analysis on expected maturity bases (Continued)

Table 33(D2): The following table shows the current, non-current and investment-linked classification of assets and liabilities of the Company (Continued).

Company (Continued)	Current* RM'000	Non-current RM'000	Invst-linked RM'000	Total RM'000
2021				
Assets				
Motor vehicles and equipment	-	9,426	-	9,426
Right-of-use assets	-	2,453	-	2,453
Intangible assets	-	10,114	-	10,114
Investments:				
FVOCI financial assets	101,004	394,862	-	495,866
Financial assets at FVTPL	118,857	110,278	436,330	665,465
Retakaful assets	318,207	410,496	-	728,703
Takaful receivables	27,288	1,407,818	-	1,435,106
Other receivables	107,931	-	4,639	24,359
Deferred tax assets	9,516	-	57	9,573
Tax recoverable	-	-	54	54
Cash and cash equivalents	339,512	-	61,167	400,679
Total assets	1,022,315	2,345,447	502,247	3,781,798
Liabilities				
Expense liabilities	4,297	49,524	-	53,821
Takaful certificate liabilities	525,928	1,182,085	501,161	2,209,174
Lease liabilities	1,171	1,508	-	2,679
Takaful payables	1,095,729	-	-	1,095,729
Other payables	261,912	-	1,086	262,998
Provisions	9,705	-	-	9,705
Amounts due to related companies	11,449	-	-	11,449
Deferred tax liabilities	-	-	-	-
Provision for zakat	33	-	-	33
Provision for taxation	2,957	-	-	2,957
Total liabilities	1,913,181	1,233,117	502,246	3,648,545

* Expected utilisation or settlement within 12 months from the reporting date.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(f) Credit risk

Credit risk is the risk that one party to a financial contract will cause financial loss to the other party by failing to discharge an obligation. The Company is exposed to credit risk mainly through (i) cash and bank balances (ii) investments in government investment issues and corporate sukuks (iii) exposure to retakaful certificates and (iv) non-payment of contributions. For the four types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investments in sukuks, financial loss may also materialise as a result of the widening of credit spreads or a downgrade of credit rating.

The task of evaluating and monitoring of credit risk arising from financial instruments is undertaken by ALC. The Company has internal limits by issuer and counterparty according to their investment credit ratings, which are actively monitored to manage the credit and concentration risk, and are being reviewed on a regular basis. The creditworthiness of retakaful operators, issuers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Retakaful arrangements are placed with counterparties that have good credit rating and the Company limits its risk to any retakaful operator by ceding to different retakaful operators.

Credit risk in respect of non-payment of contributions by customers predominantly persists during the grace period specified in the certificate document until the certificate is either paid up or terminated. The credit risk in respect of group takaful outstanding contribution is being actively monitored and guided by strict credit control guidelines.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(f) Credit risk (Continued)

Table 33(E1): The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

2022	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
FVOCI financial assets:			
Government investment issues	-	198,520	198,520
Unquoted Islamic private debt securities	-	239,074	239,074
Financial assets at FVTPL:			
Government investment issues	32,645	7,253	39,898
Unquoted Islamic private debt securities	78,164	168,687	246,851
Retakaful assets	-	1,243,766	1,243,766
Takaful receivables	-	2,406,825	2,406,825
Other receivables	42,603	21,911	41,436
Cash and cash equivalents	174,534	328,826	503,360
	327,946	4,614,862	4,919,730

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(f) Credit risk (Continued)

Table 33(E1): The table below shows the maximum exposure to credit risk for the components of the statement of financial position (Continued).

2021	**Shareholders' fund RM'000**	**Family takaful fund RM'000**	**Company RM'000**
FVOCI financial assets:			
Government investment issues	-	221,274	221,274
Unquoted Islamic private debt securities	-	230,431	230,431
Financial assets at FVTPL:			
Government investment issues	30,478	18,866	49,344
Unquoted Islamic private debt securities	68,357	104,733	173,090
Retakaful assets	-	728,703	728,703
Takaful receivables	-	1,435,106	1,435,106
Other receivables	104,727	7,843	24,359
Cash and cash equivalents	138,140	262,539	400,679
	341,702	3,009,495	3,262,986

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(E2): The following table sets out information about the credit quality of financial assets and debt securities at FVOCI.

For explanation of the terms '12-month ECL', 'Lifetime ECL' and 'credit impaired', refer to Note 2.2(g).

	2022			2021		
		Lifetime ECL			Lifetime ECL	
	12-month	not credit		12-month	not credit	
	ECL	impaired	Total	ECL	impaired	Total
Shareholders' fund	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Debt securities at FVOCI						
Government investment issues	-	-	-	-	-	-
	-	-	-	-	-	-

	2022			2021		
		Lifetime ECL			Lifetime ECL	
	12-month	not credit		12-month	not credit	
	ECL	impaired	Total	ECL	impaired	Total
Family takaful fund	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Debt securities at FVOCI						
Government investment issues	69	-	69	135	-	135
Investment Grade* (BBB to AAA)	570	155	725	1,006	708	1,714
	639	155	794	1,141	708	1,849

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(E2): The following table sets out information about the credit quality of financial assets and debt securities at FVOCI.

For explanation of the terms '12-month ECL', 'Lifetime ECL' and 'credit impaired', refer to Note 2.2(g).

	2022			2021		
Company	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Total RM'000**	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Total RM'000**
Debt securities at FVOCI						
Government investment issues	69	-	69	135	-	135
Investment Grade* (BBB to AAA)	570	155	725	1,006	708	1,714
	639	155	794	1,141	708	1,849

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost:

Shareholders' fund	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2022						
FVOCI financial assets:						
Quoted Shariah-approved equities	-	-	-	25,698	-	25,698
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	5,033	-	5,033
Government investment issues	32,645	-	-	-	-	32,645
Unquoted Islamic private debt securities	-	78,164	-	-	-	78,164
Other receivables	-	-	42,603	-	-	42,603
Deferred tax assets	-	-	12,702	-	-	12,702
Tax recoverable	-	-	3,103	-	-	3,103
Cash and cash equivalents	-	174,534	-	-	-	174,534
	32,645	252,698	58,408	30,731	-	374,482

* Based on internal rating grades which are equivalent to grades of external rating agencies

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

Shareholders' fund (Continued)	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2021						
FVOCI financial assets:						
Quoted Shariah-approved equities	-	-	-	20,802	-	20,802
Financial assets at FVTPL:						
Quoted Shariah-approved equities	-	-	-	5,125	-	5,125
Government investment issues	30,478	-	-	-	-	30,478
Unquoted Islamic private debt securities	-	68,357	-	-	-	68,357
Other receivables	-	-	104,727	-	-	104,727
Deferred tax assets	-	-	8,396	-	-	8,396
Cash and cash equivalents	-	138,140	-	-	-	138,140
	30,478	206,497	113,123	25,927	-	376,025

* Based on internal rating grades which are equivalent to grades of external rating agencies

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

Family takaful fund	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Invst-linked RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2022							
FVOCI financial assets:							
Quoted Shariah-approved equities	-	-	-	-	3,064	-	3,064
Government investment issues	198,520	-	-	-	-	-	198,520
Unquoted Islamic private debt securities	-	239,074	-	-	-	-	239,074
Financial assets at FVTPL:							
Quoted Shariah-approved equities	-	-	-	342,290	110,941	-	453,231
Financial instruments with embedded derivatives	-	-	-	145	-	-	145
Unit trusts - REITS	-	-	-	5,634	4,514	-	10,148
Government investment issues	2,958	-	-	4,295	-	-	7,253
Unquoted Islamic private debt securities	-	59,074	-	109,613	-	-	168,687
Retakaful assets	-	-	1,243,766	-	-	-	1,243,766
Takaful receivables	-	-	2,406,825	-	-	-	2,406,825
Other receivables	-	-	7,029	14,882	-	-	21,911
Deferred tax asset	-	-	1,769	1,015	-	-	2,784
Tax recoverable	-	-	1,182	1,731	-	-	2,913
Cash and cash equivalents	-	-	247,088	81,738	-	-	328,826
	201,478	298,148	3,907,659	561,343	118,519	-	5,087,147

* Based on internal rating grades which are equivalent to grades of external rating agencies

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

Family takaful fund (Continued)	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Invst-linked RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2021							
FVOCI financial assets:							
Quoted Shariah-approved equities	-	-	-	-	23,359	-	23,359
Government investment issues	221,274	-	-	-	-	-	221,274
Unquoted Islamic private debt securities	-	230,431	-	-	-	-	230,431
Financial assets at FVTPL:							
Quoted Shariah-approved equities	-	-	-	327,834	96,537	-	424,371
Financial instruments with embedded derivatives	-	-	-	445	213	-	658
Unit trusts - REITS	-	-	-	5,472	7,405	-	12,877
Government investment issues	1,025	-	-	17,841	-	-	18,866
Unquoted Islamic private debt securities	-	19,995	-	84,738	-	-	104,733
Retakaful assets	-	-	728,703	-	-	-	728,703
Takaful receivables	-	-	1,435,106	-	-	-	1,435,106
Other receivables	-	-	3,204	4,639	-	-	7,843
Deferred tax asset	-	-	1,120	57	-	-	1,177
Tax recoverable	-	-	-	54	-	-	54
Cash and cash equivalents	-	-	201,372	61,167	-	-	262,539
	222,299	250,426	2,369,505	502,247	127,514	-	3,471,991

* Based on internal rating grades which are equivalent to grades of external rating agencies

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

Company	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Invst-linked RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2022							
FVOCI financial assets:							
Quoted Shariah-approved equities	-	-	-	-	28,762	-	28,762
Government investment issues	198,520	-	-	-	-	-	198,520
Unquoted Islamic private debt securities	-	239,074	-	-	-	-	239,074
Financial assets at FVTPL:							
Quoted Shariah-approved equities	-	-	-	342,290	115,974	-	458,264
Financial instruments with embedded derivatives	-	-	-	145	-	-	145
Unit trusts - REITS	-	-	-	5,634	4,514	-	10,148
Government investment issues	35,603	-	-	4,295	-	-	39,898
Unquoted Islamic private debt securities	-	137,238	-	109,613	-	-	246,851
Retakaful assets	-	-	1,243,766	-	-	-	1,243,766
Takaful receivables	-	-	2,406,825	-	-	-	2,406,825
Other receivables	-	-	26,554	14,882	-	-	41,436
Deferred tax asset	-	-	14,471	1,015	-	-	15,486
Tax recoverable	-	-	4,285	1,731	-	-	6,016
Cash and cash equivalents	-	174,534	247,088	81,738	-	-	503,360
	234,123	550,846	3,942,989	561,343	149,250	-	5,438,551

* Based on internal rating grades which are equivalent to grades of external rating agencies

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risks (Continued)

(f) Credit risk (Continued)

Table 33(E3): The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost: (Continued)

Company (Continued)	Government guaranteed RM'000	Investment grade* (BBB to AAA) RM'000	Not rated RM'000	Invst-linked RM'000	Not subject to credit risk RM'000	Past due RM'000	Total RM'000
2021							
FVOCI financial assets:							
Quoted Shariah-approved equities	-	-	-	-	44,161	-	44,161
Government investment issues	221,274	-	-	-	-	-	221,274
Unquoted Islamic private debt securities	-	230,431	-	-	-	-	230,431
Financial assets at FVTPL:							
Quoted Shariah-approved equities	-	-	-	327,834	101,662	-	429,496
Financial instruments with embedded derivatives	-	-	-	445	213	-	658
Unit trusts - REITS	-	-	-	5,472	7,405	-	12,877
Government investment issues	31,503	-	-	17,841	-	-	49,344
Unquoted Islamic private debt securities	-	88,352	-	84,738	-	-	173,090
Retakaful assets	-	-	728,703	-	-	-	728,703
Takaful receivables	-	-	1,435,106	-	-	-	1,435,106
Other receivables	-	-	19,720	4,639	-	-	24,359
Deferred tax asset	-	-	9,516	57	-	-	9,573
Tax recoverable	-	-	-	54	-	-	54
Cash and cash equivalents	-	138,140	201,372	61,167	-	-	400,679
	252,777	456,923	2,394,417	502,247	153,441	-	3,759,805

* Based on internal rating grades which are equivalent to grades of external rating agencies

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(f) Credit risk (Continued)

This disclosure below relates to MFRS 9 which came into effect in 2018.

Amounts arising from Expected Credit Loss ("ECL")

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

These parameters are derived from the statistical models which are internally developed by the Company based on the historical data. They are adjusted to reflect forward-looking information.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12M PD"), or over the remaining lifetime ('Lifetime PD") of the obligation. They are estimates at a certain date, which are calculated based on the statistical rating models. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors.

If a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD. The ECL considers the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. LGD is expressed as a percentage per loss per unit of exposure at the time of default and varies by type and seniority of claims, availability and quality of collateral, legal enforceability of processes in the jurisdiction, industry of borrower and prevailing market conditions. They are estimates at a certain date, which are calculated based on the statistical rating models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(f) Credit risk (Continued)

Amounts arising from Expected Credit Loss ("ECL") (Continued)

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques (Continued)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current and potential future exposure to the counterparty. The EAD of a financial asset is its gross carrying amount.

The ECL is determined by projecting PD, LGD and EAD for each individual exposure. These three components are multiplied together and adjusted for forward looking information. This is then discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective profit rate or an approximation thereof.

The trade receivables are in scope for ECL impairment provisions using the simplified assumption of lifetime ECL.

Significant increase in credit risk

To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations

A movement of an instrument's credit rating along the rating scale will represent changes in credit risk, measured by the change in PD.

The criteria for assessing whether credit risk has increased significantly will be determined by both quantitative changes in 12M PDs and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative model, the 12M PD is determined to have increased by more than 100% since origination. The criteria as described above would only apply if the financial instrument does not have an investment grade rating.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(f) Credit risk (Continued)

Amounts arising from Expected Credit Loss ("ECL") (Continued)

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques (Continued)

Significant increase in credit risk (Continued)

Using its experienced credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative factors that are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Company uses the watch-list as an additional trigger for the identification of significant increase in market and credit risk.

The Company considers “low credit risk” to be an investment grade credit rating using a combination of internal and external credit rating models.

Definition of default

The Company considers a financial asset to be in default by assessing the following criteria:

<u>Quantitative criteria</u>

For takaful receivables, the counterparty fails to make a contractual payment 6 months after it falls due (i.e. after expiration of the maximum granted credit terms). For sukuks and financing, the instrument is in overdue status and there are non-payments on another debt obligation of the same issuer to the Company.

<u>Qualitative criteria</u>

The counterparty is either bankrupt or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption, restructuring with expected principal haircut or a breach in material financing covenant that is not rectified within a given timeframe.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Company's expected loss calculations.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(f) Credit risk (Continued)

Amounts arising from Expected Credit Loss ("ECL") (Continued)

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques (Continued)

Incorporating of forward-looking information

The Company incorporates forward-looking information in both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and in its measurement of ECL. The Company has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Experienced judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are obtained from publicly available economic databases published on a quarterly basis and provide the best estimate view of the economy over the next four to five years, and based on such information, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components of LGD and EAD.

In addition to the base economic scenario, the Company uses multiple scenarios to ensure non-linear risks are captured. The number of scenarios and their respective scenario attributes are reviewed at each reporting date. At 31 December 2022, the Company concluded that two particular scenarios are capable of capturing non-linear risks inherent in all portfolios. The scenario weightings are determined by expert judgement, taking into account the range of possible outcomes presented by the chosen scenarios. The assessment of significant increase in credit risk is performed using the 12M PD under each scenario multiplied by the associated scenario weights. This determines whether the financial instrument is in Stage 1, 2 or 3, and hence whether 12M or lifetime ECL should be applied. Following this assessment, the Company measures ECL as either a probability-weighted 12M ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weight (as opposed to weighting the inputs).

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(f) Credit risk (Continued)

Amounts arising from Expected Credit Loss ("ECL") (Continued)

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques (Continued)

Incorporating of forward-looking information (Continued)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to the Company for the years ended 31 December 2022 and 2021.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(f) Credit risk (Continued)

Amounts arising from Expected Credit Loss ("ECL") (Continued)

Loss allowance - Provision for ECL

Table 33(E4): The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Shareholders' fund	2022 12-month ECL RM'000	2022 Lifetime ECL not credit impaired RM'000	2022 Total RM'000	2021 12-month ECL RM'000	2021 Lifetime ECL not credit impaired RM'000	2021 Total RM'000
Debt investment securities at FVOCI						
Opening balance	-	-	-	6	-	6
New financial assets purchased	-	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	(6)	-	(6)
Closing balance	-	-	-	-	-	-

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(f) Credit risk (Continued)

Amounts arising from Expected Credit Loss ("ECL") (Continued)

Loss allowance - Provision for ECL

Table 33(E4): The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

	2022			2021		
Family takaful fund	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Total RM'000**	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Total RM'000**
Debt investment securities at FVOCI						
Opening balance	1,140	709	1,849	951	352	1,303
- Transfer to lifetime ECL not credit-impaired	-	-	-	(14)	14	-
Additional loss allowance due to transfer	-	-	-	-	(10)	(10)
Net remeasurement of loss allowance	-	-	-	(408)	(340)	(748)
New financial assets purchased	574	151	725	907	-	907
Financial assets that have been derecognised	(512)	(447)	(959)	(65)	(11)	(76)
Changes in models/risk parameters	(564)	(257)	(821)	(231)	704	473
Closing balance	638	156	794	1,140	709	1,849

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and credit risk (Continued)

(f) Credit risk (Continued)

Amounts arising from Expected Credit Loss ("ECL") (Continued)

Loss allowance - Provision for ECL

Table 33(E4): The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

		2022			2021	
Company	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Total RM'000**	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Total RM'000**
Debt investment securities at FVOCI						
Opening balance	1,140	709	1,849	957	352	1,309
- Transfer to lifetime ECL not credit-impaired	-	-	-	(14)	14	-
Transfer to lifetime ECL credit-impaired						
Additional loss allowance due to transfer	-	-	-	-	(10)	(10)
Net remeasurement of loss allowance	-	-	-	(408)	(340)	(748)
New financial assets purchased	574	151	725	907	-	907
Financial assets that have been derecognised	(512)	(447)	(959)	(71)	(11)	(82)
Changes in models/risk parameters	(564)	(257)	(821)	(231)	704	473
Closing balance	638	156	794	1,140	709	1,849

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(g) Concentration risk

An important element of managing both market and credit risk is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage this risk. These limits are reviewed on a regular basis by the ALC. The Company's exposures are within the concentration limits set by the regulator. The Company actively manages its asset mix to ensure that there is no significant concentration of credit risk.

Operational, Market Conduct and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives resulting from inadequate or failed internal processes and systems, human factors or external events.

Market conduct is a combination of both ethics and compliance. Market conduct refers to how the Company and its intermediaries conduct themselves in accordance with the ethical standards and in compliance with the relevant laws and regulations governing takaful and investment product for pre-distribution, during distribution and after distribution process. Market conduct is synonymous with professional behaviour and customer's protection. There are four areas in which the Company continuously strengthens:

- Fit and Proper
- Sales Advisory Process
- Training and Competency
- Business Conduct

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company's objectives, as a result of its failure to comply with the following applicable laws, regulations and standards:

- Laws, regulations and rules governing family takaful business and financial activities licensed activities undertaken by the Company;
- Codes of practice promoted by industry associations of which the Company is a member of; and
- Any other applicable regulations which do not specifically govern the licensed activities undertaken by the Company but can expose the organisation to legal, regulatory or reputational loss.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Operational, Market Conduct and Compliance Risk (Continued)

The day-to-day management of operational, market conduct and compliance risks is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT regularly reviews and monitors these issues at its monthly meetings. The Internal Audit team regularly reviews the systems of internal control to assess their ongoing relevance and effectiveness, and report at least quarterly to the Board Audit Committee. As an added measure, the risk appetite statement explicitly sets the Company's tolerance level to financial loss arising from, amongst others, operational, market conduct and compliance risks.

Technology, Information and Cyber Risks

Technology Risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, or system/hardware failure, and capacity deficiency arising from the use of technologies or reliance on such as electronic hardware/devices, software, and online networks and telecomunication systems.

Information Risk is defined as risk related to confidentiality, integrity and availability of information (in physical or digital form).

Cyber Risk is defined as risk related to acts perpetrated by malicious threat actors including internal sabotage, espionage, malicious attacks, hacking incidents, fraudulent conduct using information and communication technologies.

The Company adopts a risk based approach in managing technology risks relating to IT disruption, cyber threats, data loss and third parties. Key risk indicators related to technology, information and cyber risks are reported to the Board on a regular basis. Independent assessment is performed by the Internal Audit team on the adequacy and effectiveness of the processes to manage technology, information and cyber risks. The risk appetite statement also explicitly sets the Company's tolerance level to financial loss arising from technology risks.

Sustainability Risk

Sustainability risk is defined as any environmental, social or governance ("ESG") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment and enterprise value. The Company has integrated ESG considerations into the investment activities.

33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Sustainability Risk (Continued)

At present, the Company manages social and governance-related risk through existing frameworks and policies. In order to build resilience as the world transits to a low-carbon economy, the Company has formalised the Environmental Risk Management Policy which sets forth guiding principles and minimum standards in managing environmental risk within the Company. Environmental risk arises from the potential adverse impact to the Company's business, operations and balance sheet due to changes in the environment that impact economic activities and human well-being. Environmental issues that are of concern include climate change, loss of biodiversity, pollution and changes in land use. Environmental risk can manifest in three dimensions of risk as follows:

- Physical risk – impact of weather events and long-term or widespread environmental changes. It arises from acute (event-driven) and chronic (long term shift) climate-related events that damage property, reduce productivity and disrupt trade.
- Transition risk – arises from the process of adjustment to an environmentally sustainable economy, including change in public policies, disruptive technological developments, and shifts in consumer and investor preferences.
- Liability risk – arises from legal risk and claims on damages and losses incurred from inaction or lack of action that results in the effects of physical and transition risks.

The Company’s risk assessment considers the financial and non-financial impacts from physical and transition risks arising from climate change. With this, the organisation has put in place processes, methodology, and both qualitative and quantitative tools to identify and assess environmental risk for investment portfolios. For investment portfolio, the objective is to build resilient investment portfolios whilst striking a balance between ESG considerations, impact and financial returns.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

An analysis of the methods used in determining the fair values of financial assets in accordance with the fair value hierarchy is as follows:

Shareholders' fund	Level 1 RM'000	Level 2 RM'000	Total RM'000
2022			
FVOCI financial assets:			
Quoted Shariah-approved equities	25,698	-	25,698
Financial assets at FVTPL:			
Quoted Shariah-approved equities	5,033	-	5,033
Government investment issues	-	32,645	32,645
Unquoted Islamic private debt securities	-	78,164	78,164
	30,731	110,809	141,540
2021			
FVOCI financial assets:			
Quoted Shariah-approved equities	20,802	-	20,802
Financial assets at FVTPL:			
Quoted Shariah-approved equities	5,125	-	5,125
Government investment issues	-	30,478	30,478
Unquoted Islamic private debt securities	-	68,357	68,357
	25,927	98,835	124,762

Family takaful fund	Level 1 RM'000	Level 2 RM'000	Total RM'000
2022			
FVOCI financial assets:			
Quoted Shariah-approved equities	3,064	-	3,064
Government investment issues	-	198,520	198,520
Unquoted Islamic private debt securities	-	239,074	239,074
Financial assets at FVTPL:			
Quoted Shariah-approved equities	453,231	-	453,231
Financial instruments with embedded derivatives	145	-	145
Unit trusts - REITS	10,148	-	10,148
Government investment issues	-	7,253	7,253
Unquoted Islamic private debt securities	-	168,687	168,687
	466,588	613,534	1,080,122

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

An analysis of the methods used in determining the fair values of financial assets in accordance with the fair value hierarchy is as follows (Continued):

Family takaful fund (Continued)	**Level 1 RM'000**	**Level 2 RM'000**	**Total RM'000**
2021			
FVOCI financial assets:			
Quoted Shariah-approved equities	23,359	-	23,359
Government investment issues	-	221,274	221,274
Unquoted Islamic private debt securities	-	230,431	230,431
Financial assets at FVTPL:			
Quoted Shariah-approved equities	424,371	-	424,371
Financial instruments with embedded derivatives	658	-	658
Unit trusts - REITS	12,877	-	12,877
Government investment issues	-	18,866	18,866
Unquoted Islamic private debt securities	-	104,733	104,733
	461,265	575,304	1,036,569

Company	**Level 1 RM'000**	**Level 2 RM'000**	**Total RM'000**
2022			
FVOCI financial assets:			
Quoted Shariah-approved equities	28,762	-	28,762
Government investment issues	-	198,520	198,520
Unquoted Islamic private debt securities	-	239,074	239,074
Financial assets at FVTPL:			
Quoted Shariah-approved equities	458,264	-	458,264
Financial instruments with embedded derivatives	145	-	145
Unit trusts - REITS	10,148	-	10,148
Government investment issues	-	39,898	39,898
Unquoted Islamic private debt securities	-	246,851	246,851
	497,319	724,343	1,221,662

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

An analysis of the methods used in determining the fair values of financial assets in accordance with the fair value hierarchy is as follows (Continued):

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Company (Continued)			
2021			
FVOCI financial assets:			
Quoted Shariah-approved equities	44,161	-	44,161
Government investment issues	-	221,274	221,274
Unquoted Islamic private debt securities	-	230,431	230,431
Financial assets at FVTPL:			
Quoted Shariah-approved equities	429,496	-	429,496
Financial instruments with embedded derivatives	658	-	658
Unit trusts - REITS	12,877	-	12,877
Government investment issues	-	49,344	49,344
Unquoted Islamic private debt securities	-	173,090	173,090
	487,192	674,139	1,161,331

There were no financial instruments whose fair values were determined based on Level 3 of the fair value hierarchy during the financial years ended 31 December 2022 and 31 December 2021 nor were there any significant transfers between different levels of the fair value hierarchy during the said financial years.

35. SHARIAH NON-COMPLIANCE RISK

Shariah non-compliance risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Company may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of BNM, standards on Shariah matters issued by BNM, or decision or advice from the Shariah Committee.

36. OPERATING LEASE AGREEMENTS

From 1 January 2019, the Company has recognised right-of-use assets for these leases, except for short term and low-value leases, see Note 27 and Note 2.2(y)(i) for further information.

Future minimum lease payments payable under non-cancellable operating leases contracted for as at 31 December but not recognised as liabilities, are payable as follows:

Shareholders' fund/Company	2022 RM'000	2021 RM'000
Not later than 1 year	-	4
Later than 1 year but not later than 5 years	-	3
	-	7

37. CAPITAL COMMITMENTS

Capital expenditure	2022 RM'000	2021 RM'000
Approved and contracted for:		
- Property and equipment	8,272	4,803
Approved and but not contracted for:		
- Property and equipment	93	-
	8,365	4,803

38. INVESTMENT-LINKED TAKAFUL FUNDS

(a) Statement of financial position

	2022 RM'000	2021 RM'000
Assets		
Financial assets at FVTPL:		
Quoted Shariah-approved equities	342,290	327,834
Financial instruments with embedded derivatives	145	445
Unit trusts - REITS	5,634	5,472
Government investment issues	4,295	17,841
Unquoted Islamic private debt securities	109,613	84,738
Other receivables	14,882	4,639
Deferred tax asset	1,015	57
Tax recoverable	1,731	54
Cash and cash equivalents	81,738	61,167
Total assets	561,343	502,247
Liabilities		
Other payables	5,785	1,086
Total liabilities	5,785	1,086
Represented by:		
Net asset value of funds	555,558	501,161
Value of units	539,337	458,039
Undistributed income carried forward	16,221	43,122
Net asset value of funds	555,558	501,161

38. INVESTMENT-LINKED TAKAFUL FUNDS (CONTINUED)

(b) Statement of income and expenditure

	2022 RM'000	2021 RM'000
Investment income	14,186	12,259
Realised gains and losses	(28,323)	(5,058)
Fair value gains and losses	(11,895)	(16,721)
	(26,032)	(9,520)
Asset management charges	(5,807)	(5,371)
Net other operating expenses	2,341	143
Profit before taxation	(29,498)	(14,748)
Taxation	2,597	1,478
Net profit for the financial year	(26,901)	(13,270)
Undistributed income brought forward	43,122	56,392
Undistributed income carried forward	16,221	43,122

39. MYSALAM SCHEME

Background

As part of Budget 2019, the Minister of Finance announced the mySalam Scheme ("the Scheme") which provides financial relief in the event of critical illness and hospitalisation to Malaysians under the B40 household income category. The Scheme went live in March 2019 and the Company was appointed as the takaful operator for this Scheme with the following roles and responsibilities:

- Claims assessment and administration;
- Education and awareness of the Scheme; and
- Financial management and reporting.

A National B40 Protection Trust Fund ("the Trust") has been set up to safeguard the funds relating to this Scheme. The Trust is governed by a Board of Trustees comprising senior members from the Ministry of Finance, the Ministry of Health and other independent representatives.

The Scheme is run on a non-profit basis and all underwriting surplus and investment profit arising from the mySalam Tabarru Fund, if any, are attributable back to the Trust.

The Company has obtained approval from Bank Negara Malaysia that the capital adequacy requirements outlined in the Risk Based Capital Framework for Takaful Operators will not be applicable to mySalam.

39. MYSALAM SCHEME (CONTINUED)

(a) Statement of financial position ("SOFP")

2022	mySalam Shareholders' fund RM'000	mySalam Family takaful fund RM'000	Company RM'000
Assets			
Motor vehicles and equipment	415	-	415
Intangible assets	10	-	10
Takaful receivables	-	2,371,950	2,371,950
Retakaful assets	-	1,016,081	1,016,081
Other receivables	7,668	40,173	7,832
Cash and cash equivalents	152,187	91,357	243,544
Total assets	160,280	3,519,561	3,639,832
Liabilities			
Expense liabilities	31,204	-	31,204
Takaful certificate liabilities (including accumulated surplus)	-	1,734,293	1,734,293
Takaful payables	-	1,621,252	1,621,252
Other payables	128,562	164,016	252,569
Provisions	514	-	514
Total liabilities	160,280	3,519,561	3,639,832
Total equity, liabilities and participants' fund	160,280	3,519,561	3,639,832

39. MYSALAM SCHEME (CONTINUED)

(a) Statement of financial position ("SOFP") (Continued)

2021	mySalam Shareholders' fund RM'000	mySalam Family takaful fund RM'000	Company RM'000
Assets			
Motor vehicles and equipment	427	-	427
Intangible assets	67	-	67
Investments	-	51,154	51,154
Takaful receivables	-	1,407,818	1,407,818
Retakaful assets	-	518,254	518,254
Other receivables	33,708	523	8,087
Cash and cash equivalents	105,161	55,790	160,951
Total assets	139,363	2,033,539	2,146,758
Liabilities			
Participants' fund	-	16	16
Expense liabilities	22,871	-	22,871
Takaful certificate liabilities (including accumulated surplus)	-	847,140	847,140
Takaful payables	-	1,065,736	1,065,736
Other payables	115,933	120,647	210,436
Provisions	559	-	559
Total liabilities	139,363	2,033,539	2,146,758
Total equity, liabilities and participants' fund	139,363	2,033,539	2,146,758

Included in the mySalam shareholders’ fund SOFP above, is a mySalam Social Fund (“the Social Fund”). The Social Fund is financed and managed separately from the Trust which was introduced by the Government in March 2020 under the "Pakej Rangsangan Ekonomi Prihatin Rakyat". It provides income replacement for eligible members who are required to quarantine due to Covid-19.

39. MYSALAM SCHEME (CONTINUED)

(b) Statement of income and expenditure

2022	mySalam Shareholders' fund RM'000	mySalam Family takaful fund RM'000	Company RM'000
Wakalah fee income	30,000	-	-
Investment income	1,142	2,576	3,718
Realised losses	-	(302)	(302)
Other operating revenue	-	2	2
Other revenue	1,142	2,276	3,418
Gross earned contributions	-	1,258,617	1,258,617
Earned contributions ceded to retakaful operators	-	(817,249)	(817,249)
Net earned contributions	-	441,368	441,368
Gross benefits and claims paid	-	(243,816)	(243,816)
Claims ceded to retakaful operators	-	219,468	219,468
Gross change in certificate liabilities including accumulated surplus attributable to the Trust	-	(887,155)	(887,155)
Change in certificate liabilities ceded to retakaful operators	-	497,828	497,828
Net benefits and claims	-	(413,675)	(413,675)
Wakalah fee expense	-	(30,000)	-
Management expenses	(22,809)	-	(22,809)
Impairment loss on FVOCI financial assets	-	31	31
Change in expense liabilities	(8,333)	-	(8,333)
Total expenses	(31,142)	(29,969)	(31,111)
Surplus attributable to the Trust	-	-	-

39. MYSALAM SCHEME (CONTINUED)

(b) Statement of income and expenditure (Continued)

2021	mySalam Shareholders' fund RM'000	mySalam Family takaful fund RM'000	Company RM'000
Wakalah fee income	26,600	-	-
Investment income	(153)	2,406	2,253
Realised gains	35	-	35
Other operating revenue	(10,192)	2	(10,190)
Other revenue	(10,310)	2,408	(7,902)
Gross earned contributions	-	623,253	623,253
Earned contributions ceded to retakaful operators	-	(549,491)	(549,491)
Net earned contributions	-	73,762	73,762
Gross benefits and claims paid	-	(133,393)	(133,393)
Claims ceded to retakaful operators	-	120,136	120,136
Gross change in certificate liabilities including accumulated surplus attributable to the Trust	-	76,210	76,210
Change in certificate liabilities ceded to retakaful operators	-	(112,519)	(112,519)
Net benefits and claims	-	(49,566)	(49,566)
Wakalah fee expense	-	(26,600)	-
Management expenses	(13,289)	-	(13,289)
Impairment loss on FVOCI financial assets	6	(4)	2
Change in expense liabilities	(3,007)	-	(3,007)
Total expenses	(16,290)	(26,604)	(16,294)
Surplus attributable to the Trust	-	-	-