



# TAKAFULmalaysia

**Syarikat Takaful Malaysia Keluarga Berhad**

198401019089 (131646-K)



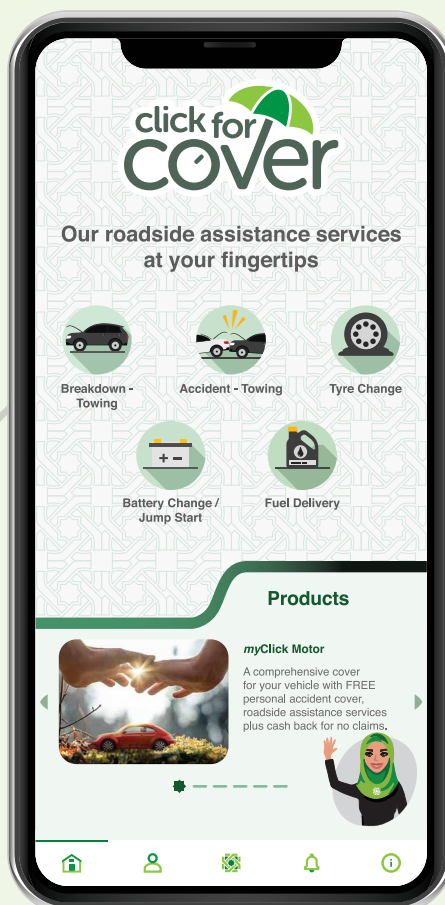
**myClick PA**  
(Personal Accident)



**myClick Term**  
(Term Life and  
Critical Illness)



**myClick Motor**  
(Motor)



**myClick MozzCare**  
(Medical)



**myClick Travel PA**  
(Travel)



**myClick MediCare**  
(Medical)

**Annual Report**

# 2020



# TAKAFULmalaysia

Syarikat Takaful Malaysia Keluarga Berhad

[198401019089 (131646-K)]

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## About Us

Syarikat Takaful Malaysia Berhad ("STMB") was incorporated on 29 November 1984. The Company has a paid up capital of RM211.9 million with total assets of RM11.8 billion at Group level as at 31 December 2020. In accordance with the Islamic Financial Services Act 2013 ("IFSA"), STMB separated its composite licence into two (2) licenced entities. STMB, now known as Syarikat Takaful Malaysia Keluarga Berhad ("STMKB") to manage the Family Takaful business whilst Syarikat Takaful Malaysia Am Berhad ("STMAB") to manage the General Takaful business. STMKB is the holding company and owns 100% of STMAB. Both STMKB and STMAB operate through a combined network of service centres across 24 locations nationwide.

Our

# VISION

We want to be  
**THE PREFERRED CHOICE FOR INSURANCE**

Our

# MISSION

We aim to exceed customer expectations through:

- **Operational Excellence**
- **Technology Driven Capabilities**
- **Product Innovation**
- **Performance Oriented Culture**

Whilst delivering superior shareholder value.

Our

# CORPORATE VALUES

The defining pillars of our Brand are the values that we continuously strive to manifest through our work.



## Inspiring

Our perseverance to our continued development of our industry, bringing it to the next level.



## Humanitarian

Our promise to the community is the pledge of our compassion and care.



## Professional

Our pledge to achieve the standards and promises that we deliver to our customers.



## Integrity

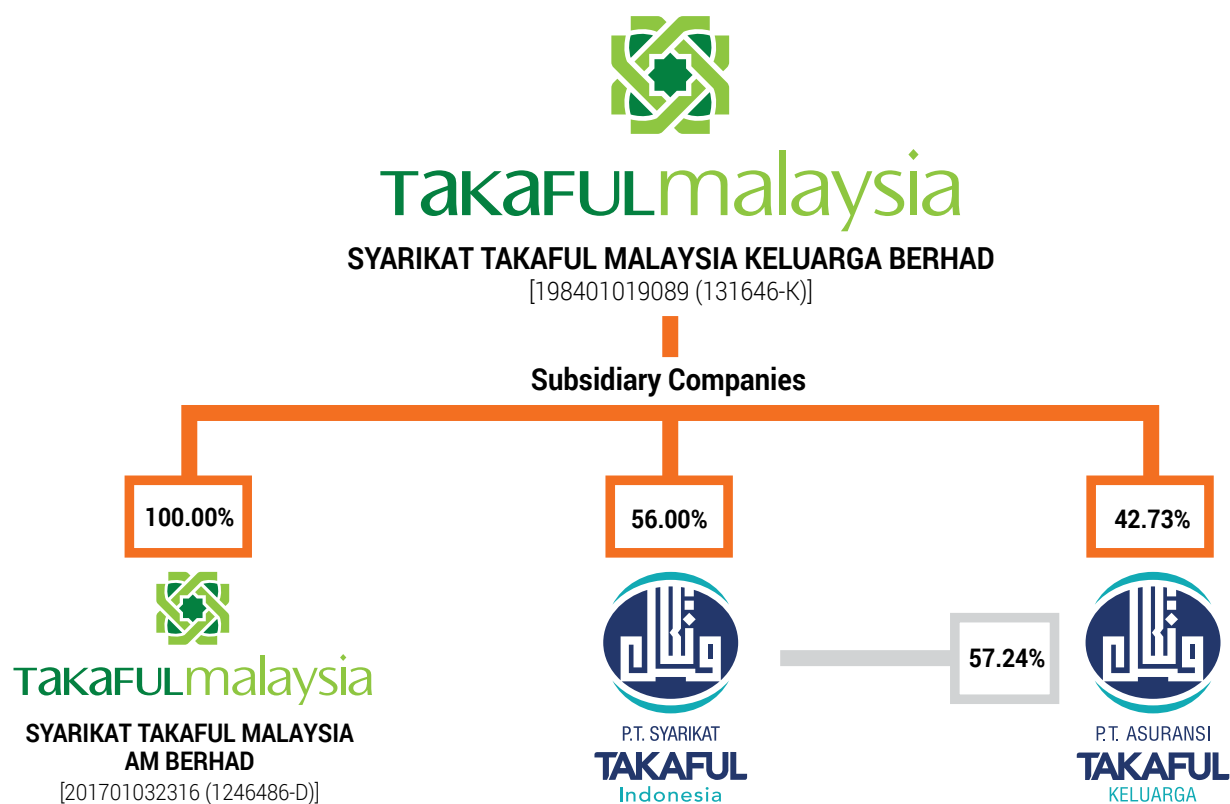
Our commitment in values of personal integrity and to build trust.



## Teamwork

Our dedication to teamwork is a testament of our unity and trust towards each other.

## Group Structure



## Corporate Information

### BOARD OF DIRECTORS

#### Chairman

**DATO' MOHAMMED HAJI CHE HUSSEIN**  
Independent Non-Executive Director

#### Members

**MOHD AZMAN SULAIMAN**  
Independent Non-Executive Director

**SURAYA HASSAN**  
Independent Non-Executive Director

**DATO' MUSTAFFA AHMAD**  
Independent Non-Executive Director

**MOHAMAD SALIHUDDIN AHMAD**  
Non-Independent Non-Executive Director

**DATUK BAZLAN OSMAN**  
Independent Non-Executive Director

### SHARIAH ADVISORY BODY

#### Chairman

**PROFESSOR DR. MUHAMAD RAHIMI OSMAN**

#### Members

**DR. AHMAD SUFIAN CHE ABDULLAH**

**ASSOCIATE PROFESSOR DR. MARHANUM CHE MOHD SALLEH**

**MEGAT HIZAINI HASSAN**

**DR. NIK ABDUL RAHIM NIK ABDUL GHANI**

## Corporate Information

### AUDIT COMMITTEE

**DATUK BAZLAN OSMAN**  
Chairman

**SURAYA HASSAN**

**MOHAMAD SALIHUDDIN AHMAD**

### NOMINATION & REMUNERATION COMMITTEE

**MOHD AZMAN SULAIMAN**  
Chairman

**DATO' MUSTAFFA AHMAD**

**MOHAMAD SALIHUDDIN AHMAD**

### BOARD RISK COMMITTEE

**SURAYA HASSAN**  
Chairman

**DATO' MUSTAFFA AHMAD**

**MOHAMAD SALIHUDDIN AHMAD**

### INVESTMENT COMMITTEE

**DATO' MUSTAFFA AHMAD**  
Chairman

**DATUK BAZLAN OSMAN**

**DATO' SRI MOHAMED HASSAN KAMIL**

### LONG TERM INCENTIVE PLAN COMMITTEE

**DATUK BAZLAN OSMAN**  
Chairman

**MOHD AZMAN SULAIMAN**

**DATO' MUSTAFFA AHMAD**

**MOHAMAD SALIHUDDIN AHMAD**

### COMPANY SECRETARY

**SHAMSUL SHAHRINA MOHD HUSSEIN**  
(MAICSA 7047477)  
(SSM Practicing Certificate No.  
201908002446)

### SENIOR MANAGEMENT

**DATO' SRI MOHAMED HASSAN KAMIL**  
Group Chief Executive Officer

**LEEM WHY CHONG**  
Deputy Chief Executive Officer

**MOHAMED SABRI RAMLI**  
Chief Executive Officer, STMAB

**JULIANA LO BENG LIEW**  
General Manager, Corporate Finance &  
Strategy

**SIA MENG HUI**  
Chief Financial Officer

**SHUHAIBAHTULASLAMIAH  
HURMUZAN**  
General Manager, Human Resource &  
Corporate Services

**PATRICK WONG CHANG YANG**  
Chief Information Officer

**MOHAMMAD FADHLEE AWALUDIN**  
Chief Investment Officer

### AUDITORS

PricewaterhouseCoopers PLT  
(LLP0014401-LCA & AF 1146)  
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Tel : +603-2173 1188  
Fax : +603-2173 1288

### REGISTERED OFFICE

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Menara Takaful Malaysia  
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50000 Kuala Lumpur

Tel : +603-2268 1984  
Fax : +603-2274 2864  
Email : csu@takaful-malaysia.com.my  
Website : www.takaful-malaysia.com.my

### REGISTRAR

Boardroom Share Registrars Sdn Bhd  
[199601006647 (378993-D)]  
11th Floor, Menara Symphony  
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Selangor Darul Ehsan

Tel : +603-7890 4700  
Fax : +603-7890 4670  
Email : bsr.helpdesk@boardroomlimited.com  
Website : www.boardroomlimited.com

### PLACE OF INCORPORATION AND DOMICILE

Malaysia

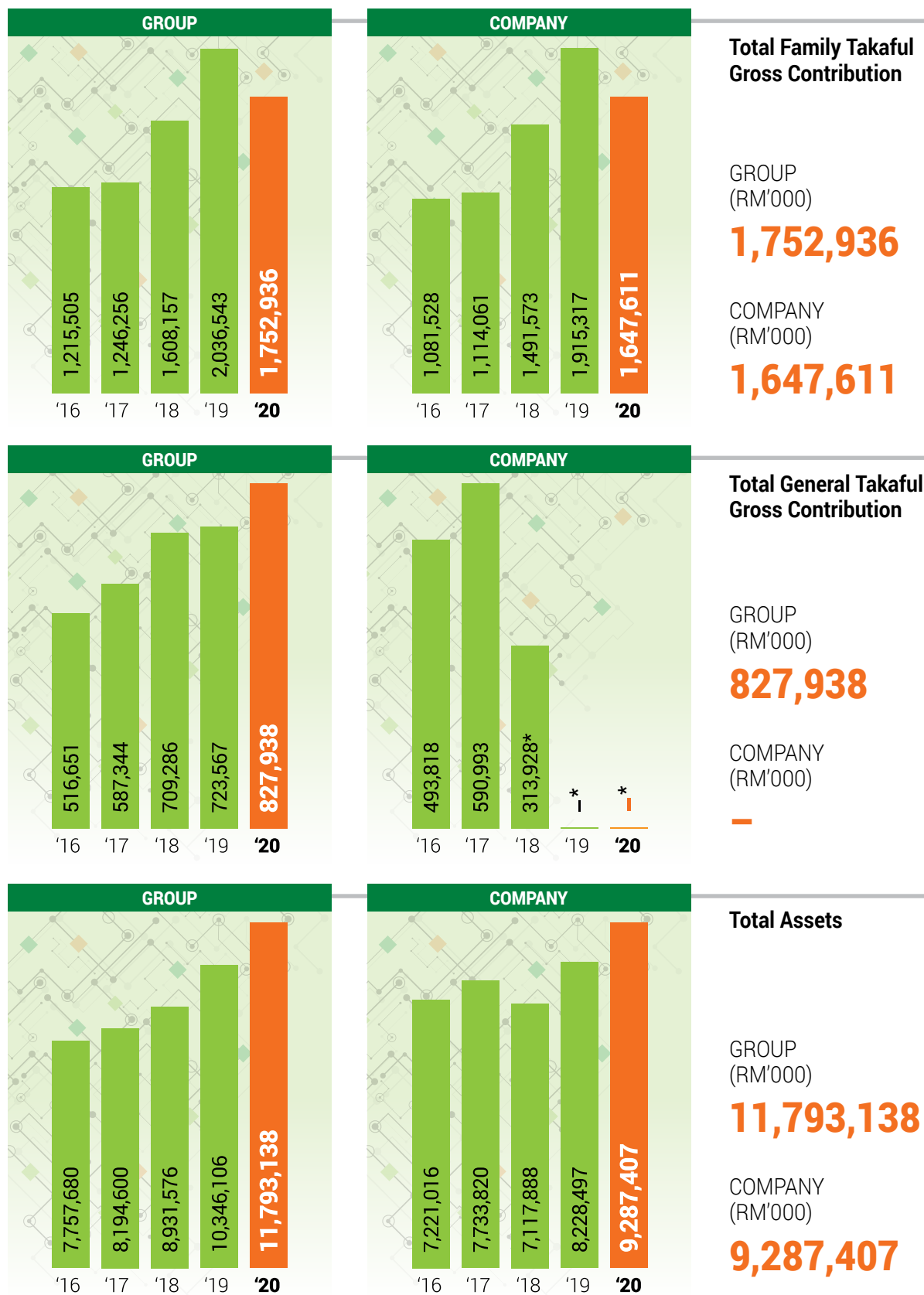
### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad on 30 July 1996

**STOCK CODE:** 6139

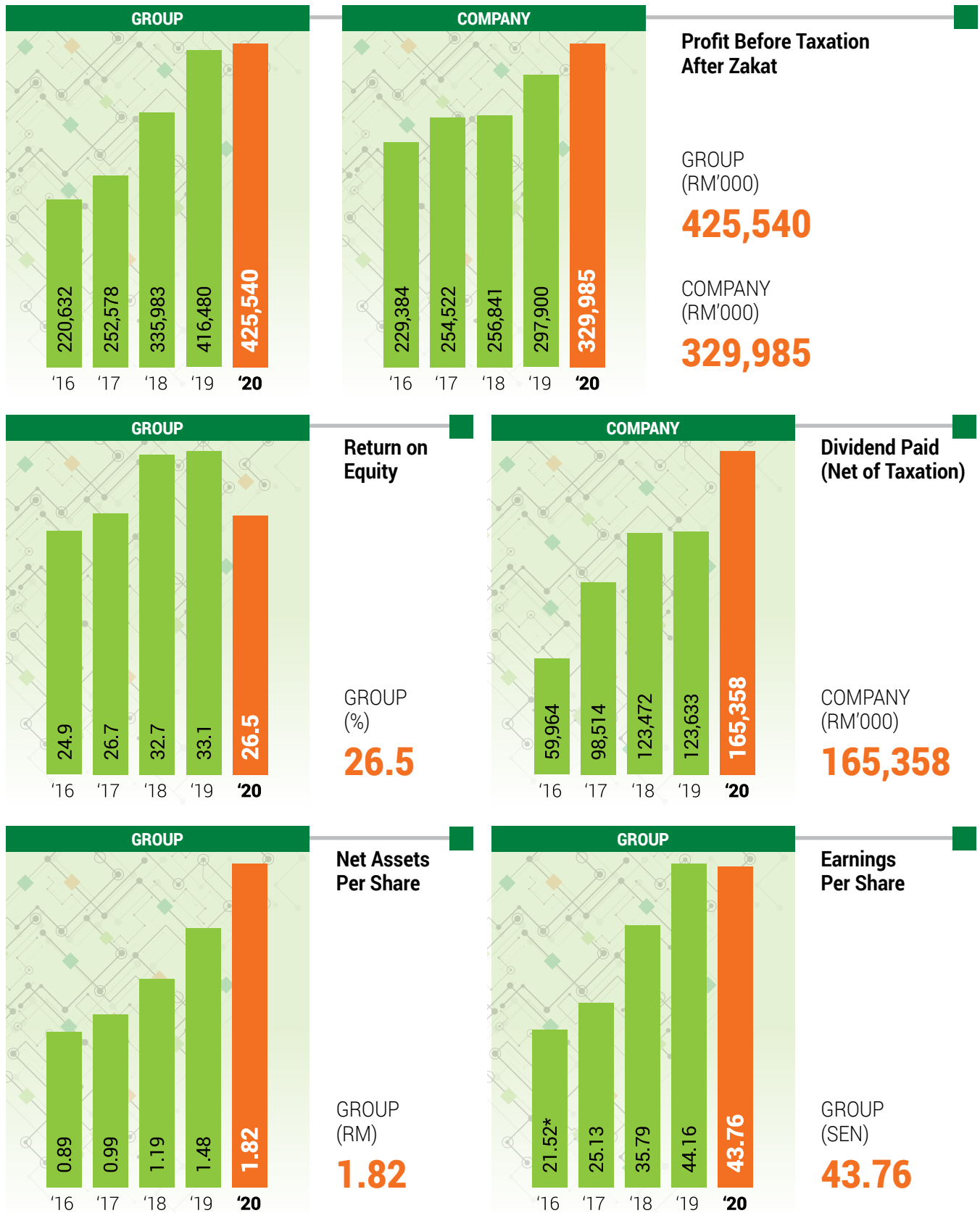
**STOCK NAME:** TAKAFUL

## Five-Year Financial Highlights



\* With effect from 1 June 2018, STMKB had converted its composite license to single licenses and split the company into two entities, STMKB and STMAB.

## Five-Year Financial Highlights



\* Adjusted for effect of share split.



## Management Discussion & Analysis

“ Advancing innovation in the industry, our digitalisation journey in embracing digital technologies has efficaciously enabled us to transform our business model, distribution, and cost innovation in building a competitive advantage to accelerate growth and thrive in the highly competitive landscape. Navigating the market uncertainty vigilantly while adapting to the COVID-19 challenging times, we focused on sustaining strong revenue, commendable returns, and solid financial performance with an eye to deliver sustainable shareholder value. ”

### Dear Shareholders,

2020 has been an unforgettable year where we have witnessed world-changing, paradigm-shifting events all under the cloud of the COVID-19 pandemic. It has been a historic year for the global economy, seeing the world go through a major transition in the middle of a chaos not experienced in decades. Infecting millions of people, COVID-19 has rapidly affected our day-to-day life, businesses, disrupted the world trade and movements in the last year with the imposition of lockdowns and restrictions. The economic and social disruption caused by the pandemic is devastating leading to a dramatic loss of human life worldwide.

The pandemic has impeded businesses in various sectors and supply chains tremendously and millions of enterprises face an existential threat. The world's global workforce was affected with millions out of work thus increasing the unemployment rate drastically, a catastrophic we witnessed in the labor market following the Great Financial Crisis.

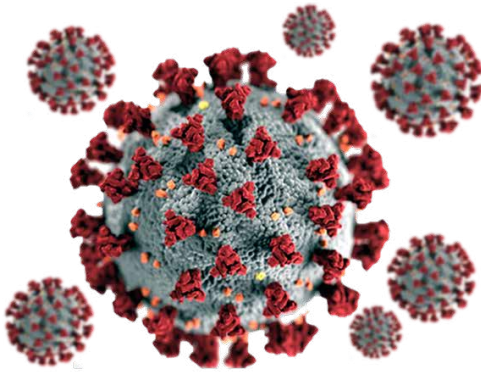
With the virus spreading exponentially country wise, the pandemic has tested the capability of local, national, and multilateral institutions, along with the ability of the private sectors to respond and stimulate an inclusive recovery to mitigate the adverse impact.

Against the backdrop of COVID-19, the global growth contraction for 2020 is projected at -3.5% according to the International Monetary Fund (“IMF”), plummeting the global economy into a deep recession of historic proportions, a reflection of how much uncertainty remained about the pandemic. In the face of the far exceeded efforts from governments and financing institutions to alleviate the slump with fiscal and monetary policy support, the deep downturns elicited by the pandemic have resulted in lower investment, and fragmentation of global trade and supply linkages.

While many countries implemented large-scale social safety net programs and lowered interest as well as profit rates due to the onset of the pandemic, the global economic downturn caused most emerging markets and developing countries to struggle in coping with the domestic outbreaks. This led to loss of trade and tourism, declining remittances, subdued capital flows, and tight financial conditions. Conversely, advanced and developing economies with strong healthcare systems in place and financial reserves reflected lower contractions and were better prepared to manage the health and economic effects of the pandemic.

Amidst uncertainties and a sluggish global economic slowdown due to the impact of the COVID-19 pandemic, the consumer spending in the global Islamic economy is anticipated to contract by 8% across core Islamic economy sectors, according

## Management Discussion & Analysis



to the State of the Global Islamic Economy Report 2020/21, encompassing halal products, Islamic finance, as well as lifestyle sectors and services. However, forecasted to reach USD2.4 trillion by 2024 at a five-year Cumulative Annual Growth Rate ("CAGR") of 3.1%, the Islamic economy is poised to steer a post-pandemic retrieval that could unleash a new economic horizon to support the global recovery from the pandemic.

Influenced by the decline in all sectors of the economy as a result of the challenges caused by the outbreak, Malaysia's gross domestic product ("GDP") performance during the year under review contracted 5.6% as compared to a growth of 4.3% in 2019. Furthermore, the implications of the COVID-19 pandemic that have affected economic activities also contributed to the increase in the unemployment rate of 4.8% in the fourth quarter of 2020.

As the outbreak mitigates, Malaysia's economy is expected to levitate around 5.2% to 5.9% in 2021 to a robust recovery in domestic economic activity due to the possible increase in consumer demand and greater investor confidence. However, the spike in COVID-19 cases and the ongoing enforcement of the nationwide phased lockdowns nationwide might also slow down the growth prospects due to any hiccups surrounding the vaccine distribution and the sturdiness in the global growth.

Despite having been hit by the COVID-19 pandemic, the takaful industry in Malaysia reflected an increased protection awareness amongst the consumers, propelled by stable domestic consumption and greater acceptance of Islamic insurance coverage. Growing at a favorable rate compared to the conventional insurance, the takaful sector continued gaining ground in the Malaysian insurance market amidst the surge in the use of digital applications, thus increasing market penetration.

For the year ended 31 December 2020, the new protection value of Family Takaful increased by 21% compared to the similar period in 2019 with new business contributions increasing by 7%, while the total in force sum covered of the Family Takaful business grew by 14.5% to RM1.11 trillion. Standing at RM461.7 billion of the Family Takaful new protection value for the year under review, the Family Takaful business recorded an improved

penetration rate of 16.9% compared to 15.9% last year, owing to the positive effects from the re-opening of the economy, particularly during the third and fourth quarter of 2020.

Correspondingly, for the year under review, the General Takaful business recorded a decent growth of 4.4% with the net claims incurred ratio decreasing from 58.1% to 55.7%. The motor takaful portfolio continued as the largest class of business with a proportion of 66.1% in gross contribution. On the other hand, the Fire takaful portfolio maintained as the second largest class with a slight increase of 4.4% in gross contribution.

### OUR DEFINING MOMENTS

- ❑ Sustained our **market-leading position in the Family Takaful business** with 23% market share and maintained as the **second largest in the General Takaful business** with 24% market share.
- ❑ Awarded the **Highest Returns to Shareholders Over Three Years** award in the financial services category for companies with a market capitalisation of below RM10 billion at The Edge Billion Ringgit Club 2020.
- ❑ Clinched the **Highest Return on Equity Over Three Years** award in the financial services category for companies with a market capitalisation of below RM10 billion at The Edge Billion Ringgit Club 2020.
- ❑ Selected for the third year running as one of the **Most Attractive Graduate Employers to Work for in 2021** under the insurance category at the annual Graduates' Choice Award.
- ❑ Recognized among the **Best Companies to Work for in Asia 2020** for the third time at the annual HR Asia Best Companies to Work for in Asia Awards, Malaysia edition.



## Management Discussion & Analysis

### BRACING FOR MARKET CHALLENGES

The alarming situation of the COVID-19 outbreak has imposed challenges on the business operations of Syarikat Takaful Malaysia Keluarga Berhad ("STMKB" or "the Company") and its subsidiary companies ("Takaful Malaysia" or "the Group") in multiple ways operationally and economically, ranging from employee and business continuity issues to customer service considerations as well as the financial outlook. The Group adopted immediate action plans to maintain its operations and protect the health and safety of its customers, business partners, employees, and other stakeholders by implementing precautionary measures.

To provide our customers and business partners with uninterrupted access to our essential services, we focused on establishing cross-functional, emergency decision-making teams to coordinate our responses. As the pandemic continued to evolve, we enhanced our safety protocols and implemented a comprehensive communications system to keep our employees, customers, and business partners fully informed about the status of our business operations.

The enforcement of phased lockdowns hindered us from conducting business face-to-face in reaching out to our business partners and customers effectively. In these trying times, we relied greatly on our digital capabilities and offered faster and comprehensive services through manifold digital and online platforms. We intensified our digital footprint and further amplified our social media presence to cross-sell our online product offerings besides tapping on the great convenience of online transactions, especially during the successive movement restrictions to expand our market reach. Our agile work-from-home arrangements supported our business operations efficiently, with the secure IT infrastructure to deliver uninterrupted services to our customers, sales intermediaries, and bank partners.

Advancing innovation in the industry, our digitalisation journey in embracing digital technologies has efficaciously enabled us to transform our business model, distribution, and cost innovation in building a competitive advantage to accelerate growth and thrive in the highly competitive landscape. Navigating the market uncertainty vigilantly while adapting to the COVID-19 challenging times, we focused on sustaining strong revenue, commendable returns, and solid financial performance with an eye to deliver sustainable shareholder value.

As an insurance company, we truly understand how devastating the COVID-19 outbreak has been impacting our communities and our very way of life. Corresponding to the Government's directives and guidelines set by the Ministry of Health ("MOH"), we implemented precautionary measures to ensure the



safety and wellbeing of our customers, employees, and other stakeholders. As an insurance company, we truly understand how devastating the COVID-19 outbreak has been impacting our communities and our very way of life. Corresponding to the Government's directives and guidelines set by the Ministry of Health ("MOH"), we implemented precautionary measures to ensure the safety and wellbeing of our customers, employees, and other stakeholders while ensuring uninterrupted access to our essential services during these difficult times.

The insurance and takaful industry initiated the COVID-19 Relief Program to ensure insurance policy and takaful certificate holders affected by the COVID-19 virus continue to have life insurance and family takaful protection. Takaful Malaysia participated in this initiative which provided a three-month deferment period for payment of the life insurance regular premium and family takaful certificate contribution to eligible customers who have applied for the program. Additionally, we also offered an instalment plan to some of our General Takaful corporate clients who faced short term financial liquidity issues during this difficult period to alleviate their financial burden.

Takaful Malaysia also contributed to the COVID-19 testing fund initiated by Life Insurance Association of Malaysia ("LIAM"), Persatuan Insurans Am Malaysia ("PIAM"), and Malaysian Takaful Association ("MTA"), established for medical insurance policy and takaful certificate holders to perform COVID-19 testing. The insurance and takaful industry pledged an RM8 million contribution towards this good cause in support of the Ministry of Health's efforts to conduct more COVID-19 testing on Malaysians.





## Management Discussion & Analysis



Despite the challenging business environment, we showed our support by making monetary contributions towards the fundraising initiatives organized by various organizations. We joined forces in donating for the purchase of medical equipment to ease the shortage of medical supplies faced by the designated government hospitals. The monetary support went towards the screening and treatment of COVID-19 patients and providing financial aid to the dedicated frontliners and healthcare workers.

### STAYING THE COURSE IN CHALLENGING TIMES

Malaysia's takaful industry was not spared from the effects of the COVID-19 pandemic which impacted the economy and the insurance business. Despite this, the takaful industry maintained a steady penetration momentum in 2020. It made inroads in promoting Islamic insurance to a wider customer segment via multi-distribution channels, including digital online distributions. In embracing digital platforms and technology to promote takaful products and services innovatively, the overall performance of the Islamic insurance industry demonstrated resilience thus serving as a catalyst for industry growth.

Given the business restrictions and challenges arising from the Movement Control Order and the COVID-19 pandemic during the financial year, Takaful Malaysia registered a contraction of 6.5% of the Group's gross earned contributions comprising the combined Family and General Takaful business portfolios. For the financial year 2020, Takaful Malaysia sustained its market leadership in the Family Takaful business, securing 23% of the market share. The Group retained its solid footing in the General Takaful business as the second largest takaful provider, capturing a 24% market share.

Our Family Takaful business generated gross earned contributions of RM1,756.9 million for the year ended 31 December 2020. This was mainly attributable to our partnerships with leading Islamic financial institutions for credit-

related services and cross-selling of online and customized takaful solutions to the bank clientele, established network of our treasury business in reaching out to civil servants for Mortgage Takaful coverage, and our Employee Benefits ("EB") business portfolio.

The reduction in the Family Takaful contributions was mainly caused by the business restriction and temporary suspension of business processing from bank partners and Lembaga Pembiayaan Perumahan Sektor Awam ("LPPSA") during the Movement Control Order ("MCO") period. This was also due to lower sales from the group medical products as business activities were impacted by the outbreak. Amidst the challenging market and operating landscape, our tranche of innovative online protection plans offered via our Click for Cover Online Sales Portal ("OSP") gained substantial sales volume, a testament to our successful digital transformation journey.

In the General Takaful business front, we maintained our position as the top two leading General Takaful operators in the market, generating gross earned contributions of RM756.5 million during the financial year under review. Driven by improved customer retention and acquisition in our motor portfolio, we continued to strengthen our General Takaful segment. Our strategic move to actively promote and market our online motor takaful plan via the digital and social media platforms has been effective in driving sales to record double-digit growth of 50%.

Taking advantage of the opportunities in the areas of marketing, underwriting, customer service, and claims processing via the adoption of digital technologies has empowered us in facing the sales and operational challenges that arose out of the COVID-19 pandemic. Significantly, our robust business retention and expansion strategies, along with operational efficiency, and underlying financial strength, as well as a successful digitalization journey, facilitated us to remain strong in the insurance and takaful industry.

## Management Discussion & Analysis

### ACHIEVING FINANCIAL SUSTAINABILITY

#### Group Performance

The Group's operating revenue for the year under review was recorded at RM2.96 billion, lower as compared to RM3.12 billion in 2019. The profit before zakat and taxation ("PBZT") increased by 2% to RM426.8 million from RM417.7 million in 2019 whilst the profit after zakat and taxation ("PAZT") was RM363.6 million, lower as compared to PAZT of RM366.3 million in the previous financial year correspondingly.

The lower revenue was mainly attributable to decreased sales generated by the Family Takaful business which was impacted by the COVID-19 pandemic. As for the slight improvement of the PBZT results, it was mainly attributable to the savings from the management expenses and release of expense reserve.

The COVID-19 pandemic and associated economic impact continued posing challenges and uncertainties to the Malaysian economy and the insurance and takaful industries. Concerns on job security remained heightened and consumers were more conscious on their spending habits. The Group has been taking the necessary and thoughtful steps to strengthen its business resilience to adjust its operating models in managing the business in a very different market and dynamic operating landscape. Amid uncertainties in the current economic environment to support business expansion, the Group remained vigilant and cautious in managing the operating costs, business growth, and risk profile of our portfolio.

Moving forward, the Group will continue with its innovative strategies to sustain its market leading position and support business growth and customer centricity. Clearly, there will be an even faster acceleration of digitalization and automation across the board to further improve business performance, the expansion of its distribution capabilities, the establishment of strategic partnerships with leading Islamic banks, and new brand awareness initiatives.

#### Company Performance

The Company's operating revenue decreased to RM1.96 billion from RM2.22 billion in the previous financial year. The total gross contribution registered at RM1.65 billion, which was lower compared to RM1.92 billion in 2019. The decrease was mainly due to lower sales during the year under review as the business activities were impacted by the COVID-19 pandemic.

The Company recorded PBZT of RM330.6 million, an increase by 11% as compared to RM298.5 million in the same period of the previous financial year. The Company's PAZT recorded an increase of 13% to RM305.7 million from RM270.7 million in

the previous financial year. The increase in profit was mainly attributable to the dividend received from the wholly owned subsidiary, STMAB, savings from the management expenses and release of expense reserve.

#### Review of Subsidiaries

Syarikat Takaful Malaysia Am Berhad ("STMAB"), the general takaful arm of Takaful Malaysia that manages the general takaful business registered an operating revenue of RM874.2 million, increased by 14% as compared to RM767.9 million in the same period last year. The Company recorded PBZT of RM151.6 million, higher by 28% as compared to the same period last year of RM118.7 million. The PAZT increased by 26% to RM113.3 million for the financial period ended 31 December 2020 as compared to RM89.7 million in the same period last year.

As a pioneer and early adopter of online distribution and new digital technologies in supporting our distribution channels, we were able to eliminate some sales and operational challenges faced during the COVID-19 pandemic period. Our digital and technological capabilities have enabled us to maintain uninterrupted business services to all our sales intermediaries, bank partners, and customers. Principally, we have a wide range of online takaful products, and customers were easily able to access our affordable online insurance solutions at their fingertips, especially during the COVID-19 outbreak.

Our Indonesian subsidiaries, namely PT Asuransi Takaful Keluarga ("ATK") and PT Syarikat Takaful Indonesia ("STI"), continued to be impeded by the window concept of promoting Islamic products practiced by the conventional domestic players. The takaful industry in Indonesia is anticipated to continue experiencing challenges due to the financial market volatility in addition to the economic conditions.

### REVIEW OF THE STATEMENT OF FINANCIAL POSITION

#### Shareholders' Equity

The shareholders' equity increased by RM287.3 million from RM1,254.5 million to RM1,541.8 million as at 31 December 2020, net of declaration of dividends of RM99.7 million, during the financial year under review. The increase was mainly driven by the increase in distributable retained earnings of RM262.5 million.

#### Total Assets and Total Liabilities

As at 31 December 2020, total assets witnessed an increase by RM1.44 billion to RM11.79 billion as compared to RM10.35 billion as at 31 December 2019, particularly driven by the growth in the other investments, intangible assets and retakaful assets.

## Management Discussion & Analysis

As compared to 31 December 2019, other investments increased from RM5,663.5 million to RM6,631.5 million as at 31 December 2020, mainly attributable to the increase in Islamic debts securities, Malaysian Government Islamic Papers and Institutional Trust accounts. The increase was mainly attributable to new purchases as well as gains in market value.

Retakaful assets increased from RM755.8 million to RM978.2 million, mainly due to increase in net retakaful reserve credit and retakaful claims recovery provision.

Intangible assets increased by RM122.7 million to RM191.2 million as at 31 December 2020, mainly attributable to the new bancatakaful service agreements.

Total liabilities increased to RM10.25 billion as compared to RM9.1 billion as at 31 December 2019, mainly attributable to the increase in Takaful contract liabilities by RM0.9 billion. The increase in Takaful contract liabilities from RM8.3 billion as at 31 December 2019 to RM9.2 billion as at 31 December 2020 was in line with the higher in force certificates and higher unallocated surplus.

### Capital Expenditures

As at 31 December 2020, we incurred RM13.5 million of capital expenditures as compared to RM6.6 million during the previous financial year. The capital expenditures incurred were mainly for the enhancement of our core systems, including purchase of software and computer equipment as part of the Group's ongoing initiative in driving its digital agenda to enhance and provide a seamless customer experience.

### PROGRESSING VALUE-BASED INTERMEDIATION

Towards realizing the objectives of Shariah in generating positive and sustainable impact to the economy, community, and environment through our offerings, practices, processes, as well as business conduct, we initiated internal practices to implement our Value-based Intermediation ("VBI") initiative as part of our novel competitive strategy. The underlying values of our VBI have strengthened the roles and impact of our business en route for a sustainable and ethical financial ecosystem.

Adopting sustainability as one of the principal measures of our business success helped us in promoting real economic activities, consistent with our shareholders' sustainable returns and long-term interests. Guided by a set of principles that pivoted on the real economy, social welfare, environmental impact, and transparency, our VBI initiative centred on the following core tenets as a pace in the right direction to achieve sustainable financial practices.

- ❑ Revolution in our distribution model to offer an innovative and affordable tranche of online takaful solutions in leading the Islamic insurance marketplace.
- ❑ Adoption of business penetration and retention strategy in sustaining our position as a professional and leading Employee Benefits takaful solution provider.
- ❑ Implementation of a resilient and dynamic tactic in establishing a strong foothold to amplify our penetration rate in the motor and non-motor product portfolios of our General Takaful business.
- ❑ Incorporation of impact investing entrenched in our investment strategy to create social and environmental benefits in addition to generating financial returns and value for stakeholders.

### STEERING BUSINESS PORTFOLIO

Advancing our business portfolio tactically has allowed us to determine and initiate growth strategies for maintaining our industry-leading position, developing new and enhanced products and services as well as sustaining profitable businesses while earning new business dealings. Maintaining a wide-ranging business portfolio facilitated us to meet the needs of different market segments and increase our profits from selling a range of different products.

Despite the volatile market conditions in the wake of the unprecedented pandemic, we sustained our robust foothold and market-leading position in the bancatakaful portfolio by prioritizing our long-standing strategic collaborations with leading Islamic financial institutions. Recognizing bancatakaful as an optimal distribution channel in achieving higher revenues, we brought synergies into our alliances with bank partners. This was done by embedding innovation and technology to diversify our business lines and meet the customer expectations in the most effective manner, fostering new partnerships to sustain and expand our share of the pie in the bancatakaful business segment.

The implementation of our digital-assist point of sales system, which is equipped with a smart underwriting engine, has facilitated our bank partners to promote and market our online protection plans to their customer base conveniently. With just a few clicks, the electronic takaful application system served as an effective platform for our bank partners to conduct paperless enrolment transactions using portable devices seamlessly. We were able to provide product consulting services, generating quotations, instant online approvals as well as certificate issuances.

## Management Discussion & Analysis

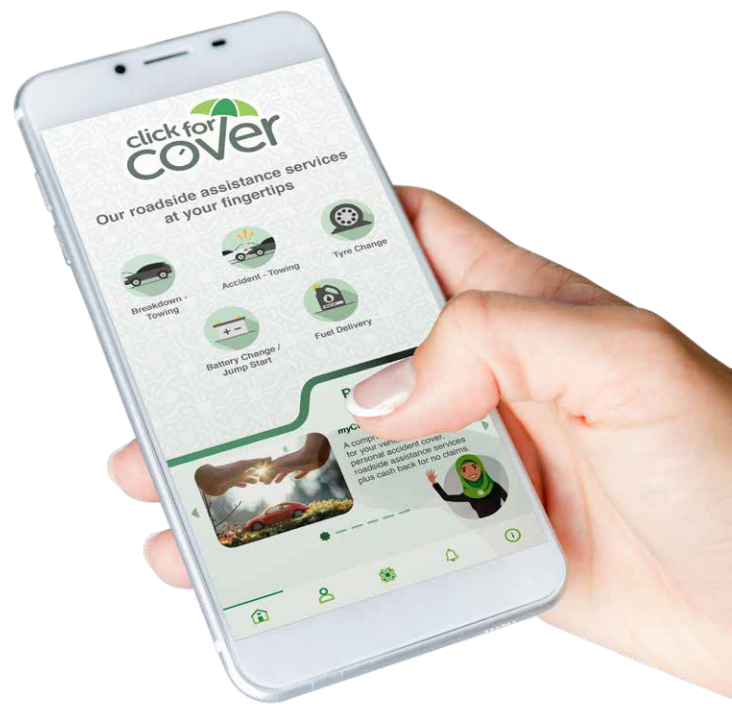
Our established business affiliations with major Islamic banks provided us a conducive platform to cross-sell our innovative online takaful solutions via our Click for Cover Online Sales Portal ("OSP") to the bank clientele, apart from developing regular contribution protection plans for telemarketing and commercial bancaassurance business by our bank partners. For the twelve months of 2020, our telemarketing and commercial bancatakaful business recorded a sales growth of 25% and 33%, respectively.

On our treasury business front, we continued sustaining our market leadership in the Lembaga Pembiayaan Perumahan Sektor Awam ("LPPSA") business portfolio during the year under review. However, the alarming COVID-19 and volatile business scenarios had in a way hindered our LPPSA business operations due to the ongoing enforcement of the phased lockdowns nationwide and the temporary closure of LPPSA administration offices, limiting face-to-face sales activities. Furthermore, the slowdown in the property market has led to a cautious buying of property and consumer sentiment amongst civil servants, which indirectly impacted the enrolment rate of our mortgage takaful cover offered via LPPSA.

Moving on to the Employee Benefits ("EB") market, the EB business portfolio remained a competitive and challenging operating environment not only for Takaful Malaysia but also its counterparts on the back of the risks of high medical inflation and rising healthcare costs. The uncertainty triggered by the COVID-19 outbreak has resulted in the reduction of headcounts and employee medical coverage as an immediate cost-cutting measure adopted by businesses to stay afloat.

At all times we maintained our practice of exercising prudent underwriting philosophy whilst retaining our existing EB clients and when we solicited for potential new clientele. We provided professional and value-added services to better manage the EB program of our corporate clients cost-effectively. Additionally, we also conducted employee wellness webinars on employee engagement and health-related topics for our EB clients and members to build lasting client relationships while upholding our position as a leading and professional EB player in the industry.

Since the launch of our Click for Cover Online Sales Portal ("OSP") in 2018 that marked the beginning of Takaful Malaysia's venture into digital insurance, our OSP has been consistently generating a sales volume even during the phased movement control orders. Reinforcing the digital transformation of our sales and operations, we offered differentiated services by introducing our Click for Cover mobile application to delight our customers with a superior user experience and high-quality service. We embraced the digital ecosystem to support our online distribution strategy by creating multiple touchpoints



to cross-sell our online product offerings, while providing convenience to our customers through the features available via the app.

In the face of the global pandemic, we continued to offer business development support and attractive engagement programs for our corporate agency force to secure profitable business accounts and further grow our General Takaful arm. Despite the challenges in recruiting and retaining a dynamic corporate agency force, we intensified our efforts through innovation and product enhancements, and offered value-added benefits and higher underwriting capacity to retain profitable business accounts and expand our General Takaful business.

With the increased awareness of the importance of insurance coverage and technological advancements in processes, we strategically tapped on the upsurge in demand for Small and Medium-sized Enterprises ("SME") coverage by providing a comprehensive and needs-based protection solution for multiple risk exposures faced by SMEs. Offering basic coverage with optional covers to protect property, physical assets and meet legal obligations, we aimed to increase sales and reinforce our General Takaful market penetration.

To strengthen our sales value proposition, we also enhanced our comprehensive motor product offerings via our corporate agency force with new optional benefits catering to the diverse needs and expectations of our customers. In order to stay resilient in the motor detariffication market, we entered into the profitable motorcycle business segment by marketing comprehensive motorcycle cover with add-on benefits, owing to the rise in motorcycle sales and growth of the motorcycle insurance market.

### CATALYZING INNOVATION IN DIGITAL TRANSFORMATION

The pandemic has driven every sphere of consumer purchasing behaviour into the next level and compelled insurance and



## Management Discussion & Analysis

takaful industry players to shift rapidly to transform business operations and serve customers in innovative, enhanced ways. In today's digital-first world of accelerated technological progress characterized by new innovations and product offerings, digital transformation has not only turned into a significant facet to revolutionize the Takaful Malaysia brand, but tactically to generate value for the Company and our clientele.

Realizing that transformative technologies are entering the insurance and takaful industry at an exponential speed, we perceived technology as our fundamental business strategy that must be interwoven in every aspect of conducting our business. This is to not only survive and thrive, but most importantly, to stay ahead of the competition. Bracing for the long-haul of the COVID-19 impact, we strategically executed our digital strategy by transforming our distribution model, revising and enhancing our value offers, along with developing end-to-end customer-centred processes in order to achieve sustainable growth and customer satisfaction.

2020 has been a big year for online payments, especially in the wake of the COVID-19 phased lockdowns that have driven a surge in contactless payments even among traditionally tech-phobic consumers. As internet banking and online purchasing become a necessity rather than an alternative, we further diversified and improved the payment options offered to our customers. This of course led to more cost and time savings, increased sales, and reduced transaction costs.

Our introduction of the e-Wallet, one of the fastest growing payment trends in Malaysia, on top of other payment methods available via our Click for Cover Online Sales Portal ("OSP"), not only corresponding to Bank Negara Malaysia's ("BNM") intention to transform Malaysia into a cashless society, but also providing convenience to our customers, besides reducing theft and fraud. To encourage a secure, contact-free payment experience through the e-Wallet platform as well as to boost

consumer spending, our customers now have easy access to multiple e-Money issuers in paying their contributions of our selected online protection plans via our OSP.

As more e-Commerce retailers are turning to digital coupons as a sophisticated marketing tool, we tapped into digital technology combined with our marketing strategy by offering promotional codes in driving sales and encouraging purchases of our selected online protection plans available on our Click for Cover OSP. The promo codes offered via the digital and social media platforms facilitated effective marketing campaigns and also served as a source of tracking data for Customer Relationship Management ("CRM"), apart from amplifying our brand image and customer loyalty.

To support our growing business, particularly in today's highly digitized world, we continued in prioritizing IT infrastructure management by investing in business management software. We upgraded our office IT equipment in phases, with a view to extending the lifespan of our IT equipment and reducing costly repairs. By providing the right tools and a safe online environment to increase productivity in the workplace, we ensured our business operations ran seamlessly and effectively.

The phased lockdowns nationwide have made remote working the new norm, which compelled us to streamline our work procedures and system utilisation for the safety of our employees and data security. Given the advanced technology and digitalisation, we granted a secure access point for our employees to access designated data and selected systems remotely so as to ensure that our cyber security is not compromised and our valuable assets are stored safely and securely. Additionally, we also utilized the webinar software platforms to interact and conduct virtual meetings as part of our digital initiative in leveraging available resources to stay the course.



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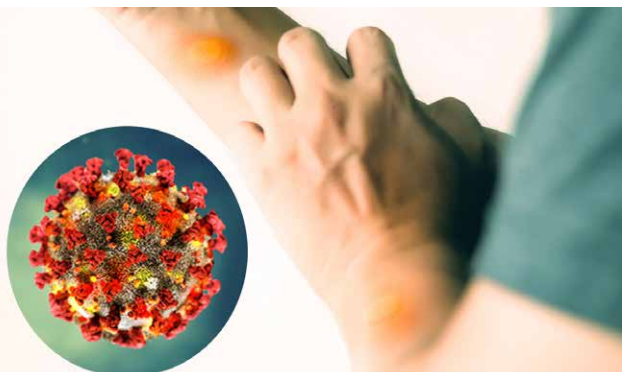


## Management Discussion & Analysis

### INGENIOUS INSURANCE SOLUTIONS

In the wake of the COVID-19 pandemic, developing a new tranche of innovative protection solutions provided us a competitive advantage to target new markets, increase our market share, and boost the Company's revenue streams. By accelerating the innovation strategy, we were able to outperform our competitors and emerge as a leading innovative brand for products and services in the markets served.

By introducing a comprehensive and affordable suite of insurance solutions to the marketplace in keeping up with the growing consumer needs, we evidently demonstrated the Company's brand as innovative and vibrant. Our product innovation strategy not only supported us in elevating our brand equity, but compatibly enhancing customer loyalty and generating revenue on sales. In order to sustain our business growth while improving value to acquire new customers, we further penetrated the market to gain a wider distribution and market coverage for the Company to stay ahead of the competitors.



#### **TAKAFUL myClick MozzCare**

**SAFEGUARD YOURSELF AGAINST  
MOSQUITO BITES AND ZIKA VIRUS  
+ FREE COVID-19 COVERAGE**

We stepped up to the plate to better serve our customers by launching an affordable online protection plan, Takaful myClick MozzCare which provides protection against Dengue and Zika by offering a lump sum cash payout of up to RM4,000. The launch of this plan was timely, as part of our immediate call for action following the surge in Coronavirus cases. Packaged with COVID-19 coverage at no additional cost, it offers a lump sum cash payout of up to RM2,000 if the person covered is tested positive with the virus. Offered to individuals aged 18 and above with an affordable price from as low as 11 cents a day or RM40 a year, this plan is available via our Click for Cover Online Sales Portal.

We also rolled out a Personal Accident plan for consumers who are constantly looking for online protection solutions.

Takaful mySinar PA provides personal accident coverage with additional Hajj and Umrah benefits and pays a lump sum benefit up to RM150,000 in the event of death or permanent disability due to an accident. Furthermore, the lump sum benefit will be doubled if an accident-causing loss of life or permanent disability occurs while performing Hajj or Umrah. Distributed via the telemarketing channel of our bank partner, this plan is also packaged with Aviation Personal Accident cover as well as Badal Hajj and Hospital Income benefits.

Paving the way for a high protection plan that provides guaranteed cash payments and potential investment returns, we introduced a limited pay takaful endowment plan known as Takaful myWealth Plus. Besides paying annual cash payments starting from the end of the second certificate year, this plan offers a compassionate allowance upon death and life event allowance upon marriage or childbirth. The participants will also receive a guaranteed maturity benefit payout up to 150% of the sum covered upon plan maturity and a single contribution top-up is also available to increase the balance in the Participant Account.

The Small and Medium-sized Enterprises ("SME") were not left out when we launched Takaful mySME, a tailored business protection solution. This plan provides our SME clients the option to choose the essential protection by creating a customised and holistic package that best suits their business needs. Featured with automated underwriting for an instant quotation and straightforward enrolment with immediate certificate issuance, this plan offers a basic coverage of up to RM50 million. There are also optional add-on benefits to meet the diverse business requirements.

The Click for Cover app, a mobile application for online takaful applications and services was unveiled with a secured payment gateway facility that allows online transactions for payment of contributions. Our participants are also able to check the details of their certificates such as the coverages, utilized amounts, claims history, and the service provider details effortlessly with just a few clicks.

Enhanced with additional features, the Click for Cover app also offers fast and easy Tele Bantuan services whereby our motor takaful participants can submit a request for roadside assistance via the app in the event of an unexpected breakdown or accident. Furthermore, our participants can easily monitor the real time locations of the tow trucks, and search for the nearest panel workshop within their vicinity for immediate assistance. Members of our Employee Benefits ("EB") scheme can also utilize the app to find out more about their certificate details and present an e-Medical card via the app conveniently when visiting any of our panel hospitals or clinics. Furthermore, the app is also equipped with features for our EB clientele to locate the nearest panel hospitals or clinics and pinpoint geographical locations.

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### SUSTAINABLE INVESTMENT PORTFOLIO

Continuing to unfold across the globe at an alarming pace, the pandemic stemmed greater consequences for economies attributable to a setback in controlling the infection rates. This has led to prolonged and restricted lockdowns nationwide further dampening the economic activities. This unprecedented scenario necessitated a continued monetary and fiscal stimulus that witnessed Bank Negara Malaysia ("BNM") keeping a record low of the Overnight Policy Rate ("OPR") after trimming a cumulative 125 bps throughout the financial year under review.

As the consumer and investor behaviour shifted intensely, the rising effect of the outbreak impeded our equity market, depicting a decline of more than 20% in the general equity index recorded in March 2020 following the enforcement of the Movement Control Order ("MCO") that plummeted most of the stock holdings in the portfolio. Consequently, major portfolio restructuring and investment into stocks with better earnings visibility and upside potential have been carried out to cushion the market volatility.

The Company's investment income in 2020 remained resilient and provided a fair return on investment vis-à-vis the prevailing market risks and performances, primarily due to better performance from sukuk portfolios capitalising on the low interest rate environment to realise some gains from existing holdings. Additionally, deposit instruments continued to register higher income reflective of the higher asset allocation into these asset classes as we maintained to be defensive considering the uncertainties in the market.

Setting target allocations for selected asset classes and rebalancing our portfolio periodically, our asset allocation strategically concentrated on asset classes that provide a stable and predictable recurring income, specifically sukuk, apart from holding more onto cash. In line with our investment strategy, our equity exposure maintained low throughout the year, limiting the effects of equity market volatility. In spite of the shortcomings in equity portfolio performance as a result of overall market conditions, both locally and globally, the weaknesses have been supported by the performances of other asset classes.

The spread of the COVID-19 pandemic has severely impacted the financial markets, witnessing countries around the world experiencing the destabilizing effects of the outbreak. Amid the spike in market volatility, we skewed our overall strategy towards defensive play by maintaining a low exposure in equity investment as opposed to other asset classes such as sukuk and other money market placements. This immediate action facilitated us to withstand any significant downturn in the equity market while staying disciplined and focused on our long-term investment goals.

Within the equity investment, we allocated exposures mainly towards Technology, Industrial Products, Consumer and Healthcare sectors that benefitted from the shift in sector preference. The escalation of US-China trade tensions over the past years has accelerated major foreign companies to relocate their manufacturing facilities out of China and diversifying their supply chains into Malaysia. The strong technology capex up-cycle has also significantly improved the semiconductor demand that benefitted most of the Tech companies in Malaysia.

In line with our "We Care" brand value proposition to create a positive impact on society, we integrated Environmental, Social, and Corporate Governance ("ESG") in our investment evaluations and decisions for equity and corporate sukuk. We identified and evaluated investment opportunities with a specific social or environmental impact in generating a financial return commensurate with the risks. Concurrently, we continued making reference to the FTSE4Good Bursa Malaysia index ("FTSE4GBM") for equity as part of our key indices, in addition to increasing our holdings in green sukuk issued under the Securities Commission's Social Responsibility Investment Framework in taking advantage of the opportunity arising to stay resilient.

### MANAGING VALUE FOR SHAREHOLDERS

The economic consequences of the pandemic inevitably raised concerns among shareholders and investors on how the industry players will fare through the crisis and beyond. Amidst downward trends in sales, earnings, and tightening cash flow, we deliberately aligned our long-term shareholders and companies' interests by accelerating digital transformation in ensuring value creation for all our stakeholders. Thriving competitively and financially during the year under review, our emphasis on adopting our business models to meet the customers' diverse needs, inspiring our employees and business partners, has facilitated us in delivering long-term shareholder value.

In the face of uncertainty and sustainability issues at the forefront of industry players amidst the COVID-19 catastrophe, we pursued our business opportunities and seized the crisis to sustain our competitive position in generating returns for our shareholders. Managing shareholder value remained a prime importance for the Company, particularly during these trying times to drive a positive indication and evidence of resilience to investors about the Company's financial health, growth potential, and returns on capital.

In August 2020, we welcomed our newly appointed directors, Dato' Mustaffa Ahmad, Mohamad Salihuddin Ahmad and Datuk Bazlan Osman who joined the Board Members of our Family Takaful business and Ismail Mahbob for his appointment as

## Management Discussion & Analysis

the Chairman of our General Takaful arm. Their breadth of experience and expertise in the financial services industry will bring an influx of diversity to the Board of both companies and continue to firmly support our aspirations as a leading Islamic insurance company.

During the financial year under review, our Board of Directors declared on 21 December 2020 an interim single tier dividend of 12.00 sen per ordinary share amounting to RM99,651,974.64 in respect of the financial year ended 31 December 2020, which was paid on 29 January 2021. This translated into a dividend yield of 2.5% based on the Company's share closing market price of RM4.84 as at 31 December 2020. The interim dividend declared for the financial year ended 31 December 2020, represented a payout ratio of approximately 27.4% of the net profit generated for the year ended 31 December 2020.

### ADVANCING BRAND EQUITY

Nurturing and positioning the Takaful Malaysia brand in the minds of our customers and the consumers at large by adopting multiple approaches, we have been working proactively towards creating a unique imprint of our innovative product offerings and services. We aimed at ensuring the consumers will continue to associate our brand as the preferred choice for protection that is distinctive from the rest of the marketplace.

Our forward-thinking approaches to achieve branding and marketing objectives have positively reinforced our brand positioning in the eyes of our target customers. The application of digital technologies, adoption of social media platforms, together with our continued engagements in the traditional branding mediums were the reasons for the brand awareness. In striking a balance between advertising and marketing, we echoed around the walls of our brand management through the lens of our digital strategy to capture market share and further grow the equity of our brand to attract and retain our existing and potential customers.

In today's world of advanced technology, online touchpoints play an essential part in influencing the decisions made by the consumers in the digital space. We implemented digital branding and marketing strategies through alliances with global IT solutions and consultancy companies to further penetrate and establish our brand over a range of digital venues. In recognizing that digital branding is imperative to establish a meaningful connection with our existing and potential customers, we intensified our business strategy via innovative and cost-effective marketing and advertising advantages as our key unique proposition to differentiate our brand and offerings from the competition.

The continuing dominance of social media and digital platforms has invigorated the role of our brand equity in establishing Takaful

Malaysia ahead of the curve. During the year under review, we continued rewarding individual customers and corporate clients of our selected protection plans by disbursing a total of RM9.5 million for making no claims during the coverage period.

### DRIVING OPERATIONAL AGILITY

As the Coronavirus pandemic impacts businesses across the world, we have been working diligently to advance and implement new and enhanced operating procedures, to keep our employees and customers safe, whilst making sure our business operations are running efficiently. Inevitably, technology plays a major role in our business to achieve a step-function boost in operational agility, aiming at serving our customers and business partners better apart from being responsive to market demand.

In achieving systems resilience to operate proficiently and curtail any impact on our critical business and operational processes, paving the way to automation as well as digitized processes and enhancements has become our key drivers to sustain our business continuity. We continued embarking on the phased transformation of our business operations through multiple implementations in stages to improve our process efficacy and quality.

Several process enhancements were carried out with the purpose of eliminating bottlenecks in our business operations, reducing process completion time, achieving cost efficiency, and meeting regulatory compliance. We personalized an e-Submission platform for our bank partners to make online application submissions of mortgage and credit-related products. We also upgraded the delivery system of our certificate documents to the customers of our bank partners via email to replace the need of producing and distributing printed certificate documents.

We performed a system migration for selected products to ensure a functioning IT system that improves our performance and competitiveness, to support our business growth. Migrating from a legacy system while ensuring no interference in our ongoing business operations has allowed us to keep up with current technologies, in addition to better manage and protect sensitive customer data.

In our continued effort of adopting the Go Green initiative towards establishing a paperless business that is going beyond environmental implications, we further streamlined our operations by taking advantage of the digital platforms. Our customers and business partners were able to receive notifications conveniently via electronic mail and have immediate access to certificate-related documents through our dedicated online portals. With a paperless business system in place, we continued offering a high level of customer service without incurring our printing and postage expenses.

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### HUMANIZING THE EMPLOYEE EXPERIENCE

The challenges triggered by the COVID-19 pandemic during the year under review ensued implications on businesses around the globe, which have profoundly influenced human resource management. In managing our people to cope with the unprecedented conditions in ensuring uninterrupted operation and business continuity services, we have developed crisis management plans, elaborated new policies for remote and hybrid working systems as a response to the global outbreak. Aligning our growth strategies to talent development and management amidst the COVID-19 alarming situation staged an integral part of the Company as employee experience and connectivity have taken on a whole new meaning.

The nationwide phased movement control orders impacted the functions of the human resource management. In navigating the dramatic changes, we concentrated on performing a dual role in balancing our business and our people. Given the risk in society and to safeguard the health and safety of our employees, adopting the concept of working from home or remote working has become the new normal. As the world is heading towards digitalisation, we digitalised some of our human resource functions, adding value to the Company in addition to amplifying employee productivity.

Realizing learning and development as one of our greatest human resource functions in human capital management, we explored digital-learning options to uplift the knowledge, skills, and attitude of our workforce. We enhanced digitally-enabled experiences among our employees by creating a digital environment for workplace learning using digital learning in virtual formats as an innovative alternative to face-to-face interaction. The accelerated adoption of digital learning served the purpose of keeping our people safe and reducing risks, while continuing to drive employee engagement and connectivity. In the face of the COVID-19 environment affecting in-person learning programs, we strongly believe in the sustainability of capability building to advance our long-term goals.

Steering through new means of working in the wake of the COVID-19 pandemic, we revolutionized our personnel practices and crafted durable talent strategy to establish organizational resilience and drive value. In fostering connectivity and caring amongst our human capital in an intensely stressful time, we aligned our human resource strategy on the fundamental tenets of talent management by recruiting the right talent, learning and performance development, tailoring employee experience, and optimizing the workforce planning and strategy.

In bracing the uncertainties due to the evolving COVID-19 situation during the year under review, we strengthened our workplace culture and work-from-home arrangements to

better manage our people and accomplish our business goals. The impact of the pandemic has prompted us to implement a forward-thinking HR strategy in order to foster talent and deliver services, including managing the drastic shifts facing our workforce during these challenging times. Against the backdrop of the global pandemic – a challenging year for all industry players, we persevered without having to take any drastic actions of reducing our employee headcount and wages.

Closing the year under review with a bang, the Company has been voted for the third year running as one of the Most Attractive Graduate Employers to Work for 2021 under the insurance category at the annual Graduates' Choice Award ("GCA") organized by Talentbank. This accolade is a testament to our continued efforts in shifting the recruitment landscape beyond traditional means, apart from our unwavering support of the Government initiative to hire and upskill the capabilities of fresh graduates.

In recognizing employees as our greatest asset, we also accomplished another great milestone for demonstrating a high level of employee engagement with excellent workplace culture. Our company has been recognised among the Best Companies to Work for in Asia 2020 for the third time at the annual awards ceremony organized by HR Asia. Our continued effort in nurturing a robust culture based on customer-centric values to build a sustainable and high-performing organization has elevated us to greater heights in creating workplace excellence and engaging employees to retain valuable talent.





## Management Discussion & Analysis

### MANAGING OUR MATERIAL ISSUES

The Company continues to lead in the Family Takaful segment, with business mainly derived from the Credit-Related and Group Employee Benefits products. As part of our ongoing efforts to sustain the Company's market leader position, we have diversified our product distribution by expanding our distribution channels. Takaful Malaysia also implements robust and efficient business processes to sustain our preferred business relationships with existing partners.

In view of the stiff competition posed by current economic conditions faced by the General Takaful industry, we manage this risk by offering innovative products and leverage on our digital strategy to grow the business, whilst enhancing customer experience. Significant investments in tools, applications and new technologies are also made to boost our operational efficiencies and provide a seamless service experience to the customers.

Takaful Malaysia remains exposed to the risk of underwriting losses, which has an effect on its ability in writing new businesses. Often, poor underwriting practices and external events result in higher than expected underwriting losses. In order to limit the impact of such losses, Takaful Malaysia ensures that retakaful arrangements are established in addition to practicing prudent underwriting.

As an Islamic insurance company engaged in the provision of long-term insurance protection, we continue to be exposed to the risk of a duration mismatch between our investment assets and financial obligations. Hence, we invest in high quality Sukuk with longer terms to maturity and regularly monitor the mismatch level as part of our ongoing strategy in reducing this exposure. Additionally, we closely monitor our liquidity position to ensure there is adequate liquidity to honour our financial obligations.

On the back of volatile market conditions, Takaful Malaysia remains exposed to the risk of investment losses. However, we manage this by performing periodic reviews on the asset allocation strategy, cut-loss investment policy, and having minimum credit rating requirements in place.

The Company has a sound and robust Shariah governance framework with emphasis placed on the roles of key functionalities in ensuring the highest level of compliance with Shariah principles. Bearing in mind that non-compliance with Shariah principles might result in financial and reputation damage to the Company, we strictly adhere to the requirements set by the regulatory body consistently.

### PROSPECTS AND OUTLOOK

What started as a health crisis a little over a year ago quickly evolved into a global economic crisis at a speed and unprecedented magnitude we have not seen in our lifetime. In 2020 we witnessed the contraction of nearly every major economy, and the ripple effects are still unfolding on a global scale.

The reinstatement of the Movement Control Order ("MCO") and implementation of restrictive measures due to the upsurge in COVID-19 cases are likely to pose a downside risk on the country's projected economic recovery for 2021. However, the global economic output is anticipated to recover from the collapse triggered by COVID-19 and is hopefully projected to bring back growth in spades at 5.5% in 2021, on the back of the vaccine distribution campaign and additional policy support in a few large economies.

To enable new growth in the post-pandemic environment the Government will continue to prioritize the health and protection of the people's lives as well as towards the recovery of the job market. Various engagements will be made by the Government to address cross-cutting issues, mainly digitalisation efforts in education, agriculture, SMEs, and manufacturing sectors, apart from concentrating on the issues of stagnation of wages and quality job opportunities.

Malaysia's Islamic insurance market has been witnessing a steady growth in the past few years on account of growing product awareness and adoption of digitalisation that contributed to the market penetration. Catalysed by ethical investment strategy and programme, substantial growth opportunities, rising levels of awareness and high market competition, as well as stable demand in the Islamic banking and finance sector, the takaful sector is set to sustain market growth, given the forecast of resilient private consumption and low penetration rate.

On the Islamic insurance industry level, prominence on the collective efforts and initiatives by the Malaysian Takaful Association ("MTA") to intensify awareness and interactive programs for the consumers by promoting Islamic insurance digitally and via the social media platforms will remain as a focal point. Aiming to educate the public on the essence of takaful and the importance of protection, more initiatives will be carried out in 2021 to creatively promote takaful products and services.

Within the product portfolio scope, the mortgage takaful business is anticipated to witness an impact due to cautious property buying decisions among customers in view of the current slowdown in the property market. However, greater



## Management Discussion & Analysis

business opportunity in the takaful business for personal financing is expected to pick-up as financial institutions are targeting an increase in the personal loan business to address short term financial needs of customers and SMEs.

Due to the COVID-19 outbreak, the Employee Benefits ("EB") business is anticipated to witness more corporate clients enrolling their employees in healthcare-related takaful products. Corporate clients who may be facing financial difficulties may opt to restructure their EB program with only the minimum benefits and critical coverage to reduce their EB contribution commitment.

Technology advancement and innovation will continue to be the impetus of growth in 2021 and the impact of the COVID-19 pandemic will further accelerate the upgrade in online capabilities such as virtual assistant, cloud technology, artificial intelligence, and robotic processing automation to enhance the online services offered. In addition, utilisation of big data will be more prevalent, with data insights being gathered, analysed, and applied to help improve business decisions for a better customer service experience.

The spike in COVID-19 cases has also affected the way businesses are being conducted since face-to-face meetings with customers and business partners must be avoided due to the high risk of exposure. On this account, insurance and takaful industry players are relying intensely on their digital capabilities to maintain an uninterrupted connection with customers and business partners by offering faster and more comprehensive services through various online and digital platforms. Furthermore, the implementation of digital strategies and infrastructure to develop online business with a full range of online protection products are inevitable to further diversify business portfolios and stay competitive in the market.

The shift in consumer attitudes towards the contactless purchase channel has also witnessed a steady increase due to the impact of the COVID-19 phased lockdowns, unlocking greater levels of customer experience and personalization. As physical interactions become infrequent, customer-centricity will take centre stage to build not only trust and loyalty of the customers, but also a solid reputation. On the grounds of this, simple digital customer journey, informed by moments-of-truth, and key customer interaction touchpoints, along with a 360-degree customer view across disparate data sources are identified as the fundamentals to drive the growth of the insurance and takaful sector in 2021.

From an operational viewpoint, the new normal of remote working will be here to stay for a while keeping in line with the Government directives and guidelines set by the Ministry of Health ("MOH") to contain the spread of the COVID-19 virus at workplaces. This

has resulted in the enforcement of cybersecurity protocols to permit the safe exchange of confidential data amongst employees connecting from outside of the office, apart from ensuring that employees, customers, and business partners will continue to have access to technology capabilities.

In terms of the regulatory development landscape, the insurance and takaful industry is expected to observe continued enforcement of Shariah governance and strengthening of compliance frameworks. The implementation of the relevant frameworks across the industry will not only be covering the takaful operational framework, anti-corruption framework, and whistleblowing policy, but also the risk management in technology framework to minimize operational disruptions and maintain confidence in the system from outside threat as well as to better mitigate the emerging cyber risk.

Representing a significant transformation in insurance accounting requirements, the preparation for the implementation of the new accounting standard, Malaysian Financial Reporting Standard 17 ("MFRS 17"), will be intensively carried out by the industry players, which is crucial to improve the financial reporting by providing meaningful and equivalent information among the takaful operators and insurers. In relation to this, Bank Negara Malaysia ("BNM") has also introduced an exposure draft on the valuation of insurance and takaful liabilities, as well as undertaking a review on the overall solvency framework as part of its holistic review of the overall capital adequacy framework.

Despite the uncertainties of the outbreak that continue to impede the insurance and takaful industry, there is some light at the end of the tunnel for industry players to get in control of their finances and create a solid plan. Having a strong understanding of the cash flow and tactics in the coming year is crucial to equip insurance and takaful companies prepared for what is ahead. In the wake of the increase of awareness on the importance of health and financial protection among Malaysians, insurance industry players are pushed to be more innovative in coming out with new offerings to suit the current economic appetite and health requirements of Malaysians who are adjusting to the new normal.

Moving forward towards 2021, we will continue with the digital agenda by the introduction of innovative online protection solutions, increased distribution capabilities, strategic collaborations with leading Islamic financial institutions, implementation of investor relations programs and advanced marketing strategies to strengthen our brand-building efforts.

Our focus will be on maintaining lower costs, a better balance sheet supervision, and robust management of our business growth, profitability as well as financial position. Takaful

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Malaysia will execute business penetration and retention strategy as a professional and leading Employee Benefits ("EB") takaful solution provider in managing medical costs with across-the-board value-added services, while adopting a long-term approach to further elevate our General Takaful business growth and increase in market penetration for our motor and non-motor product portfolios.

### ACKNOWLEDGEMENTS

We are cautiously optimistic that the worst is behind us. We believe that COVID-19 vaccine prospects are likely to make 2021 a year of global economic recovery, however the situation will remain challenging for some time to come. We will continue in substantiating ourselves as a risk manager for our valued customers and business partners by demonstrating our expertise in providing the best protection solutions and services.

On behalf of the Management, I would like to convey our sincere appreciation and gratitude to the Board of Directors and Shariah Advisory Body for the instrumental counsel and guidance rendered. We truly value and respect the trust and confidence of our shareholders and customers over the years in keeping the Takaful Malaysia flag soaring high. I also wish to express our admiration for the immense commitment and amazing efforts put by all the employees in ensuring Takaful Malaysia is thriving to sustainably achieve performance aspirations.

Manifestly, it has been a bumpy ride on the economic front, yet we should reflect and look ahead positively. Let us stay the course with great determination by taking up new challenges, transforming all challenges into opportunities, and fold in the arms of our goals and targets to deliver sustainable returns to our shareholders, while fulfilling the consumer demand for innovative protection solutions.

As we stride through the challenging market condition, we must continue to realize our ambitions by keeping concentrated on our priorities, working together as one, and putting our customers and business partners at the forefront to boost the confidence of the consumers in Takaful Malaysia. There will always be challenges awaiting us, but with the commitment all of us have shown and continue to deliver, we should look forward to the future with confidence.

**Dato' Sri Mohamed Hassan Kamil**

Group Chief Executive Officer

# Sustainability Report

## SCOPE

This Sustainability Report showcases the sustainable development and performance of Syarikat Takaful Malaysia Keluarga Berhad ("STMKB" or "the Company") and its subsidiary companies ("the Group"), enclosing our business functions and operations, initiatives, strategies, measures as well as accomplishments during the financial year under review.

The Group's annual Sustainability Report provides the details of its key milestones, progress, and achievements over the period of twelve months, covering the five themes of Responsible Finance, Inclusive Growth, Talent Development, Ethical Practice, and Corporate Sustainability. The scope of this Sustainability Report also encompasses the material sustainability matters which are noteworthy to the Group and its stakeholders, namely Customer Centricity, Sustainable Growth, Digital Transformation, Regulatory Changes, Risk Management, Ethics and Compliance, Operational Efficiency, Talent Management, Integrating Sustainability, Community Empowerment, and Technical Excellence.

Takaful Malaysia is dedicated to exploring innovative approaches to amplify our sustainability efforts. This is

imperative in creating long term benefits and sustaining our business continuity to boost our growth and stay competitive in the market for the benefits of our stakeholders and the communities. We focus on creating long-term stakeholder value through the implementation of our business strategy which emphasizes on the ethical, social, environmental, and economic dimensions in conducting our business. Without compromising the environmental conditions, we consider areas that require us to further intensify our efforts in meeting the current economic needs. Ultimately, we aim to provide a transparent account of our sustainability progress through engaging and insightful reporting.

## REPORTING PERIOD

Takaful Malaysia has been consistently reporting on its sustainability development annually since 2016. This Sustainability Report discloses the Group's sustainability development for the financial year ended 31 December 2020.

## 2020 KEY SUSTAINABILITY ACHIEVEMENTS

|                                                                                                                                                    |                                                                                                                                                                                   |                                                                                                                                                                                    |                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Market Capitalisation<br><b>RM4.0 billion</b>                                                                                                      | Operating Revenue<br><b>RM3.0 billion</b>                                                                                                                                         | Total Assets<br><b>RM11.8 billion</b>                                                                                                                                              | Return on Equity<br><b>26.5%</b>                                                                                                                                         |
| Launch of <b>Click for Cover app</b> , a mobile application for online takaful application and services                                            | <b>RM5.0 million</b> investment in <b>digital transformation</b>                                                                                                                  | <b>RM753,862</b> investment in <b>employee learning and development</b>                                                                                                            | 5 succession planning programmes and <b>8,934</b> training hours for employees                                                                                           |
| More than <b>3 million</b> customers                                                                                                               | Introduction of <b>Takaful myClick MozzCare</b> , <b>Takaful mySinar PA</b> , <b>Takaful myWealth Plus</b> and <b>Takaful mySME</b> for a wider portfolio of protection solutions | <b>31 community-based initiatives</b> and <b>CSR activities</b>                                                                                                                    | Total contribution of <b>RM389,606</b> via <b>charity fund</b>                                                                                                           |
| Awarded the <b>Highest Returns to Shareholders Over Three Years</b> award in the financial services category at The Edge Billion Ringgit Club 2020 | Clinched the <b>Highest Return on Equity Over Three Years</b> award in the financial services category at The Edge Billion Ringgit Club 2020                                      | Selected for the third year running as one of the <b>Most Attractive Graduate Employers to Work for in 2021</b> under the insurance category at the annual Graduates' Choice Award | Recognized among the <b>Best Companies to Work for in Asia 2020</b> for the third time at the annual HR Asia Best Companies to Work for in Asia Awards, Malaysia edition |

## Sustainability Report

### REFERENCES AND GUIDELINES

Our Sustainability Report was developed with reference to the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Sustainability Reporting Guide, the United Nations and Malaysia Sustainable Development Goals ("SDGs"), the Global Reporting Initiative ("GRI") Standards, and the Group's own Sustainability Report.

The digital version of this Sustainability Report is available in the Investor Relations section on our corporate website at [www.takaful-malaysia.com.my](http://www.takaful-malaysia.com.my). Please consider the environment before printing a copy of this report.

### SUSTAINABILITY STRATEGY

In tandem with our key objective of delivering long-lasting value to all our stakeholders and the communities, we tenaciously cultivate a sustainability strategy in our business operations by adopting a sustainable business model. Given the importance of adopting sustainability in accelerating, sustaining, and progressing corporate and social values, the Group is committed to discovering and implementing advanced practices through a prioritised set of actions in intensifying our sustainability efforts to operate in an economically, environmentally, and socially sustainable manner.



The Group's sustainability strategy provides the underlying framework to assess, enhance and accentuate our unique propositions as a cutting-edge advantage that distinguishes Takaful Malaysia from its industry peers while making room for economic value creation that is aligned to our goals and values. Implementing a sustainability strategy provides us a course of action to review and evaluate the Group's development diligently, bearing in mind of the risks and opportunities facing our business from multiple viewpoints and diverse directions. Our sustainability strategy embraces the five themes of Responsible Finance, Inclusive Growth, Talent Development, Ethical Practice, and Corporate Sustainability.

In meeting customer demands that are constantly evolving on the back of the ever-changing market conditions, we keep on enriching our insights and understandings of the risks and opportunities as part of our sustainability considerations. This is done through the extensive range of innovative protection solutions and risk management expertise provided to the consumers. Integrating a sustainability approach strategically supports us in achieving the Group's business objectives by concentrating on classifying, assessing, and overseeing our material sustainability matters and opportunities that are not only instrumental to the Group but also to our various stakeholders.

We align our sustainability strategy corresponding to our business objectives as part of the Group's ongoing initiative to carry through our inclusive business principles. In our continued effort to better serve the expectations of our stakeholders, we constantly improve the quality and transparency of our sustainability development to make real progress towards sustainable prospects of our business.

### SUSTAINABILITY APPROACH

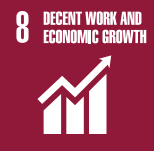
We are proactive when it comes to sustainability, given the fact that sustainable development and an environmentally friendly approach are a distinct and integral part of the Group's business operations. Sustainability is embedded in our corporate culture as we make every effort to be a sustainable Islamic insurance industry player that leverages the positive impact we have on all of our stakeholder groups. Our approach to sustainability encompasses the incorporation of innovative economic, social, and environmental practices parallel with the Group's corporate philosophy.

Our practice of providing the Group's sustainability information enhances our corporate governance and stakeholder relations whilst preserving our business reputation and building trust among our stakeholders. Embracing sustainability activates accountability that will not only benefit Takaful Malaysia in identifying and mitigating risks, but also facilitates the Group to seize new opportunities.

Our approach to sustainability comprises the following components.

- ☐ Adopting a sustainability mindset in the way we conduct our business, covering the essential economic, environmental and social key components.
- ☐ Offering innovative takaful solutions and risk management expertise to help our customers and business partners achieve a more secure future financially.
- ☐ Incorporating sustainability in our business strategy and set standards as well as frameworks to enhance our risk management, to increase brand value and reputation.
- ☐ Establishing standards and guidance to provide reliable sustainability disclosures and reporting for improvement and transparency in conducting our business.
- ☐ Handling our operating footprint to minimize the impact of business operations to preserve the environment for future generations and meet the needs of the stakeholders.

## SUSTAINABILITY BLUEPRINT

| Related Sustainable Development Goals ("SDGs")                                      | Description                                                                                       | Sustainability Matters                                                                                                                             |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
|    | Support healthy lives and well-being for all by offering inclusive takaful solutions and services | <ul style="list-style-type: none"> <li>• Sustainable Growth</li> <li>• Customer Centricity</li> <li>• Technical Excellence</li> </ul>              |
|    | Promote lifelong learning opportunities for all                                                   | <ul style="list-style-type: none"> <li>• Talent Management</li> <li>• Technical Excellence</li> <li>• Community Empowerment</li> </ul>             |
|   | Uphold sustainable economic growth as well as employment opportunities                            | <ul style="list-style-type: none"> <li>• Sustainable Growth</li> <li>• Digital Transformation</li> <li>• Talent Management</li> </ul>              |
|  | Foster innovation and build a resilient infrastructure to stay relevant in the market             | <ul style="list-style-type: none"> <li>• Digital Transformation</li> <li>• Operational Efficiency</li> <li>• Customer Centricity</li> </ul>        |
|  | Adopt fair business and employment practices                                                      | <ul style="list-style-type: none"> <li>• Sustainable Growth</li> <li>• Talent Management</li> <li>• Community Empowerment</li> </ul>               |
|  | Provide takaful solutions to ensure inclusive, safe, resilient and sustainable human settlements  | <ul style="list-style-type: none"> <li>• Customer Centricity</li> <li>• Operational Efficiency</li> <li>• Integrating Sustainability</li> </ul>    |
|  | Ensure sustainable consumption and production patterns                                            | <ul style="list-style-type: none"> <li>• Digital Transformation</li> <li>• Integrating Sustainability</li> <li>• Operational Efficiency</li> </ul> |
|  | Promote inclusive societies for sustainable development                                           | <ul style="list-style-type: none"> <li>• Ethics &amp; Compliance</li> <li>• Risk Management</li> <li>• Regulatory Changes</li> </ul>               |



## Sustainability Report

### SUSTAINABILITY GOVERNANCE

Our commitment to sustainability derives from the top of our organization and we have been consistently adopting the structure of our sustainability governance as disclosed in the previous reporting year.

The Board ("the Board") comprises a number of independent directors to safeguard the interests of our stakeholders. The management of the Group is spearheaded by the Group Chief Executive Officer, who supervises the overall implementation of our sustainability practices in order to achieve operational efficiency.

The Board delegates responsibilities to the following Board Committees to facilitate the management and operation of business activities throughout the Group.



The Shariah Advisory Body of the Group consists of experts in various fields that play a vital role in providing counsel to the Board and the Management in order to ensure that we are conducting our business in accordance with the Shariah Guidelines and Principles.

Our Group's operations, affairs and activities are carried out in line with our Shariah Governance Framework as part of our ongoing sustainability initiative to comply with the Shariah requirements.

The detailed information of our Corporate Governance is set out under the Corporate Governance Overview Statement of Takaful Malaysia's Annual Report, covering the relevant areas, including Roles and Responsibilities of the Board, Directors' Code of Ethics, Corporate Disclosure Policy, Sustainability Policy, Directors' Remuneration, Remuneration Policy Statement, Shareholders, Accountability and Audit as well as Statement on Risk Management and Internal Control. Please refer from page 66 until page 93 of this Annual Report for further details of our Corporate Governance.

### Risk Management

Takaful Malaysia has an Enterprise Risk Management ("ERM") Framework in view of the value of institutionalised risk management, which encompasses the process of identification, assessment, management and reporting of risks on a consistent and reliable basis. In facilitating a risk-aligned strategic planning process for the Group, we have in place Risk Management and Internal Controls that are essential in our decision-making process.

#### i. Managing Risk

Managing risk is essential to the sustainability of the Group's businesses and delivery of value to shareholders.

We remain dedicated to continuously improving our risk management framework, systems and processes to ensure risks are being well managed and monitored throughout the organisation.

The risks identified are managed through the ERM framework, which sets out the key risk management processes of identifying, evaluating, monitoring and managing significant risk exposures arising from the business operations.

Takaful Malaysia has a Risk Appetite Statement intended to guide and support the Group in order to thrive in an increasingly dynamic and changing business environment.

#### ii. Embedding Risk Culture

Our ERM framework distinguishes the significance of building a strong risk awareness culture to better manage the Group's risks efficiently.

At Takaful Malaysia, our risk culture starts from the Board and cascades down to the Management and finally to all employees. We strongly believe that it is crucial to adopt an effective risk management system involving our stakeholders at all stages. In managing risks, we strive to adopt the following concept of three levels of defence.

- (a) The first level of defence is the operational level whereby risk is first identified. Risk coordinators and/or Heads of Divisions/Departments are required to assume the responsibility of identifying and managing risks in their respective functions, as well as escalating significant potential risks to the Management Risk Committee ("MRC") and the Board Risk Committee ("BRC").

- (b) The second level of defence consists of Risk Management Division ("RMD") and MRC (formed by the Senior Management). MRC will ensure the alignment of the Group's business practices to the risk management policy, whilst the RMD will assist MRC and BRC in discharging its responsibilities by providing oversight of the effectiveness of risk management.
- (c) The third level of defence is currently performed by the internal audit function. It provides the Audit Committee with an independent assurance on the effectiveness of the risk management controls and functions.

## MATERIALITY

We adopt a set of approaches and procedures aimed at achieving sustainable business growth by evaluating the various sustainability matters that are relevant and significant to the Group and the stakeholders. Takaful Malaysia is part of the Sustainability Steering Committee of its holding company, BIMB Holdings Berhad ("BHB") whereby the Sustainability Working Group is actively involved in a periodic discussion related to the sustainability development of BHB and Takaful Malaysia.

Our materiality process is designed by identifying and categorizing the priorities of the sustainability issues across our value chain in an effort to ensure that the Group's stakeholders are able to make informed decisions while allowing effective stakeholder engagement that is in line with Takaful Malaysia's sustainability strategy. This effective approach allows us to prioritize sustainability matters that are relevant to both the Group and its stakeholders, apart from focusing on the areas of improvement to achieve our full potential and meet the Group's long-term business goals.

Identifying, prioritizing, and managing material sustainability matters enables us to create and preserve the economic, environmental, and social values for the Group, our stakeholders, and society at large. It serves as a set of guides that help us in assessing our business performance and identifying opportunities for improvement to further develop our business to the next level while meeting the stakeholder expectations. Our fundamental deliberations in integrating sustainability in the Group's business strategy to mitigate risks and maintain corporate responsibility while simultaneously keeping our stakeholders satisfied entails the following phases.



## MATERIAL SUSTAINABILITY MATTERS

Materiality provides an avenue for the Group to identify and report on the sustainability issues that matter most to the business of Takaful Malaysia and its stakeholders. Our approach to sustainability clearly demonstrates that the Group vigilantly analyses and prioritizes the economic, environmental, and social issues that pose a potential source of risk and opportunity in our business activities as well as to our stakeholder groups.

In defining the material sustainability matters, we consider an issue is material if it significantly impacts our business and operations in the matter of growth, costs, risks, and reputation. In an equivalent way, an issue is also deliberated as material to Takaful Malaysia if it is correspondingly imperative to our stakeholder groups, including the customers, business partners, investors, employees, and regulators.

Materiality helps to ensure that we provide an update of the development of our sustainability annually and report on the issues of most interest and important to the Group and our stakeholders. This is also in line with Takaful Malaysia's sustainability themes of Responsible Finance, Inclusive Growth, Talent Development, Ethical Practice, and Corporate Sustainability. We consistently review and update our material sustainability matters on an annual basis to reflect the importance of the identified issues to the Group and our stakeholders that depict the changes and progress of our business.

## Sustainability Report

| Material Sustainability Matters                                                                                       | Importance to the Group                                                                                                                                                                                                                                                                                                                                                                                    | Importance to our Stakeholder Groups                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br><b>Customer Centricity</b>       | <ul style="list-style-type: none"> <li>Function as a fundamental principle in conducting business with customers</li> <li>Provide a positive customer experience at the point of sale and post-sale</li> <li>Sustain customer loyalty, trust and repeat business</li> <li>Drive profit and gain competitive advantage</li> </ul>                                                                           | <ul style="list-style-type: none"> <li>Increase customer lifetime value via excellent customer service</li> <li>Deliver sustainable growth and increase the Group's market share</li> <li>Build trust and loyalty of the customers</li> <li>Fulfill the diverse needs of the stakeholders</li> </ul>                                                                          |
| <br><b>Sustainable Growth</b>        | <ul style="list-style-type: none"> <li>Deliver profitable growth and superior shareholder value</li> <li>Expand market share via multiple distribution channels</li> <li>Uphold strong financial fundamentals and capital position</li> </ul>                                                                                                                                                              | <ul style="list-style-type: none"> <li>Meet the diverse protection needs of the stakeholders</li> <li>Provide financial security for any claims related matters</li> <li>Foster responsible environmental strategies</li> </ul>                                                                                                                                               |
| <br><b>Digital Transformation</b>   | <ul style="list-style-type: none"> <li>Stay relevant in the ongoing digital revolution to meet the customer expectations</li> <li>Create value through digital transformation and disruptive innovation</li> <li>Provide an innovative tranche of protection solutions</li> <li>Offer a differentiated experience, customized products, and services as well as seamless end-to-end engagements</li> </ul> | <ul style="list-style-type: none"> <li>Develop protection solutions with a high degree of personalization</li> <li>Incorporate digital capabilities into the Group's business model</li> <li>Cater to the needs of mobile-empowered stakeholders</li> <li>Keep up with the fast-paced evolution of technology and innovation in the insurance and takaful industry</li> </ul> |
| <br><b>Regulatory Changes</b>      | <ul style="list-style-type: none"> <li>Comply with regulatory, guideline, policy and procedural changes that are relevant to the Group's business operations, products, and services</li> <li>Adhere to the relevant laws, regulations, guidelines, standards and specifications that are applicable to the Group's business operations</li> </ul>                                                         | <ul style="list-style-type: none"> <li>Maximize the long-term value to stakeholders by adopting the regulatory changes with the Group's products, business, and corporate strategies</li> <li>Ensure product transparency and disclosure as well as fair treatment to promote confidence in the financial services industry amongst the stakeholders</li> </ul>               |
| <br><b>Risk Management</b>         | <ul style="list-style-type: none"> <li>Improve risk management framework, systems and processes for the sustainability of the Group's business and stakeholder value</li> <li>Monitor and mitigate risks to reduce the possibility of a risk occurring and its potential impact on the Group's business</li> </ul>                                                                                         | <ul style="list-style-type: none"> <li>Maximize value to stakeholders through risk and business continuity management</li> </ul>                                                                                                                                                                                                                                              |
| <br><b>Ethics &amp; Compliance</b> | <ul style="list-style-type: none"> <li>Promote sustainability within the business and the society as a whole</li> <li>Adopt Shariah values and good ethical practices in conducting business across all organizational levels</li> <li>Conform to the ethical practices to reduce organizational risks</li> </ul>                                                                                          | <ul style="list-style-type: none"> <li>Gain trust and confidence from customers through ethics and integrity in business practices in a fair and transparent environment</li> </ul>                                                                                                                                                                                           |

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| Material Sustainability Matters                                                                                       | Importance to the Group                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Importance to our Stakeholder Groups                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <b>Operational Efficiency</b>       | <ul style="list-style-type: none"> <li>• Enable the Group to achieve the agility and flexibility needed to stay ahead of the curve</li> <li>• Streamline business operations through an integrated digital transformation and implement an enhanced and innovative IT infrastructure</li> <li>• Correspond with the industry changes and the evolving demands of the customers</li> </ul>                                                                                                                                                       | <ul style="list-style-type: none"> <li>• Increase the efficiency of the Group's business operations to deliver a great customer experience</li> <li>• In line with the market demand for greater transparency, faster access to information, and effective communication with stakeholders</li> </ul>                                                                                                                                                                                   |
|  <b>Talent Management</b>            | <ul style="list-style-type: none"> <li>• Maintain a skilled and efficient workforce to achieve the Group's priority on the four core areas namely, financial, customer, business process as well as learning and growth</li> <li>• Increase employee performance, attract top talent and continuous coverage of critical roles</li> </ul>                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>• Empower to render good service to the stakeholders as the preferred choice for insurance</li> <li>• Provide an equal employment opportunity to potential talent</li> <li>• Achieve greater customer satisfaction</li> </ul>                                                                                                                                                                                                                    |
|  <b>Integrating Sustainability</b> | <ul style="list-style-type: none"> <li>• Generate positive and sustainable impact on the economy, community and environment</li> <li>• Create long-term stakeholder value</li> <li>• Implement a business strategy that emphasises on the ethical, social, environmental, cultural and economic dimensions</li> <li>• Adopt sustainable business practices as a competitive differentiator</li> </ul>                                                                                                                                           | <ul style="list-style-type: none"> <li>• Incorporate a sustainability mindset in the Group across all levels</li> <li>• Correspond to the demand of the stakeholders to create long-term value and high returns</li> <li>• Provide quality products and services to meet the consumer expectations</li> <li>• Operate in an economically, environmentally and socially sustainable manner that will benefit the community as a whole</li> </ul>                                         |
|  <b>Community Empowerment</b>      | <ul style="list-style-type: none"> <li>• Foster goodwill and learning to build relationships that transcend race, gender and age</li> <li>• Create and implement solutions to social challenges in response to stakeholder demands and expectations</li> <li>• Engage the stakeholders and build relationships with the community through community-based activities</li> <li>• Accomplish the Group's Corporate Social Responsibility ("CSR") aspirations by contributing generously to various charitable causes and organizations</li> </ul> | <ul style="list-style-type: none"> <li>• Create a positive brand image for the Group as a good corporate citizen among the stakeholders with the aim of increasing sales leads</li> <li>• Provide an opportunity for the Group in reaching out to the underprivileged and less fortunate</li> <li>• Improve the involvement and commitment of the Group to the public through community-based activities and programs that will benefit the communities</li> </ul>                      |
|  <b>Technical Excellence</b>       | <ul style="list-style-type: none"> <li>• Serve as a key differentiator against the industry peers</li> <li>• Better manage the Group's risks and opportunities</li> <li>• Ensure the advanced insurance technical practices are in place across all business units</li> <li>• Develop profitable and compelling product offerings, pricing and underwriting</li> <li>• Improve claims handling and related medical cost management activities to increase underwriting accuracy</li> </ul>                                                      | <ul style="list-style-type: none"> <li>• Offering a competitive and comprehensive range of takaful solutions and services</li> <li>• Provide an advantage in pricing to suit the diverse needs of the consumers</li> <li>• Offer enhanced products with better benefits and wider coverage as well as competitive prices</li> <li>• Make product offerings more attractive to low or no claims customer base</li> <li>• Deliver value to the customers and business partners</li> </ul> |

## Sustainability Report

### MATERIALITY MATRIX

A materiality matrix visualizes the sustainability issues across our value chain that determines the importance of the identified issues according to the impact on our business and significance to the stakeholders. The materiality matrix is used to prioritize the sustainability issues identified by the Group and by engagements with our stakeholders through ongoing engagements and feedback, responses, as well as enquiries received via multiple communication channels.

Each material issue that is identified from the perspective of our stakeholders is rated as medium or high while material issues that are significant to the Group are categorized as moderate, significant, or major. We have updated our materiality matrix in this report after evaluating the material sustainability matters that are pivotal to the Group and our stakeholders. The materiality matrix presented below represents the prioritized sustainability issues in terms of relevance to both the Group and our stakeholders.

| Stakeholder Interests | High                | <ul style="list-style-type: none"><li>• Risk Management</li><li>• Ethics &amp; Compliance</li><li>• Operational Efficiency</li><li>• Regulatory Changes</li></ul> | <ul style="list-style-type: none"><li>• Customer Centricity</li><li>• Sustainable Growth</li><li>• Digital Tranformation</li><li>• Technical Excellence</li><li>• Talent Management</li></ul> |       |
|-----------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
|                       | Medium              | <ul style="list-style-type: none"><li>• Community Empowerment</li></ul>                                                                                           | <ul style="list-style-type: none"><li>• Integrating Sustainability</li></ul>                                                                                                                  |       |
|                       |                     | Moderate                                                                                                                                                          | Significant                                                                                                                                                                                   | Major |
|                       | Impact on the Group |                                                                                                                                                                   |                                                                                                                                                                                               |       |

### STAKEHOLDER ENGAGEMENT

Engaging our stakeholders through various engagement platforms and communication channels concerning manifold key areas of concern acts as an essential component for the Group to adopt in ensuring our business needs are met. Over the years, Takaful Malaysia has been consistently interacting with different stakeholder groups in our continued efforts to generate support and momentum towards new sustainability missions and goals of the Group.

The outcomes of an effective across-the-board stakeholder engagement provide valuable and constructive insights to help the Group gain a competitive advantage in providing the best Islamic insurance solutions and services in the market. Furthermore, the feedback that we receive from the stakeholders helps us to make more informed and effective decisions to better serve our customers, business partners, and other stakeholder groups.

Reaching out to our stakeholders through various engagement channels shows that we value their views and feedback that will eventually build trust and credibility with our stakeholders. Stakeholder engagement also serves as a mitigating measure for Takaful Malaysia to identify potential risks and areas of improvement, apart from refining accountability within the Group as well as with our stakeholders.





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The Group defines and identifies its key stakeholder groups through a stakeholder prioritization exercise, which determines their level of involvement and influence on Takaful Malaysia. Our ongoing stakeholder engagement with the key stakeholder groups as depicted in the diagram below provides an avenue for Takaful Malaysia to ensure that our business operations and product offerings fit the ever-changing needs of the stakeholders and to produce positive outcomes through effective management of relationships with our stakeholders.

| Stakeholder Groups              | Engagement Channels                                                                                                                                                                                                                                                                                                   | Key Areas of Concern                                                                                                                                                                                                                                         | Mitigating Measures                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customers                       | <ul style="list-style-type: none"> <li>Customer satisfaction survey</li> <li>Online and walk-in customer feedback platforms</li> <li>Social media platforms</li> <li>Online portals</li> <li>Mobile application</li> <li>Corporate website</li> <li>Business managers and customer service representatives</li> </ul> | <ul style="list-style-type: none"> <li>Customer Centricity</li> <li>Operational Efficiency</li> <li>Sustainable Growth</li> <li>Digital Transformation</li> <li>Ethics &amp; Compliance</li> <li>Integrating Sustainability</li> </ul>                       | <ul style="list-style-type: none"> <li>Adopt Customer Service Charter</li> <li>Deliver timely, transparent and efficient service</li> <li>Systematic operating procedures</li> <li>Provide online platforms such as the customer portal, corporate website and online sales portal, Chatbot and mobile app</li> <li>Implement fair business practices</li> </ul>                                        |
| Employees                       | <ul style="list-style-type: none"> <li>Virtual employee trainings</li> <li>Virtual engagement programs</li> <li>Internal e-newsletters</li> <li>Internal communications and updates via the email platform</li> </ul>                                                                                                 | <ul style="list-style-type: none"> <li>Talent Management</li> <li>Ethics &amp; Compliance</li> <li>Technical Excellence</li> <li>Digital Transformation</li> <li>Sustainable Growth</li> <li>Customer Centricity</li> <li>Risk Management</li> </ul>         | <ul style="list-style-type: none"> <li>Adopt internal employee handbook and industry relations</li> <li>Conduct online trainings, employee engagement and knowledge sharing programs</li> <li>Implement succession planning programs</li> <li>Adopt performance management (please refer to the Remuneration Policy Statement on page 80 for further details.)</li> </ul>                               |
| Agents/<br>Business<br>Partners | <ul style="list-style-type: none"> <li>Virtual agency training sessions</li> <li>Online meetings</li> <li>Corporate agency portal</li> <li>Online helpdesk and hotline</li> </ul>                                                                                                                                     | <ul style="list-style-type: none"> <li>Customer Centricity</li> <li>Ethics &amp; Compliance</li> <li>Operational Efficiency</li> <li>Sustainable Growth</li> <li>Technical Excellence</li> <li>Regulatory Changes</li> <li>Digital Transformation</li> </ul> | <ul style="list-style-type: none"> <li>System enhancement and systematic turnaround time and operating procedures</li> <li>Provide online trainings</li> <li>Offer business development support and value-added services</li> <li>Introduce online/digital platforms such as portals, mobile app, online helpdesk &amp; e-Submission capabilities</li> <li>Implement fair business practices</li> </ul> |

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| Stakeholder Groups                       | Engagement Channels                                                                                                                                                                                                                                                                                         | Key Areas of Concern                                                                                                                                                                                                                                                                        | Mitigating Measures                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investors/<br>Shareholders               | <ul style="list-style-type: none"> <li>Virtual Annual General Meeting</li> <li>Annual report</li> <li>Quarterly financial results</li> <li>Shareholders' circulars</li> <li>Online meetings with fund managers and investors</li> <li>Periodic updates to Bursa Malaysia</li> <li>Media releases</li> </ul> | <ul style="list-style-type: none"> <li>Sustainable Growth</li> <li>Digital Transformation</li> <li>Integrating Sustainability</li> <li>Ethics &amp; Compliance</li> <li>Talent Management</li> <li>Regulatory Changes</li> <li>Customer Centricity</li> <li>Technical Excellence</li> </ul> | <ul style="list-style-type: none"> <li>Deliver superior shareholder value</li> <li>Register growth with commendable profit</li> <li>Sterling performance and financial results</li> <li>Increase market share and penetration rate</li> <li>Implement fair business practices</li> </ul>                                                            |
| Industry Peers<br>& Value Chain Partners | <ul style="list-style-type: none"> <li>Online conferences and virtual meetings</li> <li>Virtual industry workshops</li> <li>Business partnerships</li> </ul>                                                                                                                                                | <ul style="list-style-type: none"> <li>Regulatory Changes</li> <li>Ethics &amp; Compliance</li> <li>Risk Management</li> <li>Sustainable Growth</li> <li>Technical Excellence</li> </ul>                                                                                                    | <ul style="list-style-type: none"> <li>Participate in industry-related virtual workshops and seminars</li> <li>Collaborate through strategic partnerships</li> <li>Active participation in the Malaysian Takaful Association</li> </ul>                                                                                                             |
| Government &<br>Regulators               | <ul style="list-style-type: none"> <li>Periodic submission of reports</li> <li>Periodic industry meetings</li> <li>Virtual briefings, seminars and conferences</li> </ul>                                                                                                                                   | <ul style="list-style-type: none"> <li>Regulatory Changes</li> <li>Ethics &amp; Compliance</li> <li>Risk Management</li> <li>Sustainable Growth</li> <li>Technical Excellence</li> </ul>                                                                                                    | <ul style="list-style-type: none"> <li>Provide regulatory reports</li> <li>Conduct independent compliance review and assessment</li> <li>Attend periodic virtual briefings and trainings</li> <li>Develop policies and framework in accordance to regulatory guidelines</li> <li>Business best practices according to industry standards</li> </ul> |
| Community                                | <ul style="list-style-type: none"> <li>Community-based programs</li> <li>Corporate Social Responsibility ("CSR") activities</li> </ul>                                                                                                                                                                      | <ul style="list-style-type: none"> <li>Community Empowerment</li> <li>Integrating Sustainability</li> </ul>                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>Organize community-based activities and programs</li> <li>Make monetary and in-kind contributions to various charitable causes, organizations, and individuals</li> </ul>                                                                                                                                    |
| Media                                    | <ul style="list-style-type: none"> <li>Press releases</li> <li>Email interviews</li> </ul>                                                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>Sustainable Growth</li> <li>Regulatory Changes</li> <li>Community Empowerment</li> <li>Digital Transformation</li> </ul>                                                                                                                             | <ul style="list-style-type: none"> <li>Distribution of press releases</li> <li>Provide responses to media interviews</li> </ul>                                                                                                                                                                                                                     |

## SUSTAINABILITY PERFORMANCE

| Theme                                                                                                           | Objectives                                                                                                                         | Sustainability Matters                                                                                        | Scope of Sustainability Matters                                                                                                                                        | Progress in 2020                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                 |                                                                                                                                    |                                                                                                               |                                                                                                                                                                        | Indicators                                          | Status Updates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <br><b>Responsible Finance</b> | To achieve the agility and flexibility to stay relevant in the ongoing digital revolution                                          | <br>Digital Transformation   | Incorporate digital capabilities into the business model, provide comprehensive product offerings and services as well as introduction of innovative takaful solutions | Click for Cover Online Sales Portal business growth | Double digit growth of 50% in online motor takaful business                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                                                                                 |                                                                                                                                    |                                                                                                               |                                                                                                                                                                        | Technological innovation                            | <ul style="list-style-type: none"> <li>Launch of Click for Cover application, a mobile application for online takaful application and services</li> <li>Introduction of e-Wallet via the Click for Cover Online Sales Portal</li> <li>Facelift and design updates of online portals</li> <li>Offered promotional codes to drive sales and encourage purchases of selected online protection plans available via the Click for Cover Online Sales Portal</li> <li>Granted a secure access point for employees to access designated data and selected systems remotely</li> <li>Utilized the webinar software platforms to interact and conduct virtual meetings</li> </ul> |
|                                                                                                                 | To drive the development of technical excellence through product development as a key differentiator in meeting the customer needs | <br>Technical Excellence   | Development of profitable and compelling product offerings, pricing, and underwriting                                                                                  | Innovative takaful solutions                        | Introduction of Takaful myClick MozzCare, Takaful mySinar PA, Takaful myWealth Plus and Takaful mySME                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                                                                 | To reduce cost, increase efficiency and support the digitization of our business operations                                        | <br>Operational Efficiency | Enhancement and migration of systems, streamlining of business operations, improvement of workflows and turnaround times                                               | Integrated digital transformation                   | Launch of an e-Submission capability tailored for bank partners to make an online submission of mortgage and credit-related products                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                                                                                                 |                                                                                                                                    |                                                                                                               |                                                                                                                                                                        | System enhancement                                  | Migration of former core application and infrastructure to a new sustainable platform                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                                                                 | To meet customer expectations and deliver superior shareholder value                                                               | <br>Sustainable Growth     | Deliver sustainable performance, expand market share via multiple business portfolios and sound financial fundamentals with a strong capital position                  | Operating revenue                                   | RM3.0 billion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                                                                                                 |                                                                                                                                    |                                                                                                               |                                                                                                                                                                        | Profit after zakat and taxation                     | RM363.6 million                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                                                                                                 |                                                                                                                                    |                                                                                                               |                                                                                                                                                                        | Total assets                                        | RM11.8 billion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                                                                                 |                                                                                                                                    |                                                                                                               |                                                                                                                                                                        | Net assets per share                                | RM1.82                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                                                                                                 |                                                                                                                                    |                                                                                                               |                                                                                                                                                                        | Return on equity                                    | 26.5%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                                                                 |                                                                                                                                    |                                                                                                               |                                                                                                                                                                        | Family Takaful market share                         | 23%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                                                                                                 |                                                                                                                                    |                                                                                                               |                                                                                                                                                                        | General Takaful market share                        | 24%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

## Sustainability Report

| Theme                                                                                                                       | Objectives                   | Sustainability Matters                                                                                      | Scope of Sustainability Matters                                                                  | Progress in 2020                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                             |                              |                                                                                                             |                                                                                                  | Indicators                                                                                                                              | Status Updates                                                                                                                                                                                                                                                                                                                                  |
| <br><b>Responsible Finance (continued)</b> | To mitigate and manage risks | <br><b>Risk Management</b> | Underwriting risk, operational risk, investment risk, compliance risk and business & market risk | Risk of underwriting losses                                                                                                             | <ul style="list-style-type: none"> <li>Established retakaful arrangements apart from practicing prudent underwriting</li> <li>Monitored the claims experience of takaful funds</li> <li>Adopted timely actions on pricing, product design and underwriting adjustments</li> </ul>                                                               |
|                                                                                                                             |                              |                                                                                                             |                                                                                                  | Risk of a duration mismatch between investment assets and financial obligations                                                         | Invested in high quality Sukuk with longer terms to maturity and regular monitoring of the mismatch level apart from observing liquidity position to ensure adequate liquidity to timely honour financial obligations                                                                                                                           |
|                                                                                                                             |                              |                                                                                                             |                                                                                                  | Sustaining market leading position in the Family Takaful business and top two leading takaful operators in the General Takaful business | <ul style="list-style-type: none"> <li>Diversified product distribution by expanding distribution channels</li> <li>Implemented robust and efficient business processes to sustain business relationships with existing partners</li> </ul>                                                                                                     |
|                                                                                                                             |                              |                                                                                                             |                                                                                                  | Stiff competition faced by the General Takaful industry under liberalised market conditions                                             | <ul style="list-style-type: none"> <li>Leveraged digital strategy to grow the business whilst enhancing customer experience</li> <li>Invested in tools, applications and new technologies to improve operational efficiencies</li> </ul>                                                                                                        |
|                                                                                                                             |                              |                                                                                                             |                                                                                                  | Risk of investment losses                                                                                                               | Performed periodic reviews on the asset allocation strategy, cut-loss investment policy and ensured minimum credit rating requirements in place                                                                                                                                                                                                 |
|                                                                                                                             |                              |                                                                                                             |                                                                                                  | Compliance with Shariah principles                                                                                                      | <ul style="list-style-type: none"> <li>Complied with the Shariah principles and the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia</li> <li>No earnings realized from sources or by means prohibited by the Shariah principles</li> <li>Conducted business in conformity with the Shariah principles</li> </ul> |

## Sustainability Report

| Theme                                                                                                        | Objectives                                                                  | Sustainability Matters                                                                                   | Scope of Sustainability Matters                                               | Progress in 2020                                                 |                        |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------------------------------|------------------------|
|                                                                                                              |                                                                             |                                                                                                          |                                                                               | Indicators                                                       | Status Updates         |
| <br><b>Inclusive Growth</b> | To increase customer lifetime value and sustain customer loyalty and profit | <br>Customer Centricity | Provide excellent customer service and respond within the turnaround time set | Nationwide footprint                                             | 24 service centres     |
|                                                                                                              |                                                                             |                                                                                                          |                                                                               | Number of customer enquiries attended via the call centre        | 116,938 enquiries      |
|                                                                                                              |                                                                             |                                                                                                          |                                                                               | Number of customer enquiries attended via email                  | 41,477 email enquiries |
|                                                                                                              |                                                                             |                                                                                                          |                                                                               | Number of customer complaints resolved                           | 83 cases               |
|                                                                                                              |                                                                             |                                                                                                          |                                                                               | Number of customer responses received and responded via Facebook | 5,667 responses        |
|                                                                                                              |                                                                             |                                                                                                          |                                                                               | Acknowledgement of enquiry processing time                       | 1 working day          |

| Theme                                                                                                            | Objectives                                                 | Sustainability Matters                                                                                   | Scope of Sustainability Matters                                                   | Progress in 2020                                             |                                                            |
|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------|
|                                                                                                                  |                                                            |                                                                                                          |                                                                                   | Indicators                                                   | Status Updates                                             |
| <br><b>Talent Development</b> | To maximize performance levels and competency of employees | <br>Talent Management | Learning and development, rewards and remuneration as well as succession planning | Total number of workforce                                    | 917 employees                                              |
|                                                                                                                  |                                                            |                                                                                                          |                                                                                   | Total investment in employee learning and development        | RM753,862                                                  |
|                                                                                                                  |                                                            |                                                                                                          |                                                                                   | Succession planning                                          | 5 succession planning programmes                           |
|                                                                                                                  |                                                            |                                                                                                          |                                                                                   | Workforce composition                                        | Please refer to the workforce composition table on page 44 |
|                                                                                                                  |                                                            |                                                                                                          |                                                                                   | Employee retention rate                                      | 93.2%                                                      |
|                                                                                                                  |                                                            |                                                                                                          |                                                                                   | Average employee tenure                                      | 11.4 years                                                 |
|                                                                                                                  |                                                            |                                                                                                          |                                                                                   | Total training hours for employees                           | 8,934 hours                                                |
|                                                                                                                  |                                                            |                                                                                                          |                                                                                   | Total number of employees promoted                           | 30 employees                                               |
|                                                                                                                  |                                                            |                                                                                                          |                                                                                   | Total number of employees obtained professional certificates | 39 employees                                               |
|                                                                                                                  |                                                            |                                                                                                          |                                                                                   | Total number of new employment opportunity created           | 30 new employees                                           |



## Sustainability Report

| Theme                                                                                                        | Objectives                                                                                                                         | Sustainability Matters                                                                                    | Scope of Sustainability Matters                                                                                                                        | Progress in 2020                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                              |                                                                                                                                    |                                                                                                           |                                                                                                                                                        | Indicators                                | Status Updates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <br><b>Ethical Practice</b> | To cultivate good business practices in line with regulatory compliance                                                            | <br>Ethics & Compliance  | Good corporate governance and responsible business practices                                                                                           | Employee trainings and awareness programs | <ul style="list-style-type: none"> <li>• Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") e-Learning</li> <li>• Personal Information Record Management Framework ("PIRMF") Awareness e-Learning</li> <li>• Anti-Corruption Framework ("ACF") acknowledgement/declaration &amp; e-Learning, briefing, workshop and survey</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                                                                                              |                                                                                                                                    |                                                                                                           |                                                                                                                                                        | Compliance-related initiatives            | <ul style="list-style-type: none"> <li>• Periodic engagement sessions with the Department/Divisional Compliance Coordinators</li> <li>• Dissemination of information about Anti-Corruption principles for companies in Malaysia</li> <li>• Assessment of policies and procedures to be aligned with the new and revised regulatory requirements to govern business initiatives and opportunities</li> <li>• Enforcement of internal controls to identify, monitor, remediate and report non-compliance incidents</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                   |
|                                                                                                              | To keep track of the regulatory changes and developments set by the regulatory body and abide by the evolving laws and regulations | <br>Regulatory Changes | Adhere to the relevant laws, regulations, guidelines, standards, and specifications that are applicable to business operations, products, and services | Regulatory compliance                     | Implementation of the following policies and procedures: <ul style="list-style-type: none"> <li>• Takaful Operational Framework</li> <li>• Shariah Governance</li> <li>• Fair Treatment of Financial Consumers</li> <li>• Operating Cost Controls for Life Insurance and Family Takaful Business</li> <li>• Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for financial institutions</li> <li>• FAQ &amp; Guidance Notes on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for financial institutions</li> <li>• BNM's circular on measures to assist Takaful participants affected by the COVID-19 outbreak and circular on additional guidance on measures relating to the COVID-19 outbreak</li> <li>• Determination of Market Value of Motor Vehicles</li> <li>• Risk Management in Technology ("RMiT")</li> </ul> |

## Sustainability Report

| Theme                                                                                                                | Objectives                                                                                                                                                    | Sustainability Matters                                                                                          | Scope of Sustainability Matters                                                                                                         | Progress in 2020                                             |                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                      |                                                                                                                                                               |                                                                                                                 |                                                                                                                                         | Indicators                                                   | Status Updates                                                                                                                                                                                                                                                                           |
| <br><b>Corporate Sustainability</b> | To foster a sustainability strategy, encompassing the Environmental, Social and Governance ("ESG") matters                                                    | <br>Integrating Sustainability | Integrate sustainability into business operations, operate business in an economically, environmentally and socially sustainable manner | Total amount of electricity consumption                      | 5,785,190 kWh                                                                                                                                                                                                                                                                            |
|                                                                                                                      |                                                                                                                                                               |                                                                                                                 |                                                                                                                                         | Total water consumption                                      | 12,785 m <sup>3</sup>                                                                                                                                                                                                                                                                    |
|                                                                                                                      |                                                                                                                                                               |                                                                                                                 |                                                                                                                                         | Total amount of paper consumption                            | 2,271 reams                                                                                                                                                                                                                                                                              |
|                                                                                                                      |                                                                                                                                                               |                                                                                                                 |                                                                                                                                         | Environmental sustainability initiatives                     | <ul style="list-style-type: none"> <li>• Electricity-saving measure</li> <li>• Centralized air conditioning system</li> <li>• Switching to energy efficient LED light bulbs and appliances</li> <li>• Water conservation drive</li> <li>• "Go Green" and paperless initiative</li> </ul> |
|                                                                                                                      | To cultivate goodwill, learning and building relationships with the underserved communities as well as to create and implement solutions to social challenges | <br>Community Empowerment      | Organize community-based activities, voluntary employee participation as well as monetary and in-kind contributions                     | Types of CSR and community-based activities organized        | <ul style="list-style-type: none"> <li>• Takaful myJalanan Kasih to provide monetary and in-kind contributions to the underprivileged</li> <li>• Takaful myJalanan Ilmu to provide monetary and in-kind contributions to deserving students</li> </ul>                                   |
|                                                                                                                      |                                                                                                                                                               |                                                                                                                 |                                                                                                                                         | Total amount of contributions made via charity fund          | RM389,606                                                                                                                                                                                                                                                                                |
|                                                                                                                      |                                                                                                                                                               |                                                                                                                 |                                                                                                                                         | Total number of charity fund beneficiaries                   | 31 beneficiaries                                                                                                                                                                                                                                                                         |
|                                                                                                                      |                                                                                                                                                               |                                                                                                                 |                                                                                                                                         | Total number of CSR and community-based activities conducted | 31 CSR and community-based activities                                                                                                                                                                                                                                                    |
|                                                                                                                      |                                                                                                                                                               |                                                                                                                 |                                                                                                                                         | Total hours allocated for CSR activities                     | 496 hours                                                                                                                                                                                                                                                                                |
|                                                                                                                      |                                                                                                                                                               |                                                                                                                 |                                                                                                                                         |                                                              |                                                                                                                                                                                                                                                                                          |
|                                                                                                                      |                                                                                                                                                               |                                                                                                                 |                                                                                                                                         |                                                              |                                                                                                                                                                                                                                                                                          |

## RESPONSIBLE FINANCE

We incorporate digital capabilities into our business model to provide comprehensive and innovative takaful solutions as well as services to the consumers. This is in line with our sustainable approach of responsible finance that serves as a catalyst for Takaful Malaysia to adopt sustainable business practices and revolutionize into a climate-friendly industry player that adopts green technologies. In driving technical excellence through product development, pricing and underwriting, we focus on providing a wider portfolio of innovative product mix that caters to the diverse needs of the consumers.

## DIGITAL TRANSFORMATION

We constantly reinforce our digital solutions whilst transforming our business structure in meeting the customer expectations to position Takaful Malaysia at the forefront of the digital transformation in the Islamic insurance industry. In 2020, we made a substantial investment in our IT infrastructure to integrate information and operational technologies in optimizing performance, driving efficiency, and enhancing the quality of our product offerings and value-added services.

| 2018           | 2019          | 2020          |
|----------------|---------------|---------------|
| RM10.4 million | RM3.4 million | RM5.0 million |

## Sustainability Report

### LAUNCH OF CLICK FOR COVER APPLICATION

Signifying our ongoing commitment to transform the way we conduct our business through digital transformation of our sales and operations, Takaful Malaysia successfully introduced its Click for Cover app, a mobile application for online takaful application and services. Featured with a secured payment gateway facility which allows online transactions for contribution payments, our participants can utilize the app to check on the details of their certificates such as the coverage, utilized amount, claims history as well as the service provider details conveniently.

Enhanced with additional features, the Click for Cover app also offers fast and easy Tele Bantuan services where participants can submit a request for roadside assistance via the app in the event of an unexpected breakdown or accident. Our participants can also easily monitor the real time location of the tow truck as well as search for the nearest panel workshop within their vicinity for immediate assistance.

In addition, members of our employee benefits scheme can utilize the app to find out more about their certificate details and present their e-Medical card via the app when visiting any of our panel hospitals or clinics. Furthermore, they can also locate the nearest panel hospitals or clinics and pinpoint geographical locations via the app.

By adopting digital tools and technologies to offer renowned services, we will delight our customers with a better user experience and high-quality services. Our customers will benefit from an integrated multi-channel experience through the introduction of the Click for Cover app, and this is part of our ongoing efforts to stay ahead of the curve.

### INTRODUCTION OF E-WALLET

Corresponding to Bank Negara Malaysia's ("BNM") objective to transform Malaysia into a cashless society, we have introduced one of the fastest growing payment trends in Malaysia, e-Wallet on top of other payment methods available via our Click for Cover Online Sales Portal ("OSP") to provide convenience to our customers, apart from reducing theft and fraud. Our customers now have easy access to multiple e-Money issuers to pay their contributions for our selected online protection plans.

### ONLINE PROMOTIONAL CODES

We leveraged digital technology and combined it with our marketing strategy to offer promotional codes in driving sales and encouraging purchases of our selected online protection plans available on our Click for Cover Online Sales Portal. The introduction of promo codes via the digital and social media platforms also serves as a source of tracking data for Customer Relationship Management ("CRM").

### INVESTMENT IN OFFICE IT EQUIPMENT

During the year under review, we upgraded our office IT equipment in phases to extend the lifespan of our IT equipment and reduce costly repairs. This is crucial to ensure that we provide the right tools and a safe online environment to increase productivity in the workplace while running our business operations seamlessly and effectively.



### TECHNICAL EXCELLENCE

In driving the development of technical excellence through product development, pricing, underwriting and claims handling to achieve sustainable profits, we tactically position technical excellence at the forefront of our business strategy as a key differentiator to set us apart from our counterparts in the industry. Developing a profitable and compelling portfolio of product mix is crucial to the Group in meeting the needs of our customers and managing their contributions cost-effectively. In addition, our technical excellence in claims handling and medical cost management initiative also effectively provide us the data required to increase underwriting accuracy.

### INNOVATIVE TRANCHE OF TAKAFUL SOLUTIONS

Addressing the unmet protection needs of the consumers remains a key agenda for Takaful Malaysia to deliver growth for the Group and in spearheading the Islamic insurance industry. Consumers expect takaful and insurance providers to constantly entice them with new and better protection solutions. Takaful Malaysia has expanded its tranche of takaful solutions via the Group's product innovation strategy by introducing new protection plans targeting different target segments through multiple distribution channels.

- **Takaful myClick MozzCare**

We have stepped up to the plate to better serve our customers by introducing Takaful myClick MozzCare, an affordable online protection plan that provides coverage against the ever present Dengue and Zika with lump sum cash payout up to RM4,000 upon diagnosis. This online product is also extended to cover COVID-19 at no additional cost for a lump sum cash payout of up to RM2,000 if the person covered is diagnosed with the virus. Takaful myClick MozzCare is offered to individuals aged 18 and above with an affordable price from as low as 11 cents a day or RM40 a year with three exclusive packages to choose from.

- **Takaful myWealth Plus**

Distributed via our bank partner through the bancatakaful distribution channel, we have come out with a high protection takaful plan with guaranteed cash payment called Takaful myWealth Plus. This is a limited pay endowment takaful plan that provides guaranteed cash payments with potential growth on investment. Providing a high protection of up to RM300,000 with no underwriting, the plan pays annual cash payments starting from the end of the second certificate year. In addition, this plan provides a compassionate allowance upon death and life event allowance upon marriage or childbirth. The participants will also receive a guaranteed maturity benefit payout up to 150% of the sum covered upon plan maturity.

- **Takaful mySinar PA**

We introduced a Personal Accident ("PA") plan for customers who are looking for online protection plans. Distributed via the telemarketing channel of our bank partner, Takaful mySinar PA provides Personal Accident coverage with additional Hajj and Umrah as well as Hospital Income benefits. This PA plan pays a lump sum benefit up to RM150,000 in the event of death or permanent disability due to an accident. The lump sum benefit will be doubled if an accident-causing loss of life or permanent disability occurs while performing Hajj or Umrah.

- **Takaful mySME**

Designed to cover a wide range of Small and Medium-sized Enterprises ("SME") across industries, this plan provides SME clients the option to choose the protection they need by creating a customised and holistic package that best suits their business needs. Takaful mySME offers a wide range of protection with a high sum covered of up to RM50 million for fire coverage, including terrorism cover, apart from enhanced protection that includes all risks, money, personal accidents, public liability, goods in transit, and other optional covers.



## OPERATIONAL EFFICIENCY

Aimed at delivering quality product offerings and services to our customers in the most cost-effective and timely manner, we focus on operational efficiency through innovation to create value and achieve higher productivity that is always at the frontline of our strategic differentiation. In sustaining agile and flexible operations, we continue in aligning our resources through the enhancement of the Group's technology capability to support its business growth. We also skew the strategic priorities of our business operations towards achieving a stable operating environment whilst preserving our information security risk management.

## STREAMLINING BUSINESS OPERATIONS

Making continuing improvements in our business operations not only serve as an avenue for the Group to achieve operational excellence but also to accomplish a competitive advantage by developing efficient systems. During the year under review, we successfully initiated the following key initiatives to deliver value to our customers and business partners as well as for our own financial benefits.

- Improvement of internal processes to eliminate bottlenecks in business operations, reduce process completion time, achieve cost efficiency, and meet regulatory compliance.
- Enhancement in the delivery system of certificate documents to the clientele of bank partners via email to substitute the need of producing and distributing printed certificate documents.
- Implementation of a system migration to keep up with current technologies, in addition to better manage and protect sensitive customer data.
- Personalization of the e-Submission platform for bank partners to submit the online applications of their clientele for mortgage and credit-related products.
- Adoption of the Go Green initiative to enable customers and business partners to receive notifications via email and access to certificate-related documents through dedicated online portals.

## Sustainability Report



### SUSTAINABLE GROWTH

The Group operated in a challenging market environment during the financial year under review, amid the uncertainty and economic slowdown due to the impact of the COVID-19 pandemic. We adjusted to the new normal to maintain our business operations and protect the health and safety of our stakeholders. We have accomplished our fundamental business objectives in 2020 by delivering sustainable returns to our shareholders whilst meeting the consumer demand for innovative protection solutions through the introduction of new product offerings.

We set out the summary of the Group performance, review of our subsidiaries and statement of our financial position in the Management Discussion and Analysis section of this Annual Report. Please refer from page 8 to page 22 for further details.

Ultimately, we always strive to exceed customer expectations and fulfill our commitment by innovating our business to generate an excellent set of results and significant profit margins to further amplify the Group's growth curve.

### COMMENDABLE FINANCIAL PERFORMANCE

#### Market Capitalisation

| 2018          | 2019          | 2020          |
|---------------|---------------|---------------|
| RM3.1 billion | RM4.7 billion | RM4.0 billion |

#### Profit After Zakat and Taxation

| 2018            | 2019            | 2020            |
|-----------------|-----------------|-----------------|
| RM292.6 million | RM366.3 million | RM363.6 million |

#### Return On Equity

| 2018  | 2019  | 2020  |
|-------|-------|-------|
| 32.7% | 33.1% | 26.5% |

#### Earnings Per Share

| 2018      | 2019      | 2020      |
|-----------|-----------|-----------|
| 35.79 sen | 44.16 sen | 43.76 sen |

Please refer to page 6 and page 7 of this Annual Report for a snapshot of our five-year financial highlights.

### MAINTAINING MARKET SHARE

#### Family Takaful Business

| 2018 | 2019 | 2020 |
|------|------|------|
| 28%  | 30%  | 23%  |

#### General Takaful Business

| 2018 | 2019 | 2020 |
|------|------|------|
| 25%  | 22%  | 24%  |



## MANAGING MATERIAL ISSUES

We set out the detailed information related to managing our material issues in the Management Discussion and Analysis section of this Annual Report. Please refer to page 20 for further details.

## DEFINING MOMENTS

In 2020, Takaful Malaysia clinched two prestigious awards in the financial services category for companies with a market capitalisation of below RM10 billion at The Edge Billion Ringgit Club ("BRC") Awards 2020. We garnered the Highest Returns to Shareholders Over Three Years and the Highest Return on Equity Over Three Years awards at the annual awards ceremony.

To be eligible for The Edge BRC corporate awards, the award winners must have been listed at least four calendar years before the end of March cut-off date in the current year, as companies are evaluated on their financial performance over three years. The methodology for the corporate awards is both stringent as well as transparent, and the results are audited.

As a winner of The Edge BRC Highest Returns to Shareholders Over Three Years award, we were judged purely based on total returns, consisting of share price gains and dividends over a three-year period. For the Highest Return on Equity Over Three Years award, we were evaluated based on yearly profit throughout the evaluation period.

We are honoured to be recognized among the best performers on Bursa Malaysia based on our sterling financial performance. We have successfully outperformed our counterparts in the financial services sector, and this shows that we are truly the strongest among corporate Malaysia.



## INCLUSIVE GROWTH

The constant development towards greater digitalization of financial services, including the insurance and takaful industry benefits economies and societies. Customers have access to an extensive range of product offerings and services available via digital channels. It is part of our digital strategy to facilitate our customers with seamless access to our broad range of takaful solutions and services through technologies like our Click for Cover Online Sales Portal and Click for Cover mobile application. By providing the right digital platforms and facilities, we create values for our customers in achieving the agility and flexibility needed to stay relevant in the ongoing digital revolution whilst meeting the ever-rising consumer expectations.



## CUSTOMER CENTRICITY

Building a longstanding relationship with our customers via excellent customer service is an essential part of our business strategy in maintaining our existing clientele and acquiring new and potential customers. Customer centrality serves as an underlying groundwork in conducting business with our customers to deliver sustainable growth and expand our market share in the competitive market. Providing a positive customer experience at the point of sale and post-sales helps to elevate the trust and loyalty of our customers.

## CULTIVATING CUSTOMER VALUE

As an Islamic insurance company, we truly understand how devastating the COVID-19 outbreak is impacting our communities and our very way of life. Corresponding to the Government's directives and guidelines set by the Ministry of Health ("MOH"), we are taking precautionary measures to ensure the safety and wellbeing of our customers, employees and other stakeholders.

On this premise, Takaful Malaysia is proactively implementing the following actions to restrain any risk to our employees and customers as well as the communities in which we operate. We remain committed to providing our stakeholders with essential services and maintain a high level of support during these difficult times.

- All our premises are thoroughly and regularly sanitized with the appropriate hygiene measures and cleaning procedures to prevent contamination and spread of the virus.
- Body temperature screening at the entrance of our premises is mandatory for all employees and visitors and we provide hand sanitizers for the convenience of our employees and visitors to curb the spread of the virus.
- Employees are constantly reminded to practice good personal hygiene habits and routinely clean their individual work areas and stay home if feeling unwell.
- Our Human Resource and Risk Management Divisions are consistently in communication with all employees via email to provide guidelines, latest updates and developments related to COVID-19.
- Important notices and announcements related to our operations are made available on our corporate website, online portals and social media platforms apart from circulating relevant communiques to our customers and business partners.

## Sustainability Report

- Our customers and business partners continue to enjoy uninterrupted access to our selected essential services during the phased lockdowns.
- We participate in the COVID-19 Test Fund ("CTF"), an insurance and takaful industry initiative in support of the Ministry of Health's ("MOH") efforts to conduct more COVID-19 tests for Malaysians.
- We cooperate with our insurance and takaful industry counterparts through a COVID-19 Relief Programme to provide eligible customers a deferment period of three months to pay the regular premiums or contributions of their life insurance policies or family takaful certificates.
- Our Family Takaful participants who have difficulty meeting their regular contribution payments are given an alternative to discuss their repayment option or choose to reduce their sum covered or remove some add-on riders or benefits to reduce their regular contribution amounts.
- We offer instalment plans to our selected General Takaful corporate clients who face short-term financial liquidity issues to alleviate their financial burdens.

### RECOGNIZING CUSTOMER FEEDBACK

Collecting and responding to customer feedback shows that we value their opinions. Customer feedback is a valuable resource for improving customer experience and fine-tuning our actions to their needs. We provide multiple channels for our customers to submit their feedback in the form of enquiries, responses, or complaints.

#### Customer Engagement Channels and Platforms

| Channels and Platforms                 | Description                                                      |
|----------------------------------------|------------------------------------------------------------------|
| Service centres                        | 24 service centres                                               |
| Hotline                                | 1-300 88 252 385                                                 |
| Fax                                    | 03-2274 0237                                                     |
| Email                                  | csu@takaful-malaysia.com.my                                      |
| Corporate website                      | www.takaful-malaysia.com.my                                      |
| Online portal                          | myTakaful Customer                                               |
| Artificial intelligence ("AI") chatbot | Chatbot, Tamara on corporate website & myTakaful Customer portal |
| Facebook                               | Takaful Malaysia                                                 |
| Instagram                              | takafulmalaysia.official                                         |

The volume of customer feedback that we have received during the period under review is illustrated in the following tables.

#### Detailed Customer Feedback in 2020

| Responses | Enquiries | Complaints |
|-----------|-----------|------------|
| 61        | 158,270   | 84         |

#### 3-Year Customer Feedback

| 2018    | 2019    | 2020    |
|---------|---------|---------|
| 155,386 | 166,777 | 158,415 |

## FACEBOOK PAGE

Our corporate Facebook page received a significant number of customer enquiries during the year under review as indicated in the table below. The enquiries received were mainly related to product and certificate information, online subscription procedures, customer portal, no claim payments, and available services provided via our *myTakaful* Customer portal. The increase in the volume of queries collated via our Facebook page was mainly due to the ongoing marketing initiatives carried out via the social media platforms in promoting our online takaful solutions.

- **3-Year Facebook Trend**

| 2018          | 2019          | 2020          |
|---------------|---------------|---------------|
| 1,198 queries | 5,514 queries | 5,667 queries |



## TALENT DEVELOPMENT

Maintaining a skilled and efficient workforce to achieve our priority in the four core areas of financial, customer, business process as well as learning and growth provides a long-term benefit to Takaful Malaysia. Talent development plays an important role in our business strategy in managing the important assets of the company. In the long run, we aim to increase employee performance, attract top talent and sustain a continuous coverage of critical roles. We strive to become a workforce that is performance driven and result-oriented. On this account, we will continue to equip our employees with the right skills and competencies to achieve our objectives by offering a healthy work culture and workplace environment that attracts and retains superior employees.



## TALENT MANAGEMENT

In line with our ongoing efforts in recognizing employees as our most valuable asset with an emphasis on the human capital development, we adopt the right organizational culture to develop a sustainable and high-performing organization. Having a strategic talent management framework gives us the advantage of attracting and maintaining skilled employees that will contribute to the improvement of our business performance and results. In the long run, investing in talent management will ensure continuous coverage of critical roles in our organization, in addition to increasing employee performance and achieving higher customer satisfaction.

## HUMAN RESOURCE MANAGEMENT

- **MANAGING TALENT AND SUCCESSION PLANNING**

- Enforcement of the Anti-Corruption Framework in the Employee Handbook for all employees to comply with.
- Adoption of digital learning that makes effective use of technology to uplift the knowledge, skills, and attitude of the workforce as an innovative alternative to face-to-face interaction.

Training hours achieved for employees

| Description                         | Years        |              |             |
|-------------------------------------|--------------|--------------|-------------|
|                                     | 2018         | 2019         | 2020        |
| Total training hours                | 29,428 hours | 25,051 hours | 8,934 hours |
| Average training hours per employee | 35 hours     | 32 hours     | 10 hours    |

## Sustainability Report

- Total number of new employment opportunities created

| 2018 | 2019 | 2020 |
|------|------|------|
| 23   | 12   | 30   |

- Total number of employees who obtained professional certificates

| 2018 | 2019 | 2020 |
|------|------|------|
| 5    | 17   | 39   |

- Implementation of the following five Succession Planning Programs under Takaful Malaysia's Talent Management Framework, involving the top management to junior level officers.

- Leadership Development Program
- Leadership Development Program for High Potentials
- Staff Talent Awareness & Retention Program
- Leadership Intensive Talent Enrichment Program
- Clerical Development Program

### WORKFORCE COMPOSITION

| DESCRIPTION                                      | STMKB                                                                                                                     | STMAB                                                                                                                        | OVERALL                                                                                                                      |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Total Employees                                  | 681                                                                                                                       | 236                                                                                                                          | 917                                                                                                                          |
| Average Length of Service                        | 11.16 years                                                                                                               | 12.08 years                                                                                                                  | 11.39 years                                                                                                                  |
| Employee Turnover Rate                           | 7.55%                                                                                                                     | 4.48%                                                                                                                        | 6.82%                                                                                                                        |
| Employee Retention Rate                          | 91.62%                                                                                                                    | 98.21%                                                                                                                       | 93.18%                                                                                                                       |
| Gender Diversity (%)                             | Male : 40.82%<br>Female : 59.18%                                                                                          | Male : 53.81%<br>Female : 46.19%                                                                                             | Male : 44.17%<br>Female : 55.83%                                                                                             |
| Age Diversity (%)                                | Below 35 years: 23.64%<br>35 to 45 years: 53.89%<br>46 to 55 years: 21.59%<br>56 to 60 years: 0.88%<br>Above 60 years: 0% | Below 35 years: 15.68%<br>35 to 45 years: 47.46%<br>46 to 55 years: 32.63%<br>56 to 60 years: 3.81%<br>Above 60 years: 0.42% | Below 35 years: 21.59%<br>35 to 45 years: 52.24%<br>46 to 55 years: 24.43%<br>56 to 60 years: 1.63%<br>Above 60 years: 0.11% |
| Ethnicity Diversity (%)                          | Malay : 79.59%<br>Chinese : 16.30%<br>Indian : 2.64%<br>Others : 1.47%                                                    | Malay : 84.33%<br>Chinese : 11.86%<br>Indian : 2.54%<br>Others : 1.27%                                                       | Malay : 80.81%<br>Chinese : 15.16%<br>Indian : 2.62%<br>Others : 1.41%                                                       |
| Employment Arrangement<br>(Local vs Foreign)     | Local : 99.90%<br>Foreign : 0.10%                                                                                         | Local : 99.60%<br>Foreign : 0.40%                                                                                            | Local : 99.70%<br>Foreign : 0.30%                                                                                            |
| Average Training Hours<br>Per Annum Per Employee | 10.53 Hours                                                                                                               | 6.48 Hours                                                                                                                   | 9.74 Hours                                                                                                                   |

## PEOPLE-RELATED PRIORITIES

### • EMPLOYEE ENGAGEMENT ACTIVITIES

- Kicked-off our first in-house Business English course involving a total of 70 employees selected from various divisions with main objectives to develop and improve Business English Language skills among the participants with a focus on business contexts and environments, including essential communication skills used in business.
- Adapting to the new normal in the wake of the global outbreak of COVID-19, our employees attended various in-house and external webinars and training sessions such as product and marketing courses, business processes, and selling skills as well as system applications.
- Participated in the INTI College Digital Career and Internship Fair 2020 with an aim to provide a good platform for students and potential employers to make connections, establish professional relationships and discuss potential job and internship opportunities.
- Collaborated with our Corporate Business Division to initiate a webinar session with Human Resource practitioners for our existing and potential corporate clients. The focus was on the ways HR practitioners were able to assist employees in adjusting to the new norm whilst continuing to ensure employee engagement and productivity during the movement control order period.

### • SUSTAINABLE HIGH PERFORMANCE CULTURE

- Amplified workforce critical competencies and practiced a high degree of staffing costs
- Provided competitive employee benefits and rewarded exceptional performance workforce in line with the Group's performance.
- The detailed information related to the Directors' Remuneration and Remuneration Policy Statement of the Group is set out in the Corporate Governance Overview Statement section of this Annual Report. Please refer from page 77 to page 81 for further details.

## EMPLOYER BRANDING

### • THE PREFERRED CHOICE OF EMPLOYER

- For the third consecutive year, Takaful Malaysia has been voted as one of the Most Attractive Graduate Employers to Work for in 2021 under the insurance category at the annual Graduates' Choice Award ("GCA") organized by Talentbank.

This accomplishment is a testament to our continued efforts in shifting the recruitment landscape beyond traditional means, apart from our unwavering support of the Government's initiative to hire and upskill the capabilities of fresh graduates. Our active involvement in hiring young talent truly accentuates the company's commitment to groom future leaders for the insurance industry. We are proud to be recognized among the most outstanding corporate employers in Malaysia.

- The Group once again for the third time has been recognised among the Best Companies to Work for in Asia 2020 at the annual awards ceremony organized by HR Asia.

In recognizing employees as our greatest asset, we are delighted that our human resource strategy to provide a conducive work and growth climate for our people has been acknowledged. With expectations and performance standards rising every year, we will continue to amplify our efforts to raise the bar in creating workplace excellence and engaging employees to retain valuable talent.

## Sustainability Report



### ETHICAL PRACTICE

Abiding by the evolving laws and regulations by keeping track of the regulatory changes and developments ensures that we are steered clear of any adverse impact in conducting our business in a responsible manner. Takaful Malaysia is always staying on top of the guidelines, policies and frameworks implemented by the administrative and regulatory bodies to sustain our competitive advantage in providing better value to the customers and maintaining transparency in our business operations and dealings.



### REGULATORY CHANGES

Keeping track of the regulatory changes and developments set by the regulatory body whilst abiding by the evolving laws and regulations are significant to the Group. This is to ensure we steer clear of any adverse impact in conducting our business. Listed below are the new and revised policy documents by Bank Negara Malaysia ("BNM"), which set out the applicable rules, guidelines, and regulations that have a significant impact on the Group's business operations.

| Policy Documents                                                                                                                                                                          | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Operating Cost Controls for Life Insurance and Family Takaful Business                                                                                                                    | <p>This revised policy document sets out the roadmap for the deregulation of operating cost control limits for licensed life insurers and family takaful operators and standards to strengthen the professionalism of insurance and takaful intermediaries, which incorporates the following:</p> <ol style="list-style-type: none"> <li>1) Operational details of the Balanced Scorecard ("BSC") framework for bancassurance partners;</li> <li>2) The revised BSC framework for agents; and</li> <li>3) Existing specifications on the commission limits for financial advisers and brokers.</li> </ol> |
| Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions ("AML/CFT" and "TFS") for financial institutions                                                | <p>This policy document is a revision of the existing AML/CFT which sets out the responsibilities and obligations of reporting institutions imposed under the AMLA. Reporting institutions are expected to meet the requirements of implementing a risk-based approach in managing ML/TF risks and to comply with the targeted financial sanctions requirements.</p>                                                                                                                                                                                                                                      |
| Frequently Asked Questions & Guidance Notes on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions ("AML/CFT" and "TFS") for financial institutions | <p>These documents provide further clarification on the requirements in the revised Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions ("AML/CFT" and "TFS") policy document for financial institutions.</p>                                                                                                                                                                                                                                                                                                                                                       |
| Risk Management in Technology ("RMiT")                                                                                                                                                    | <p>The revision of this policy document has been updated to include the following:</p> <ol style="list-style-type: none"> <li>1) Revision of the Positive List which has been expanded to reflect the current trend and practices in the industry due to technology adoption.</li> <li>2) Additional clarification to address the expectations of the identified gaps, which were planned to be remediated beyond 1 January 2020 by financial institutions.</li> <li>3) Relevant content which has been incorporated in the revised RMiT.</li> </ol>                                                      |



| Policy Documents                        | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Electronic Know-Your-Customer ("e-KYC") | <p>This policy document sets out the requirements and guidance in implementing e-KYC for the identification and verification of individuals in the financial sector. The requirements outlined in this policy document are aimed at:</p> <ol style="list-style-type: none"> <li>1) Enabling safe and secure application of e-KYC technology in the financial sector;</li> <li>2) Facilitating BNM's continued ability to carry out effective supervisory oversight over financial institutions; and</li> <li>3) Ensuring effective Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") control measures.</li> </ol> |
| Shariah Governance                      | <p>In accordance with the Shariah Governance Policy Document issued by Bank Negara Malaysia ("BNM"), our Shariah Advisory Body ("SAB") and Board of Directors have approved the revised version of our internal Shariah Governance Policy ("the Policy"). The Policy sets out the strengthened oversight accountabilities on the Board, SAB and other key organs involved in the implementation of Shariah governance.</p>                                                                                                                                                                                                           |



## ETHICS & COMPLIANCE

The Group adopts high standards of ethics and compliance throughout its operational activities as well as functions and implements internal controls to minimize the risk of breaches and penalties within a reasonable tolerance. It is part of our ongoing initiative to nurture an appropriate compliance culture within the Group by conforming to the laws, regulations, guidelines and specifications relevant to our business processes and industry's best practices. To govern both our business initiatives and opportunities, we constantly reassess our policies and procedures apart from incorporating an internal framework to identify, monitor, remediate and report non-compliance incidents as part of our commitment to embracing regulatory compliance in our business operations.

During the financial year under review, the Group conducted the following e-Learning modules applicable to all its employees.

- Anti-Money Laundering and Countering Financing of Terrorism ("AML/CFT") e-Learning**  
 The main objective of the AML/CFT e-Learning is to create awareness and facilitate continuous knowledge in preventing our business from being misused as a medium for suspicious activities and transactions. The content of the e-Learning serves as a guide for the employees to carry out their daily business functions by adopting consistent customer due diligence procedures, risk classification of customers, monitoring customer data, transaction and account and obligation for suspicious activity reporting.

- Personal Information Record Management Framework ("PIRMF") Awareness e-Learning**  
 The main objective of the PIRMF e-Learning is to create awareness and facilitate continuous knowledge in the handling and management of customers' information and permitted disclosures. The content of the e-Learning serves as a guide for the employees in performing their day-to-day business functions by implementing utmost security and privacy standards when handling personal information.
- Anti-Corruption Framework ("ACF") Acknowledgement / Declaration & e-Learning**  
 The main objective of the ACF acknowledgement/declaration and e-Learning is to facilitate the awareness and knowledge among the employees on the requirements of Section 17A of MACC Act 2009 and relevant sections under the MACC Act 2009 and Penal Code under Laws of Malaysia, Act 574.
- Internal Shariah Governance Policy e-Learning**  
 It is our ongoing initiative to enhance the awareness of Shariah, particularly the Shariah Governance and BNM compliant requirements. Our employees have completed e-Learning on our Internal Shariah Governance Policy.

## Sustainability Report



### RISK MANAGEMENT

As part of the Group's ongoing initiative to improve risk awareness and embed risk culture among the employees, our Risk Management Department conducted a survey to gauge the understanding of risk and risk management among the employees. This survey is important to assist us in determining the area of improvements that we need to work on, apart from helping to improve the understanding and awareness of risk and risk management in the workforce.

In accordance with the Group's Fraud Management Policy which contains the guidance and approach, roles and responsibilities, as well as processes to manage fraud risks and fraud incidences, we conducted e-Learning in our continued efforts to increase the awareness on risks for fraud and in compliance with the BNM requirements. The Group has no appetite for fraudulent, dishonest, and unethical acts. We strive to put in place appropriate measures to mitigate factors that provide opportunities for the employees or external parties to commit such an act.

Corresponding to the BNM's discussion paper on "Climate Change and Principle-based Taxonomy" that aims to provide an overview of climate change and its impact on the financial system, the Group conducted e-Learning to create awareness and understanding, build competencies and capabilities toward the integration of climate-related risk into its work process. The discussion paper serves as a guide to facilitate financial institutions in identifying and classifying economic activities that could contribute to climate change objectives.

Aiming to achieve sound operational and oversight management at the business and functional levels as outlined by BNM, e-Learning was conducted on the Group's Operational Risk Management Framework to cultivate awareness among the employees and provide an appropriate governance and oversight structure, reporting lines, and accountability to manage operational risk. This framework is also implemented to establish an appropriate approach to the identification, assessment, monitoring, and reporting of operational risks using appropriate operational risk management tools, in addition to developing risk mitigation strategies and instruments to keep risks within the limit.



### CORPORATE SUSTAINABILITY

At Takaful Malaysia, we focus on creating long-term stakeholder value through the implementation of our business strategy that emphasizes the ethical, social, environmental, cultural, and economic aspects of the way we conduct our businesses. We are committed to exploring innovative ways to further strengthen our sustainability efforts. This is done by promoting a culture of sustainability and managing our operations in a way that minimizes our environmental and social impacts. Incorporating sustainability is essential as part of the Group's strategy to generate long-lasting benefits and ensures the continuity of our business in a competitive and challenging market environment.



### INTEGRATING SUSTAINABILITY

#### RESPONSIBLE INVESTMENT

As a Shariah compliant entity, responsible investing is fully entrenched in our investment policy. This reflects our adherence to conducting sustainable and responsible investment activities through our investment selection and screening process, in line with the Shariah requirements. Our incorporation of the "Impact Investment" approach is part of our investment strategy to provide a positive impact on society as a whole and to increase brand value towards ensuring social and environmental sustainability.

Through the implementation of the "Impact Investment" approach, we perform an assessment of the investment opportunities by taking into account the social and environmental effects and utilization of the Environment, Social & Governance ("ESG") data in our investment decision-making. We also adopt the implementation of the FTSE4Good Bursa Malaysia Index ("F4GBM") apart from the KLCI and Shariah Emas Index and investment in Green Sukuk/Bond issued under the Socially Responsible Investment ("SRI") framework.

## MANAGING OUR ENVIRONMENTAL IMPACT

We are dedicated to meeting the needs of our stakeholders by taking proactive measures to preserve the environment for future generations. On this account, we have been fostering responsible environmental protection to better manage our operating footprint to reduce the impact of our business operations on the environment where we operate in. By adopting a sustainability strategy, which includes the environmental, social, and governance central factors, we tactically integrate sustainability into our business operations in an economically, environmentally, and socially sustainable manner.

### • ELECTRICITY

The total electricity consumption during the year under review was 4,069,612 kilowatt hours ("kWh") with an average of 581,373 kWh per month. The decline in the total electricity consumption during the year under review as compared to the previous year was mainly due to the implementation of work-from-home arrangements in light of the enforcement of the phased movement restrictions nationwide. Takaful Malaysia is taking proactive measures to minimize the use of energy at work in our continued efforts to better manage our electricity consumption for energy conservation. We are using energy-efficient light bulbs as well as energy saving features of our office devices to save energy in the workplace and bring positive changes to our working environment. All employees are constantly reminded to switch off the office lights and other appliances when not in use and we will carry on exploring new solutions to meet our energy needs that are not only economically but also environmentally sustainable.

#### 3-Year Electricity Consumption Trend

| 2018          | 2019          | 2020          |
|---------------|---------------|---------------|
| 6,551,363 kWh | 6,576,329 kWh | 5,785,190 kWh |

### • WATER

The total volume of water consumption across the Group in 2020 was 12,785 cubic metres ("m<sup>3</sup>") that translated to 9,282 cubic metres of water consumption on headquarters and 3,503 cubic metres across our service centres nationwide. The substantial drop in the total volume of water consumption across the Group was due to the enforcement of the phased lockdowns nationwide and the implementation of work-from-home arrangements. We perform leak detection in pipes and monitor water use across our business operations and premises on a regular basis to conserve water resources. We make repairs as and when required and create a maintenance schedule that keeps our inspection system in check. Takaful Malaysia will continue to take preventive measures by engaging our employees to use water wisely and ensure pipelines of our water distribution system are consistently checked and maintained as part of our corporate responsibility in water conservation.

#### 3-Year Water Consumption Trend

| 2018                  | 2019                  | 2020                  |
|-----------------------|-----------------------|-----------------------|
| 30,185 m <sup>3</sup> | 30,223 m <sup>3</sup> | 12,785 m <sup>3</sup> |

## Sustainability Report

### • PAPER

Our total paper use in 2020 was 2,271 reams. The significant decrease in paper usage at the Group level during the year under review as compared to the previous year was mainly due to the reduction in printing frequency and the implementation of responsible printing guidelines. In addition, the implementation of work-from-home arrangements also contributed to the decline in paper use. We are embracing technology by implementing the e-Document ("Go Green") module and engaging our employees to reduce paper usage at work as part of our ongoing paper saving initiative. Apart from working towards reducing paper use by going paperless to increase our productivity, we continue to promote prudent use of paper practice amongst our employees by adopting an electronic document management system and use of electronic mail to receive and send documents besides practicing double-sided copying and printing. Takaful Malaysia will continue to purchase multipurpose paper made of responsible sources from suppliers with proven and internationally recognized environmental certifications that meet the international standards such as FSC C014719 for paper from responsible sources, ISO 9706 for permanency of paper and ISO 14001 for an effective environmental management system.

#### 3-Year Paper Use Trend

| 2018        | 2019        | 2020        |
|-------------|-------------|-------------|
| 6,144 reams | 5,114 reams | 2,271 reams |

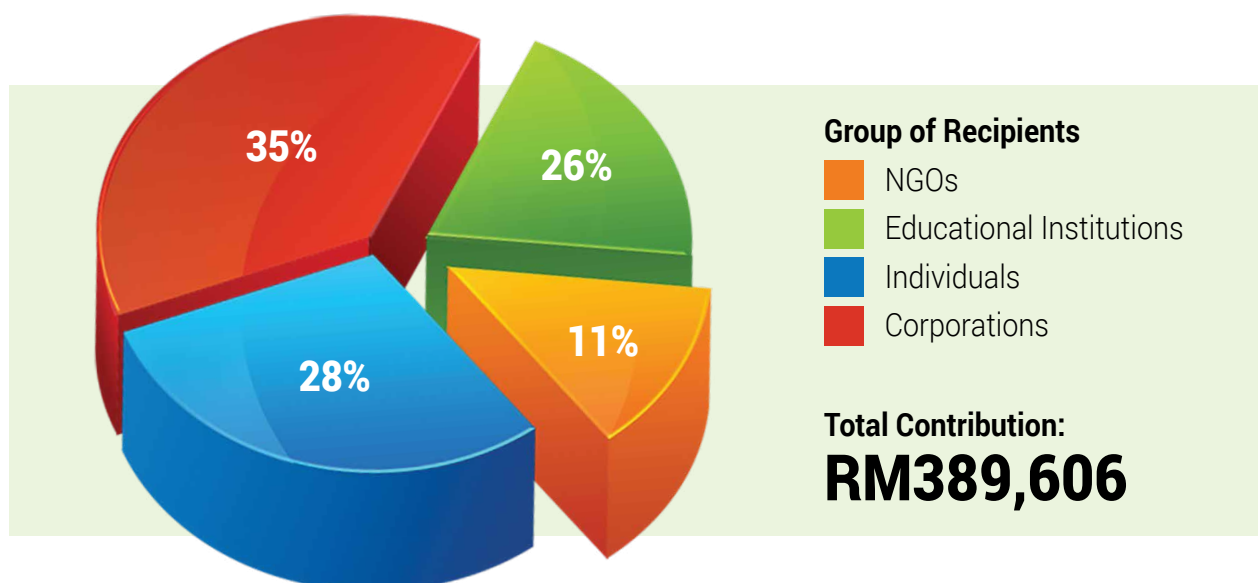


### COMMUNITY EMPOWERMENT

Giving back to the community, whilst delivering our brand promise has always been an integral aspect of our heritage and corporate culture. It is a priority for us in supporting charity programmes and initiatives that impact a positive influence on the community. Over thousands of needy families and individuals, communities as well as school children have benefitted from our contributions.

During the year under review, we carried out various community-based activities and programs via our Corporate Social Responsibility ("CSR") umbrella of Takaful *myJalanan* which comprises of two sub-brands, namely Takaful *myJalanan* Kasih and Takaful *myJalanan* Ilmu.

#### DISTRIBUTION OF CHARITY FUND



## RESPONSIBLE CORPORATE CITIZEN

- **Monetary Contribution in Support of Fight Against COVID-19**

Takaful Malaysia contributed a sum of RM500,000 towards The Edge COVID-19 Equipment and Health Care Workers Support Funds organized by The Edge Media Group in support of the fight against the Coronavirus ("COVID-19") health crisis in the country. The monetary contribution made to both funds will be utilized to purchase medical equipment and provide financial assistance to healthcare workers who are infected whilst caring for COVID-19 patients.

- **Financial Aid to Purchase Medical Equipment and Supplies**

We donated RM250,000 to the Media Prima-NSTP Humanitarian Fund, a campaign initiated by the Media Prima Group to collect funds for the COVID-19 Humanitarian Aid with an aim to provide the financial aid needed in the fight against the Coronavirus ("COVID-19") outbreak in the country. The monetary contributions received via the fund will be utilized for the purchase of critical medical equipment and supplies required to take care of the patients apart from protecting the front-liners who are working tirelessly during the outbreak.

- **Contribution in Support of the Star Frontliners Initiative**

We provided financial aid amounting to RM100,000 towards the Star Foundation-Medical Fund in support of the Star Frontliners Initiative, a campaign organized by the Star Media Group through its charitable arm, Star Foundation to raise funds in fighting against the Coronavirus ("COVID-19") outbreak in the country. The donations collected via the fund will be utilized for the purchase of medical supplies for the designated hospitals and frontliners who are working tirelessly during these trying times for the safety of the communities.

- **Donation towards the COVID-19 Fund**

Takaful Malaysia contributed a sum of RM50,000 towards the COVID-19 Fund organized by the Ministry of Health ("MOH") in the face of the outbreak in the country. The financial assistance provided via the Group's charity fund will be utilized for the purchase of medical necessities to ease the shortage of medical supplies faced by the designated government hospitals in providing screening and treatment for COVID-19 patients.

- **Providing Essential Goods to B40 Communities**

Takaful Malaysia collaborated with Taylor's Community, a consolidated Corporate Social Responsibility ("CSR") platform for Taylor's Education Group via a community-based project. This was to disburse essential goods and deploy an online module in fostering family bonds among the B40 communities in the face of the current situation of the COVID-19 outbreak. The joint CSR project aimed at lending a helping hand to those in need during these trying times. We realize that many of the B40 families are facing challenges to make ends meet during the Movement Control Order ("MCO") mandated by the Government to fight against the spread of the virus.

- **Lending a Helping Hand**

In the face of the COVID-19 outbreak and the Movement Control Order lockdown, Takaful Malaysia via its charity fund continues to fulfil the company's brand promise of 'We Protect. We Care. We Share'. As an Islamic insurance company, we truly understand how devastating the impact can be and there would definitely be a direct financial impact, especially among those in need in battling against the pandemic. As part of our ongoing community-based initiative, Takaful Malaysia distributed a total of RM81,000 to the deserving recipients including the underprivileged students, orphans, people with special needs and single mothers.

- **Caring for the Underprivileged Children**

We visited Rumah Perlindungan Teratak Nur Insan ("Rumah Nuri") which houses about 100 underprivileged children from various backgrounds. Takaful Malaysia through its charity fund provided financial assistance to Rumah Nuri amounting to RM10,000 to accommodate the monthly expenses needed for the day-to-day operations of the house and children which includes school, medical as well as other related expenses.

- **Sharing is Caring**

As part of our ongoing community-based initiative, Takaful Malaysia distributed a total of RM168,200 to selected deserving recipients including the underprivileged students, orphans and individuals who were affected by the COVID-19 outbreak. Contributing towards a caring society, we are privileged and honoured to step forward by making monetary contributions to needy families, communities and school children.

## Sustainability Report

- **Nationwide Zakat Contributions**

In fulfilling our responsibility as an Islamic financial institution by lending a helping hand to ease those who are in need of financial assistance, Takaful Malaysia distributed zakat contributions amounting to RM449,647 to the respective zakat offices nationwide during the financial year under review.

| 2018      | 2019      | 2020      |
|-----------|-----------|-----------|
| RM500,000 | RM500,000 | RM449,647 |

- **Giving Back to the Community**

In 2020, Takaful Malaysia donated a total of RM389,606 via our charity fund in the form of monetary and in-kind contributions to various recipients nationwide, including education centres, charitable organizations and communities.

| 2018      | 2019      | 2020      |
|-----------|-----------|-----------|
| RM315,266 | RM548,189 | RM389,606 |

### KNOWLEDGE SHARING

- **Business Rollout Gathering**

Served as a good platform that provided opportunities for the corporate agents to exchange ideas and discuss business objectives with the management to boost sales and achieve the targets set for the year, Takaful Malaysia successfully organized a business rollout session for its corporate agents from the central region.

- **Corporate Business Engagement Session**

Conducted to further inspire and motivate our corporate agents in keeping the momentum going strong whilst staying focused on achieving our business objectives, we organized an engagement session for our corporate agents with the objectives of sharing information and updates related to agency performance, our product offerings, campaigns and operations related matters.

- **Webinar Session with Human Resource Practitioners**

Takaful Malaysia organized the first of its kind webinar that successfully attracted more than 80 participants from various companies and business backgrounds who took part in the event that was held virtually. The web seminar was initiated as part of the value added services offered to our existing and potential corporate clients. Focusing on the 'Ways for HR Practitioners to Assist Employees in Adjusting to the "New Norm" Whilst Continue to Ensure Employees Engagement and Productivity During MCO', the webinar served as an interactive platform for the participants to find out more about the topic discussed and they were provided with clear takeaways at the end of the session.



- **In-house Business English Course**

We kicked-off our first in-house Business English course involving a total of 70 employees attending the course. The Business English course is designed to develop and improve Business English Language skills among the participants with a focus on business contexts and environments, including essential communication skills used in business.

- **Nationwide On-Ground Activities**

Our service centres nationwide participated in various on-ground and marketing activities to promote and market our products and services, especially our comprehensive Click for Cover online products to the local communities. Among the on-ground activities that we participated were the 'Program Anjuran Jabatan Agama Islam Melaka Bersama Guru-Guru Agama' and 'Program Kem Solat' in Melaka, 'Maqan' Fest 2020 in Johor and other marketing activities held in Negeri Sembilan, Selangor and Kedah.





## • **Quarterly Market Meeting**

Aimed at increasing sales to grow our market share, we conducted a quarterly market meeting with our existing and new corporate agents. In light of the ongoing movement control order due to the COVID-19 pandemic, we hosted a virtual meeting via the online platform to allow the participants to take part remotely and come together to share ideas, collaborate as well as brainstorm conveniently.

## • **General Takaful Business In-House Training**

Members of our Shariah Advisory Body ("SAB") attended a one-day in-house training focusing on the General Takaful business. During the training session conducted, the SAB members were provided with the relevant information related to the Company's market share, distribution channels as well as business offerings. We concluded the training session with a presentation on the operations of our General Takaful business.

## • **Product Briefing**

A training session was carried out for our intermediaries from the National Union of the Teaching Profession ("NUTP"). Focusing on educating our NUTP business partners with the features and benefits of our medical plan, the training session was also intended as part of our knowledge sharing activity to exchange ideas and market information with the participants.

## • **INTI Digital Career & Internship Fair 2020**

Aimed at providing a good platform for students and potential employers to make connections, establish professional relationships and discuss potential job and internship opportunities, Takaful Malaysia participated in the INTI College Digital Career and Internship Fair 2020 that was conducted virtually via an online platform provider. It was a completely new experience for us to be part of a virtual career fair in light of the new norm due to the ongoing situation of the COVID-19 pandemic.

## • **Online Knowledge Sharing Sessions**

Corresponding to the precautionary measures and standard operating procedure enforced to safeguard the safety and health of our employees in light of the COVID-19 pandemic, a series of online training sessions were conducted for all staff of Takaful myCare Centres ("TMCC") and Retail Centres nationwide. The virtual training sessions were also carried out to impart skills among the participants. A total of 11 modules covering various topics, including product brief, soft skills training modules to system and operations related subject matters were executed via the virtual meeting platform at the respective centres.

## • **KWSP Financial Wellbeing Roadshow**

Our Takaful myCare Centre Melaka, Takaful myCare Centre Kuala Terengganu and Islamic Financial Service Centre Banda Kaba participated in a Financial Wellbeing Roadshow organized by the respective branches of Kumpulan Wang Simpanan Pekerja ("KWSP"). The roadshow was organized to provide the visitors with information on retirement savings and consultation on how to achieve financial goals by having the right financial knowledge. The roadshow served as a good platform for our service centre teams to conduct face-to-face marketing in promoting our comprehensive product offerings whilst providing insurance consulting services to the visitors.

## Profile of Board of Directors



**DATO' MOHAMMED HAJI CHE HUSSEIN**  
Chairman/Independent Non-Executive Director

**Nationality / Age / Gender :** Malaysian / 70 / Male  
**Date of Appointment :** 1 April 2020

**Academic/Professional Qualification/Membership(s):**

- Fellow Chartered Banker, Chartered Banker Institute & Asian Institute of Chartered Bankers (2016)
- Advanced Management Program, Harvard Business School, Boston, USA (2003)
- Bachelor of Commerce (Accounting), University of Newcastle, Australia (1972)

**Board Meeting Attendance during the Financial Year:** 9/9

**Present Directorship(s) in other Companies:**

**Listed entity:**

- Chairman, Hap Seng Plantations Holdings Berhad (2019)
- Chairman, Gamuda Berhad (2013)

**Other Public Companies:**

- Chairman, Credit Guarantee Corporation Malaysia Berhad (2020)
- Director, Bank of America Malaysia Berhad (2014)

**Past Directorship(s) and/or Appointment(s):**

- Director, CapitaLand Malls Malaysia Trust (REIT) (2019-2020)
- Director, Tasek Corporation (2017 to 2020)
- Director, Hap Seng Consolidated Berhad (2008 to 2019)
- Director, B2B Finpal Sdn Bhd (2016 to 2018)
- Chairman, Danajamin Nasional Berhad (2013 to 2018)
- Director, Danajamin Nasional Berhad (2009 to 2018)
- Director, PNB Commercial Sdn Bhd (2009 to 2017)
- Chairman, Quill Capita Management Sdn Bhd (2008 to 2015)

**Background, Expertise and Experience:**

Dato' Mohammed was with the Malayan Banking Berhad ("Maybank") Group for 31 years, during which time he held various senior management positions including Head of Corporate Banking, Head of Commercial Banking, Head of Malaysian Operations, Managing Director of Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad) and Executive Director (Business Group). The last position held prior to his retirement from the Maybank Group in 30 January 2008 was Deputy President/Executive Director/Chief Financial Officer. In April 2008 to September 2008, he was appointed as an Advisor of Maybank. Presently, he is also Chairman of the Corporate Debt Restructuring Committee (CDRC) sponsored by Bank Negara Malaysia to facilitate the resolution and restructuring of major corporate debts. Dato' Mohammed has wide and varied organisational experience in commercial and investment banking and his exposure to many other industries have enabled him to provide advice to the Board and make him ideally suited to chair the Board.

**Declaration of Interest:**

He has no family relationship with any other Directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020.

## Profile of Board of Directors



**MOHD AZMAN SULAIMAN**  
Independent Non-Executive Director

**Nationality / Age / Gender :** Malaysian / 57 / Male

**Date of Appointment :** 9 May 2019

**Position on the Board**

- Committees**
- Chairman of Nomination & Remuneration Committee
  - Member of Long Term Incentive Plan Committee

**Academic/Professional Qualification/Membership(s):**

- Harvard Senior Management Development Program (2002)
- MBA, Australian National University (1998)
- MSc. University of Strathclyde, United Kingdom (1992)
- BSc. University of Malaya (1989)
- Fellow & Faculty Member, Institute of Corporate Directors Malaysia (ICDM)
- Member, International Coach Federation (ICF)

**Board Meeting Attendance during the Financial Year:** 13/13

**Present Directorship(s) in other Companies:**

**Listed entity:** Nil

**Other Public Companies:** Nil

**Past Directorship(s) and/or Appointment(s):**

- Director, Costain Group PLC, United Kingdom (2004 to 2008)
- Director, E-Idaman Sdn Bhd (UEM Group Company) (2005 to 2007)
- Nominee Director, Malaysian Industry-Government Group for High Technologies (MiGHT) (2004 to 2006)

**Background, Expertise and Experience:**

Mohd Azman Sulaiman is currently a Director on private companies, Sarah Orthodontic Practice Sdn Bhd and Kumpulan Juruteknik Sdn Bhd. He is a Fellow & Faculty member of the Institute of Corporate Directors Malaysia (ICDM) where he specialises in Board Dynamics and Board Effectiveness Assessments.

He has more than 30 years cross-industry & corporate leadership experience. Over the years, his areas of expertise focused on corporate leadership, business development and leadership & talent consulting supporting both international and local corporations.

He began his career in 1989 with the Snowy Mountains Engineering Corporation. He later joined the UEM Group in 1993, where he was involved in the nation's major infrastructure projects. Over the years he rose to senior leadership positions both locally and internationally. His experience includes spending stints as CEO Rocpoint South Africa, GM Crest Petroleum Berhad, UEM Group Director of Business Development and CEO of MAVTRAC. He also served as UEM's nominee director on the Board of Costain Group PLC, E-Idaman Sdn Bhd as well as MiGHT.

In September 2010, he retired from UEM Group after close to 20 years of service, as Director of Corporate Affairs and CEO of Yayasan UEM. He then joined Korn Ferry International retiring as Senior Partner in 2018. In his time with Korn Ferry, he advised boards on senior leadership succession planning and executive search strategies.

**Declaration of Interest:**

He has no family relationship with any other Directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020.



## Profile of Board of Directors



### SURAYA HASSAN

Independent Non-Executive Director

**Nationality / Age / Gender :** Malaysian / 57 / Female

**Date of Appointment :** 1 August 2019

**Position on the Board**

- Committees**
- Chairman of Board Risk Committee
  - Member of Audit Committee

**Academic/Professional Qualification/Membership(s):**

- Bachelor of Business Administration, International Islamic University (1988)

**Board Meeting Attendance during the Financial Year:** 13/13

**Present Directorship(s):**

**Listed entity:** Nil

**Present Directorship(s) in other Companies:** Nil

**Past Directorship(s) and/or Appointment(s):** Nil

**Background, Expertise and Experience:**

Suraya Hassan has more than 27+ years of successful working experience in the Financial Institutions (Banking and Insurance Industries for both Conventional and Islamic products) in Malaysia and inclusive of Asia Pacific, at senior leadership role (C level), across various functions of Sales & Distribution, Customer Experience, Marketing, Credit Management, Collections & Recoveries, Risk Management, Operations, Audit & Compliance, Expense Control, Training, Talent Management and Development, Change Management, Digital Transformation & Innovation as well as Bancassurance business for both Conventional and Islamic Takaful. She is a qualified certified Global Trainer for Credit & Risk Management modules.

She managed the overall Front, Middle and Back office Operations that has direct impact on P&L and sustainability in the long run. She had built a very successful career in Malaysia, Singapore and Thailand in various roles and responsibilities, with a proven track record. Extensive professional exposure in Regional and Operational leadership oversight in APAC, namely Malaysia, Thailand, Indonesia, Australia, Korea, Philippines, Singapore, India and Taiwan. A strategic thinker with focus on process improvements and evolvement into more practical, productive and cost efficient ways of doing things. Over the years her experience

in decision making roles has made her a well-rounded senior management professional with strong leadership, strategic, people and management skill.

She started her working career as a Tax & Audit Consultant at Ernst & Whinney for 2 years after graduation and spent thereafter 17 years at various roles and posting started with Citibank Malaysia, Citibank Singapore (Regional role) and Citibank Thailand. She moved up the ladder from her first role as Credit Manager with the Bank and steadily rose to her last position at Citibank, at Senior Management level as Director of Credit Operations.

She then joined CIMB Malaysia as Executive Vice President (EVP), Head of Consumer Credit Operations. Next, she assumed the role of Executive Vice President (EVP) Head of Sales and Distribution, at Ambank Group. She further expanded her portfolio to the Insurance Industry and joined Prudential Assurance Malaysia Berhad as the Chief Officer General/Life Insurance and Partnership Distribution, reporting to the CEO. An individual with a proven track record.

**Declaration of Interest:**

She has no family relationship with any other Directors/major shareholders of the Company and has no conflict of interest with the Company. She has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020.

## Profile of Board of Directors



**DATO' MUSTAFFA AHMAD**  
Independent Non-Executive Director

**Nationality / Age / Gender :** Malaysian / 65 / Male

**Date of Appointment :** 13 August 2020

**Position on the Board Committees :**

- Chairman of Investment Committee
- Member of Nomination & Remuneration Committee
- Member of Board Risk Committee
- Member of Long Term Incentive Plan Committee

**Academic/Professional Qualification/Membership(s):**

- Bachelor of Science (Hons) in Statistics, Heriot-Watt University, Edinburgh, Scotland (1974-1978)

**Board Meeting Attendance during the Financial Year:** 4/4

**Present Directorship(s) in other Companies:**

**Listed entity:** Nil

**Other Public Companies:** Nil

**Past Directorship(s) and/or Appointment(s):**

- Director, Malaysian Reinsurance Berhad (2015 to 2020)
- Director, MNRB Holdings Berhad (2016 to 2019)
- Director, Amanah International Finance Berhad (2015 to 2017)
- Director, MIDF Amanah Investment Bank Berhad (2005 to 2017)
- Director, MMIP Services Sdn Bhd (2006 to 2010)
- Director, Asia Unit Trusts Berhad (2001 to 2010)
- Director, Financial Park (Labuan) Sdn Bhd (2000 to 2010)
- Director, MIDF Amanah Short Deposits Berhad (2000 to 2007)
- Director, Takaful Ikhlas Berhad (2002 to 2006)
- Director, Amanah General Assets Berhad (1993 to 2006)
- Director, Malaysian International Insurance (Labuan) Ltd. (now 'Labuan Re') (2000 to 2004)
- Director, Trust International Insurance Berhad (1994 to 2002)

**Background, Expertise and Experience:**

Dato' Mustafa Ahmad is currently a Board member of mySalam National B40 / M40 Protection Trust Fund.

He has worked for several insurance companies since 1978 and held various positions. He has more than 32 years working experience in the local insurance companies and the national reinsurer of Malaysia. Throughout the first 11 years as member of the Senior Management team of these companies, he was mainly involved in Claims, Underwriting and Reinsurance operations. During his tenure with the national reinsurer, the last position he held was as Chief Operating Officer and as immediate Deputy to the CEO. He was involved in all aspects of operations, including Investment, Finance and IT. He also held the position of Chairman of PIAM Rating Committee for 15 years as well as the Deputy Chairman of National Insurance Association of Malaysia (NIAM) for more than 10 years until his retirement in 2010. Over the years, he has contributed to the insurance and takaful industry via his involvement in Persatuan Insuran Am Malaysia (PIAM) Sub-Committees and BNM Working Groups. Previously, he was a Board member of Takaful Ikhlas Berhad (2002 to 2006), Malaysian Reinsurance Berhad (2015 to 2020) and MNRB Holdings Berhad (2016 to 2019).

**Declaration of Interest:**

He has no family relationship with any other Directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020.

## Profile of Board of Directors



**MOHAMAD SALIHUDDIN AHMAD**  
Non-Independent Non-Executive Director

**Nationality / Age / Gender :** Malaysian / 58 / Male

**Date of Appointment :** 13 August 2020

**Position on the Board**

- Committees**
- Member of Audit Committee
  - Member of Nomination & Remuneration Committee
  - Member of Board Risk Committee
  - Member of Long Term Incentive Plan Committee

**Academic/Professional Qualification/Membership(s):**

- Master in Business Administration, Stephen F. Austin University, Texas, USA (1988)
- Bachelor of Science, Indiana State University, USA (1986)

**Board Meeting Attendance during the Financial Year:** 4/4

**Present Directorship(s) in other Companies:**

**Listed entity:** Nil

**Other Public Companies:**

- Director, Syarikat Takaful Malaysia Am Berhad (2019)

**Past Directorship(s) and/or Appointment(s):** Nil

**Background, Expertise and Experience:**

Mohamad Salihuddin Ahmad has held various key positions in the General and Life Insurance as well as Takaful over the past thirty years. He started his career as a Marketing Executive at London & Pacific Insurance from 1988 to 1989, as Branch Manager at American Home Assurance Berhad from 1990 to 1993, Countrywide Agency Manager from 1993 to 1995, Manager, Branch Operation & Agency Development at American Malaysia Insurance Berhad from 1995 to 1996, Senior Manager, Branch Operation & Agency Development at Amal Insurance Bhd, Assistant General Manager from 1998 to September 2000, General Manager at MCIS Zurich Insurance Berhad from 1 October 2000 to 31 October 2002, Senior Vice President, Corporate Insurance Business Division of Malaysia National Insurance Berhad from 1 November 2002 to 15 September 2004, Executive Vice President, Retail Marketing & Sales Support Division at Mayban Fortis Holdings Berhad from 16 September 2004 to 14 December 2005, Chief Executive Officer (CEO) at Malaysia National Insurance Berhad from 15 December 2005 to 27 May 2006, CEO of Prudential BSN Takaful Berhad from 12 June 2006 to 31 August 2009 and as an Executive Director & CEO of Great Eastern Takaful Sdn Bhd from 1 September 2009 to 31 December 2012. He was also the CEO of AmMetLife Takaful Berhad (AmMetLife) from 11 May 2015 to 5 May 2017.

Previously, he was a Technical Committee member at Finance Accreditation Agency from August 2013 until August 2019.

**Declaration of Interest:**

He has no family relationship with any other Directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020.



## Profile of Board of Directors



**DATUK BAZLAN OSMAN**  
Independent Non-Executive Director

**Nationality / Age / Gender :** Malaysian / 57 / Male

**Date of Appointment :** 18 August 2020

**Position on the Board Committees :**

- Chairman of Audit Committee
- Chairman of Long Term Incentive Plan Committee
- Member of Investment Committee

**Academic/Professional Qualification/Membership(s):**

- Association of Chartered Certified Accountants (ACCA), United Kingdom (Fellow since 1995)
- Malaysian Institute of Accountants (MIA) (Member since 1992)
- Diploma in Accounting, Polytechnic of North London, United Kingdom (1984)

**Board Meeting Attendance during the Financial Year:** 4/4

**Present Directorship(s) in other Companies:**

**Listed entity:**

- Bursa Malaysia Berhad (2020)
- Glomac Berhad (2020)
- FIMA Corporation Berhad (2019)

**Other Public Companies:**

- Citibank Berhad (2019)

**Past Directorship(s) and/or Appointment(s):**

- Board Member, Universiti Utara Malaysia (2020)
- Executive Director, TM (2008-2019)
- Acting Group Chief Executive Officer (CEO), TM (2018)
- Deputy Group CEO, TM (2017-2018)
- Group Chief Financial Officer (CFO), TM (2005-2017)
- Director, Malaysia Digital Economy Corporation Sdn Bhd (2018)
- Director, Labuan Reinsurance (L) Ltd (2005-2008)
- Board Commissioner, PT XL Axiata Tbk (2005-2008)
- Director, Nationwide Express Holdings Berhad (1994-2005)

**Background, Expertise and Experience:**

Datuk Bazlan Osman is currently the Chairman of GITN Sdn Bhd (wholly-owned subsidiary of TM), Council member of MIA, Deputy Chair of ACCA Malaysia Advisory Committee as well as a Director of Malaysia Professional Accountancy Centre.

He started his career as an auditor with Hanafiah Raslan & Mohamad, a public accounting firm in 1986 and subsequently served the Sime Darby Group, holding various finance positions in its corporate office in Kuala Lumpur, Singapore and Melaka.

From 1993 to 1994, he had a one-year stint in American Express Malaysia Berhad as its Manager-Accounting & Financial Control before joining Kumpulan FIMA Berhad in 1994, where he was subsequently appointed Senior Vice President, Finance/Company Secretary. He joined Celcom (Malaysia) Berhad in 2001 as the Senior Vice President, Corporate Finance & Treasury and subsequently appointed as the Chief Financial Officer (CFO) prior to his appointment as Telekom Malaysia (TM) Group CFO on 1 May 2005. In April 2017, he was appointed as the Deputy Group Chief Executive Officer and subsequently assumed the position as Acting Group Chief Executive Officer from 6 June 2018 until 16 November 2018. He was appointed as an Executive Director of TM on 25 April 2008 until 28 February 2019.

**Declaration of Interest:**

He has no family relationship with any other Directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020.

# Profile of Shariah Advisory Body



**PROFESSOR DR. MUHAMAD RAHIMI OSMAN**  
Chairman

**Nationality / Age / Gender :** Malaysian / 60 / Male  
**Date of Appointment :** 12 January 2010

**Academic/Professional Qualification/Membership(s):**

- Doctor of Philosophy (PhD) in Law, International Islamic University Malaysia (2007)
- Masters in Islamic Economics, University of Yarmouk, Jordan (1996)
- Bachelor of Shariah (Hons), University of Malaya (1987)

**SAB Meeting Attendance during the Financial Year:** 6/6

**Areas of Expertise:**

- Islamic Commercial Laws (*Fiqh Al-Muamalat*)
- Islamic Economics
- Islamic Banking and Takaful
- Islamic Capital Market

**Background and Working Experience**

**Present:**

- Professor, Arshad Ayub Graduate Business School, UiTM
- Chairman, Shariah Committee Co-opbank Pertama (CBP)
- Member, Shariah Committee Alliance Islamic Bank (AIS)
- Member, Shariah Committee Amanah Saham Darul Iman (ASDI)
- Shariah Adviser, Islamic Stockbroking Services, Alliance Investment Bank Berhad (AIBB)
- Associate Fellow, Malaysia Transport Institute (MITRANS), UiTM
- Member, Association of Shariah Advisors in Islamic Finance (ASAS)
- Member, Majlis Dakwah Negara (MDN)
- Several other committees inside and outside of the University

**Past Appointment(s):**

- Dean of the Academy of Contemporary Islamic Studies (ACIS), UiTM, Shah Alam (2013 – 2019)
- Chairman, Dean Council of Islamic Studies, Higher Learning Institutions of Malaysia (2017-2019)
- Member, Shariah Committee, Hong Leong Islamic Bank (HLISB)
- Member, Shariah Committee, Hong Leong Tokyo Marine Takaful (HLTMT)
- Director, Centre for Islamic Thought and Understanding (CITU), UiTM, Shah Alam (2005-2013)
- Director, Zakat Research Institute of Malaysia (IKaZ), UiTM, Shah Alam (2007-2010)
- Member, Curriculum Review Committee for Muamalat, Takaful, Islamic Banking and Finance of the Ministry of Higher Education Malaysia
- Member, Islamic Non-Government Organisation (NGO-i), Majlis Agama Islam Selangor (MAIS)

He has written books and presented papers at national and international seminars related to Islamic economics, Islamic banking and finance. His articles have also been published in local and international journals.

**Declaration of Interest:**

He has no family relationship with any Directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020.



**DR. AHMAD SUFIAN CHE ABDULLAH**  
Member

**Nationality / Age / Gender :** Malaysian / 42 / Male  
**Date of Appointment :** 1 July 2015

**Academic/Professional Qualification/Membership(s):**

- Doctoral Degree (PhD) in Islamic Economics and Banking, Yarmouk University, Jordan (2015)
- Masters Degree in Shariah, Islamic Finance (Fiqh Finance), University of Malaya (2008)
- Bachelor Degree in Shariah and Management, University of Malaya (2003)

**SAB Meeting Attendance during the Financial Year:** 6/6

**Areas of Expertise:**

- Shariah
- Finance
- Islamic studies other than Shariah

**Background and Working Experience**

**Present:**

- Senior Lecturer, Department of Shariah and Management, Academy of Islamic Studies, University of Malaya
- Member, Shariah Committee, CIMB Islamic Berhad
- Member, Shariah Committee, SME Bank Berhad
- Member, Fatwa Committee, Jabatan Mufti Negeri Perlis
- Member, Islamic Legal Consultative Committee, Federal Territories
- Member, Waqaf Committee, Majlis Agama Islam dan Adat Istiadat Negeri Kelantan (MAIK)
- Member, Shariah Advisor Committee, Sabnuha Jewellery PLT
- Curriculum and Academic Advisor in Islamic Finance, Kolej Yayasan Pahang
- Curriculum Advisor for Uniti College Kota Bharu
- Advisor for various private business and Non-Profit Organisations

**Past Appointment(s):**

- Member, Shariah Advisor Committee, Kenanga Investment Bank Berhad (2015-2019)
- Muamalat Expert Panel of Jabatan Kemajuan Islam Malaysia (JAKIM) (2016-2018)
- Member, Committee of UM Awqaf (2017-2018)
- Fellow, Department of Shariah and Management, Academy of Islamic Studies, University of Malaya (2014)
- Zakat and Alms Management Unit, Embassy of Malaysia, Jordan (2012)
- Lecturer, Department of Shariah and Management, Academy of Islamic Studies, University of Malaya (2009)
- Tutor, Department of Shariah and Management, Academy of Islamic Studies, University of Malaya (2004)

He has produced numerous publications such as book and research papers in Islamic legal theories (*usul fiqh*), Islamic commercial laws, Islamic banking and finance, Takaful and Shariah Fintech. He is the founder and administrator of "muamalat.my", a social media platform that strives to become a medium of education in enhancing public awareness with regards to Islamic Finance and Takaful since 2013.

**Declaration of Interest:**

He has no family relationship with any Directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020.

## Profile of Shariah Advisory Body



**ASSOC. PROF. DR. MARHANUM CHE MOHD SALLEH**  
Member

**Nationality / Age / Gender :** Malaysian / 39 / Female  
**Date of Appointment :** 1 February 2016

**Academic/Professional Qualification/Membership(s):**

- Doctor of Philosophy (PhD) in Islamic Banking and Finance, International Islamic University Malaysia (IIUM) (2014)
- Masters in Islamic Finance, IIUM (2009)
- Bachelor Degree in Shariah and Management (with Distinction), University of Malaya (2006)

**SAB Meeting Attendance during the Financial Year:** 6/6

**Areas of Expertise:**

- Islamic Finance and Takaful
- Islamic marketing
- Fintech
- Waqf

**Background and Working Experience**

**Present:**

- Associate Professor, Department of Finance, IIUM
- Member, Association of Shariah Advisors in Islamic Finance Malaysia
- Member, International Council of Islamic Finance Educators (ICIFE)
- Member, Asian Academy of Management (AAM), University Science of Malaysia
- Research Coordinator, Department of Finance, IIUM

**Past Appointment(s):**

- Academic Trainee, Department of Business & Administration, IIUM (2013)
- Research Assistant, Department of Business & Administration, IIUM (2013)

She has been actively engaged with various research projects including funded by the Malaysian Ministry of Higher Education since 2013 (Child Labour in Malaysia: Formulating A Legal Framework with Reference to International Instruments and Islamic Law (2013-2016), Developing a Sustainable Model of a Waqf-Based Takaful for Flood Victims in Malaysia (2015-2017), The Implication of Goods and Services Tax (GST) on the Performance of Takaful Operators in Malaysia (2015-2018), Formulating an Islamic Health Protection Retirement Plan (I-HPRP) for Government Servants in Malaysia (2019), by IIUM (Herding Behaviour among IIUM Lecturers Towards Islamic Financial and Investment Products (2016) as well as by Malaysian Accountant General's Department (Perakaunan dan Pelaporan Kewangan Islam bagi Institusi Zakat, Wakaf dan Baitulmal di Malaysia (2017-2020). She also has contributed her expertise to Department of Finance as a Seminar coordinator (2015), Research coordinator (2016-present), and Working Committee, Review for Bachelor of Islamic Finance Program (2017-present), Committee for Kuliyah PROSUMER 2017 (Research Week), Course Coordinator for Principles & Practice of Takaful (FIN 4030), Foundation of Islamic Finance (ISF1101), Islamic Financial Planning (FIN 6253), Regulatory Framework of Islamic Financial Contract (FIN6650), and Qawa'id Fiqhiyyah for Banking & Finance (ISF 2102) courses.

She has published her works in national and international journals including in the Australian Journal of Basic and Applied Sciences, Journal of Islamic Finance and Business Research, Journal of Islamic Finance, Asian Academy of Management Journal and International Journal of at-Thaqafah. She has also served as reviewers for academic journals including Journal of Islamic Accounting and Business Research, Intellectual Discourse, IIUM, Jurnal Syariah, University Malaya, International Journal of Economics, Management, and Accounting, and Journal of Islamic Banking and Finance, IIUM.

**Declaration of Interest:**

She has no family relationship with any Directors/major shareholders of the Company and has no conflict of interest with the Company. She has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020.



**MEGAT HIZAINI HASSAN**  
Member

**Nationality / Age / Gender :** Malaysian / 54 / Male  
**Date of Appointment :** 1 April 2017

**Academic/Professional Qualification/Membership(s):**

- Masters in Law, Harvard Law School, Harvard University, United States of America (1994)
- Masters in Law, University of Cambridge, United Kingdom (1992)
- Advocate & Solicitor of the High Court of Malaya (1991)
- Bachelor of Laws (First Class Hons), International Islamic University Malaysia (IIUM) (1990)

**SAB Meeting Attendance during the Financial Year:** 6/6

**Areas of Expertise:**

- Legal

**Background and Working Experience**

**Present:**

- Partner, Lee Hishammuddin Allen & Gledhill

**Past Appointment(s):**

- Director, ZI Shariah Advisory Services Sdn. Bhd (2007 – 2010)
- Partner, Messrs. Zaid Ibrahim & Co. (2006 – 2010)
- Advocate & Solicitor of the High Court of Malaya and was called to the Malaysian Bar in 1991
- Lecturer, Kuliyah of Laws, IIUM

Currently, Megat Hizaini Hassan heads Lee Hishammuddin Allen & Gledhill's Islamic Finance practice and advises on Islamic finance matters as well as corporate legal and regulatory developments. He has advised local and international clients on issues pertaining to the legal and regulatory framework on Islamic banking and finance, as well as matters relating to applicable Shariah standards for Islamic financial/investment transactions in Malaysia and abroad. These include structuring and documentation of Islamic financing facilities and investment structures such as Murabahah (cost plus sale), Commodity Murabahah/Tawarruq (monetisation transaction), Ijarah (Islamic lease/hire), Bai' Istisna' (construction contract), Bai' Salam (advance sale), Bai' Bithaman Ajil (sale with deferred payment), Bai' Inah (sale and buyback transaction), Musharakah (profit and loss sharing structure) and Mudarabah (profit sharing structure).

He has presented at various seminars and conferences on legal and regulatory issues pertaining to Islamic finance. He is a Registered Arbitrator for Islamic Finance in the Asian International Arbitration Centre, an Accreditation Panel Member of the Finance Accreditation Agency Malaysia, a member of the Islamic Finance Committee of the Malaysian Bar Council, and has also previously lectured on a part-time/guest lecturer basis at the Ahmad Ibrahim Kuliyah of Laws, IIUM on Islamic finance and other legal subjects.

He has also written for publishers such as Sweet & Maxwell as co-author of "The Law and Practice of Islamic Banking and Finance" and "An Introduction to Islamic and Conventional Corporate Finance". He has been recognised as one of the leading lawyers in his field, through publications such as the International Financial Law Review's Guide to the World's Leading Islamic Finance Lawyers and Expert Guides, Legal 500, Chambers Asia as well as Islamic Finance News.

**Declaration of Interest:**

He has no family relationship with any Directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction of offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020.

## Profile of Shariah Advisory Body



**DR. NIK ABDUL RAHIM NIK ABDUL GHANI**  
Member

**Nationality / Age / Gender :** Malaysian / 42 / Male  
**Date of Appointment :** 1 April 2019

**Academic/Professional Qualification/Membership(s):**

- Doctor of Philosophy (PhD) in Islamic Finance, International Centre for Education in Islamic Finance (2017)
- Masters of Islamic Studies (Syariah), Universiti Kebangsaan Malaysia (2009)
- Bachelor of Shariah, Islamic University of Medina, Kingdom of Saudi Arabia (2003)
- Certificate of Rabi'e Thanawi (Jayyid Jiddan/Very Good), Sekolah Menengah Agama Atas Sultan Zainal Abidin (1998)

**SAB Meeting Attendance during the Financial Year:** 6/6

**Areas of Expertise:**

- Shariah
- Islamic Finance

**Background and Working Experience**

**Present:**

- Senior Lecturer, Universiti Kebangsaan Malaysia (UKM)
- Member, Shariah Committee, Maybank Islamic Berhad
- Member, Shariah Committee, Universiti Kebangsaan Malaysia
- Member of Hukum Syarak Consultative Committee of Wilayah Persekutuan (Ahli Majlis Fatwa Wilayah Persekutuan)
- Member of the Committee of Klinik Hukum Syarak and Guaman Syarie, Research Centre for Sharia, FPI, UKM
- Expert Consultant and Speaker for Religious Seminar and Courses for Pusat Islam UKM and Unit Latihan, UKM

**Past Appointment(s):**

- Member, Shariah Committee, Citibank Berhad (2011-2020)
- Member and Researcher of Research Centre for Islamic Economics and Finance (EKONIS), Faculty of Economics and Management, UKM (2010-2018)
- Panel of Authors for Adoption of Shari'ah Standards into Academic Syllabus of Local Universities, Bank Negara Malaysia (2017)
- Columnist Majalah Solusi (Column of Kontemporari) (2014-2015)
- Member of Shari'ah Advisory Council, TEKUN Nasional (2013-2015)
- Columnist of Majalah Solusi (Column of Maqasid Syariah) (2009 -2013)
- Teacher, SM Imtiaz Dungun, (2004-2005)

He has produced numerous publications such as books, journals and chapter in book, a project leader and a member for research papers as well as articles in conference proceedings at national and international levels.

**Declaration of Interest:**

He has no family relationship with any Directors/major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020.



## Profile of Senior Management



**DATO' SRI MOHAMED HASSAN KAMIL**  
Group Chief Executive Officer

Dato' Sri Mohamed Hassan Kamil, aged 58, male, is a Malaysian citizen with 34 years of experience in the insurance industry. He was appointed to the Board of STMKB on 1 September 2006 as a Non-Independent Non-Executive Director. He was then appointed as the Group Managing Director of STMKB on 1 April 2007 and was redesignated as the Group Chief Executive Officer on 25 April 2017. He is also the Chairman of the Board of Commissioners of P.T. Asuransi Keluarga and P.T. Syarikat Takaful Indonesia. He is a Fellow of the Society of Actuaries. He has a direct equity interest of 0.03% in the Company as at 31 December 2020 but does not have any direct or indirect equity interest in the subsidiaries of the Company. He does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020. He has no family relationship with any Directors and major shareholders of STMKB, and has no conflict of interest with STMKB.



**LEEM WHY CHONG**  
Deputy Chief Executive Officer

Leem Why Chong, aged 49, male, is a Malaysian citizen and he has been in the insurance & takaful industry for more than 26 years. He joined STMKB in 2009 and was appointed to the key management team on 19 October 2009, and served as the appointed actuary for the family takaful business for 5 years till 2015. Leem Why Chong is currently the Deputy Chief Executive Officer since 1 June 2018. He is a Fellow of the Society of Actuaries. He does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020. He has no family relationship with any Directors and major shareholders of STMKB, and has no conflict of interest with STMKB.



**MOHAMED SABRI RAMLI**  
Chief Executive Officer, STMAB

Mohamed Sabri Ramli, aged 50, male, is a Malaysian citizen and he has been in the insurance and takaful industry for more than 26 years. He joined STMAB in 2018 and was appointed to the key management team on 1 August 2018. He holds a Bachelor in Civil Engineering (Hons). He does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020. He has no family relationship with any Directors and major shareholders of STMKB, and has no conflict of interest with STMKB.



## Profile of Senior Management



### **JULIANA LO BENG LIEW**

#### **General Manager, Corporate Finance & Strategy**

Juliana Lo Beng Liew, aged 50, female, is a Malaysian citizen with 29 years of experience in insurance industry. She joined STMKB in April 2009. Juliana holds a Chartered Institute of Management Accountants Advanced Diploma in Management Accounting. She was appointed to the key management team on 1 September 2015. She does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020. She has no family relationship with any Directors and major shareholders of STMKB, and has no conflict of interest with STMKB.



### **SIA MENG HUI**

#### **Chief Financial Officer**

Sia Meng Hui, aged 37, female, is a Malaysian citizen with 13 years of experience in financial services and public listed companies with in-depth knowledge and exposure especially in composite insurance and takaful. She joined STMKB in August 2012. She is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a Chartered Accountant of the Malaysian Institute of Accountants. She was appointed to the key management team on 1 February 2019. She does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020. She has no family relationship with any Directors and major shareholders of STMKB, and has no conflict of interest with STMKB.



### **SHUHAIBAH TULASLAMIAH HURMUZAN**

#### **General Manager, Human Resource & Corporate Services**

Shuhaibahtulaslamiah Hurmuzan, aged 53, female, is a Malaysian citizen and she has 27 years of experience in managing a total spectrum of Human Resource, Property, Document Management and Procurement. She holds a Master in Business Administration. She has been with STMKB since April 2010 and was appointed as General Manager Human Resource on 1 October 2010. Subsequently, re-designated to General Manager, Human Resource and Corporate Services on 1 January 2021 where she also manages the Property, Document Management and Procurement Divisions. She was appointed to the key management team on 1 October 2010. She does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020. She has no family relationship with any Directors and major shareholders of STMKB and has no conflict of interest with STMKB.

## Profile of Senior Management



**PATRICK WONG CHANG YANG**  
Chief Information Officer

Patrick Wong Chang Yang, aged 48, male, is a Malaysian citizen and he has been in the industry for 29 years with vast experience in IT Application and Infrastructure. He joined STMKB in 2009 and was appointed to the key management team on 16 April 2010. He graduated with a Bachelor's in Information Technology and holds a Masters of Science in Management. He does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020. He has no family relationship with any Directors and major shareholders of STMKB, and has no conflict of interest with STMKB.



**MOHAMMAD FADHLEE AWALUDIN**  
Chief Investment Officer

Mohammad Fadhlee Awaludin, aged 48, is a Malaysian citizen and he has more than 25 years of experience in investment and finance. He joined STMKB in 2004 and was appointed to the key management team on 1 February 2021. He is a Fellow of the Chartered Institute of Management Accountant UK (CIMA). He does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2020. He has no family relationship with any Directors and major shareholders of STMKB and has no conflict of interest with STMKB.

# Corporate Governance Overview Statement

The Board of Directors ("the Board") of Syarikat Takaful Malaysia Keluarga Berhad (STMKB or "the Company") and its subsidiary companies ("STMKB Group" or "the Group") continue to subscribe and support the Malaysian Code on Corporate Governance 2017 (MCCG). The Board is committed to ensure that the Principles and Recommended Practices are observed and practised throughout the STMKB Group so that the affairs of the Group are conducted with professionalism, accountability and integrity with the objective of safeguarding and enhancing shareholders' value and financial performance of the Group.

The Board is pleased to report on the application of the Recommended Practices of the MCCG as required under the MCCG and the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") during the financial year under review.

The application of each Practice set out in the MCCG during the financial year under review is disclosed under STMKB's Corporate Governance Report published on STMKB's website at [www.takaful-malaysia.com.my](http://www.takaful-malaysia.com.my).

## DIRECTORS

### The Board

The Board of STMKB is responsible to promote and protect the interest of STMKB which includes the shareholders and stakeholders of each member of the Group. The Board shoulders the ultimate responsibility of determining the direction of the Group thereby ensuring long term success and the delivery of sustainable value to its shareholders. The Board provides thought leadership and advice in fine-tuning corporate strategies, championing corporate governance and ethical practices and ensures effective execution of these strategies.

### Terms of Reference/Board Charter

The Board is mindful of the need to protect the interests of its shareholders and other stakeholders. In discharging its duties effectively, the Board is guided by its Terms of Reference/Board Charter ("Board Charter") which sets out the roles and responsibilities of the Board. The Board Charter is reviewed regularly to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives. The last review was carried out on 19 October 2017. The Board Charter is accessible on our website at [www.takaful-malaysia.com.my](http://www.takaful-malaysia.com.my).

### Roles and Responsibilities of the Board

The Board has the overall responsibility of ensuring that STMKB operates as intended in the declared objectives of the Company. Consequently, it has the power to decide on all matters pertaining to the Company's business as empowered by the Company's Constitution, Companies Act 2016, Islamic Financial Services Act 2013 (IFSA 2013) and all relevant guidelines of Bank Negara Malaysia (BNM), Securities Commission and the Listing Requirements, and if required, to delegate these powers accordingly. Some of the specific powers of the Board would include the following:

- To establish and approve policies on the future direction of the Company within the general objective of attaining progress in its overall corporate missions which cover all aspects of operations, including strategic planning, credit administration and control, asset and liability management encompassing the management of liquidity risk, return on investment risk and market risk, accounting system and control, service quality, automation plan, prevention of money laundering, risk management, profit planning and budgeting, adequacy of capital and human resource development;
- To approve new investments, divestments and acquisitions, including the setting up of new subsidiaries/associated companies and the participation in new business activities locally or overseas;
- To review and approve the annual business plan and budget, and monitoring the quantitative and qualitative performance of STMKB, both at the Company and the Group levels, against target and objectives;
- To ensure that the business operations of the Company are conducted in accordance with the Shariah principles;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacement of Senior Management; and
- Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

## Corporate Governance Overview Statement

To operate effectively in a dynamic environment, the Board's responsibilities are delegated to the Management of the Company headed by the Group Chief Executive Officer (GCEO). The GCEO is responsible for broad aspects of the day-to-day operations of the Company including financial stewardship and compliance to laws, regulations, policies and procedures. In this regard, Management is accountable to the Board for the overall functions and activities of the Company amongst others the implementation of the policies and strategies as approved by the Board, are always in line with the Shariah principles and guided by regulatory requirement as well as industry best practices.

### Board Meetings

Board meetings are scheduled in advance at the beginning of a calendar year with additional meetings convened when necessary. All Directors have complied with the Listing Requirements on attendance for Board meetings held during the financial year under review. Thirteen (13) Board meetings were held during the financial year under review with details of meetings' attendance of each Director are as follows:

| Name                                                                                                          | Attendance       | Percentage (%) |
|---------------------------------------------------------------------------------------------------------------|------------------|----------------|
| Dato' Mohammed Haji Che Hussein<br>Chairman/Independent Non-Executive Director<br>(Appointed on 1 April 2020) | 9/9 <sup>#</sup> | 100            |
| Mahadzir Azizan<br>Non-Independent Non-Executive Director<br>(Retired on 15 August 2020)                      | 7/7 <sup>*</sup> | 100            |
| Dato' Othman Abdullah<br>Senior Independent Non-Executive Director<br>(Demised on 4 April 2020)               | 3/3 <sup>*</sup> | 100            |
| Datin Sri Azlin Arshad<br>Independent Non-Executive Director/Deputy Chairman<br>(Retired on 13 August 2020)   | 7/7 <sup>*</sup> | 100            |
| Mohd Azman Sulaiman<br>Independent Non-Executive Director                                                     | 13/13            | 100            |
| Damanhuri Mahmod<br>Non-Independent Non-Executive Director<br>(Ceased office on 1 July 2020)                  | 7/7 <sup>*</sup> | 100            |
| Suraya Hassan<br>Independent Non-Executive Director                                                           | 13/13            | 100            |
| Dato' Mustaffa Ahmad<br>Independent Non-Executive Director<br>(Appointed on 13 August 2020)                   | 4/4 <sup>#</sup> | 100            |
| Mohamad Salihuddin Ahmad<br>Non-Independent Non-Executive Director<br>(Appointed on 13 August 2020)           | 4/4 <sup>#</sup> | 100            |
| Datuk Bazlan Osman<br>Independent Non-Executive Director<br>(Appointed on 18 August 2020)                     | 4/4 <sup>#</sup> | 100            |

\* The number of meetings held up to the cessation of office.

# The number of meetings attended after the appointment date.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of STMTKB as evidenced by the attendance record of the Directors at Board meetings, as set out in the above table. All Directors complied with the minimum attendance of at least 75% of Board meetings held during the financial year under BNM's Guidelines on Corporate Governance. A Director who is unable to attend any Board or Board Committee's meeting will notify the Chairman and/or the Company Secretary immediately prior to the meeting date.

## Corporate Governance Overview Statement

The Board also took note of the expectation on time commitment to carry out their duties and responsibilities. In this respect, members of the Board will notify the Chairman prior to their acceptance of any new directorship. Each Board member is expected to commit sufficient time to attend all Board and Committee meetings, Annual General Meeting (AGM)/Extraordinary General Meeting, Directors' training, Board networking events, discussions with Management and meetings with various stakeholders. The schedule for Board meetings was shared with the Directors before the beginning of the year to ensure the Directors' time commitment.

As prescribed in Paragraph 15.06 of the Listing Requirements, Directors must not hold directorships at more than five Public Listed Companies (PLCs). None of the Directors of STMKB have exceeded these limits during the financial year under review. The Directors are required to declare their directorships and/or interests in other public and private companies on a quarterly basis. Such information is also used to monitor the number of directorships held by the Directors, particularly those on PLCs and to notify the Companies Commission of Malaysia of any changes in other directorships in public companies.

All Directors have the backing of extensive work experience in various fields and therefore are able to exercise independent judgement in order to discharge their duties.

The Board believes that the existing appointment process for selecting a new member is adequate and it takes into consideration the required skills-set, experience, competency, industry experience, gender and age and how these adds to the Board's diversity.

### Directors' Code of Ethics

The Directors observe the code of ethics in accordance with the Company Directors' Code of Ethics established by the Companies Commission of Malaysia which provides guidance for proper standards of conduct, sound and prudent business practices as well as standard of ethical behaviour for Directors, based on principles of integrity, responsibility, sincerity and corporate social responsibility.

The Directors' Code of Ethics consist of three (3) major areas, namely:

- Corporate Governance;
- Relationship with shareholders, employees, creditors, customers and other stakeholders; and
- Social responsibilities and the environment.

### Board Balance and Independence of Directors

During the financial year under review, the Board comprises the following:

| Name                                    | Composition* | Percentage (%) |
|-----------------------------------------|--------------|----------------|
| Non-Independent Executive Director      | -            | 0              |
| Non-Independent Non-Executive Directors | 1/6          | 16.7           |
| Independent Non-Executive Directors     | 5/6          | 83.3           |

\* Excluding Dato' Othman Abdullah, Damanhuri Mahmood, Datin Sri Azlin Arshad and Mahadzir Azizan whose term of appointments has ended on 4 April 2020, 1 July 2020, 13 August 2020 and 15 August 2020 respectively.

The above composition is in compliance with Paragraph 15.02 of the Listing Requirements which requires one third (1/3) of Directors of STMKB to be Independent Directors. The above is also in compliance with MCGG for large companies whereby majority of Board members are Independent Directors.

The Board has adopted a nine-year policy for Independent Non-Executive Directors in August 2011 i.e. before the issuance of MCGG 2012. The tenure of all the five (5) Independent Non-Executive Directors does not exceed a cumulative term of nine (9) years as recommended by the MCGG. They continue to fulfill the definition of independence as set out in the Listing Requirements. Therefore, the Board recommends and supports the proposed re-appointment of the Independent Non-Executive Directors who are retiring by rotation in accordance with Rules 74 and 83 of the Company's Constitution at the forthcoming 36th AGM.



## Corporate Governance Overview Statement

The Board acknowledges gender diversity in the composition of the Board and strongly supports the Government's target of having 30% women's participation on boards of public listed companies in Malaysia. For the period under review, the Company has five (5) men Directors and one (1) woman Director. The woman Board member is Suraya Hassan. In view of the retirement of Datin Sri Azlin Arshad on 13 August 2020, the representation of women directors has reduced to 16.7%. The Board recognises the importance of gender boardroom diversity and is always mindful that any gender representation should be in the best interest of the Company. At present, the Company does not set any specific target for female Directors in the Board composition. Nevertheless, the Board will continue to encourage and support more women participation on the Board whenever a vacancy arises.

The Board recognises that diversity is one of the key drivers to enhance Board effectiveness as diversity broadens the debate within the Board, Shariah Advisory Body (SAB) and Senior Management by harnessing different insights and perspectives. The Board will continuously enhance the Board, SAB and Senior Management's composition to encourage diversity in terms of skills, background, knowledge, industry experience, culture, independence, ethnicity, age and gender when appointing new Directors, SAB members and Senior Management as outlined in MCCG. The profiles of the current Senior Management are set out on pages 63 to 65 of the Annual Report.

The Board with a diversified background and specialisation, collectively bring with them a wide range of experience and expertise in areas such as finance, insurance, takaful, actuary, accounting, company secretarial, legal, management and banking. The profiles of the Directors are provided on pages 54 to 59 of the Annual Report.

There is a clear division of responsibilities between the Chairman and the GCEO to ensure that there is a balance of power and authority. The roles and responsibilities of the Chairman and GCEO are distinct and separate, in accordance with the relevant best practice. The Chairman primarily presides over meetings of Directors and is responsible for instilling good corporate governance practices, leadership and the effectiveness of the Board. The GCEO is responsible for the execution of the Group's strategies in line with the Board's direction, oversees the operations of the Company and drives the Group's businesses and performance towards achieving the Group's vision and goals.

### Board Committees

To enable the Board to discharge its duties effectively whilst enhancing business and operational efficacy, the Board delegates certain responsibilities to five (5) Committees, namely:

- Audit Committee;
- Nomination and Remuneration Committee;
- Board Risk Committee;
- Investment Committee; and
- Long Term Incentive Plan Committee.

### Audit Committee (AC)

The AC currently comprises of three (3) members, all of whom are Non-Executive Directors, two (2) being Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. STMKB will strive to adopt Practice 8.4 of the MCCG in future. The details of members and meetings held during the financial year ended 31 December 2020 are as follows:

| Name                                                                                                                                | Attendance       | Percentage (%) |
|-------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|
| Dato' Othman Abdullah ( <i>Demised on 4 April 2020</i> )                                                                            | 2/2*             | 100            |
| Mahadzir Azizan ( <i>Retired on 15 August 2020</i> )                                                                                | 4/4*             | 100            |
| Datin Sri Azlin Arshad ( <i>Appointed on 29 April 2020/Retired on 13 August 2020</i> )                                              | 2/2*             | 100            |
| Suraya Hassan ( <i>Appointed as Chairman on 29 April 2020/<br/>Ceased as Chairman &amp; appointed as member on 14 August 2020</i> ) | 8/8 <sup>#</sup> | 100            |
| Mohamad Salihuddin Ahmad ( <i>Appointed on 14 August 2020</i> )                                                                     | 4/4 <sup>#</sup> | 100            |
| Datuk Bazlan Osman ( <i>Appointed as Chairman on 18 August 2020</i> )                                                               | 4/4 <sup>#</sup> | 100            |

\* The number of meetings held up to the cessation of office.

<sup>#</sup> The number of meetings attended after the appointment date.

## Corporate Governance Overview Statement

The current Chairman of AC, Datuk Bazlan Osman replacing Dato' Othman Abdullah who passed away on 4 April 2020, is an Independent Non-Executive Director is not the Chairman of the Board in line with the Practice 8.1 of the MCGG. The AC Report during the financial year under review is disclosed under pages 84 to 87 in the Annual Report.

### Nomination and Remuneration Committee (NRC)

As at the end of the financial year under review, the NRC consists of three (3) Non-Executive Directors, two (2) of whom are Independent Directors. The current Chairman of the NRC is Mohd Azman Sulaiman, an Independent Non-Executive Director is in line with Practice 4.7 of the MCGG. The NRC met six (6) times during the financial year under review with details of meetings' attendance of each member is as follows:

| Name                                                                                                                                            | Attendance       | Percentage (%) |
|-------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|
| Dato' Othman Abdullah ( <i>Demised on 4 April 2020</i> )                                                                                        | 2/2*             | 100            |
| Mahadzir Azizan ( <i>Ceased as member on 29 April 2020</i> )                                                                                    | 2/2*             | 100            |
| Mohd Azman Sulaiman ( <i>Ceased as Chairman/member on 1 January 2020/<br/>Appointed as member on 29 April 2020/Chairman on 14 August 2020</i> ) | 3/3 <sup>#</sup> | 100            |
| Suraya Hassan ( <i>Appointed as Chairman/member on 1 January 2020/Ceased as Chairman/<br/>member on 14 August 2020</i> )                        | 4/4*             | 100            |
| Dato' Mohammed Haji Che Hussein ( <i>Appointed on 29 April 2020 until 14 August 2020</i> )                                                      | 2/2*             | 100            |
| Dato' Mustafa Ahmad ( <i>Appointed on 14 August 2020</i> )                                                                                      | 2/2 <sup>#</sup> | 100            |
| Mohamad Salihuddin Ahmad ( <i>Appointed on 14 August 2020</i> )                                                                                 | 2/2 <sup>#</sup> | 100            |

\* The number of meetings held up to the cessation of office.

<sup>#</sup> The number of meetings attended after the appointment date.

The NRC is empowered by the Board and its terms of reference to bring to the Board recommendations as to the appointment of Directors, SAB members, Senior Management (General Manager position and above including GCEO, Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer, Appointed Actuary, Chief Investment Officer and such other designation as determined by the Board from time to time) and Company Secretary. The NRC also reviews the terms of appointment of Directors, SAB members, Senior Management and Company Secretary.

The NRC also discussed the succession plan of the Senior Management of STMKB including appointing and replacing Senior Management to ensure that any appointment made brings a balance of skills, knowledge, experience and diversity to the Company.

The NRC is also empowered to assess the effectiveness of the Board, its Committees including AC, contribution of each individual Director and the performance of the SAB. Directors' Performance Evaluation, Assessment of Independence of Independent Directors and Performance Evaluation for the AC were carried out annually by way of questionnaires which were issued/distributed to the Board and AC members for completion as required under the BNM Guidelines, Listing Requirements of Bursa Securities and MCGG. The areas covered are as follows:

| Annual Evaluation                                   | Assessment Criteria                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Directors' Performance Evaluation                   | Section A - Board evaluation criteria which comprises 3 criteria i.e. Board structure; Board operations and interaction; and Board roles and responsibilities.<br><br>Section B - Director Self/Peer Evaluation which comprises 4 criteria i.e. contribution to interaction, quality of input, understanding of role and Chairman's role. |
| Assessment of independence of Independent Directors | As prescribed under Paragraph 1.01 and Practice Note 13 of Listing Requirements of Bursa Securities.                                                                                                                                                                                                                                      |
| Performance Evaluation for the AC                   | Section 1 comprises 3 sections i.e. quality and composition, skills and competencies, and meeting administration and conduct.<br><br>Section 2 comprises AC members' peer evaluation.                                                                                                                                                     |

## Corporate Governance Overview Statement

The results of the evaluation for the financial year ended 31 December 2020 were tabled to the NRC and the Board meetings held on 19 January 2021 and 29 January 2021 respectively, for Board's notification and deliberation. The Board has taken note of the identified areas for improvement and would address them in the appropriate manner.

Based on the 2020 assessment, the Board was satisfied that the Board and Committee's composition provides an appropriate balance in terms of its current mix of skills, knowledge and experience, and is able to discharge their duties and responsibility diligently and efficiently in accordance with its Board Charter. The assessment in respect of Directors' independence in 2020 was carried out using the criteria prescribed under the Main Listing Requirements of Bursa Securities. All Independent Directors assessed have declared adherence to all the relevant regulatory stipulations in accordance with the Listing Requirements of Bursa Securities.

Among the key activities undertaken by the NRC during the financial year under review were:

- Proposed review of the Terms of Reference;
- Proposed re-election of Directors;
- Performance Evaluation of Directors and Audit Committee;
- Proposed appointment and re-appointment of Directors;
- Proposed re-appointment of SAB members;
- Proposed salary increment & performance bonus budget for executives and above;
- Proposed changes to the Board Committee members/composition;
- Company's succession plan for key positions;
- Board Remuneration & benefits review;
- Key Performance Indicators, Performance Assessment and Proposed Performance Bonus Quantum for GCEO for Y2020;
- Senior leadership succession planning update for GCEO and Direct reports; and
- Update on GCEO Scorecard – Mid year performance review.

The Terms of Reference of NRC is published on STMKB's website at [www.takaful-malaysia.com.my](http://www.takaful-malaysia.com.my).

### Board Risk Committee (BRC)

The BRC currently consists of three (3) Non-Executive Directors, two (2) of whom are Independent Directors. The current Chairman of the BRC is Suraya Hassan, an Independent Non-Executive Director. The BRC met three (3) times during the financial year under review with details of meetings' attendance of each member as follows:

| Name                                                                                      | Attendance       | Percentage (%) |
|-------------------------------------------------------------------------------------------|------------------|----------------|
| Datin Sri Azlin Arshad ( <i>Retired on 13 August 2020</i> )                               | 1/1*             | 100            |
| Damanhuri Mahmod ( <i>Ceased office on 1 July 2020</i> )                                  | 1/1*             | 100            |
| Suraya Hassan ( <i>Appointed as member on 1 January 2020/Chairman on 14 August 2020</i> ) | 3/3 <sup>#</sup> | 100            |
| Dato' Mustaffa Ahmad ( <i>Appointed on 14 August 2020</i> )                               | 2/2 <sup>#</sup> | 100            |
| Mohamad Salihuddin Ahmad ( <i>Appointed on 14 August 2020</i> )                           | 2/2 <sup>#</sup> | 100            |

\* The number of meetings held up to the cessation of office.

<sup>#</sup> The number of meetings attended after the appointment date.

## Corporate Governance Overview Statement

### Investment Committee (IC)

The IC currently consists of three (3) members, two (2) of whom are Non-Executive Directors and one (1) Management member. The current Chairman of the IC is Dato' Mustaffa Ahmad, an Independent Non-Executive Director. The IC met two (2) times during the financial year under review with details of meetings' attendance of each member is as follows:

| Name                                                                                                                                                  | Attendance       | Percentage (%) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|
| Damanhuri Mahmod ( <i>Appointed as Chairman on 1 January 2020/Ceased office on 1 July 2020</i> )                                                      | n/a              | n/a            |
| Datin Sri Azlin Arshad ( <i>Ceased as Chairman on 1 January 2020/Appointed as member on 1 January 2020/Retired on 13 August 2020</i> )                | n/a              | n/a            |
| Mahadzir Azizan ( <i>Retired on 15 August 2020</i> )                                                                                                  | n/a              | n/a            |
| Dato' Sri Mohamed Hassan Kamil ( <i>Appointed as member on 1 January 2020/Ceased as member on 21 May 2020/Appointed as member on 14 August 2020</i> ) | 2/2 <sup>#</sup> | 100            |
| Dato' Mustaffa Ahmad ( <i>Appointed as Chairman on 25 August 2020</i> )                                                                               | 2/2 <sup>#</sup> | 100            |
| Datuk Bazlan Osman ( <i>Appointed on 18 August 2020</i> )                                                                                             | 2/2 <sup>#</sup> | 100            |

<sup>#</sup> The number of meetings attended after the appointment date.

n/a – not applicable as the meeting was held after cessation of office.

All Committees have clear written terms of reference and the Board receives reports of their proceedings and deliberations. The Chairman of the various Committees will report to the Board the outcome of their meetings and such reports are incorporated in the minutes of the Board meeting. The Committees' memberships are based on Directors' skills and experience as well as their ability to add value to the Committees.

### Long Term Incentive Plan Committee (LTIP)

The LTIP Committee currently consists of four (4) Non-Executive Directors, three (3) being Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The current Chairman of the LTIP is Datuk Bazlan Osman, an Independent Non-Executive Director. The LTIP met one (1) time during the financial year under review with details of meetings' attendance of each member as follows:

| Name                                                                  | Attendance       | Percentage (%) |
|-----------------------------------------------------------------------|------------------|----------------|
| Datuk Bazlan Osman ( <i>Appointed as Chairman on 18 August 2020</i> ) | 1/1 <sup>#</sup> | 100            |
| Mohd Azman Sulaiman ( <i>Appointed on 14 August 2020</i> )            | 1/1 <sup>#</sup> | 100            |
| Dato' Mustaffa Ahmad ( <i>Appointed on 14 August 2020</i> )           | 1/1 <sup>#</sup> | 100            |
| Mohamad Salihuddin Ahmad ( <i>Appointed on 14 August 2020</i> )       | 1/1 <sup>#</sup> | 100            |

The Board at its meeting held on 22 July 2020 has decided for the LTIP Committee to be reconstituted as to implement and administer the share Grant plan under the LTIP of the Company and its group of companies.

<sup>#</sup> The number of meetings held/attended after the Committee has been reconstituted by the Board.

## Corporate Governance Overview Statement

### Shariah Advisory Body (SAB)

The SAB is entrusted by the Board to ensure that the Group's operations and products offered are in accordance with the Shariah. All matters which require the SAB's opinion and decision are deliberated at the SAB meetings with the attendance of the Management and representatives from the Shariah Division. Thereon, the said matters are brought to the attention of the Board for an informed decision making.

The SAB currently consists of five (5) members, all of whom have the necessary experiences and expertise in their respective fields. The profiles of the SAB are provided on pages 60 to 62 of the Annual Report. The current Chairman of the SAB is Professor Dr. Muhamad Rahimi Osman. All SAB members complied with the minimum attendance of at least 75% of the meetings held during the financial year under BNM's Guidelines on Shariah Governance Framework for Islamic Financial Institutions. The SAB met six (6) times during financial year under review and the details of meetings' attendance of each member are as follows:

| Name                                             | Attendance | Percentage (%) |
|--------------------------------------------------|------------|----------------|
| Professor Dr. Muhamad Rahimi Osman               | 6/6        | 100            |
| Dr. Ahmad Sufian Che Abdullah                    | 6/6        | 100            |
| Associate Professor Dr. Marhanum Che Mohd Salleh | 6/6        | 100            |
| Megat Hizaini Hassan                             | 6/6        | 100            |
| Dr. Nik Abdul Rahim Nik Abdul Ghani              | 6/6        | 100            |

### Whistle-Blowing Policy

The Company has established this Whistle Blowing Policy ("Policy") in response to the Whistle-blower Protection Act 2010 and is committed to the highest standard of compliance with regards to disclosure, transparency, accountability and integrity, as well as those set by relevant legislations.

The objectives of this Policy are:

- To provide an avenue for Whistle-blower to raise concerns and define a way to handle any concerns of integrity and misconduct.
- To ensure the Board of Directors is kept informed at an early stage about acts of misconduct or improprieties.
- To reassure Whistle-blower that they will be protected from punishment or unfair treatment for reporting concerns in Good Faith, if such reporting is in accordance with the procedures in the Policy.
- To help develop a culture of openness, accountability, and integrity within Takaful Malaysia.

The Policy should be read together with Company's Fraud Management Policy and Anti-Corruption Framework. This Policy and the Fraud Management Policy collectively govern the reporting and investigation procedures of improper activities or misconducts.

The whistle-blower can address concerns via any of the following Whistleblower reporting channel:

- Email to Independent, Non-Executive Director of STMKB, Puan Suraya Hassan via email: [suraya.hassan@takaful-malaysia.com.my](mailto:suraya.hassan@takaful-malaysia.com.my)
- E-form: <https://www.takaful-malaysia.com.my/contactus/Pages/wbform.aspx>
- Mailing address: Chief Compliance Officer, 26th Floor, Annexe Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur, P.O. Box 11483, 50746 Kuala Lumpur.

### Fraud Management Policy

The Fraud Management Policy serves as a guidance in managing fraud incidences in STMKB. It is designed to meet the following objectives:

- Provide guidance and approach to managing fraud risks and handling fraud incidences;
- Define the roles and responsibilities of all stakeholders in managing fraud risks;
- Provide the process for managing fraud risks; and
- Provide the process for investigating and reporting fraud incidences.



## Corporate Governance Overview Statement

### Corporate Disclosure Policy

The Company is guided by the Listing Requirements regarding the Corporate Disclosure Policy.

### Sustainability Policy

As the pioneer Shariah-compliant financial services provider for takaful, STMKB Group strive to be responsible corporate citizens. STMKB is committed to uphold the Shariah principles in relation to its business and social responsibilities.

The Board promotes good corporate governance in the application of sustainability practices particularly through the corporate social responsibility initiatives/programs undertaken by the Company throughout the year. The Sustainability Report is set out on page 23 to 53 of the Annual Report.

### Supply of Information to the Board

The Board has full and timely access to information with Board papers distributed in advance of meetings, normally five (5) days prior to the meeting, to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meetings. The Board papers include the minutes of previous Board meeting, minutes of meetings of all Committees of the Board, minutes of the SAB and reports relevant to the issues of the meetings covering areas such as financial, investment, information technology, operational, human resource and regulatory compliance matters. The GCEO keeps the Board informed, on timely basis, of all material matters affecting the Group's performance and major developments within the Group.

The Senior Management are invited to attend the Board meetings to present and brief the Board on matters/reports relating to their areas of responsibility as and when required.

A notification email on the meeting date including dateline for meeting materials to be submitted was sent out to the Management a few weeks prior to the meeting date.

In order for the Board meetings to be more effective, the Board meeting agenda are sequenced in a manner that prioritise approval papers. Time allocation is also determined for each agenda item in order for Board meetings to be conducted efficiently.

The deliberations and decisions at Board and Board Committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation. The Company Secretary will communicate to the relevant Management the Board's decisions for appropriate actions to be taken. The Company Secretary will also follow up with the Management on status of actions taken with reference to the previous minutes of meetings for updating the Board. Action items would stay as matters arising in the minutes of meetings until they are resolved.

Key decisions are always made in a Board meeting while Directors' Circular Resolutions are confined to administrative matters and are normally accompanied by Board papers in the same prescribed format. All Directors' Circular Resolutions are tabled for confirmation at the next Board meeting.

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices. The Company Secretary of the Company is qualified to act pursuant to Section 235(2) of the Companies Act 2016.

All Directors have unrestricted access to timely and accurate information and access to the advice and services of the Company Secretary, who is responsible for ensuring that Board meetings' procedures are followed and that all applicable rules and regulations are complied with. She is also responsible for advising the Directors of their obligations and duties, disclosure of their interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. In accordance with Paragraph 14.04 of the Listing Requirements, the Directors of the Company are reminded that they must not engage in dealings of the Company's shares or of other listed issuers as long as the Directors are in possession of

## Corporate Governance Overview Statement

price-sensitive information relating to such listed issuers. During the financial year under review, there were no transactions by any of the Directors in the shares of the Company. The Directors may seek independent professional advice in furtherance of their duties, at STMKB's expense.

The Board is also regularly updated from time to time by the Company Secretary and/or Management on updates to the regulations and guidelines, as well as any amendments thereto issued by BNM, Bursa Securities, Securities Commission, Companies Commission of Malaysia and other relevant regulatory authorities.

### Appointment to the Board

The appointment of new Board members is considered and evaluated by the NRC in a formal and transparent process, and the NRC would recommend the appointment to the Board for approval. In line with the IFSA2013 and the requirement of BNM, the appointment of Directors is subject to the approval from BNM. The Company Secretary will ensure that all the appointments are properly made, all necessary information are obtained, as well as all legal and regulatory requirements are met.

The Board, with the assistance of the NRC, also considers the following criterion in the selection process:

- Probity, personal integrity and reputation – the person must have key qualities such as integrity, diligence, independence of mind and fairness;
- Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role; and
- Financial integrity – the person must manage his/her debts or financial affairs prudently.

The NRC and Board will also consider diversity in terms of among other things, skills, background, knowledge, industry experience, culture, independence, ethnicity, age and gender when appointing new Directors.

The process flow for the appointment of new Directors is as follows:

- Identification of candidates
- Evaluation of suitability of candidates
- Meeting with candidates
- Deliberation by the NRC
- Recommendation to the Board

Thereafter, the application for the appointment of such candidate would be submitted to BNM for approval.

In identifying candidates for appointment of Directors, the NRC does not solely rely on recommendations from existing board members, management or major shareholders. The board also utilises independent sources such as FIDE FORUM, Institute of Corporate Directors Malaysia (ICDM) and Lead Women to identify suitably qualified candidates.

During the financial year the Board established a talent pool, a database of potential candidates collated from talent resourcing, existing board members, management and major shareholder as a tool to facilitate new appointments and recruitments. The NRC/Board will screen through the said talent pool during the selection process in identifying the best suited candidate for a particular position.

In compliance with BNM's guidelines on Fit and Proper Criteria, all Directors and SAB members are required to make an annual declaration on the fit and proper criteria in addition to declaration prior to initial appointment and reappointment to ensure that each Director and SAB member fulfills the 'fit and proper' criteria.

### Directors' Training

The Board is mindful of the need for continuous training to keep abreast of new developments and is encouraged to attend forums and seminars facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors. The Board will continue to evaluate and determine the training needs of its directors to enhance their skills and knowledge.

All Directors have attended the Mandatory Accreditation Programme (MAP) as required by Bursa Securities.

## Corporate Governance Overview Statement

A summary of training programmes, conferences and seminars attended by Directors during the financial year under review is set out below:-

| Director                                                         | Training Programmes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dato' Mohammed Haji Che Hussein<br>(Appointed on 1 April 2020) # | <ul style="list-style-type: none"> <li>BAMB BOD Training on Lines of Business [Fixed Income, Currencies, Commodities ("FICC")] (13 January 2020)</li> <li>MIA - Speaker for Corporate leadership Symposium 2020 - BOARD CASE: HOW DO COMPANIES DRIVE AND IMPLEMENT SUSTAINABILITY? (12 February 2020)</li> <li>BAMB Directors' Training on Webex (14 April 2020)</li> <li>Enabling Executive &amp; Board Meeting with Microsoft Teams Training (5 June 2020)</li> <li>LHAG Live Webinar - Corporate Liability for Corruption Offences: The Time Has Come, Are You Ready (12 June 2020)</li> <li>Fide Webinar : Sir Howard Davies, RBS (8 July 2020)</li> <li>Training on Global Information Security (GIS) for BAMB &amp; MLMA Board (28 July 2020)</li> <li>Fide Webinar Topic: Banking on Governance, Insuring Sustainability- registered by Hap Seng (4 August 2020)</li> <li>Macro Updates Green Shoots (26 August 2020)</li> <li>UK Inheritance Tax Planning &amp; How to Protect Your Assets as a UK Property Investor (27 August 2020)</li> <li>BNM-FIDE FORUM Annual Dialogue with the Governor of BNM (3 September 2020)</li> <li>Webinar on restructuring options &amp; legal updates (23 September 2020)</li> <li>LA Blockchain Summit (6 &amp; 8 October 2020)</li> <li>Tony's Liability Management course (22 October 2020)</li> <li>Offsite Planning Meeting (OPM) (7 November 2020)</li> <li>Bursa M &amp; A virtual program (17 November 2020)</li> <li>BAMB BOD Training on Management of Climate-Related Risk (10 December 2020)</li> </ul> |
| Mohd Azman Sulaiman                                              | <ul style="list-style-type: none"> <li>FIDE Core Programme Module A&amp;B (Insurance) (April 2020)</li> <li>Impact of Covid-19 Pandemic to the Economy (5 August 2020)</li> <li>OPM (7 November 2020)</li> <li>FIDE Simulation Exercise (26 November 2020)</li> <li>1-Day Program on Mergers &amp; Acquisitions: Getting It Right &amp; Making it Work" (17 December 2020)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Suraya Hassan                                                    | <ul style="list-style-type: none"> <li>The Board Journey 2020 (18-20 February 2020)</li> <li>FIDE Core Programme Module A&amp;B (Insurance) (April 2020)</li> <li>OPM (7 November 2020)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Dato' Mustaffa Ahmad<br>(Appointed on 13 August 2020) #          | <ul style="list-style-type: none"> <li>OPM (7 November 2020)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Mohamad Salihuddin Ahmad<br>(Appointed on 13 August 2020) #      | <ul style="list-style-type: none"> <li>OPM (7 November 2020)</li> <li>Mandatory Accreditation Programme (MAP) (28-30 September 2020)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Datuk Bazlan Osman<br>(Appointed on 18 August 2020) #            | <ul style="list-style-type: none"> <li>OPM (7 November 2020)</li> <li>The Quiet Transformation of Corporate Governance (3 December 2020)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

# The number of trainings attended after the appointment date.

STMKB continues to provide BNM's Circulars, updated Listing Requirements and new regulations and guidelines from other relevant regulatory authorities to assist the Directors in keeping abreast with the latest development.

## Corporate Governance Overview Statement

### Re-election/Re-appointment

The Constitution of the Company provides for all Directors to submit themselves for re-election at least once every three (3) years at the AGM in compliance with the Listing Requirements.

To assist shareholders in their decision, sufficient information, such as personal profile, meetings attendance and shareholding in the Company of each Director standing for re-election are furnished in the Annual Report.

### DIRECTORS' REMUNERATION

#### Level and Make-up of Remuneration

The NRC is responsible in recommending the remuneration framework for the Directors as well as the remuneration package of SAB members, GCEO and Senior Management to the Board to ensure that STMKB attracts, motivates and retains the right Directors, SAB members, GCEO and Senior Management.

The remuneration package for GCEO is structured on the basis of linking rewards to financial and individual performance. Performance is measured against the Key Performance Indicators (KPIs) as approved by the Board. It is the ultimate responsibility of the Board to approve the remuneration of the GCEO. The GCEO does not participate in any way in determining his individual remuneration.

In the case of Non-Executive Directors and SAB members, the remuneration package is determined by the Board as a whole, based on the experience and level of expertise and responsibilities undertaken by the Non-Executive Directors and SAB members, in line with the Group's overall practice on compensation and benefits. Non-Executive Directors' fees and benefits are approved by the shareholders at the AGM.

#### Disclosure

The disclosure of each Director's remuneration, comprising the amount received from the Company and its subsidiaries, are as follows:

#### Company

| Name                                                                                                          | Fees<br>(RM'000) | Other Emoluments<br>(RM'000) | Benefits-in-kind<br>(RM'000) | Total Remuneration<br>(RM'000) |
|---------------------------------------------------------------------------------------------------------------|------------------|------------------------------|------------------------------|--------------------------------|
| Dato' Mohammed Haji Che Hussein<br>Chairman/Independent Non-Executive Director<br>(Appointed on 1 April 2020) | 89               | 125                          | 22                           | 236                            |
| Mohd Azman Sulaiman<br>Independent Non-Executive Director                                                     | 84               | 62                           | 22                           | 168                            |
| Suraya Hassan<br>Independent Non-Executive Director                                                           | 135              | 79                           | 25                           | 239                            |
| Dato' Mustaffa Ahmad<br>Independent Non-Executive Director<br>(Appointed on 13 August 2020)                   | 52               | 34                           | -                            | 86                             |
| Mohamad Salihuddin Ahmad<br>Non-Independent Non-Executive Director<br>(Appointed on 13 August 2020)           | 66               | 34                           | -                            | 100                            |

## Corporate Governance Overview Statement

| Name                                                                                                                                         | Fees<br>(RM'000) | Other Emoluments<br>(RM'000) | Benefits-in-kind<br>(RM'000) | Total Remuneration<br>(RM'000) |
|----------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------|------------------------------|--------------------------------|
| Datuk Bazlan Osman<br>Independent Non-Executive Director<br>(Appointed on 18 August 2020)                                                    | 44               | 39                           | -                            | 83                             |
| Datin Sri Azlin Arshad<br>Independent Non-Executive Director/<br>Deputy Chairman (Appointed on 25 April 2019)<br>(Retired on 13 August 2020) | 60               | 56                           | 17                           | 133                            |
| Dato' Othman Abdullah<br>Senior Independent Non-Executive Director<br>(Demised on 4 April 2020)                                              | 29               | 52                           | 1                            | 82                             |
| Damanhuri Mahmod<br>Non-Independent Non-Executive Director<br>(Ceased office on 1 July 2020)                                                 | 36               | 35                           | -                            | 71                             |
| Mahadzir Azizan<br>Non-Independent Non-Executive Director<br>(Retired on 15 August 2020)                                                     | 60               | 58                           | 21                           | 139                            |
| Total                                                                                                                                        | 655              | 574                          | 108                          | 1,337                          |

### Group

| Name                                                                                                          | Fees<br>(RM'000) | Other Emoluments<br>(RM'000) | Benefits-in-kind<br>(RM'000) | Total Remuneration<br>(RM'000) |
|---------------------------------------------------------------------------------------------------------------|------------------|------------------------------|------------------------------|--------------------------------|
| Dato' Mohammed Haji Che Hussein<br>Chairman/Independent Non-Executive Director<br>(Appointed on 1 April 2020) | 89               | 125                          | 22                           | 236                            |
| Mohd Azman Sulaiman<br>Independent Non-Executive Director                                                     | 84               | 62                           | 22                           | 168                            |
| Suraya Hassan<br>Independent Non-Executive Director                                                           | 135              | 79                           | 25                           | 239                            |
| Dato' Mustaffa Ahmad<br>Independent Non-Executive Director<br>(Appointed on 13 August 2020)                   | 52               | 34                           | -                            | 86                             |
| Mohamad Salihuddin Ahmad<br>Non-Independent Non-Executive Director<br>(Appointed on 13 August 2020)           | 138              | 68                           | 16                           | 222                            |
| Datuk Bazlan Osman<br>Independent Non-Executive Director<br>(Appointed on 18 August 2020)                     | 44               | 39                           | -                            | 83                             |



## Corporate Governance Overview Statement

| Name                                                                                                                                            | Fees<br>(RM'000) | Other Emoluments<br>(RM'000) | Benefits-in-kind<br>(RM'000) | Total Remuneration<br>(RM'000) |
|-------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------|------------------------------|--------------------------------|
| Datin Sri Azlin Arshad<br>Independent Non-Executive Director/<br>Deputy Chairman<br>(Appointed on 25 April 2019)<br>(Retired on 13 August 2020) | 60               | 56                           | 17                           | 133                            |
| Dato' Othman Abdullah<br>Senior Independent Non-Executive Director<br>(Demised on 4 April 2020)                                                 | 29               | 52                           | 1                            | 82                             |
| Damanhuri Mahmod<br>Non-Independent Non-Executive Director<br>(Ceased office on 1 July 2020)                                                    | 36               | 35                           | -                            | 71                             |
| Mahadzir Azizan<br>Non-Independent Non-Executive Director<br>(Retired on 15 August 2020)                                                        | 91               | 94                           | 28                           | 213                            |
| Total                                                                                                                                           | 758              | 644                          | 131                          | 1,533                          |

Similar details is also provided in Note 29 of the Annual Audited Financial Statements of this Annual Report.

The total remuneration made on a named basis for the key senior management is set out as follows:

### Group

| Name                                                                      | Salaries and<br>bonus<br>(RM'000) | Fee<br>(RM'000) | LTIP<br>(RM'000) | Other<br>Emoluments<br>(RM'000) | Benefits-<br>in-kind<br>(RM'000) | Total<br>Remuneration<br>(RM'000) |
|---------------------------------------------------------------------------|-----------------------------------|-----------------|------------------|---------------------------------|----------------------------------|-----------------------------------|
| Dato' Sri Mohamed Hassan Kamil<br>(Group Chief Executive Officer)         | 5,288                             | 5               | 2,085            | 1,049                           | 258                              | 8,685                             |
| Mohamed Sabri Ramli<br>(Chief Executive Officer, STMAB)                   | 706                               | -               | -                | 137                             | 30                               | 873                               |
| Leem Why Chong<br>(Deputy Chief Executive Officer, STMKB)                 | 1,051                             | -               | 1,173            | 213                             | 25                               | 2,462                             |
| Firozdin Abdul Wahab<br>(Chief Bancatakaful Officer)                      | 865                               | -               | 632              | 183                             | 10                               | 1,690                             |
| Juliana Lo Beng Liew<br>(General Manager Corporate Finance &<br>Strategy) | 672                               | -               | 632              | 153                             | 10                               | 1,467                             |
| Patrick Wong Chang Yang<br>(Chief Information Officer)                    | 615                               | -               | 577              | 143                             | 8                                | 1,343                             |
| Total                                                                     | 9,197                             | 5               | 5,099            | 1,878                           | 341                              | 16,520                            |

## Corporate Governance Overview Statement

### REMUNERATION POLICY STATEMENT

STMKB's Remuneration Policy ("Policy") serves to reflect the Group's objectives in promoting good corporate governance to sustain a long-term value creation for our shareholders. The Board has approved the remuneration policy at the recommendation of the NRC. Some entities within the Group may have remuneration policies that differ from the Group policy in order to meet the relevant local requirements and practices.

The Policy is designed to align the personal objectives of staff with the long term interests of STMKB and the funds under its management. Strategic measures are implemented in order to ensure they are aligned to the interests of the Group and its stakeholders. The policy and the general incentive structure are designed to meet the following objectives:

- To be in line with the business strategy, objectives, values, long-term goals and interests of STMKB;
- To be aligned with the principle of protection of customers and investors as well as prevention of conflict of interests;
- To enable the Group to attract, develop and retain high-performing and motivated staff;
- To offer a competitive remuneration package which is aligned with the industry; and
- To encourage the staff to continue to perform and create sustainable results and ensure that there is an alignment of interest among the stakeholders i.e. Shareholders, Customers and Staff.

The Policy and general incentive structure is consistent with the Group's long term strategy. It is also implemented to ensure transparency in respect of the Group's reward strategy where the staff will have clear and predetermined KPIs that are set in accordance with the Group's overall strategy and applicable regulations. Correspondingly, transparency is justified through the Group's disclosure of remuneration and information on paid remuneration disclosed in the Group's annual report.

Philosophy or methodology imposed by STMKB to determine an employee's remuneration is guided as per the following:

- Pay for performance with the notion that there is a direct link between the employee's remuneration and individual or company's performance;
- Set the remuneration level to STMKB's comparative group by performing a market benchmarking exercise on an annual basis;
- Set a market benchmark of the remuneration against the standard approved by the Board; and
- Long Term Incentive Plan (LTIP) granted to eligible employees based on performance matrix that will drive the growth of the business while simultaneously helping to retain the talent. The detailed features of the LTIP are set out in Note 15 of the Annual Audited Financial Statements of this Annual Report.

STMKB's performance management aligns the employees' actions and behaviours with the Company's strategies and goals which consist of the following:

- Key Result Area (KRA) - key deliverables that create the greatest impact of the job and reflect the core responsibilities;
- KPIs - a specific measure of performance that is quantifiable/measurable; and
- Competencies - Key behaviours expected to be demonstrated towards achievement of targets or goals.

The performance management process covers the following:

- A business plan and strategy presentation by division heads to the Board on an annual basis for approval;
- Circulation of the approved business plans and strategies to all employees;
- KRA and KPIs of the employees to tie back to the business plans and strategies; and
- Performance of employees to be reviewed during the mid-year and a final assessment will be conducted during the financial year end.

Remuneration and rewards are granted to an employee based on the achievement of the KPIs and subject to the Company's overall annual financial performance and guided by the following factors:

- The Company's overall performance and affordability (Profit after Tax & Zakat);
- The performance of the sales divisions;

## Corporate Governance Overview Statement

- The employee's individual performance;
- Moderated performance rating distribution to align with the Company's performance;
- Benchmarking with the current market practice;
- The approved remuneration and reward matrix (governed by a specific business rule and requirement); and
- The approval matrix for remuneration is determined as per below table:

| No | Item                                                                                     | Approving Authorities |       |      | Periodic Review |
|----|------------------------------------------------------------------------------------------|-----------------------|-------|------|-----------------|
|    |                                                                                          | Shareholder           | Board | GCEO |                 |
| 1  | Remuneration for Board of Directors                                                      | ✓                     |       |      | Annually        |
| 2  | Remuneration for SAB                                                                     |                       | ✓     |      | Annually        |
| 3  | Remuneration for GCEO                                                                    |                       | ✓     |      | Annually        |
| 4  | Remuneration for members of Senior Management & other Material Risk Takers               |                       | ✓     |      | Annually        |
| 5  | Staff Annual Salary Increment / Salary Adjustment / Promotion Budget                     |                       | ✓     |      | Annually        |
| 6  | Staff Annual Performance Bonus Budget                                                    |                       | ✓     |      | Annually        |
| 7  | Remuneration for clerical and non clerical employees under the Collective Agreement (CA) |                       | ✓     |      | Annually        |
| 8  | Remuneration for new hires (excluding General Managers and GCEO)                         |                       |       | ✓    | NA              |

### SHAREHOLDERS

#### Dialogue between the Company and Investors

STMKB recognises the importance to keep the shareholders well-informed of all major developments of STMKB on a timely basis. The Chairman and GCEO hold discussions with shareholders at least once a year during the AGM. Additionally, various disclosures and announcements made to Bursa Securities including quarterly and annual results facilitate the dissemination of information to the shareholders. All these announcements and other information about the Company is available on STMKB's website, [www.takaful-malaysia.com](http://www.takaful-malaysia.com) which shareholders, investors and public may access.

#### The AGM

The AGM is the principal forum for dialogues with shareholders. General meetings are important platforms for Directors and Senior Management to engage with shareholders to facilitate greater understanding of the Company's business, governance and performance. Shareholders are able to participate and engage with the Board and Senior Management and make informed voting decisions at general meetings.

All Directors attended the Company's 35th AGM which was held fully virtual on 13 August 2020. This was due to the Recovery Movement Control Order (RMCO) and based on the 'Guidance Note on the Conduct of General Meetings for Listed Issuers' by the Securities Commission Malaysia, where the listed issuers are encouraged to conduct fully virtual general meetings during the RMCO period. Apart from the Directors, Senior Management and the External Auditors of the Company also attended the said AGM.

Besides the normal agenda for the AGM, the GCEO presents the progress and performance of the business as contained in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. Board members, Senior Management and the Company's external auditors are available to respond to shareholders' enquiries during the AGM. The GCEO also shared with the shareholders the Company's responses to questions submitted in advance of the AGM by the Minority

## Corporate Governance Overview Statement

Shareholders Watch Group (MSWG). The Notice of 35th AGM was dispatched to shareholders within 28 days prior to the meeting pursuant to Practice 12.1 of the MCGG to enable shareholders to make the necessary arrangement to attend and participate in person or through corporate representatives or proxies. It also enables the shareholders to read the Annual Report, consider the resolutions and make an informed decision in exercising their voting rights at the General Meeting. STMKB will continue to adopt Practice 12.1 of the MCGG and the Notice of the 36th AGM will also be dispatched at least 28 days prior to the meeting. The notice is also published in a nationally circulated newspaper as required under the Listing Requirements of Bursa Securities and is made available on the Company's website. As for re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

In line with the amendments to the Listing Requirements of Bursa Securities under Paragraph 8.29A(1), the Company has adopted poll voting for all the resolutions set out in the notices of general meetings instead of by a show of hands at the 35th AGM of the Company held on 13 August 2020. Poll voting reflects more accurately and fairly shareholders' views by ensuring that every vote is recognised, in accordance with the principle of "one share one vote". Polling processes was explained during the general meetings and was conducted through electronic voting. Poll Administrator and Independent Scrutineers were appointed to conduct the polling process and verify the results of the poll respectively. The poll results were also announced to Bursa Securities via Bursa LINK on the same day for the benefit of all shareholders. Summary of the key matters discussed at the AGM was also published on the STMKB's website at [www.takaful-malaysia.com.my](http://www.takaful-malaysia.com.my), as soon as practicable after the conclusion of the AGM.

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Board ensures that the annual financial statements and quarterly announcements to shareholders are prepared in accordance with the approved accounting standards and present a balanced and understandable assessment of the Group's position and prospects. The AC assists the Board in ensuring the accuracy and adequacy of information by reviewing and recommending for adoption information for disclosure.

STMKB aims to adopt integrated reporting in the future and will take the necessary measures as recommended under Practice 11.2 of MCGG.

#### Statement of Directors' Responsibilities in Relation to Financial Statements

The Directors are required under the Companies Act 2016 and the Listing Requirements of Bursa Securities, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the income statement and cash flows for the Company and the Group for the financial year.

The Directors consider that, in preparing the financial statements for the year ended 31 December 2020, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have also considered that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Company maintains adequate accounting records which disclose with reasonable accuracy the financial position of the Company to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2016.

The Directors generally have the duty to take such steps as are reasonably available to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

## Corporate Governance Overview Statement

### Internal Control and Risk Management

The Board acknowledges its responsibility and is committed in maintaining a sound system of internal control and risk management practice. However, such system can only provide reasonable but not absolute assurance against material misstatements or losses.

The AC regularly evaluates the adequacy and effectiveness of the Group's internal control systems by reviewing the actions taken on lapses/ deficiencies identified in reports provided by Group Audit. The AC also reviews Group Audit's recommendation and Management responses to these recommendations to ensure that they are working adequately and promptly.

As required by Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed the Statement on Risk Management and Internal Control furnished on pages 88 to 93 in the Annual Report of the Group for the year ended 31 December 2020, pursuant to the scope set out in Recommended Practice Guide (RPG) 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants. In their limited assurance review, they have reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- a. has not been prepared in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers; or
- b. is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion made by the Board and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

### Relationships with the Auditors

The role of the AC is as stated on pages 84 to 87. Through the AC of the Board, the Company has established transparent and appropriate relationship with the Company's auditors, both internal and external.

### Internal Auditors

Internal Auditors reports functionally to the AC and has unrestricted access to the AC. Its function is independent of the activities or operations of other operating units. Internal Auditors periodically evaluates the effectiveness of the risk management process, reviews the operating effectiveness of the internal controls system and compliance control within the Group. The Head of Internal Audit is invited to attend the AC meetings to facilitate the deliberation of audit reports. The minutes of the AC meetings are tabled to the Board for information and serves as a reference especially when there are pertinent points should any of the Board members wish to highlight or seek clarification.

### External Auditors

The AC and the Board place great emphasis on the objectivity and independence of the Company's auditors, Messrs PricewaterhouseCoopers PLT, in providing relevant and transparent reports to the shareholders. The AC undertakes the independent assessment on the external auditors annually.

To ensure full disclosure of matters, the Company's auditors are invited to attend the AC meetings as and when necessary as well as during the AGMs. During the financial year under review, the AC had held two (2) private sessions with the auditors without the presence of Management to discuss among other things the scope and adequacy of the audit process and audit findings.

This statement is made in accordance with the resolution of the Board of Directors dated 23 February 2021.

# Audit Committee Report

The Board of Directors of Syarikat Takaful Malaysia Keluarga Berhad (STMKB) is pleased to present the Audit Committee Report for the financial year ended 31 December 2020.

## MEMBERSHIP AND MEETINGS

The Audit Committee ("Committee") currently comprises three (3) members, all of whom are Non-Executive Directors, two (2) being Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The details of members and meetings held during the financial year ended 31 December 2020 are as follows:

| Name of Audit Committee Members                                                                                                                                | No. of Meetings |          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------|
|                                                                                                                                                                | Held            | Attended |
| Dato' Othman Abdullah<br>(Chairman)<br>(Senior Independent Non-Executive Director)<br>(Demised on 4 April 2020)                                                | 2/2*            | 100      |
| Mahadzir Azizan<br>(Non-Independent Non-Executive Director)<br>(Retired on 15 August 2020)                                                                     | 4/4*            | 100      |
| Datin Sri Azlin Arshad<br>(Appointed on 29 April 2020/Retired on 13 August 2020)                                                                               | 2/2*            | 100      |
| Suraya Hassan<br>(Appointed as member on 1 August 2019/ Appointed as Chairman on 29 April 2020/<br>Ceased as Chairman & appointed as member on 14 August 2020) | 8/8#            | 100      |
| Mohamad Salihuddin Ahmad<br>(Non-Independent Non-Executive Director)<br>(Appointed on 14 August 2020)                                                          | 4/4#            | 100      |
| Datuk Bazlan Osman<br>(Independent Non-Executive Director)<br>(Appointed as Chairman on 18 August 2020)                                                        | 4/4#            | 100      |

\* The number of meetings held up to the cessation of office.

# The number of meetings attended after the appointment date.

The Committee's Chairman, Datuk Bazlan Osman is a member of the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountants. Thus, STMKB complies with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") which stipulate that at least one (1) member of the Committee must be a member of the MIA. Datuk Bazlan Osman is an Independent Non-Executive Director and he is not the Chairman of the Board in line with the requirements in Practice 8.1 of the Malaysian Code on Corporate Governance 2017 (MCCG).

The Committee met eight (8) times during the financial year. The meetings were held on 23 January 2020, 25 February 2020, 18 May 2020, 27 July 2020, 24 August 2020, 20 October 2020, 12 November 2020 and 23 November 2020. The meetings were appropriately structured and conducted through the use of agenda which were distributed to members in accordance with the Committee's Terms of Reference. The Group Chief Executive Officer, the Chief Financial Officer, General Manager of Corporate Finance & Strategy and the Head of Internal Audit attended all the meetings held during the financial year ended 31 December 2020. The representatives of the external auditors were present during deliberations which require their input and advice. The Committee had met twice with the external auditors to discuss any matter with the Committee without the presence of any executive members of the Board and Senior Management.



## Audit Committee Report

### TERMS OF REFERENCE

The Terms of Reference (TOR) of the Committee are available on STMKB's website at [www.takaful-malaysia.com.my](http://www.takaful-malaysia.com.my).

The TOR of the Committee has been revised and subsequently approved by the Board of Directors in December 2020.

### SUMMARY OF THE WORK OF THE COMMITTEE

The following is the summary of the work carried out by the Committee for the financial year ended 31 December 2020 which was tabled to the Board as and when required:-

- Reviewed, deliberated and recommended the quarterly financial statements for the fourth quarter of 2019 as well as the first, second and third quarters of 2020.
- Deliberated on the Key Audit Matters, which relate to matters that, in the external auditors' professional judgement, were most significance to the audit of the financial statements. The Committee has also received reports and updates from the external auditors. The Committee is therefore made aware of all materially relevant issues that have concerned management during the year.
- Reviewed and monitored with the external auditors, the results and progress of the audit for the financial year ended 31 December 2020.
- Reviewed the Statement on Risk Management and Internal Control, Corporate Governance Overview Statement, Audit Committee Report, Management Discussion and Analysis and Corporate Sustainability Statement for inclusion in the 2019 Annual Report.
- Discussed the re-appointment of external auditors for the financial year ending 31 December 2021, and assessed their sustainability and independence for re-appointment.
- Reviewed the external auditors' scope of work and audit plans for the financial year ended 31 December 2020. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.
- Discussed the audit fees payable to the external auditors.
- Discussed with external auditors any matters that warrant the Board and Shareholders' attention without the presence of the member of the Executive Directors and Management during its meetings held on 23 January 2020 and 26 October 2020.
- Reviewed the Internal Audit Strategic Plan for 2020 and Status of 2019 Annual Audit Plan.
- Reviewed the internal audit reports and special audit reports (i.e. on Finance, Operations, IT, Crisis Simulation Exercise, Outsourcing Activities, System Disaster Recovery Testing, Anti Money Laundering & Counter Financing of Terrorism Activities, etc.) which highlighted the audit issues, recommendations and Management's response thereto. Discussed with Management on actions taken or to be taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
- Reviewed follow-up reports by the internal auditors on the status of actions taken by the Management on recommendations suggested in the audit reports.
- Discussed BNM's supervisory letter and the action plans thereto.
- Discussed Revision to Guidelines on Limit of Authority.
- Reviewed follow-up reports by the internal auditors on BNM's examination findings and status of actions taken by the Management on issues raised by BNM.
- Reviewed follow-up reports by the internal auditors on external auditors' findings as set out in the Management letter and status of actions taken by the Management on issues raised by the external auditors.

## Audit Committee Report

- Reviewed the audited financial statements of the Group and the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable approved accounting standards.
- Reviewed related party transactions within the Group.
- Reviewed the Investment-Linked Funds Annual Report.
- Verified the Long Term Investment Plan Allocation.

### SUMMARY OF THE WORK OF THE INTERNAL AUDIT FUNCTION

The Internal Audit Division is independent of the activities or operations of other operating units and reports directly to the Committee. The principal role of the division is to undertake independent regular and systematic reviews of the systems of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. The internal audit practices a risk-based approach in its audit plan and examination.

It is the responsibility of the Internal Audit Division to provide the Committee with independent and objective reports on the governance, risk management and the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

A summary of the work of the Internal Audit Division during the financial year under review are as follows:-

- Executed independent assurance role by performing scheduled reviews on the efficiency and effectiveness of control mechanism to address risks and concerns in the areas of operations, financial, information technology, product development and strategic functions on a risk based audit approach as set out in the Formalised Internal Audit Strategic Plan (FYE 2020).
- Provided reasonable assurance on the extent of compliance with established policies and procedures as well as BNM statutory requirements and other regulatory bodies.
- Rendered advisory services to the Management of the Company and its subsidiaries.
- Recommended improvements to the business processes and enhancement to the existing system of risk management and internal controls.
- Conducted follow-up audit on status of actions taken by the Management on recommendations suggested in audit reports of internal auditors, external auditors, BNM examiners, etc.
- Carried out special reviews and investigations as requested by the Senior Management and endorsement from the Committee's Chairman.
- Conducted audit on system security, computer hardware, operating and application systems as well as the Information Technology (IT) network of Takaful Malaysia.
- Participated in tender and selection process and other Committees in the capacity of an observer.
- Conducted independent evaluation of the adequacy and effectiveness of the Business Continuity Management (BCM) policy, strategies, procedures and testing of the Disaster Recovery Plan (DRP).
- Established Internal Audit Strategic Plan covering high-risk auditable areas and reviewed the Internal Audit Charter and Standard Operating Procedures to align with the latest changes in the regulatory and industry best practices.
- Involved in the preparation and review of the Audit Committee Report, Statement on Corporate Governance Overview Statement and Statement on Risk Management and Internal Control as part of the disclosures in the Annual Report.
- Conducted IT Audit reviews covering Merimen System Enhancement, AS400 Operating System for P&C and TIG Application Systems, Onbase System, Online Sales Portal – Takaful myClick PA & Takaful myClick MediCare, Change Management Process for TIG and P&C Application Systems and Administration of Sensitive IDs.

## Audit Committee Report

- Conducted operational audit reviews covering TPA Services, Bancatakaful-Sales, Individual Family Claims (Medical), Procurement and Inventory Management, Employee Benefits Operations, Complaints Handling, Operational Risk Management, Motor Claims Process, Motor Underwriting and Certificate Issuance Process.
- Conducted reviews on Takaful *myCare* Centres (TMCCs).
- Conducted annual compliance reviews on Management of Customer Information & Permitted Disclosures, Master Outsourcing & Shared Services Agreement, Return on Calculation of Levies (RCL) under Takaful and Insurance Benefits Protection System (TIPS) and review on Differential Levy System Framework for Takaful Operators (DLST) for Submission to PIDM for 2020.
- Conducted follow-up review on BNM Supervisory Letter 2018 i.e. Enhancing Anti Money Laundering & Counter Financing of Terrorism (AML/CFT) Sanction Screening Process.

Reports from the audit assignments are forwarded to the Management for attention and necessary corrective actions as recommended. The Management is responsible for ensuring that corrective actions on reported weaknesses are taken within the required time frame. The costs incurred in maintaining the Internal Audit function which is performed in-house for the financial year under review was approximately RM1,046,989 comprising mainly salaries, travelling and accommodation expenses and subsistence allowance for audit assignments.

# Statement on Risk Management and Internal Control

This statement is made pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with regard to the Group's compliance with the Principles and Recommendations provisions relating to internal controls as stipulated in the Malaysian Code on Corporate Governance ("the Code").

## BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the internal control environment and its effectiveness in safeguarding shareholders' interests and Group's assets.

The system of internal control addresses the need for an effective and efficient business operations, sound financial reporting and control procedures, and compliance with relevant laws and regulations. The Board also recognises that review on the Group's system of internal control is a concerted and continuing process, designed to manage and appropriately mitigate the risk of failure in achieving business objectives. Accordingly, the Group's system of internal control provides reasonable assurance against material misstatement or loss. The Group Chief Executive Officer ("GCEO") and Chief Financial Officer have given the assurance to the Board on the adequacy and effectiveness of the Group's risk management and internal control system.

## KEY INTERNAL CONTROL PROCESSES

The key internal control processes that the Board has established in reviewing the adequacy and integrity of the system of internal control, including compliance with applicable laws, regulations, rules, directives and guidelines, are as follows:

### RISK MANAGEMENT FRAMEWORK

The Board acknowledges that the identification and the management of risks plays an important and integral part in achieving the Group's business objectives and optimal management of its daily operations.

In pursuing these objectives, the Board has put in place an Enterprise Risk Management ("ERM") framework within the Group to ensure an on-going process of identifying, evaluating, monitoring and managing significant risk exposures surrounding its business operations. Risk identification is carried out through regular risk reporting by risk owners to the Risk Management Department. The risks identified are then evaluated by both parties and escalated to Senior Management and/or the Board, if necessary. The Group has established a risk management process where the roles and responsibility of Board Risk Committee ("BRC") is to provide an effective oversight of group-wide risks through periodical BRC meetings.

The Group reviews the Risk Management framework and where necessary, introduce enhancements to improve the effectiveness of risk management practices. The Group has an Operational Incident Management Policy which serves as a guidance in reporting incidents occurring in the Company. Operational Loss Incidences reporting based on Bank Negara Malaysia's ("BNM") ORION requirement are reported to BNM, Management and BRC.

The Group's Risk Appetite Statement provides a decision-making framework for the strategic and operational treatment of risk, in order to facilitate a risk-aligned strategic planning process. It is intended to help the Group in making forward-looking and well-informed strategic decisions to manage risk prudently and remain profitable to its shareholders.

The Company has established the Business Continuity Management ("BCM") Framework, Crisis Management Plan ("CMP") and Disaster Recovery Plan ("DRP") to manage disasters and/or major disruptions. The Business Continuity Plan ("BCP") has been established at every business and operational unit to facilitate effective response to business disruption and to ensure the Company is able to respond to such disruptions in an organized and timely manner. The BCP is tested for functionality on annual basis whilst the DRP is tested twice a year to ascertain the Company's readiness to resume and maintain its critical operations during disaster and/or disruptions. However, due to complications posed by the COVID-19 pandemic outbreak and various movement control order imposed by the government, the Company was granted an exemption from BNM from fulfilling the BCP testing requirements for 2020.

The Internal Capital Adequacy Assessment Process ("ICAAP") policy is consistent with ICAAP for Takaful Operators, including the requirements on the Company's Individual Target Capital Level ("ITCL"). There has been regular periodic reporting of Capital Adequacy

## Statement on Risk Management and Internal Control

Ratio ("CAR") and Financial Condition Reporting inclusive of the Stress Testing results, to the Senior Management and/ or the Board of Directors, together with the sound risk management internally for the effective implementation of the Risk-Based Capital Framework for Takaful Operators and Financial Condition Reporting Guidelines issued by BNM respectively.

### **PARTICIPANT RISK FUND ("PRF") SURPLUS MANAGEMENT GOVERNANCE FRAMEWORK**

The Board has previously approved the PRF Surplus Management Governance Framework, which has been established to provide the governance process in managing the participant risk fund surplus position. This Framework forms part of the Group's corporate governance process to promote prudent management and good risk management practices of takaful risk funds to enhance the funds' financial resilience and protect the interest of participants.

### **INTERNAL AUDIT FUNCTION**

The Internal Audit Division ("IAD") assists the Board and Audit Committee in the discharge of their responsibilities. The internal audit function provides assurance on the efficiency and effectiveness of the governance, risk management and internal control processes implemented by management. An annual risk-based audit plan is developed by way of assessing the risk priorities, exposures, and business strategies of the Group. IAD also investigates incidents of fraud, malpractices and makes necessary recommendation to the Audit Committee to impede recurrence. The implementation of management action plans to address the control lapses noted during the financial period are monitored through follow-up reviews.

The Audit Committee reviews and approves the Annual Audit Plan, Internal Audit Standard Operating Procedures, reports and findings including the follow-ups of the Internal Auditors. AC also reviews the actions taken on internal control issues identified in reports prepared by External Auditors and Regulatory Bodies during their meetings and consider the impact on the effectiveness and adequacy of the Group's internal control system. The review of Internal Audit Charter is also under the purview of the Audit Committee of which once endorsed by AC, the Audit Charter will then be escalated to the Board for approval.

The Company holds two (2) Indonesian Subsidiaries, i.e. P.T. Asuransi Takaful Keluarga and P.T. Syarikat Takaful Indonesia.

P.T. Asuransi Takaful Keluarga has their own internal audit department carrying out internal audit function and report to the Board of Commissioners (Board) of the company. The internal audit division of the Indonesian subsidiary submit the audit reports to their Board, where STMKB is represented by Dato' Sri Hassan Kamil as the Chairman, and Encik Mahadzir bin Azizan as Board member (until 30 Nov 2020). All audit reports are reviewed by the Board of the P.T. Asuransi Takaful Keluarga and any material issues shall be reported to STMKB's Audit Committee.

P.T. Syarikat Takaful Indonesia however is an investment holding company and does not have any operations conducted in Indonesia. Any governance related matter are discussed in the Board of Commissioners where STMKB is represented by Dato' Sri Hassan Kamil as the Chairman of Syarikat Takaful Indonesia. Any material issue shall be reported to STMKB's Audit Committee.

### **COMPLIANCE FUNCTION**

The Compliance provides advisory roles to the Board and Senior Management in managing group-wide compliance risk and provide guidance on regulatory and legislative matters. Over the last few years, there has been an increased focus by regulators on anti-money laundering, data privacy, market conduct and anti-bribery and corruption.

Compliance responsibilities include supervision on regulatory and legislative requirements group-wide by working closely with the relevant business units in ensuring proper implementation; conduct independent assessment to provide assurance on the adequacy and effectiveness of control measures to mitigate the risk of non-compliance; and monitors remediation efforts on any observation findings and reporting obligation to internal and external stakeholders. Our Chief Compliance Officer oversees our comprehensive Company-wide compliance framework, which is consistent with regulatory guidance from Bank Negara Malaysia and other regulators.

The Compliance Framework defines the responsibilities and provides clear mandate to Compliance function to manage compliance risks via the establishment of internal policies, procedures and framework. It dictates the spheres of compliance governance and promotes effective compliance mechanism in accordance with applicable laws, regulations, rulings, directives and guidelines. To ensure

## Statement on Risk Management and Internal Control

effective oversight and implementation, the framework is supported by a network of compliance officers who oversee compliance programs in anti-money laundering and anti-terrorist financing, anti-corruption and personal data privacy. The Chief Compliance Officer reports regularly to the Board on the state of compliance, key compliance risks, emerging regulatory trends, escalation of key issues and key risk indicators.

### KEY ELEMENTS OF INTERNAL CONTROL

The key elements of internal control that the Board has established which provide effective internal controls including compliance with applicable laws, regulations and guidelines are as follows:

- **Organisational Structure**

The Group has established a defined organisational structure with lines of responsibility and accountability with a defined delegation of authority of Committees of the Board and Management.

- **Limit of Authorities**

Limit of authorities has been revised and approved by the Board in October 2020.

- **Standard Operating Procedures**

The Standard Operating Procedures that govern the key business processes such as finance, actuarial, human resources, claims, investments and etc. are in place within the organisation.

- **Product Development Framework**

In March 2012, the Group was granted the approval by BNM to adopt "launch-and-file" system for new products. In view of the "launch-and-file" system granted to the Group, the policies and procedures within the Product Development Framework have been reviewed to align with BNM's supervisory expectations under the Guidelines on Introduction of New Products by Insurers and Takaful Operators.

- **Anti-Corruption Framework**

The Framework was formulated in accordance to Guidelines on Adequate Procedures pursuant to Section 17A of MACC Act 2009 issued by the Prime Minister's Department and relevant sections under MACC Act 2009 and Penal Code under Laws of Malaysia, Act 574.

The Framework sets out STMKB and STMAB (collectively "Takaful Malaysia") and its group of companies' policy statements and provides a comprehensive set of standards in relation to the manners to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business in order to prevent acts of bribery and corruption.

- **Whistle Blowing Policy**

This Policy is in response to the Whistleblower Protection Act, 2010 and MACC Act 2009. The objective of this policy is to establish corporate values and culture that support ethical behaviour and to assure confidentiality and non-retaliation to whistleblowers. Every employee has the obligation to report unethical behaviour or suspected violations of law or company policy connected with Takaful Malaysia business activities.

- **Fraud Management Policy**

The revised Fraud Management Policy is designed to meet the following objectives:

- Provide guidance and approach to managing fraud risks and handling fraud incidences.
- Define the roles and responsibilities of all stakeholders in managing fraud risks.
- Provide the process for managing fraud risks.
- Provide the process for investigating and reporting fraud incidences.



## Statement on Risk Management and Internal Control

- **Anti-Money Laundering and Counter Financing of Terrorism Policy ("AML/CFT")**

The internal AML/CFT Policy sets the obligations and guidance in complying with the requirements imposed under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ("AMLATFPUAA 2001") and any regulation, circular including technical notes pertaining to AML /CFT requirements.

The policy sets out requirements and guidance on the continuous obligations of the Company on consistent customer due diligence procedures, risk classification of customers, customer data, transaction and account monitoring, Suspicious activity reporting and also Training and awareness. The policy advocates risk-based approach on the implementation of appropriate control measures to mitigate the identified ML/TF risk. Chief Compliance Officer will act as the Anti-Money Laundering Compliance Officer and a contact person for the law enforcement authorities in the prosecution of ML/TF operations in accordance to AMLATFPUAA 2001.

- **Personal Information Record Management Framework ("the Framework")**

Compliance has developed the Framework in line with the BNM Policy Document on Management of Customer Information and Permitted Disclosures and Code of Practice on Personal Data Protection for the Insurance and Takaful Industry in Malaysia.

It has been established as guidance in managing the personal information records throughout the information lifecycles from the collection until disposal stages.

The Framework also sets the obligations and standards procedures in safeguarding personal information records and escalation procedures to minimise adverse impact in the event of breach, unauthorized disclosure and inappropriate utilisation of personal information records.

- **Shariah Governance Policy**

The revised policy document on Shariah governance namely Shariah Governance Policy ("SGP") was approved by Shariah Advisory Body ("SAB") and Board of Directors of STMKB on 28 May 2020 and 25 June 2020 respectively. The revision were made in accordance with the Shariah Governance Policy Document issued by BNM on 20 September 2019 and shall supersede the Shariah Governance Framework for Islamic Financial Institutions updated on 8 October 2013. The SGP comes into effect on 1 April 2020, with the exception of paragraph 9.6 which comes into effect on 1 April 2023.

The SGP sets out strengthened oversight accountabilities on the Board, SAB and other key organs involved in the implementation of Shariah governance. Accordingly, STMKB should demonstrate that the arrangements of Shariah governance are operating effectively and appropriate to the size, nature of business, complexity of activities and structure.

- **Shariah Compliance Manual**

The Shariah Compliance Manual ("SCM") is set up as a compilation of the existing Shariah operational requirements with additional Shariah requirements on business, operations and activities in accordance with the requirements of Islamic Financial Services Act, 2013 ("IFSA") and the latest Bank Negara Malaysia Shariah Advisory Council resolutions. This SCM is designed to meet the following objectives:-

- Sets out the requirement for the Group to adhere to the Shariah principles;
- Provides measures in assisting the Board, SAB and Management in discharging its duties in matters relating to the Shariah; and
- Ensure that all of the Group's operational processes and business activities are in accordance with the Shariah principles.

The Shariah Compliance Manual has been approved by the SAB and the Board on 23 April 2015 and 25 May 2015 respectively.

## Statement on Risk Management and Internal Control

- **Shariah Risk Management Policy**

Shariah Risk Management Policy is developed to ensure that Shariah non-compliance ("SNC") risks are managed systematically and efficiently to give confidence to our stakeholders, our counterparties and the general public on the credibility of the Group as an Islamic Financial Institution ("IFI"). The Shariah Risk Management Policy shall be part of the Group's ERM Framework. This policy has been revised and duly approved by the SAB on 29 October 2018.

The Shariah Risk Management Policy is designed to meet the following objectives:

- (a) Outline the scope of Shariah Risk Management in the Group's business activities and operations.
- (b) Define clearly the relationship between SNC risks in the overall risk control environment of ERM Framework.

- **Asset and Liability Management Framework**

The objective is to establish a framework for managing and monitoring the asset-liability risk to enable the Group to respond adequately to the relevant changes in new environment, to identify the opportunities and to avoid the threats, with a view to ensuring stable development and protection of interests of all stakeholders. Various investment limits are set in the Investment Policies to enhance investment controls after considering the Group's solvency position and its risk tolerance. The Investment Policies have been revised and approved by the Investment Committee on 1 October 2020.

- **Takaful Operational Framework**

The Group has established a framework to govern and document the operational models adopted, fund segregation policy of takaful funds, policy on investment strategy and method used for the calculation of investment profit for participant investment fund, policy on recognition of surplus/deficit and its allocation/distribution, policy on deficit rectification mechanism including repayment of qard, management of income from takaful business, and allowable expenses charges to takaful funds.

- **Surplus Management and Distribution Policy**

In managing the takaful funds, takaful operators are expected to manage the interest of various stakeholders without compromising prudence. This policy serves as a guide to the Group in managing the surplus position and surplus distribution to participants and shareholders by providing key principles, considerations and practices to ensure maintenance of fund solvency and financial resilience, and to safeguard the interests of participants and equitable treatment of participants.

The annual distribution of surplus shall be endorsed by the Shariah Advisory Body and Board of Directors.

- **Business/Marketing Plan and Budget Process**

The Group's annual business/marketing plan and budget are submitted to the Board for approval.

- **Financial Reporting**

Management accounts/reports are tabled to the Board for review and discussion. Financial budget and projections are tabled to the Board for approval. The public release of quarterly reports is made after they are reviewed by the Audit Committee and approved by the Board. On-going efforts are in place to address financial control issues or risks, which include strengthening of the financial closing and reconciliation process.

## Statement on Risk Management and Internal Control

- **Information Technology System**

### Information Technology ("IT") Committees

The IT Steering Committee ("ITSC") and IT Project Steering Committee ("IT PSC") are established and chaired by the GCEO to provide leadership and direction in support of IT related activities. ITSC is responsible for authorising major IT expenditures within the approved limits, monitoring approved IT projects, formulating IT policies and IT strategic plans. IT PSC oversees the progress and development of business related IT projects during the financial period.

### Data Governance Framework

As prescribed by BNM guidelines, the data governance framework was established in November 2009 and subsequently revised in September 2018. The framework covers processes and related controls over data security and integrity.

### Technology Risk Management Framework ("TRMF") and Cyber Resilience Framework ("CRF")

TRMF and CRF have been established within the context of Bank Negara Malaysia Risk Management in Technology ("RMiT") requirements which emphasize on a structured process to identify, assess and subsequently monitor and mitigate the risks with appropriate approaches to an acceptable level. TRMF and CRF also provide guidance for managing cyber risks, cyber resilience and risk tolerance with regards to addressing the evolving cyber threats. The frameworks complement the existing IT Security and System policies in managing system security controls and processes.

With the issuance of RMiT by BNM which came into effect on 1st January 2020, IT Security and System policies are reviewed to ensure continued compliance with the regulatory requirements. The policies are set as standards for securing system controls on information technology-related functionalities and operational processes to ensure critical issues that may have impact on the company's risk tolerance are adequately deliberated or escalated to the relevant authority on a timely manner. All these will be monitored by ITSC and IT PSC.

- **Conclusion**

Although control lapses were identified for certain business processes within the Group, there were no significant control failures or weaknesses that has resulted in material loss that requires disclosure in the Group's annual report for the financial period under review.

Based on the above, the Board is of the view that the system of internal control and risk management is sound and sufficient to safeguard shareholders' investments and the Group's assets.

This statement is made in accordance with the Board of Directors resolution dated 23 February 2021.

## Additional Compliance Information

### 1. UTILISATION OF PROCEEDS

There were no proceeds raised / utilised by STMKB from corporate proposals during the financial year.

### 2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and the Group by the Company's external auditors during the financial year were as follows:

|         | Audit Fees (RM'000) | Non-Audit Fees (RM'000)* |
|---------|---------------------|--------------------------|
| Company | 405                 | 674                      |
| Group   | 1,034               | 760                      |

\* Non-audit fees were mainly in respect of the review of interim financial information for the period ended 31 August 2020, Review of MFRS 17 technical papers prepared by management and Review of STMKB's Business Continuity Management ("BCM") programme.

### 3. MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE WHO IS NOT A DIRECTOR AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and its subsidiary companies involving the interests of the Directors, Chief Executive who is not a Director and major Shareholders, either still subsisting at the end of the financial year ended 31 December 2020 or entered into since the end of the previous financial year ended 31 December 2019 except for related parties transactions disclosed in Note 40 to the financial statements.

### 4. RECURRENT RELATED PARTY TRANSACTIONS

| Nature of Transactions                                                          | Related Parties Transacted with | Related Parties, their interests and nature of relationships with the STMKB Group                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Actual Transaction Value from 1 January 2020 to 31 December 2020 (RM'000) |
|---------------------------------------------------------------------------------|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| Rental of office premises payable to STMKB by Bank Islam Malaysia Berhad (BIMB) | BIMB                            | <p>BIMB is a 100% owned subsidiary of BIMB Holdings Berhad (BHB). Lembaga Tabung Haji (LTH) is a major shareholder of BHB and BHB is a major shareholder of STMKB holding an equity interest of 59.19% in the Company as at 31 December 2020.</p> <p>Mohamad Salihuddin Ahmad is a Director of STMKB, while Dato' Sri Mohamed Hassan Kamil is a Group Chief Executive Officer of STMKB, both nominated by BHB. Mohamad Salihuddin Ahmad does not have any direct or indirect interest in BHB and STMKB while Dato' Sri Mohamed Hassan Kamil has a direct equity interest of 0.03% in the Company but does not have any direct or indirect interest in BHB.</p> | 2,934                                                                     |

# Directors' Report

for the year ended 31 December 2020

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

## Principal activities

The Company is principally engaged in managing family takaful business, whilst the principal activities and details of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## Ultimate holding company

The Directors regard Lembaga Tabung Haji, a statutory body established under the Tabung Haji Act 1995 (Act 535), as the Company's ultimate holding corporation during the financial year until the date of this report.

## Results

|                                      | Group<br>RM'000 | Company<br>RM'000 |
|--------------------------------------|-----------------|-------------------|
| Profit for the year attributable to: |                 |                   |
| Owners of the Company                | 362,420         | 305,714           |
| Non-controlling interests            | 1,157           | -                 |
|                                      | <u>363,577</u>  | <u>305,714</u>    |

## Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review, except as disclosed in the financial statements.

## Dividends

Since the end of the previous financial year, the Company:

- paid an interim single tier dividend of 20.00 sen per ordinary share totaling RM165,358,467 in respect of the financial year ended 31 December 2019 on 2 January 2020; and
- declared an interim single tier dividend of 12.00 sen per ordinary share totaling RM99,651,974.64 in respect of the financial year ended 31 December 2020 on 21 December 2020 which was paid on 29 January 2021.

No final dividend is recommended to be paid for the year under review by the Directors.

## Directors of the Company

The Directors in office during the financial year until the date of this report are:

Mohd Azman Sulaiman  
 Suraya Hassan  
 Dato' Mohammed Haji Che Hussein (Appointed on 1 April 2020)  
 Dato' Mustaffa Ahmad (Appointed on 13 August 2020)  
 Mohamad Salihuddin Ahmad (Appointed on 13 August 2020)  
 Datuk Bazlan Osman (Appointed on 18 August 2020)  
 Dato' Othman Abdullah (Demised on 4 April 2020)  
 Damanhuri Mahmud (Ceased office on 1 July 2020)  
 Datin Sri Azlin Arshad (Retired on 13 August 2020)  
 Mahadzir Azizan (Retired on 15 August 2020)

In accordance with Rule 74 of the Company's Constitution, Mohd Azman Sulaiman will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

In accordance with Rule 83 of the Company's Constitution, Dato' Mustaffa Ahmad, Mohamad Salihuddin Ahmad and Datuk Bazlan Osman will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## Directors' Report

for the year ended 31 December 2020

### List of Directors of subsidiaries

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follows:

#### Syarikat Takaful Malaysia Am Berhad

Dato' Che Pee Samsudin  
 Datin Dr. Nik Sarina Lugman Hashim  
 Abdul Rahman Talib  
 Mohamad Salihuddin Ahmad  
 Ismail Mahbob (Appointed on 15 August 2020)  
 Mahadzir Azizan (Retired on 15 August 2020)

#### P.T. Syarikat Takaful Indonesia

Dato' Sri Mohamed Hassan Kamil  
 Ibrahim Ali Shoukry

#### P.T. Asuransi Takaful Keluarga

Dato' Sri Mohamed Hassan Kamil  
 Tri Djoko Santoso  
 Imran Nahar  
 Mahadzir Azizan (Retired on 30 November 2020)

### Directors' interests in shares and debentures

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company during the financial year.

### Issue of shares and debentures

During the financial year, the Company allotted and issued 3,640,789 new ordinary shares, pursuant to the Company's Performance Share Plan under the Long Term Incentive Plan. The new ordinary shares issued during the financial year ended 31 December 2020 rank pari passu in all respects with the existing ordinary shares of the Company.

There were no other changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

### Long Term Incentive Plan

At the Extraordinary General Meeting held on 24 July 2013, the Company's shareholders approved the establishment of a Long Term Incentive Plan ("LTIP"), which comprises a Restricted Share Plan ("RSP") and a Performance Share Plan ("PSP"), of not more than 10% of issued and paid-up share capital of the Company (excluding treasury shares) to eligible employees and the executive director of the Company. The LTIP was effected on 25 July 2013 following the submission of the By-Laws for the LTIP to Bursa Malaysia Securities Berhad, the receipt of all required approvals and the compliance with the requirements pertaining to the LTIP.

The salient features of the LTIP are as disclosed in Note 15 to the financial statements. As at the date of this Report, the shares granted under LTIP are as follows:

|                        | Number of ordinary shares |           |             |           | At<br>31 December<br>2020 |
|------------------------|---------------------------|-----------|-------------|-----------|---------------------------|
|                        | At<br>1 January<br>2020   | Granted   | Vested      | Forfeited |                           |
| Performance Share Plan | 7,323,400                 | 1,820,395 | (3,640,789) | (529,400) | 4,973,606                 |



## Directors' Report

for the year ended 31 December 2020

### Options granted over unissued shares

Other than for LTIP, no options were granted to any person to take up unissued shares of the Company during the financial year.

### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in Note 29 to the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the 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.

### Indemnity and takaful coverage costs

The following disclosure on particulars of indemnity given, to, or takaful coverage effected for, any Director or officer of the Company is made pursuant to Section 289(7) of the Companies Act 2016:

|                                                   | Amount paid<br>RM'000 | Sum covered<br>RM'000 |
|---------------------------------------------------|-----------------------|-----------------------|
| Directors and Officers Liability takaful coverage | 52                    | 35,000                |

To the extent permitted by law, the Company has agreed to indemnify its auditors as part of the terms of its non-audit engagement against claims by third parties arising from the non-audit engagement. No payment has been made to indemnify the auditors during the financial year.

### Statement on corporate governance and internal controls

#### (a) Board of Directors

The Board of Directors ("the Board") is ultimately responsible for the proper stewardship of the Group's and Company's resources, the achievement of corporate objectives and good corporate citizenship and discharges this responsibility through compliance with the Islamic Financial Services Act 2013 and Bank Negara Malaysia's ("BNM") Guidelines on Corporate Governance and other directives, in addition to adopting other best practices on corporate governance.

The Board currently comprises six Non-Executive Directors to enable a balanced and objective consideration of issues, hence facilitating optimal decision making. The Group Chief Executive Officer adds value to the decision making process by providing a management and operational perspective to issues placed before the Board.

#### (b) Management accountability

The Group and the Company have an organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees.

#### (c) Corporate independence

The Group and the Company have complied with BNM's Guidelines on Related Party Transactions for Takaful Operators (BNM/RH/GL 004-7). Necessary disclosures have been made to the Board and when required, prior Board's approval has been obtained. All material related party transactions have been disclosed in Note 40 to the financial statements.

#### (d) Internal controls and operational risk management

The Board has overall oversight responsibility to ensure that the Group and the Company maintain an adequate system of internal controls, 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 Group and the Company and stakeholders' interests.

## Directors' Report

for the year ended 31 December 2020

### Statement on corporate governance and internal controls (continued)

#### (d) Internal controls and operational risk management (continued)

The Group and the Company established the Enterprise Risk Management Framework to ensure an ongoing process of identifying, evaluating, monitoring and managing the significant risk exposures surrounding its business strategies and operations.

All new Takaful products are governed by the Company's Product Development Framework.

Whistle Blowing Policy, Fraud Management Policy, Compliance Framework, Anti Corruption Framework and Shariah Governance Framework are in place to provide basic structure and further strengthen the existing control mechanism underlying the business activities.

Business Continuity Management is consistently practiced and tested twice a year (BCP test is once a year and DRP test is twice a year) to safeguard the lives of the employees and others in the office premises and ensure the business is up and running at all times.

The Board, Group Chief Executive Officer and Management Committee are consciously committed to the risk culture and ensure Board Risk Committee perform as required.

#### (e) Public accountability

As custodian of public funds, the Group's and the Company's dealings with the public are always conducted fairly, honestly and professionally.

#### (f) Financial reporting

The Group and the Company have maintained proper accounting records and the Group's and the Company's financial statements are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act 2016, the Islamic Financial Services Act 2013 and Takaful Guidelines / Circulars issued by BNM and Principles of Shariah.

#### (g) Remuneration policy

The Remuneration Policy serves to reflect the Group's and the Company's objectives in promoting good corporate governance to sustain a long-term value creation for our shareholders. The Board of Directors ("BOD") has approved the remuneration policy at the recommendation of the Nomination & Remuneration Committee ("NRC").

### Other statutory information

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that:

- i) proper action had been taken in relation to the writing off of impaired debts and the making of impairment allowance and satisfied themselves that all known impaired debts had been written off and that adequate impaired allowance had been made for impaired debts;
- ii) any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise, and
- iii) there was adequate provision for incurred claims, including Incurred But Not Reported ("IBNR") claims.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for impaired debts or the amount of the allowance for impaired debts and provision for incurred claims including IBNR claims of the Group and of the Company inadequate to any substantial extent, or

## Directors' Report

for the year ended 31 December 2020

### Other statutory information (continued)

- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, and
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

For the purpose of this paragraph, contingent and other liabilities do not include liabilities arising from contracts of takaful underwritten in the ordinary course of business of the Group and of the Company.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

### Auditors

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

The auditors' remuneration is disclosed in Note 28 to the financial statements.

This report was approved by the Board of Directors on 23 February 2021. Signed on behalf of the Board of Directors:

.....  
**Dato' Mohammed Haji Che Hussein**

.....  
**Datuk Bazlan Osman**

Kuala Lumpur

Date: 23 February 2021

## Shariah Advisory Body's Report

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ وَالصَّلَاةُ وَالسَّلَامُ عَلَى أَشْرَفِ الْأَنْبِيَاءِ وَالْمُرْسَلِينَ سَيِّدِنَا مُحَمَّدٍ

وَعَلَى آلِهِ وَأَصْحَابِهِ أَجْمَعِينَ

We have reviewed the principles and the contracts relating to the products introduced by Syarikat Takaful Malaysia Keluarga Berhad ("STMKB") during the period ended 31 December 2020. We have also conducted our review to form an opinion as to whether STMKB has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia.

The management of STMKB is responsible for ensuring that the conduct of its business is in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of STMKB.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, relevant transactions, documentation and procedures adopted by STMKB. We performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us sufficient evidence to give reasonable assurance that there are no violations of the Shariah principles.

In our opinion:

1. the contracts and related documentation used by STMKB during the year ended 31 December 2020 that we have reviewed are in compliance with the Shariah principles;
2. the distribution of profit from participant individual funds and surplus from participants risk funds conforms to the basis that had been approved by us in accordance with Shariah principles;
3. the calculation of zakat is in compliance with Shariah principles; and
4. no earning that has been realised from sources or by means prohibited by the Shariah principles.

## Shariah Advisory Body's Report

We, the members of the Shariah Advisory Body, do hereby confirm that the operations of STMKB for the year ended 31 December 2020 have been conducted in conformity with the Shariah principles and nothing has come to our attention that causes us to believe that the operations, business, affairs and activities of STMKB involve any material Shariah non-compliances.

For the purpose of this report, "material Shariah non-compliance" shall refer to any Shariah non-compliance issues that have an impact on the business of STMKB.

*We bear witness only to what we know, and we could not well guard against the unseen! (surah Yusuf, verse: 81)*

Chairman of SAB : .....

**Prof. Dr. Muhamad Rahimi Osman**

Member of SAB : .....

**Dr. Ahmad Sufian Che Abdullah**

Kuala Lumpur

Date: 23 February 2021

# Statements of Financial Position

as at 31 December 2020

| <div><div>&lt;----- Group -----&gt;</div></div>            |      |                               |                             |                              |                 |                               |                             |                              |                 |
|------------------------------------------------------------|------|-------------------------------|-----------------------------|------------------------------|-----------------|-------------------------------|-----------------------------|------------------------------|-----------------|
|                                                            |      | 2020                          |                             |                              |                 | 2019                          |                             |                              |                 |
|                                                            | Note | Takaful<br>Operator<br>RM'000 | Family<br>Takaful<br>RM'000 | General<br>Takaful<br>RM'000 | Group<br>RM'000 | Takaful<br>Operator<br>RM'000 | Family<br>Takaful<br>RM'000 | General<br>Takaful<br>RM'000 | Group<br>RM'000 |
| ASSETS                                                     |      |                               |                             |                              |                 |                               |                             |                              |                 |
| Property and equipment                                     | 3    | 23,614                        | -                           | -                            | 224,924         | 24,398                        | -                           | -                            | 223,498         |
| Right-of-use assets                                        | 4    | 17,515                        | -                           | -                            | 53,698          | 17,964                        | -                           | -                            | 54,578          |
| Investment properties                                      | 5    | 11,745                        | 252,455                     | 10,640                       | 37,347          | 11,295                        | 250,264                     | 10,620                       | 36,465          |
| Intangible assets                                          | 6    | 191,187                       | -                           | -                            | 191,187         | 68,488                        | -                           | -                            | 68,488          |
| Other investments                                          | 8    | 902,420                       | 5,424,197                   | 346,576                      | 6,631,485       | 695,476                       | 4,633,505                   | 371,947                      | 5,663,461       |
| Retakaful assets                                           | 9    | -                             | 407,653                     | 570,549                      | 978,202         | -                             | 369,524                     | 386,272                      | 755,796         |
| Deferred tax assets                                        | 10   | 40,526                        | -                           | -                            | 40,526          | 40,512                        | -                           | -                            | 40,512          |
| Current tax assets                                         |      | 70,269                        | -                           | -                            | 70,269          | 65,689                        | -                           | -                            | 65,689          |
| Loans and receivables,<br>excluding takaful<br>receivables | 11   | 784,889                       | 1,315,187                   | 512,279                      | 2,549,920       | 745,386                       | 1,593,844                   | 358,766                      | 2,630,740       |
| Takaful receivables                                        | 12   | -                             | 177,648                     | 125,323                      | 302,971         | -                             | 89,962                      | 113,717                      | 203,679         |
| Cash and cash equivalents                                  | 13   | 136,744                       | 519,276                     | 56,589                       | 712,609         | 109,310                       | 441,356                     | 52,534                       | 603,200         |
| TOTAL ASSETS                                               |      | 2,178,909                     | 8,096,416                   | 1,621,956                    | 11,793,138      | 1,778,518                     | 7,378,455                   | 1,293,856                    | 10,346,106      |
| EQUITY AND LIABILITIES                                     |      |                               |                             |                              |                 |                               |                             |                              |                 |
| Share capital                                              | 14   | 211,893                       | -                           | -                            | 211,893         | 196,753                       | -                           | -                            | 196,753         |
| Reserves                                                   | 14   | 1,297,513                     | -                           | -                            | 1,297,513       | 1,026,195                     | -                           | -                            | 1,026,195       |
| Total equity attributable to<br>owners of the Company      |      | 1,509,406                     | -                           | -                            | 1,509,406       | 1,222,948                     | -                           | -                            | 1,222,948       |
| Non-controlling interests                                  |      | 32,397                        | -                           | -                            | 32,397          | 31,572                        | -                           | -                            | 31,572          |
| TOTAL EQUITY                                               |      | 1,541,803                     | -                           | -                            | 1,541,803       | 1,254,520                     | -                           | -                            | 1,254,520       |
| LIABILITIES                                                |      |                               |                             |                              |                 |                               |                             |                              |                 |
| Takaful contract liabilities                               | 16   | -                             | 7,870,798                   | 1,394,517                    | 9,223,607       | -                             | 7,180,532                   | 1,115,115                    | 8,258,180       |
| Expense reserves                                           | 17   | 316,729                       | -                           | -                            | 316,729         | 311,700                       | -                           | -                            | 311,700         |
| Deferred tax liabilities                                   | 10   | 11,751                        | -                           | -                            | 11,751          | 7,890                         | -                           | -                            | 7,890           |
| Lease liabilities                                          |      | 807                           | -                           | -                            | 807             | 988                           | -                           | -                            | 988             |
| Takaful payables                                           | 18   | 32,847                        | 62,884                      | 136,798                      | 232,529         | 31,301                        | 58,350                      | 85,700                       | 175,351         |
| Other payables                                             | 19   | 274,972                       | 145,584                     | 80,690                       | 438,811         | 172,119                       | 123,010                     | 86,719                       | 314,592         |
| Current tax liabilities                                    |      | -                             | 17,150                      | 9,951                        | 27,101          | -                             | 16,563                      | 6,322                        | 22,885          |
| TOTAL LIABILITIES                                          |      | 637,106                       | 8,096,416                   | 1,621,956                    | 10,251,335      | 523,998                       | 7,378,455                   | 1,293,856                    | 9,091,586       |
| TOTAL EQUITY<br>AND LIABILITIES                            |      | 2,178,909                     | 8,096,416                   | 1,621,956                    | 11,793,138      | 1,778,518                     | 7,378,455                   | 1,293,856                    | 10,346,106      |

The notes on pages 114 to 301 are an integral part of these financial statements.



## Statements of Financial Position

as at 31 December 2020

| <div>←----- Company -----→</div>                          |      |                               |                                     |                   |                               |                                     |                   |
|-----------------------------------------------------------|------|-------------------------------|-------------------------------------|-------------------|-------------------------------|-------------------------------------|-------------------|
|                                                           |      | Takaful<br>Operator<br>RM'000 | 2020<br>Family<br>Takaful<br>RM'000 | Company<br>RM'000 | Takaful<br>Operator<br>RM'000 | 2019<br>Family<br>Takaful<br>RM'000 | Company<br>RM'000 |
|                                                           | Note |                               |                                     |                   |                               |                                     |                   |
| <b>ASSETS</b>                                             |      |                               |                                     |                   |                               |                                     |                   |
| Property and equipment                                    | 3    | 17,821                        | -                                   | 217,651           | 17,920                        | -                                   | 215,560           |
| Right-of-use assets                                       | 4    | 765                           | -                                   | 14,180            | 959                           | -                                   | 14,529            |
| Investment properties                                     | 5    | 11,745                        | 236,175                             | 34,675            | 11,295                        | 233,713                             | 33,798            |
| Intangible assets                                         | 6    | 185,056                       | -                                   | 185,056           | 68,443                        | -                                   | 68,443            |
| Investments in subsidiaries                               | 7    | 136,393                       | -                                   | 136,393           | 136,393                       | -                                   | 136,393           |
| Other investments                                         | 8    | 709,358                       | 5,205,421                           | 5,873,071         | 531,196                       | 4,419,729                           | 4,913,458         |
| Retakaful assets                                          | 9    | -                             | 367,685                             | 367,685           | -                             | 333,034                             | 333,034           |
| Current tax assets                                        |      | 57,591                        | -                                   | 57,591            | 52,855                        | -                                   | 52,855            |
| Loans and receivables, excluding takaful receivables      | 11   | 506,467                       | 1,310,648                           | 1,776,775         | 520,375                       | 1,587,156                           | 2,061,534         |
| Takaful receivables                                       | 12   | -                             | 167,492                             | 167,492           | -                             | 74,917                              | 74,917            |
| Cash and cash equivalents                                 | 13   | 83,203                        | 373,635                             | 456,838           | 39,546                        | 284,430                             | 323,976           |
| <b>TOTAL ASSETS</b>                                       |      | 1,708,399                     | 7,661,056                           | 9,287,407         | 1,378,982                     | 6,932,979                           | 8,228,497         |
|                                                           |      |                               |                                     |                   |                               |                                     |                   |
| <b>EQUITY AND LIABILITIES</b>                             |      |                               |                                     |                   |                               |                                     |                   |
|                                                           |      |                               |                                     |                   |                               |                                     |                   |
| Share capital                                             | 14   | 211,893                       | -                                   | 211,893           | 196,753                       | -                                   | 196,753           |
| Reserves                                                  | 14   | 1,088,085                     | -                                   | 1,088,085         | 874,825                       | -                                   | 874,825           |
| <b>Total equity attributable to owners of the Company</b> |      | 1,299,978                     | -                                   | 1,299,978         | 1,071,578                     | -                                   | 1,071,578         |
|                                                           |      |                               |                                     |                   |                               |                                     |                   |
| <b>LIABILITIES</b>                                        |      |                               |                                     |                   |                               |                                     |                   |
|                                                           |      |                               |                                     |                   |                               |                                     |                   |
| Takaful contract liabilities                              | 16   | -                             | 7,449,456                           | 7,407,748         | -                             | 6,750,668                           | 6,713,201         |
| Expense reserves                                          | 17   | 140,449                       | -                                   | 140,449           | 142,412                       | -                                   | 142,412           |
| Deferred tax liabilities                                  | 10   | 11,751                        | -                                   | 11,751            | 7,890                         | -                                   | 7,890             |
| Lease liabilities                                         |      | 807                           | -                                   | 807               | 988                           | -                                   | 988               |
| Takaful payables                                          | 18   | 19,972                        | 58,452                              | 78,424            | 19,110                        | 52,931                              | 72,041            |
| Other payables                                            | 19   | 235,442                       | 135,998                             | 331,100           | 137,004                       | 112,817                             | 203,824           |
| Current tax liabilities                                   |      | -                             | 17,150                              | 17,150            | -                             | 16,563                              | 16,563            |
| <b>TOTAL LIABILITIES</b>                                  |      | 408,421                       | 7,661,056                           | 7,987,429         | 307,404                       | 6,932,979                           | 7,156,919         |
|                                                           |      |                               |                                     |                   |                               |                                     |                   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                       |      | 1,708,399                     | 7,661,056                           | 9,287,407         | 1,378,982                     | 6,932,979                           | 8,228,497         |

The notes on pages 114 to 301 are an integral part of these financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

| <b>Group</b>                                                                            |         |                         |                       |                        |              |                         |                       |                        |              |
|-----------------------------------------------------------------------------------------|---------|-------------------------|-----------------------|------------------------|--------------|-------------------------|-----------------------|------------------------|--------------|
|                                                                                         | Note    | 2020                    |                       |                        |              | 2019                    |                       |                        |              |
|                                                                                         |         | Takaful Operator RM'000 | Family Takaful RM'000 | General Takaful RM'000 | Group RM'000 | Takaful Operator RM'000 | Family Takaful RM'000 | General Takaful RM'000 | Group RM'000 |
| <b>Operating revenue</b>                                                                | 20      | 59,817                  | 2,038,960             | 858,609                | 2,957,180    | 56,291                  | 2,314,458             | 754,790                | 3,124,565    |
| <b>Takaful operator income</b>                                                          |         | 979,309                 | -                     | -                      | -            | 1,094,260               | -                     | -                      | -            |
| Gross earned contributions                                                              | 21(i)   | -                       | 1,756,863             | 756,544                | 2,514,080    | -                       | 2,042,293             | 706,198                | 2,748,637    |
| Contributions ceded to retakaful                                                        | 21(ii)  | -                       | (121,798)             | (319,313)              | (441,111)    | -                       | (117,589)             | (276,615)              | (394,204)    |
| <b>Net earned contributions</b>                                                         | 21(iii) | -                       | 1,635,065             | 437,231                | 2,072,969    | -                       | 1,924,704             | 429,583                | 2,354,433    |
| Administrative income                                                                   |         | -                       | 40                    | 81,593                 | 81,633       | -                       | 3,135                 | 62,792                 | 65,927       |
| Investment income on financial assets not measured at fair value through profit or loss | 22      | 55,367                  | 252,996               | 30,215                 | 338,578      | 50,234                  | 238,370               | 29,341                 | 317,945      |
| Investment income - others                                                              | 23      | 4,450                   | 33,028                | 456                    | 37,055       | 6,057                   | 39,545                | 1,882                  | 46,364       |
| Realised gains and losses                                                               | 24      | 3,349                   | 27,843                | 2,486                  | 33,678       | 1,807                   | 10,669                | 2,697                  | 15,173       |
| Fair value gains and losses                                                             | 25      | 5,763                   | 17,156                | (151)                  | 16,419       | 4,737                   | 30,259                | 791                    | 32,087       |
| Other operating income                                                                  | 26      | 21,290                  | 265                   | 253                    | 2,031        | 20,189                  | 2,919                 | 224                    | 4,507        |
| <b>Other income</b>                                                                     |         | 90,219                  | 331,328               | 114,852                | 509,394      | 83,024                  | 324,897               | 97,727                 | 482,003      |
| Gross benefits and claims paid                                                          | 27      | -                       | (805,230)             | (254,159)              | (1,043,282)  | -                       | (895,357)             | (318,603)              | (1,198,289)  |
| Claims ceded to retakaful                                                               | 27      | -                       | 92,338                | 108,762                | 201,100      | -                       | 85,374                | 141,496                | 226,870      |
| Gross change to contract liabilities                                                    | 27      | -                       | (46,685)              | (168,886)              | (215,571)    | -                       | (7,014)               | (62,740)               | (69,754)     |
| Change to contract liabilities ceded to retakaful                                       | 27      | -                       | 7,661                 | 161,127                | 168,788      | -                       | 15,356                | 37,608                 | 52,964       |
| <b>Net benefits and claims</b>                                                          | 27      | -                       | (751,916)             | (153,156)              | (888,965)    | -                       | (801,641)             | (202,239)              | (988,209)    |
| Wakalah fee expense                                                                     |         | -                       | (571,679)             | (318,808)              | -            | -                       | (720,525)             | (308,424)              | -            |
| Administrative fees                                                                     |         | (192,339)               | (156)                 | -                      | (192,495)    | (212,789)               | -                     | -                      | (212,789)    |
| Expense reserves                                                                        | 17      | (5,275)                 | -                     | -                      | (5,275)      | (59,588)                | -                     | -                      | (59,588)     |
| Management expenses                                                                     | 28      | (386,903)               | -                     | -                      | (387,933)    | (426,295)               | -                     | -                      | (427,239)    |
| Impairment losses on financial instruments                                              |         | (13)                    | (2,747)               | 202                    | (2,558)      | (233)                   | (1,928)               | 642                    | (1,519)      |
| Other operating expenses                                                                | 30      | (58,177)                | (3,751)               | (690)                  | (61,619)     | (60,640)                | (4,810)               | (44)                   | (64,287)     |
| <b>Other expenses</b>                                                                   |         | (642,707)               | (578,333)             | (319,296)              | (649,880)    | (759,545)               | (727,263)             | (307,826)              | (765,422)    |
| <b>Total profit for the year</b>                                                        |         | 426,821                 | 636,144               | 79,631                 | 1,043,518    | 417,739                 | 720,697               | 17,245                 | 1,082,805    |
| Profit attributable to the Takaful Operator / participants                              |         | -                       | (636,144)             | (79,631)               | (616,697)    | -                       | (720,697)             | (17,245)               | (665,066)    |
| <b>Profit before zakat and taxation</b>                                                 |         | 426,821                 | -                     | -                      | 426,821      | 417,739                 | -                     | -                      | 417,739      |
| Zakat                                                                                   |         | (1,281)                 | -                     | -                      | (1,281)      | (1,259)                 | -                     | -                      | (1,259)      |
| Tax expense                                                                             | 31      | (61,963)                | -                     | -                      | (61,963)     | (50,181)                | -                     | -                      | (50,181)     |
| <b>Profit for the year</b>                                                              |         | 363,577                 | -                     | -                      | 363,577      | 366,299                 | -                     | -                      | 366,299      |

## Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

|                                                                                      | Note | 2020                    |                       |                        |              | 2019                    |                       |                        |              |
|--------------------------------------------------------------------------------------|------|-------------------------|-----------------------|------------------------|--------------|-------------------------|-----------------------|------------------------|--------------|
|                                                                                      |      | Takaful Operator RM'000 | Family Takaful RM'000 | General Takaful RM'000 | Group RM'000 | Takaful Operator RM'000 | Family Takaful RM'000 | General Takaful RM'000 | Group RM'000 |
| <b>Profit for the year</b>                                                           |      | 363,577                 | -                     | -                      | 363,577      | 366,299                 | -                     | -                      | 366,299      |
| <b>Other comprehensive income / (loss), net of tax</b>                               |      |                         |                       |                        |              |                         |                       |                        |              |
| <b>Items that will not be reclassified subsequently to profit or loss</b>            |      |                         |                       |                        |              |                         |                       |                        |              |
| Remeasurement of defined benefit liability                                           |      | (424)                   | -                     | -                      | (424)        | (117)                   | -                     | -                      | (117)        |
| Revaluation of property and equipment                                                |      | 803                     | -                     | -                      | 6,818        | 1,576                   | -                     | -                      | 7,776        |
| Other comprehensive income attributable to participants                              |      | -                       | -                     | -                      | (6,015)      | -                       | -                     | -                      | (6,200)      |
|                                                                                      |      | 379                     | -                     | -                      | 379          | 1,459                   | -                     | -                      | 1,459        |
| <b>Items that may be reclassified subsequently to profit or loss</b>                 |      |                         |                       |                        |              |                         |                       |                        |              |
| Debt investments measured at fair value through other comprehensive income ("FVOCI") |      |                         |                       |                        |              |                         |                       |                        |              |
| - net change in fair value                                                           |      | 10,350                  | 96,773                | 6,553                  | 113,676      | 21,313                  | 229,722               | 16,528                 | 267,563      |
| - reclassified to profit or loss                                                     |      | (2,534)                 | (27,843)              | (2,486)                | (32,863)     | (1,365)                 | (10,669)              | (2,697)                | (14,731)     |
| Foreign currency translation differences for foreign operations                      |      | (1,409)                 | -                     | -                      | (1,409)      | 2,069                   | -                     | -                      | 2,069        |
| Other comprehensive income attributable to participants                              |      | -                       | (68,930)              | (4,067)                | (72,997)     | -                       | (219,053)             | (13,831)               | (232,884)    |
|                                                                                      |      | 6,407                   | -                     | -                      | 6,407        | 22,017                  | -                     | -                      | 22,017       |
| Total other comprehensive income for the year                                        | 32   | 6,786                   | -                     | -                      | 6,786        | 23,476                  | -                     | -                      | 23,476       |
| <b>Total comprehensive income for the year</b>                                       |      | 370,363                 | -                     | -                      | 370,363      | 389,775                 | -                     | -                      | 389,775      |

## Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

| <div>←----- Group -----→</div>       |      |                               |                             |                              |                 |                               |                             |                              |                 |
|--------------------------------------|------|-------------------------------|-----------------------------|------------------------------|-----------------|-------------------------------|-----------------------------|------------------------------|-----------------|
|                                      |      | 2020                          |                             |                              |                 | 2019                          |                             |                              |                 |
|                                      | Note | Takaful<br>Operator<br>RM'000 | Family<br>Takaful<br>RM'000 | General<br>Takaful<br>RM'000 | Group<br>RM'000 | Takaful<br>Operator<br>RM'000 | Family<br>Takaful<br>RM'000 | General<br>Takaful<br>RM'000 | Group<br>RM'000 |
| <b>Profit for the year</b>           |      |                               |                             |                              |                 |                               |                             |                              |                 |
| <b>attributable to:</b>              |      |                               |                             |                              |                 |                               |                             |                              |                 |
| Owners of the Company                |      | 362,420                       | -                           | -                            | 362,420         | 364,837                       | -                           | -                            | 364,837         |
| Non-controlling interests            |      | 1,157                         | -                           | -                            | 1,157           | 1,462                         | -                           | -                            | 1,462           |
|                                      |      | 363,577                       | -                           | -                            | 363,577         | 366,299                       | -                           | -                            | 366,299         |
| <b>Total comprehensive income</b>    |      |                               |                             |                              |                 |                               |                             |                              |                 |
| <b>for the year</b>                  |      |                               |                             |                              |                 |                               |                             |                              |                 |
| <b>attributable to:</b>              |      |                               |                             |                              |                 |                               |                             |                              |                 |
| Owners of the Company                |      | 369,538                       | -                           | -                            | 369,538         | 386,728                       | -                           | -                            | 386,728         |
| Non-controlling interests            |      | 825                           | -                           | -                            | 825             | 3,047                         | -                           | -                            | 3,047           |
|                                      |      | 370,363                       | -                           | -                            | 370,363         | 389,775                       | -                           | -                            | 389,775         |
| <b>Basic earnings per ordinary</b>   |      |                               |                             |                              |                 |                               |                             |                              |                 |
| share (sen)                          | 33   |                               |                             |                              | 43.76           |                               |                             |                              | 44.16           |
| <b>Diluted earnings per ordinary</b> |      |                               |                             |                              |                 |                               |                             |                              |                 |
| share (sen)                          | 33   |                               |                             |                              | 43.57           |                               |                             |                              | 43.94           |

The notes on pages 114 to 301 are an integral part of these financial statements.

## Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

| <----- Company ----->                                                                   |         |                               |                                     |                   |                               |                                     |                   |
|-----------------------------------------------------------------------------------------|---------|-------------------------------|-------------------------------------|-------------------|-------------------------------|-------------------------------------|-------------------|
|                                                                                         |         | Takaful<br>Operator<br>RM'000 | 2020<br>Family<br>Takaful<br>RM'000 | Company<br>RM'000 | Takaful<br>Operator<br>RM'000 | 2019<br>Family<br>Takaful<br>RM'000 | Company<br>RM'000 |
| Note                                                                                    |         |                               |                                     |                   |                               |                                     |                   |
| <b>Operating revenue</b>                                                                | 20      | 40,925                        | 1,918,246                           | 1,958,025         | 39,779                        | 2,177,165                           | 2,215,603         |
| <b>Takaful operator income</b>                                                          |         | 597,152                       | -                                   | -                 | 751,920                       | -                                   | -                 |
| Gross earned contributions                                                              | 21(i)   | -                             | 1,651,309                           | 1,650,980         | -                             | 1,921,364                           | 1,921,086         |
| Contributions ceded to retakaful                                                        | 21(ii)  | -                             | (106,620)                           | (106,620)         | -                             | (93,961)                            | (93,961)          |
| <b>Net earned contributions</b>                                                         | 21(iii) | -                             | 1,544,689                           | 1,544,360         | -                             | 1,827,403                           | 1,827,125         |
| Investment income on financial assets not measured at fair value through profit or loss | 22      | 38,680                        | 245,898                             | 284,578           | 36,190                        | 231,146                             | 267,336           |
| Investment income - others                                                              | 23      | 2,245                         | 24,737                              | 26,165            | 3,589                         | 30,702                              | 33,228            |
| Realised gains and losses                                                               | 24      | 3,349                         | 27,843                              | 31,192            | 1,671                         | 10,669                              | 12,340            |
| Fair value gains and losses                                                             | 25      | 5,303                         | 15,353                              | 14,380            | 3,644                         | 19,317                              | 20,132            |
| Other operating income                                                                  | 26      | 80,845                        | -                                   | 64,008            | 21,441                        | 14                                  | 5,367             |
| <b>Other income</b>                                                                     |         | 130,422                       | 313,831                             | 420,323           | 66,535                        | 291,848                             | 338,403           |
| Gross benefits and claims paid                                                          | 27      | -                             | (715,101)                           | (700,887)         | -                             | (778,037)                           | (764,623)         |
| Claims ceded to retakaful                                                               | 27      | -                             | 75,566                              | 75,566            | -                             | 66,081                              | 66,081            |
| Gross change to contract liabilities                                                    | 27      | -                             | (44,645)                            | (44,645)          | -                             | (6,862)                             | (6,862)           |
| Change to contract liabilities ceded to retakaful                                       | 27      | -                             | 6,831                               | 6,831             | -                             | 14,948                              | 14,948            |
| <b>Net benefits and claims</b>                                                          | 27      | -                             | (677,349)                           | (663,135)         | -                             | (703,870)                           | (690,456)         |
| Wakalah fee expense                                                                     |         | -                             | (547,052)                           | -                 | -                             | (691,390)                           | -                 |
| Administrative fees                                                                     |         | (101,939)                     | (156)                               | (102,095)         | (131,550)                     | (167)                               | (131,717)         |
| Expense reserves                                                                        | 17      | 1,963                         | -                                   | 1,963             | (43,172)                      | -                                   | (43,172)          |
| Management expenses                                                                     | 28      | (252,938)                     | -                                   | (252,882)         | (291,086)                     | -                                   | (291,360)         |
| Impairment losses on financial instruments                                              |         | (12)                          | (1,572)                             | (1,584)           | (151)                         | (1,928)                             | (2,079)           |
| Other operating expenses                                                                | 30      | (44,063)                      | (1,789)                             | (44,852)          | (53,996)                      | (1,745)                             | (54,534)          |
| <b>Other expenses</b>                                                                   |         | (396,989)                     | (550,569)                           | (399,450)         | (519,955)                     | (695,230)                           | (522,862)         |
| <b>Total profit for the year</b>                                                        |         | 330,585                       | 630,602                             | 902,098           | 298,500                       | 720,151                             | 952,210           |
| Profit attributable to the Takaful Operator / participants                              |         | -                             | (630,602)                           | (571,513)         | -                             | (720,151)                           | (653,710)         |
| <b>Profit before zakat and taxation</b>                                                 |         | 330,585                       | -                                   | 330,585           | 298,500                       | -                                   | 298,500           |
| Zakat                                                                                   |         | (600)                         | -                                   | (600)             | (600)                         | -                                   | (600)             |
| Tax expense                                                                             | 31      | (24,271)                      | -                                   | (24,271)          | (27,194)                      | -                                   | (27,194)          |
| <b>Profit for the year</b>                                                              |         | 305,714                       | -                                   | 305,714           | 270,706                       | -                                   | 270,706           |

## Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

|                                                                                      | Note | <----- Company ----->         |                                     |                   |                               |                                     |                   |
|--------------------------------------------------------------------------------------|------|-------------------------------|-------------------------------------|-------------------|-------------------------------|-------------------------------------|-------------------|
|                                                                                      |      | Takaful<br>Operator<br>RM'000 | 2020<br>Family<br>Takaful<br>RM'000 | Company<br>RM'000 | Takaful<br>Operator<br>RM'000 | 2019<br>Family<br>Takaful<br>RM'000 | Company<br>RM'000 |
| <b>Profit for the year</b>                                                           |      | 305,714                       | -                                   | 305,714           | 270,706                       | -                                   | 270,706           |
| <b>Other comprehensive income, net of tax</b>                                        |      |                               |                                     |                   |                               |                                     |                   |
| <b>Items that will not be reclassified subsequently to profit or loss</b>            |      |                               |                                     |                   |                               |                                     |                   |
| Revaluation of property and equipment                                                |      | 10                            | -                                   | 4,760             | 10                            | -                                   | 4,176             |
| Other comprehensive income attributable to participants                              |      | -                             | -                                   | (4,750)           | -                             | -                                   | (4,166)           |
|                                                                                      |      | 10                            | -                                   | 10                | 10                            | -                                   | 10                |
| <b>Items that may be reclassified subsequently to profit or loss</b>                 |      |                               |                                     |                   |                               |                                     |                   |
| Debt investments measured at fair value through other comprehensive income ("FVOCI") |      |                               |                                     |                   |                               |                                     |                   |
| - net change in fair value                                                           |      | 8,290                         | 96,593                              | 104,883           | 16,520                        | 240,391                             | 256,911           |
| - reclassified to profit or loss                                                     |      | (2,534)                       | (27,843)                            | (30,377)          | (1,262)                       | (10,669)                            | (11,931)          |
| Other comprehensive (income) / loss attributable to participants                     |      | -                             | (68,750)                            | (68,750)          | -                             | (229,722)                           | (229,722)         |
|                                                                                      |      | 5,756                         | -                                   | 5,756             | 15,258                        | -                                   | 15,258            |
| Total other comprehensive income for the year                                        | 32   | 5,766                         | -                                   | 5,766             | 15,268                        | -                                   | 15,268            |
| <b>Total comprehensive income for the year</b>                                       |      | 311,480                       | -                                   | 311,480           | 285,974                       | -                                   | 285,974           |
| <b>Profit for the year attributable to:</b>                                          |      |                               |                                     |                   |                               |                                     |                   |
| Owners of the Company                                                                |      | 305,714                       | -                                   | 305,714           | 270,706                       | -                                   | 270,706           |
| <b>Total comprehensive income for the year attributable to:</b>                      |      |                               |                                     |                   |                               |                                     |                   |
| Owners of the Company                                                                |      | 311,480                       | -                                   | 311,480           | 285,974                       | -                                   | 285,974           |

The notes on pages 114 to 301 are an integral part of these financial statements.



# Statements of Changes in Equity

for the year ended 31 December 2020

| Group                                                              | Note | Attributable to owners of the Company |                               |                               |                              |                        |                             |                 |                                     | Total equity<br>RM'000 |
|--------------------------------------------------------------------|------|---------------------------------------|-------------------------------|-------------------------------|------------------------------|------------------------|-----------------------------|-----------------|-------------------------------------|------------------------|
|                                                                    |      | Share capital<br>RM'000               | Translation reserve<br>RM'000 | Revaluation reserve<br>RM'000 | Fair value reserve<br>RM'000 | LTIP reserve<br>RM'000 | Retained earnings<br>RM'000 | Total<br>RM'000 | Non-controlling interests<br>RM'000 |                        |
| <b>At 1 January 2019</b>                                           |      | 185,352                               | (6,848)                       | 17,188                        | 3,152                        | 16,581                 | 768,208                     | 983,633         | 28,525                              | 1,012,158              |
| Remeasurement of defined benefit liability                         | 32   | -                                     | -                             | -                             | -                            | -                      | (87)                        | (87)            | (30)                                | (117)                  |
| Revaluation of property and equipment                              | 32   | -                                     | -                             | 1,181                         | -                            | -                      | -                           | 1,181           | 395                                 | 1,576                  |
| Fair value of debt investments measured at FVOCI                   | 32   | -                                     | -                             | -                             | 19,948                       | -                      | -                           | 19,948          | -                                   | 19,948                 |
| Foreign currency translation differences for foreign operations    | 32   | -                                     | 849                           | -                             | -                            | -                      | -                           | 849             | 1,220                               | 2,069                  |
| Other comprehensive income/(loss) for the year                     |      | -                                     | 849                           | 1,181                         | 19,948                       | -                      | (87)                        | 21,891          | 1,585                               | 23,476                 |
| Profit for the year                                                |      | -                                     | -                             | -                             | -                            | -                      | 364,837                     | 364,837         | 1,462                               | 366,299                |
| <b>Total comprehensive income for the year</b>                     |      | -                                     | 849                           | 1,181                         | 19,948                       | -                      | 364,750                     | 386,728         | 3,047                               | 389,775                |
| <b>Contributions by and distributions to owners of the Company</b> |      |                                       |                               |                               |                              |                        |                             |                 |                                     |                        |
| - LTIP vested                                                      |      | 11,401                                | -                             | -                             | -                            | (11,401)               | -                           | -               | -                                   | -                      |
| - Share-based payment transactions                                 | 15   | -                                     | -                             | -                             | -                            | 17,945                 | -                           | 17,945          | -                                   | 17,945                 |
| - Dividends to owners of the Company                               | 34   | -                                     | -                             | -                             | -                            | -                      | (165,358)                   | (165,358)       | -                                   | (165,358)              |
| <b>Total transactions with owners of the Company</b>               |      | 11,401                                | -                             | -                             | -                            | 6,544                  | (165,358)                   | (147,413)       | -                                   | (147,413)              |
| <b>At 31 December 2019</b>                                         | 14   | 196,753                               | (5,999)                       | 18,369                        | 23,100                       | 23,125                 | 967,600                     | 1,222,948       | 31,572                              | 1,254,520              |

## Statements of Changes in Equity

for the year ended 31 December 2020

| <----- Attributable to owners of the Company ----->             |      |               |                     |                     |                    |              |                   |           |                           |              |
|-----------------------------------------------------------------|------|---------------|---------------------|---------------------|--------------------|--------------|-------------------|-----------|---------------------------|--------------|
| <----- Non - distributable ----->Distributable                  |      |               |                     |                     |                    |              |                   |           |                           |              |
|                                                                 |      | Share capital | Translation reserve | Revaluation reserve | Fair value reserve | LTIP reserve | Retained earnings | Total     | Non-controlling interests | Total equity |
| Group                                                           | Note | RM'000        | RM'000              | RM'000              | RM'000             | RM'000       | RM'000            | RM'000    | RM'000                    | RM'000       |
| At 1 January 2020                                               |      | 196,753       | (5,999)             | 18,369              | 23,100             | 23,125       | 967,600           | 1,222,948 | 31,572                    | 1,254,520    |
| Remeasurement of defined benefit liability                      | 32   | -             | -                   | -                   | -                  | -            | (317)             | (317)     | (107)                     | (424)        |
| Revaluation of property and equipment                           | 32   | -             | -                   | 603                 | -                  | -            | -                 | 603       | 200                       | 803          |
| Fair value of debt investments measured at FVOCI                | 32   | -             | -                   | -                   | 7,816              | -            | -                 | 7,816     | -                         | 7,816        |
| Foreign currency translation differences for foreign operations | 32   | -             | (984)               | -                   | -                  | -            | -                 | (984)     | (425)                     | (1,409)      |
| Other comprehensive (loss)/income for the year                  |      | -             | (984)               | 603                 | 7,816              | -            | (317)             | 7,118     | (332)                     | 6,786        |
| Profit for the year                                             |      | -             | -                   | -                   | -                  | -            | 362,420           | 362,420   | 1,157                     | 363,577      |
| Total comprehensive (loss)/income for the year                  |      | -             | (984)               | 603                 | 7,816              | -            | 362,103           | 369,538   | 825                       | 370,363      |
| Contributions by and distributions to owners of the Company     |      |               |                     |                     |                    |              |                   |           |                           |              |
| - LTIP vested                                                   |      | 15,140        | -                   | -                   | -                  | (15,140)     | -                 | -         | -                         | -            |
| - Share-based payment transactions                              | 15   | -             | -                   | -                   | -                  | 16,572       | -                 | 16,572    | -                         | 16,572       |
| - Dividends to owners of the Company                            | 34   | -             | -                   | -                   | -                  | -            | (99,652)          | (99,652)  | -                         | (99,652)     |
| Total transactions with owners of the Company                   |      | 15,140        | -                   | -                   | -                  | 1,432        | (99,652)          | (83,080)  | -                         | (83,080)     |
| At 31 December 2020                                             | 14   | 211,893       | (6,983)             | 18,972              | 30,916             | 24,557       | 1,230,051         | 1,509,406 | 32,397                    | 1,541,803    |

The notes on pages 114 to 301 are an integral part of these financial statements.

## Statements of Changes in Equity

for the year ended 31 December 2020

| Company                                                            | Note | -----> Attributable to owners of the Company -----> |                               |                              |                        |                             |                        |
|--------------------------------------------------------------------|------|-----------------------------------------------------|-------------------------------|------------------------------|------------------------|-----------------------------|------------------------|
|                                                                    |      | -----> Non - distributable ----->                   |                               |                              | Distributable          |                             | Total equity<br>RM'000 |
|                                                                    |      | Share capital<br>RM'000                             | Revaluation reserve<br>RM'000 | Fair value reserve<br>RM'000 | LTIP reserve<br>RM'000 | Retained earnings<br>RM'000 |                        |
| <b>At 1 January 2019</b>                                           |      | 185,352                                             | 3,064                         | 2,297                        | 16,581                 | 725,723                     | 933,017                |
| Revaluation of property and equipment                              | 32   | -                                                   | 10                            | -                            | -                      | -                           | 10                     |
| FV of debt investments measured at FVOCI                           | 32   | -                                                   | -                             | 15,258                       | -                      | -                           | 15,258                 |
| Other comprehensive income for the year                            | 32   | -                                                   | 10                            | 15,258                       | -                      | -                           | 15,268                 |
| Profit for the year                                                |      | -                                                   | -                             | -                            | -                      | 270,706                     | 270,706                |
| <b>Total comprehensive income for the year</b>                     |      | -                                                   | 10                            | 15,258                       | -                      | 270,706                     | 285,974                |
| <i>Contributions by and distributions to owners of the Company</i> |      |                                                     |                               |                              |                        |                             |                        |
| - LTIP vested                                                      |      | 11,401                                              | -                             | -                            | (11,401)               | -                           | -                      |
| - Share-based payment transactions                                 | 15   | -                                                   | -                             | -                            | 17,945                 | -                           | 17,945                 |
| - Dividends to owners of the Company                               | 34   | -                                                   | -                             | -                            | -                      | (165,358)                   | (165,358)              |
| <b>Total transactions with owners of the Company</b>               |      | 11,401                                              | -                             | -                            | 6,544                  | (165,358)                   | (147,413)              |
| <b>At 31 December 2019</b>                                         | 14   | 196,753                                             | 3,074                         | 17,555                       | 23,125                 | 831,071                     | 1,071,578              |
| <b>At 1 January 2020</b>                                           |      | 196,753                                             | 3,074                         | 17,555                       | 23,125                 | 831,071                     | 1,071,578              |
| Revaluation of property and equipment                              | 32   | -                                                   | 10                            | -                            | -                      | -                           | 10                     |
| FV of debt investments measured at FVOCI                           | 32   | -                                                   | -                             | 5,756                        | -                      | -                           | 5,756                  |
| Other comprehensive income for the year                            | 32   | -                                                   | 10                            | 5,756                        | -                      | -                           | 5,766                  |
| Profit for the year                                                |      | -                                                   | -                             | -                            | -                      | 305,714                     | 305,714                |
| <b>Total comprehensive income for the year</b>                     |      | -                                                   | 10                            | 5,756                        | -                      | 305,714                     | 311,480                |
| <i>Contributions by and distributions to owners of the Company</i> |      |                                                     |                               |                              |                        |                             |                        |
| - LTIP vested                                                      |      | 15,140                                              | -                             | -                            | (15,140)               | -                           | -                      |
| - Share-based payment transactions                                 | 15   | -                                                   | -                             | -                            | 16,572                 | -                           | 16,572                 |
| - Dividends to owners of the Company                               | 34   | -                                                   | -                             | -                            | -                      | (99,652)                    | (99,652)               |
| <b>Total transactions with owners of the Company</b>               |      | 15,140                                              | -                             | -                            | 1,432                  | (99,652)                    | (83,080)               |
| <b>At 31 December 2020</b>                                         | 14   | 211,893                                             | 3,084                         | 23,311                       | 24,557                 | 1,037,133                   | 1,299,978              |

The notes on pages 114 to 301 are an integral part of these financial statements.

# Statements of Cash Flows

for the year ended 31 December 2020

|                                                                                                           |       | Group          |                  | Company        |                 |
|-----------------------------------------------------------------------------------------------------------|-------|----------------|------------------|----------------|-----------------|
|                                                                                                           | Note  | 2020<br>RM'000 | 2019<br>RM'000   | 2020<br>RM'000 | 2019<br>RM'000  |
| <b>Cash flows from operating activities</b>                                                               |       |                |                  |                |                 |
| Profit before zakat and taxation                                                                          |       | 426,821        | 417,739          | 330,585        | 298,500         |
| Adjustments for:                                                                                          |       |                |                  |                |                 |
| Amortisation of intangible assets                                                                         | 28    | 33,977         | 29,569           | 33,519         | 29,567          |
| Depreciation of property and equipment                                                                    | 3     | 10,962         | 11,268           | 8,292          | 8,388           |
| Depreciation of right-of-use assets                                                                       | 4     | 2,759          | 2,700            | 1,256          | 1,232           |
| Equity settled share-based payment                                                                        |       | 16,572         | 17,945           | 16,572         | 17,945          |
| Fair value change of investment properties                                                                | 25    | (891)          | (215)            | (877)          | (213)           |
| Fair value change of fair value through profit or loss financial assets                                   | 8     | (36,496)       | (33,233)         | (32,976)       | (21,287)        |
| Profit from financing receivables                                                                         |       | (1,506)        | (3,423)          | (1,404)        | (3,193)         |
| Profit from Islamic debt securities and investment accounts                                               | 22,23 | (348,941)      | (336,343)        | (284,748)      | (273,818)       |
| Profit from Malaysian Government Islamic papers                                                           | 22    | (22,296)       | (19,966)         | (21,586)       | (18,855)        |
| Dividend income from equity securities and unit trusts                                                    | 23    | (7,264)        | (8,088)          | (6,813)        | (7,200)         |
| Gains from disposal of debt investments measured at fair value through other comprehensive income         |       | (33,664)       | (15,162)         | (31,178)       | (12,329)        |
| Gains on disposal of property and equipment                                                               | 24    | (14)           | (11)             | (14)           | (11)            |
| Write-off of bad debt                                                                                     | 30    | 820            | (351)            | -              | -               |
| Amortisation of premiums, net of accretion of discounts                                                   | 22,23 | 8,761          | 8,321            | 8,118          | 7,106           |
| Impairment losses on financial instruments                                                                |       | 2,558          | 1,519            | 1,584          | 2,079           |
| Profit expenses on lease liabilities                                                                      | 28    | 92             | 103              | 92             | 103             |
| Operating profit before changes in working capital                                                        |       | 52,250         | 72,372           | 20,422         | 28,014          |
| Profit received from Islamic debt securities, investment accounts and Malaysian Government Islamic papers |       | 342,928        | 334,123          | 281,635        | 273,924         |
| Dividend income from equity securities and unit trusts                                                    |       | 7,264          | 8,088            | 6,813          | 7,200           |
| Purchase of investments                                                                                   |       | (1,612,290)    | (1,428,409)      | (1,470,346)    | (1,276,106)     |
| Proceeds from sale of investments                                                                         |       | 616,501        | 917,039          | 541,198        | 766,071         |
| Maturity of other investments                                                                             |       | 193,165        | 589,895          | 124,145        | 505,419         |
| Increase in retakaful assets                                                                              |       | (223,138)      | (217,851)        | (34,651)       | (154,244)       |
| (Increase) / Decrease in receivables                                                                      |       | (18,416)       | (1,336,553)      | 194,453        | (1,000,486)     |
| Increase in Takaful contract liabilities                                                                  |       | 899,513        | 876,765          | 620,646        | 786,043         |
| Increase in payables                                                                                      |       | 98,186         | 146,726          | 43,716         | 73,492          |
| Zakat paid                                                                                                |       | 355,963        | (37,805)         | 328,031        | 9,327           |
| Income taxes paid                                                                                         |       | (450)          | (500)            | (434)          | (406)           |
|                                                                                                           |       | (77,250)       | (75,001)         | (38,250)       | (38,250)        |
| <b>Net cash generated from / (used in) operating activities</b>                                           |       | <b>278,263</b> | <b>(113,306)</b> | <b>289,347</b> | <b>(29,329)</b> |

## Statements of Cash Flows

for the year ended 31 December 2020

|                                                               |      | Group            |                  | Company          |                  |
|---------------------------------------------------------------|------|------------------|------------------|------------------|------------------|
|                                                               | Note | 2020<br>RM'000   | 2019<br>RM'000   | 2020<br>RM'000   | 2019<br>RM'000   |
| <b>Cash flows from investing activities</b>                   |      |                  |                  |                  |                  |
| Acquisition of intangible assets                              | 6    | (156,676)        | (4,689)          | (150,132)        | (4,642)          |
| Purchase of property and equipment                            | 3    | (7,846)          | (4,453)          | (5,696)          | (3,847)          |
| Proceeds from sale of property and equipment                  |      | 142              | 14               | 57               | 14               |
| <b>Net cash used in investing activities</b>                  |      | <b>(164,380)</b> | <b>(9,128)</b>   | <b>(155,771)</b> | <b>(8,475)</b>   |
| <b>Cash flows from financing activities</b>                   |      |                  |                  |                  |                  |
| Dividends paid to owners of the Company                       | 34   | -                | (288,991)        | -                | (288,991)        |
| Payment of lease liabilities                                  | (i)  | (714)            | (712)            | (714)            | (712)            |
| <b>Net cash used in financing activities</b>                  |      | <b>(714)</b>     | <b>(289,703)</b> | <b>(714)</b>     | <b>(289,703)</b> |
| <b>Net increase / (decrease) in cash and cash equivalents</b> |      | <b>113,169</b>   | <b>(412,137)</b> | <b>132,862</b>   | <b>(327,507)</b> |
| Effect of exchange rate fluctuations on cash held             |      | (3,760)          | 9,546            | -                | -                |
| <b>Cash and cash equivalents at 1 January</b>                 |      | <b>603,200</b>   | <b>1,005,791</b> | <b>323,976</b>   | <b>651,483</b>   |
| <b>Cash and cash equivalents at 31 December</b>               | 13   | <b>712,609</b>   | <b>603,200</b>   | <b>456,838</b>   | <b>323,976</b>   |

(i) An analysis of changes in liabilities arising from financing activities is as follows:

|                                       | Group and Company |                |
|---------------------------------------|-------------------|----------------|
|                                       | 2020<br>RM'000    | 2019<br>RM'000 |
| At 1 January                          | 988               | 1,575          |
| Net changes from financing cash flows | (714)             | (712)          |
| Acquisition of new leases             | 441               | 22             |
| Profit expense paid                   | 92                | 103            |
| At 31 December                        | 807               | 988            |

The notes on pages 114 to 301 are an integral part of these financial statements.

# Notes to the Financial Statements

Syarikat Takaful Malaysia Keluarga Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

14th Floor, Annexe Block  
Menara Takaful Malaysia  
No. 4, Jalan Sultan Sulaiman  
50000 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2020 do not include other entities.

The Company is principally engaged in managing family takaful business, whilst the principal activities and details of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

The immediate holding company during the financial year is BIMB Holdings Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding corporation of the Company during the financial year is Lembaga Tabung Haji, a statutory body established under the Tabung Haji Act 1995 (Act 535).

The financial statements were authorised for issue by the Board of Directors on 23 February 2021.

## 1. Basis of preparation

### (a) Statement of compliance

"The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, the Companies Act 2016, Islamic Financial Services Act 2013, Takaful Guidelines / Circulars issued by Bank Negara Malaysia ("BNM") and Principles of Shariah.

A Takaful Operator is required to present consolidated financial statements for itself and the Takaful fund it manages and controls in accordance with the requirements of MFRS 10 'Consolidated Financial Statements'. The statements of financial position and the statements of profit or loss and other comprehensive income of the Takaful Operator, Family Takaful Fund and General Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM and Islamic Financial Services Act 2013 in Malaysia to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and statements of profit or loss and other comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the Takaful funds managed by it. The statements of financial position and the statements of profit or loss and other comprehensive income of the Family and General Takaful Fund include only the assets, liabilities, income and expenses of the family solidarity fund and General Takaful Fund that is set up, managed and controlled by the Takaful Operator.

In preparing the Company-level consolidated financial statements, the balances and transactions of the Takaful Operator are amalgamated and combined with those of the takaful fund. Interfund assets and liabilities, income and expenses relating to transactions between the funds are eliminated in full during amalgamation. The accounting policies adopted for the Takaful Operator and takaful fund are uniform for like transactions and events in similar circumstances.

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



## Notes to the Financial Statements

### 1. Basis of preparation (continued)

#### (a) Statement of compliance (continued)

##### (i) Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Company

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 January 2020:

- Amendments to MFRS 3, *Business Combination – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

The adoption of other amendments listed above did not have any material impact on the current period or any prior period and is not likely to affect future periods.

##### (ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2020. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following set out below:

- MFRS 17 'Insurance Contracts' (effective 1 January 2023) replaces MFRS 4 'Insurance Contracts'

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue from Contracts with Customers'. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts.

Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are re-measured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- (1) Simplified Premium Allocation Approach if the insurance coverage period is a year or less.
- (2) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

## Notes to the Financial Statements

### 1. Basis of preparation (continued)

#### (a) Statement of compliance (continued)

##### (ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued)

- MFRS 17 'Insurance Contracts' (effective 1 January 2023) replaces MFRS 4 'Insurance Contracts' (continued)

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The Group is in the process of assessing the financial impact onto the Group's financial statements.

- Amendments to MFRS 17 'Insurance Contracts' (effective 1 January 2023)

Amendments to MFRS 17 Insurance Contracts defers the effective date of MFRS 17 Insurance Contracts. An entity shall apply MFRS 17 and Amendments to MFRS 17 for annual reporting periods beginning on or after 1 January 2023. If an entity applies MFRS 17 earlier, it shall disclose that fact. Early application is permitted for entities that apply MFRS 9 Financial Instruments on or before the date of initial application of MFRS 17.

The Group is in the process of assessing the financial impact onto the Group's financial statements.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023)

Amendments to MFRS 101 'Classification of liabilities as current or non-current' clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

The amendments shall be applied retrospectively.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

#### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

## Notes to the Financial Statements

### 1. Basis of preparation (continued)

#### (d) Use of estimates and judgements (continued)

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

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

- Note 2(g) and Note 5 - Investment property
- Note 2(c) and Note 38 - Financial instruments
- Note 2(o) and Note 17 - Computation of expense reserves
- Note 2(m), (n), Note 9 and Note 16 - Provision for outstanding claims including IBNR claims and actuarial liabilities

### 2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in the financial statements, and have been applied consistently by the Group entities, unless otherwise stated.

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

##### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (ii) *Business combinations (continued)*

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net asset at the acquisition date.

Transaction costs, other than those associated with the issue of Islamic debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

##### (iii) *Acquisition of non-controlling interests*

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

##### (iv) *Loss of control*

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

##### (v) *Non-controlling interests*

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

##### (vi) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### (b) Foreign currency

##### (i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (b) Foreign currency (continued)

##### (i) *Foreign currency transactions (continued)*

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising are generally recognised in the profit and loss. However, foreign currency differences arising from the translation of an investment in equity securities designated as at fair value through other comprehensive income ("FVOCI") are recognised in other comprehensive income ("OCI").

In the consolidated financial statements, when settlement of a monetary item receivables from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

##### (ii) *Operations denominated in functional currencies other than Ringgit Malaysia*

The assets and liabilities of operations denominated in functional currencies other than RM and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

#### (c) Financial instruments

##### (i) *Recognition and initial measurement*

A financial asset or a financial liability is recognised in the statement of financial position when and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial assets (unless it is a takaful receivables without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A takaful receivables without a significant financing component is initially measured at the transaction price.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (ii) *Classification and subsequent measurement*

###### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") - debt investment; FVOCI - equity instrument; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group and the Company change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

###### *Amortised cost*

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

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

###### *FVOCI - debt investment*

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

###### *FVOCI - equity instrument*

On initial recognition of an equity investment that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

###### *FVTPL*

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment (see Note 2(i)(i)).



## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (ii) *Classification and subsequent measurement (continued)*

###### Financial assets - Business model assessment

The Group and the Company make an assessment of the objective of the business model in which a financial asset is held at 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. These include whether management's strategy focuses on earning contractual profit income, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's and the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on fair value of the assets management or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's and the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

###### Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' 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 lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group and the Company consider 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 this assessment, the Group and the Company consider:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's and Company's claim to cash flows from specified assets (e.g. non-recourse features).

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (ii) Classification and subsequent measurement (continued)

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest (continued)

A prepayment feature is consistent with the 'solely payments of principal and interest' criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial assets at FVTPL          | These assets are subsequently measured at fair value. Net gains and losses, including any profit or dividend income, are recognised in profit or loss.                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective profit method. The amortised cost is reduced by impairment losses. Profit income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Profit income is recognised by applying effective profit rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective profit rate is applied to the amortised cost.                              |
| Debt investments at FVOCI          | These assets are subsequently measured at fair value. Profit income calculated using the effective profit methods, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. Profit income is recognised by applying effective profit rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective profit rate is applied to the amortised cost. |
| Equity investments at FVOCI        | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.                                                                                                                                                                                                                           |

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any profit expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective profit method. Profit expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (iii) Derecognition

###### Financial assets

The Group and the Company derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Group and the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group and the Company enter into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

On derecognition of a financial assets, the difference between the carrying amount of the financial assets and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

###### Financial liabilities

The Group and the Company derecognise a financial liability when the contractual obligations are discharged or cancelled, or expire. The Group and the Company also derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in statement of financial position when, and only when, the Group and the Company currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### (d) Property and equipment

##### (i) Recognition and measurement

The freehold land and buildings are stated at cost / valuation less any accumulated depreciation and any accumulated impairment losses. Items of equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The Group and the Company revalue their freehold land and buildings annually and at shorter intervals whenever the fair values of the revalued assets are expected to differ materially from their carrying value. Additions subsequent to their revaluation are stated in the financial statements at cost until the next revaluation exercise.

An external independent valuation company, having the appropriate recognised professional qualifications, values the Group's land and buildings on an annual basis. The revalued amounts are based on market value, being the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (d) Property and equipment (continued)

##### (i) *Recognition and measurement (continued)*

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of any previous surpluses recognised for the same property. In all other cases, a decrease in carrying amount is charged to profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment was capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "realised gains and losses" in profit or loss.

##### (ii) *Subsequent costs*

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

##### (iii) *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

The annual depreciation rates for the current and comparative periods are as follows:

|                                                    |               |
|----------------------------------------------------|---------------|
| Buildings                                          | 2.0%          |
| Motor vehicles                                     | 20.0%         |
| Office equipment, furniture, fixtures and fittings | 16.7% - 33.3% |

The depreciable amount is determined after deducting the residual value.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (d) Property and equipment (continued)

##### (iii) Depreciation (continued)

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

Leased assets (including leasehold land) are presented as a separate line item in statement of financial position. See accounting policy Note 2(e) on right-of-use assets for these assets.

#### (e) Leases

##### The Group and the Company as a lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Company are a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

##### (i) Lease term

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and of the Company and affects whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

##### (ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (e) Leases (continued)

##### The Group and the Company as a lessee (continued)

##### (ii) ROU assets (continued)

The Group and the Company apply the fair value model to ROU assets that meet the definition of investment property of MFRS 140 consistent with those investment property owned by the Group and the Company. Refer to Note 2(g) for accounting policy on investment property.

The Group and the Company present ROU assets that meet the definition of investment property in the statement of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of financial position.

##### (iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group and the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group and the Company present the lease liabilities as a separate line item in the statement of financial position. Profit expense on the lease liability is presented within the management expenses in the statement of profit or loss.

##### (iv) Reassessment of lease liabilities

The Group and the Company are also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.



## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (e) Leases (continued)

##### The Group and the Company as a lessee (continued)

##### (v) *Short-term leases and leases of low-value assets*

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

##### The Group and the Company as a lessor

As a lessor, the Group and the Company determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group and the Company consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

##### (i) *Finance lease*

The Group and the Company classify a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Company derecognise the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Note 2(i)(i) on impairment of financial assets). In addition, the Group and the Company review regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group and the Company revise the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

##### (ii) *Operating lease*

The Group and the Company classify a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Company recognise lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (e) Leases (continued)

##### The Group and the Company as a lessor (continued)

##### (iii) Sublease classification

When the Group or the Company is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group or the Company applies the exemption described above, then it classifies the sublease as an operating lease.

##### (iv) Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group and the Company allocate the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15.

#### (f) Intangible assets

##### (i) Intangible assets

Intangible assets that are acquired by the Group and the Company, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Cost associated with maintaining computer software programmes are recognised as an expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group and the Company are recognised as intangible assets.

##### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

##### (iii) Amortisation

Intangible assets are amortised from the date that they are available for use. Amortisation is based on cost of an assets less its residual value. Amortisation is recognised in profit or loss over the estimated useful lives of intangible assets.

The policies applies to intangible assets and its estimated useful lives for the current and comparative periods are as follows:

|                           | <b>Amoritsation methods used</b>    | <b>Useful economic lives</b> |
|---------------------------|-------------------------------------|------------------------------|
| Bancatakaful service fees | Straight-line / units-of-production | 5 years                      |
| Computer softwares        | Straight-line                       | 5 years                      |

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in accounting estimates.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (g) Investment property

##### (i) *Investment property carried at fair value*

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Right-of-use assets that meet the definition of investment properties in accordance with MFRS 140 is presented in the statement of financial position as investment properties. Subsequent measurement of the right-of-use asset is consistent with those investment properties owned by the Company.

If a valuation obtained for a property held by the Company (as lessee) as a right-of-use asset is net of all payments expected to be made, any related lease liability recognised separately in the statement of financial position is added back to arrive at the carrying value of the investment properties for accounting purposes.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

##### (ii) *Reclassifications to / from investment property carried at fair value*

When an item of property and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment properties, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

##### (iii) *Determination of fair value*

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's and the Company's investment property portfolio annually.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

#### (h) Cash and cash equivalents and placements with financial institutions

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (i) Impairment

##### (i) *Financial assets*

The Group and the Company recognise loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI.

The Group and the Company measure loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt investments that are determined to have low credit risk at the reporting date; and
- other debt investments and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for takaful and retakaful receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECLs, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and Company's historical experience and informed credit assessment and including forward-looking information, where available.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to action such as realising security (if any is held).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events over that are possible within the 12 months after the reporting date (or a shorter period of the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and the Company are exposed to credit risk.

##### *Measurement of ECLs*

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as 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 and the Company expect to receive).

ECLs are discounted at the effective profit rate of the financial asset.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (i) Impairment (continued)

##### (i) Financial assets (continued)

###### *Incorporation of forward-looking information*

Relevant macroeconomic factors are incorporated in the risk parameters as appropriate. The key macroeconomics variables ("MEV") that are incorporated in determining ECLs include, but not limited to, Kuala Lumpur Composite Index ("KLCI"), House Price Index ("HPI"), Consumer Price Index ("CPI"), Unemployment Rate and Industrial Production Index ("IPI").

Forward-looking macroeconomic forecasts are generated by the Group Economist as part of the ECL process. An economic forecast is accompanied with three economic scenarios: a base case, which is the median scenario, assigned a 60% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned 30% and 10% probability of occurring respectively.

Selected MEVs are projected over the forecast period, and they could have a material impact in determining ECLs. Forecasted MEVs are derived by Economist using time series econometrics. The data series are procured from the official source such as Department of Statistics Malaysia ("DOSM"), BNM and other government agencies. Prior to MEV forecast, Economists would gather his or her intelligence from discussion with the policy makers, institutional investors and other news flow (main stream and social media) in order to form an opinion. The opinion may cover the economic policies, business cycle and financial market condition. This will be the main input before embarking MEV forecast exercise.

The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

###### *Credit-impaired financial assets*

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial assets 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

###### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt investments at FVOCI, the loss allowance is charged to profit or loss. The loss allowance does not reduce the carrying amount of the financial asset and is recognised in OCI.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (i) Impairment (continued)

##### (i) *Financial assets (continued)*

###### *Write-off*

The gross carrying amount of a financial asset is written off when the Group and the Company have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery of amounts due.

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

At each reporting date, the Group and the Company review the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of other assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

##### (i) *Issue expenses*

Costs directly attributable to the issue of instruments classified as equity are recognised as a reduction from equity.

##### (ii) *Ordinary shares*

Ordinary shares are classified as equity.

##### (iii) *Distributions of assets to owners of the Company*

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.



## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (k) Employee benefits

##### (i) *Short-term employee benefits*

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (ii) *State plans*

The Group's and the Company's contribution to the statutory pension fund is charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

##### (iii) *Defined benefit plans*

The Group's net obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding profit) and the effect of the asset ceiling (if any, excluding profit), are recognised immediately in other comprehensive income. The Group determines the net profit expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net profit expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

##### (iv) *Share-based payment transactions*

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (k) Employee benefits (continued)

##### (iv) *Share-based payment transactions (continued)*

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using Monte Carlo Simulation. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), expected dividends, and the risk-free profit rate (based on government Islamic debt securities). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

#### (l) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### (m) General Takaful Fund

The General Takaful Fund is maintained in accordance with the Islamic Financial Services Act 2013. Included in General Takaful Fund are funds arising from:

- General Takaful; and
- General retakaful.

The General Takaful underwriting results are determined for each class of takaful business after taking into account retakaful, unearned contributions, claims incurred and administrative fees.

#### Contribution income

Contributions are recognised in a financial period in respect of risks assumed during that particular financial period based on the inception date. Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators.

#### Contribution liabilities

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

Contributions liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") respectively for all lines of business or the best estimate value of the unexpired risk reserves ("URR") and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the end of the financial year.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (m) General Takaful Fund (continued)

##### (i) Unexpired risk reserves

The URR is prospective estimate of the expected future payments arising from future events insured or covered under contracts in force as at the end of the financial year and also includes allowance for expenses, including overheads and costs of retakaful, expected to be incurred during the unexpired period in administering these certificates or contracts and settling the relevant claims, and shall allow for expected future contributions refunds.

URR is estimated via an actuarial valuation performed by qualified actuary, using a mathematical method of estimation similar to incurred but not reported ("IBNR") claims.

##### (ii) Unearned contribution reserves

The Unearned Contribution Reserves ("UCR") represent the portion of the net contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial year.

In determining the UCR at the end of the reporting period, the method that most accurately reflects the actual unearned contributions is used, as follows:

- a) 1/365th method for all General Takaful business.
- b) 1/8th method for all classes of General Treaty Inward Retakaful business.

#### Provision for outstanding claims

A liability for outstanding claims is recognised in respect of direct takaful business. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries, if any, to settle the present obligation at the end of the reporting period. Any difference between the current estimated cost and subsequent settlement is dealt with in the takaful statement of profit or loss and other comprehensive income of the Group and of the Company in the year in which the settlement takes place.

Provision is also made for the cost of claims (together with related expenses) and Incurred But Not Reported Claims ("IBNR") at the end of the reporting period, using a mathematical method of estimation by a qualified actuary where historical claims experience are used to project future claims. The provision includes a risk margin for adverse deviation. As with all projections, there are elements of uncertainty and the projected claims may be different from actual. These uncertainties arise from changes in underlying risk, changes in spread of risks, claims settlement pattern as well as uncertainties in the projection model and underlying assumptions.

#### (n) Family Takaful Fund

Included in Family Takaful Fund are funds arising from:

- Family Takaful;
- Group Family Takaful; and
- Family retakaful.

The Family Takaful Fund is maintained in accordance with the requirements of the Islamic Financial Services Act 2013 and includes the amounts attributable to participants which represents the participants' share of the underwriting surplus and return on the investments, where applicable and are distributable in accordance with the terms and conditions prescribed by the Group and the Company.

The surplus transfer from the Family Takaful Fund to profit or loss is based on the pre-determined profit sharing ratio of the underwriting surplus and return on investments.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (n) Family Takaful Fund (continued)

##### **Contribution income**

Contribution is recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contribution is recognised when it is due. At the end of each financial period, all due contributions are accounted for to the extent that they can be reliably measured.

##### **Investment-linked business**

Investments of the investment-linked business are stated at closing market prices. Any increase or decrease in value of these investments is taken into the investment-linked business revenue accounts.

##### **Actuarial reserves**

Actuarial reserves comprise the Prospective Actuarial Valuation, Cash Flow Projection Valuation and Unearned Contribution Valuation as explained below:

##### **(i) Prospective Actuarial Valuation**

For credit-related products, the liabilities of Family Takaful Fund shall be valued based on the sum of present value of future benefits and any expected future expenses payable from the takaful funds, less the present value of future gross tabarru' arising from the certificate, discounted at the appropriate risk discount rate as defined in the valuation guidelines.

For a credit-related takaful certificate whose sustainability of tabarru' deductions is dependent on the performance of the Participants Investment Fund ("PIF"), the calculation is subject to adjusting the future gross tabarru' cash flow such that it is limited to the period where the PIF can sustain the tabarru' and assuming that the takaful coverage is in force for the full duration of the takaful contract.

##### **(ii) Cash Flow Projection Valuation**

For products with PIF other than credit-related products, the liabilities shall be valued by projecting future cash flows to ensure that all future obligations can be met without recourse to additional finance or capital support at any future time during the duration of the certificate. The cash flow projection shall use a basis that is consistent with the requirements of the valuation guidelines.

##### **(iii) Unearned Contribution Valuation**

Yearly renewable products or extensions shall be valued according to the following:

- (a) For a certificate covering death or survival, the liabilities shall be valued on an unexpired risk basis using a prospective estimate of expected future payments arising from future events covered as at the valuation date. These future payments shall include allowance for direct claims related expenses, direct investment-related expenses, cost of retakaful and expected future contribution refunds expected during the unexpired period.
- (b) For a certificate covering contingencies other than death or survival, the net liability is the maximum of unexpired risk reserve or unearned contribution reserve.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (n) Family Takaful Fund (continued)

##### Provision for outstanding claims

Claims and provisions for claims arising on family and group family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a family takaful certificate are recognised as follows:

- a) Maturity or other certificate benefit payments due on specified dates are accounted for as claims payable on the due dates.
- b) Death, surrender and other benefits without due dates are treated as claims payable on the date of receipts of intimation of death of the participant or occurrence of contingency covered.
- c) For individual family, group health and medical business, provision is made for the cost of claims (together with related expenses) and IBNR at the end of the reporting period, using a mathematical method of estimation by a qualified internal actuary where historical claims experience are used to project future claims. The provision includes a risk margin for adverse deviation. As with all projections, there are elements of uncertainty and the projected claims may be different from actual. These uncertainties arise from changes in underlying risk, changes in spread of risks, claim settlement pattern as well as uncertainties in the projection model and underlying assumptions.

#### (o) Expense reserves

The expense reserves are reported as a liability in Takaful Operator's Fund.

##### (i) General Takaful Fund

The expense reserves for mudharabah certificates are calculated based on best estimate of the provision for unexpired expense risk ("UER") and the provision for risk margin for adverse deviation ("PRAD"). The expense reserve for wakalah certificates refers to the higher of aggregate of the Unearned Wakalah Fee ("UWF") for all lines of business or best estimate of the provision for UER and the PRAD at total fund level.

##### (ii) Family Takaful Fund

Expense reserves consist of the following:

##### (a) Expense liabilities

The expense reserves for the Family Takaful business are estimated assuming that the block of in-force contracts are to be maintained on a 'going concern' basis. Under a 'going concern' scenario, the contracts so valued are taken as a particular sub-block of contracts and the cashflows are valued to the point the last certificate goes off the books.

The maintenance expenses related to such contracts include the cost of functions that would normally be associated with operation of the business on a 'going concern' basis.

The method used to value expense liabilities shall be consistent with the method used to value takaful liabilities of the corresponding family takaful certificate (for example, for a long-term ordinary takaful certificate, the valuation method for expense liabilities should also be long-term in nature).

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (o) Expense reserves (continued)

##### (ii) Family Takaful Fund (continued)

##### b) Deficiency Reserve for Skim Annuity Takaful KWSP

In addition to the expense liabilities above, an additional requirement is also complied as stipulated below:

If Participant Investment Fund ("PIF") is expected to be insufficient to meet future annuity certain benefit and / or future life annuity tabarru', another provision shall be set aside that is in line with requirement of the valuation guideline. Upon PIF insufficiency, the Operator's Fund shall honour the annuity certain benefit payment to participants as well as the tabarru' to PRF.

#### (p) Product classification

The Family Takaful Fund and General Takaful Fund consist of certificate contracts that transfer takaful risk.

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

Investment contracts are those contracts that do not transfer significant insurance risk. There are no contracts that are classified as investment contracts in the Family and General Takaful Funds.

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

Takaful contracts 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, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and / or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

#### (q) Retakaful

The funds cede takaful risk in the normal course of business. Retakaful assets represent balances receivable and recoverable from retakaful operators. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful's certificates and are in accordance with the related retakaful contracts.

Ceded retakaful arrangements do not relieve the fund from its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

## Notes to the Financial Statements

### 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 reporting 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 Family and General Takaful Fund may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Family and General Takaful Fund will receive from the retakaful operator. The impairment loss is recorded in profit or loss.

Gains or losses on subscribing retakaful, if any, are recognised in profit or loss immediately at the date of subscription and are not amortised.

The funds also assume retakaful risk in the normal course of business for Family Takaful and General Takaful contracts when applicable.

Contributions and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakaful business. Retakaful liabilities represent balances due to retakaful operators. Amounts payable are estimated in a manner consistent with the related retakaful contract.

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

Retakaful contracts that do not transfer significant takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified contributions or fees to be retained by the retakaful operators. Investment income on these contracts is accounted for using the effective yield method when accrued.

#### (r) Other revenue recognition

##### (i) *Financing income*

Income from financing is recognised on an accrual basis and on a time proportion basis that takes into account the effective yield of the asset.

##### (ii) *Administrative income*

Administrative income derived from retakaful in the course of ceding contributions.

##### (iii) *Wakalah fees*

Wakalah fees are recognised as income or expenses by the respective funds based on a predetermined percentage of gross contributions upon inception of certificates. Wakalah surplus / (deficit) is arrived at after deducting commission and management expenses against the Wakalah fees charged.

##### (iv) *Dividend income*

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.



## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (s) Administrative fee

Administrative fees in the Group and the Company's profit or loss represent administrative expenses paid to third parties at an agreed percentage for each certificate underwritten. The administrative fees are borne by the Takaful Operator and this is in accordance with the principles of wakalah as approved by the Shariah Committee and is as agreed between the participants and the Group and the Company.

#### (t) Zakat

This represents an obligatory amount payable by the Group and the Company on behalf of its individual Muslim shareholders to comply with the principles of Shariah. Zakat is computed at 2.5775% of zakat base amount of the Company, which is computed using the "Adjusted Growth method". The zakat computation is reviewed and approved by the Shariah Advisory Body. The Board has the discretion to pay additional amount above the obligatory zakat amount payable.

#### (u) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (v) Operating lease payments

The Group recognises its Ijarah financing obligations as operating leases. Lease payments under the operating lease are recognised as an expense in profit or loss on a straight-line basis over the lease term.

#### (w) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (w) Earnings per share (continued)

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

#### (x) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

#### (y) Fair value measurements

Fair value of an asset or a liability, except for share-based payments and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## Notes to the Financial Statements

### 3. Property and equipment

#### Group Takaful Operator

| Cost / Valuation                     | Note | Freehold<br>Land<br>RM'000 | Buildings<br>RM'000 | Motor<br>vehicles<br>RM'000 | Office<br>equipment,<br>furniture,<br>fixtures<br>and fittings<br>RM'000 | Total<br>RM'000 |
|--------------------------------------|------|----------------------------|---------------------|-----------------------------|--------------------------------------------------------------------------|-----------------|
| At 1 January 2019                    |      | 1,010                      | 520                 | 963                         | 149,850                                                                  | 152,343         |
| Additions                            |      | -                          | -                   | -                           | 4,453                                                                    | 4,453           |
| Disposals                            |      | -                          | -                   | -                           | (1,332)                                                                  | (1,332)         |
| Write-offs                           |      | -                          | -                   | -                           | (283)                                                                    | (283)           |
| Effect of movement in exchange rates |      | -                          | -                   | 22                          | 145                                                                      | 167             |
| At 31 December 2019 / 1 January 2020 |      | 1,010                      | 520                 | 985                         | 152,833                                                                  | 155,348         |
| Additions                            |      | -                          | -                   | 317                         | 7,529                                                                    | 7,846           |
| Disposals                            |      | -                          | -                   | (317)                       | (1,324)                                                                  | (1,641)         |
| Effect of movement in exchange rates |      | -                          | -                   | (15)                        | (91)                                                                     | (106)           |
| At 31 December 2020                  |      | 1,010                      | 520                 | 970                         | 158,947                                                                  | 161,447         |
| <b>Accumulated depreciation</b>      |      |                            |                     |                             |                                                                          |                 |
| At 1 January 2019                    |      | -                          | -                   | 388                         | 123,310                                                                  | 123,698         |
| Depreciation for the year            | 28   | -                          | 10                  | 135                         | 8,635                                                                    | 8,780           |
| Disposals                            |      | -                          | -                   | -                           | (1,329)                                                                  | (1,329)         |
| Write-offs                           |      | -                          | -                   | -                           | (283)                                                                    | (283)           |
| Adjustment for revaluation           |      | -                          | (10)                | -                           | -                                                                        | (10)            |
| Effect of movement in exchange rates |      | -                          | -                   | 6                           | 88                                                                       | 94              |
| At 31 December 2019 / 1 January 2020 |      | -                          | -                   | 529                         | 130,421                                                                  | 130,950         |
| Depreciation for the year            | 28   | -                          | 10                  | 140                         | 8,324                                                                    | 8,474           |
| Disposals                            |      | -                          | -                   | (190)                       | (1,323)                                                                  | (1,513)         |
| Adjustment for revaluation           |      | -                          | (10)                | -                           | -                                                                        | (10)            |
| Effect of movement in exchange rates |      | -                          | -                   | (6)                         | (62)                                                                     | (68)            |
| At 31 December 2020                  |      | -                          | -                   | 473                         | 137,360                                                                  | 137,833         |
| <b>Carrying amounts</b>              |      |                            |                     |                             |                                                                          |                 |
| At 1 January 2019                    |      | 1,010                      | 520                 | 575                         | 26,540                                                                   | 28,645          |
| At 31 December 2019                  |      | 1,010                      | 520                 | 456                         | 22,412                                                                   | 24,398          |
| At 31 December 2020                  |      | 1,010                      | 520                 | 497                         | 21,587                                                                   | 23,614          |

## Notes to the Financial Statements

### 3. Property and equipment (continued)

#### Group

| <b>Cost / Valuation</b>                             | <b>Note</b> | <b>Freehold<br/>Land<br/>RM'000</b> | <b>Buildings<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Office<br/>equipment,<br/>furniture,<br/>fixtures<br/>and fittings<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-----------------------------------------------------|-------------|-------------------------------------|-----------------------------|--------------------------------------|--------------------------------------------------------------------------------------|-------------------------|
| At 1 January 2019                                   |             | 74,749                              | 124,948                     | 963                                  | 149,850                                                                              | 350,510                 |
| Additions                                           |             | -                                   | -                           | -                                    | 4,453                                                                                | 4,453                   |
| Disposals                                           |             | -                                   | -                           | -                                    | (1,332)                                                                              | (1,332)                 |
| Write-offs                                          |             | -                                   | -                           | -                                    | (283)                                                                                | (283)                   |
| Revaluation                                         |             | 1,160                               | -                           | -                                    | -                                                                                    | 1,160                   |
| Effect of movement in exchange rates                |             | -                                   | -                           | 22                                   | 145                                                                                  | 167                     |
| At 31 December 2019 / 1 January 2020                |             | 75,909                              | 124,948                     | 985                                  | 152,833                                                                              | 354,675                 |
| Additions                                           |             | -                                   | -                           | 317                                  | 7,529                                                                                | 7,846                   |
| Disposals                                           |             | -                                   | -                           | (317)                                | (1,324)                                                                              | (1,641)                 |
| Revaluation                                         |             | 9,040                               | (6,830)                     | -                                    | -                                                                                    | 2,210                   |
| Effect of movement in exchange rates                |             | -                                   | -                           | (15)                                 | (91)                                                                                 | (106)                   |
| At 31 December 2020                                 |             | 84,949                              | 118,118                     | 970                                  | 158,947                                                                              | 362,984                 |
| <b>Accumulated depreciation and impairment loss</b> |             |                                     |                             |                                      |                                                                                      |                         |
| At 1 January 2019                                   |             | -                                   | -                           | 388                                  | 123,310                                                                              | 123,698                 |
| Accumulated depreciation                            |             | 199                                 | 28                          | -                                    | -                                                                                    | 227                     |
| Accumulated impairment loss                         |             | 199                                 | 28                          | 388                                  | 123,310                                                                              | 123,925                 |
| Depreciation for the year                           | 28          | -                                   | 2,498                       | 135                                  | 8,635                                                                                | 11,268                  |
| Disposals                                           |             | -                                   | -                           | -                                    | (1,329)                                                                              | (1,329)                 |
| Write-offs                                          |             | -                                   | -                           | -                                    | (283)                                                                                | (283)                   |
| Adjustment for revaluation                          |             | -                                   | (2,498)                     | -                                    | -                                                                                    | (2,498)                 |
| Effect of movement in exchange rates                |             | -                                   | -                           | 6                                    | 88                                                                                   | 94                      |
| At 31 December 2019                                 |             | -                                   | -                           | 529                                  | 130,421                                                                              | 130,950                 |
| Accumulated depreciation                            |             | 199                                 | 28                          | -                                    | -                                                                                    | 227                     |
| Accumulated impairment loss                         |             | 199                                 | 28                          | 529                                  | 130,421                                                                              | 131,177                 |

## Notes to the Financial Statements

### 3. Property and equipment (continued)

#### Group

| Accumulated depreciation and impairment loss | Note | Freehold<br>Land<br>RM'000 | Buildings<br>RM'000 | Motor<br>vehicles<br>RM'000 | Office<br>equipment,<br>furniture,<br>fixtures<br>and fittings<br>RM'000 | Total<br>RM'000 |
|----------------------------------------------|------|----------------------------|---------------------|-----------------------------|--------------------------------------------------------------------------|-----------------|
| At 1 January 2020                            |      |                            |                     |                             |                                                                          |                 |
| Accumulated depreciation                     |      | -                          | -                   | 529                         | 130,421                                                                  | 130,950         |
| Accumulated impairment loss                  |      | 199                        | 28                  | -                           | -                                                                        | 227             |
|                                              |      | 199                        | 28                  | 529                         | 130,421                                                                  | 131,177         |
| Depreciation for the year                    | 28   | -                          | 2,498               | 140                         | 8,324                                                                    | 10,962          |
| Disposals                                    |      | -                          | -                   | (190)                       | (1,323)                                                                  | (1,513)         |
| Adjustment for revaluation                   |      | -                          | (2,498)             | -                           | -                                                                        | (2,498)         |
| Effect of movement in exchange rates         |      | -                          | -                   | (6)                         | (62)                                                                     | (68)            |
| At 31 December 2020                          |      |                            |                     |                             |                                                                          |                 |
| Accumulated depreciation                     |      | -                          | -                   | 473                         | 137,360                                                                  | 137,833         |
| Accumulated impairment loss                  |      | 199                        | 28                  | -                           | -                                                                        | 227             |
|                                              |      | 199                        | 28                  | 473                         | 137,360                                                                  | 138,060         |
| <b>Carrying amounts</b>                      |      |                            |                     |                             |                                                                          |                 |
| At 1 January 2019                            |      | 74,550                     | 124,920             | 575                         | 26,540                                                                   | 226,585         |
| At 31 December 2019                          |      | 75,710                     | 124,920             | 456                         | 22,412                                                                   | 223,498         |
| At 31 December 2020                          |      | 84,750                     | 118,090             | 497                         | 21,587                                                                   | 224,924         |

## Notes to the Financial Statements

### 3. Property and equipment (continued)

#### Company Takaful Operator

| <b>Cost / Valuation</b>                 | <b>Note</b> | <b>Land<br/>RM'000</b> | <b>Freehold<br/>Buildings<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Office<br/>equipment,<br/>furniture,<br/>fixtures<br/>and fittings<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-----------------------------------------|-------------|------------------------|------------------------------------------|--------------------------------------|--------------------------------------------------------------------------------------|-------------------------|
| At 1 January 2019                       |             | 1,010                  | 520                                      | 196                                  | 129,434                                                                              | 131,160                 |
| Additions                               |             | -                      | -                                        | -                                    | 3,847                                                                                | 3,847                   |
| Disposals                               |             | -                      | -                                        | -                                    | (1,331)                                                                              | (1,331)                 |
| At 31 December 2019 / At 1 January 2020 |             | 1,010                  | 520                                      | 196                                  | 131,950                                                                              | 133,676                 |
| Additions                               |             | -                      | -                                        | -                                    | 5,696                                                                                | 5,696                   |
| Disposals                               |             | -                      | -                                        | -                                    | (1,282)                                                                              | (1,282)                 |
| At 31 December 2020                     |             | 1,010                  | 520                                      | 196                                  | 136,364                                                                              | 138,090                 |
| <b>Accumulated depreciation</b>         |             |                        |                                          |                                      |                                                                                      |                         |
| At 1 January 2019                       |             | -                      | -                                        | 145                                  | 111,049                                                                              | 111,194                 |
| Depreciation for the year               | 28          | -                      | 10                                       | 23                                   | 5,867                                                                                | 5,900                   |
| Disposals                               |             | -                      | -                                        | -                                    | (1,328)                                                                              | (1,328)                 |
| Adjustment for revaluation              |             | -                      | (10)                                     | -                                    | -                                                                                    | (10)                    |
| At 31 December 2019 / At 1 January 2020 |             | -                      | -                                        | 168                                  | 115,588                                                                              | 115,756                 |
| Depreciation for the year               | 28          | -                      | 10                                       | 24                                   | 5,770                                                                                | 5,804                   |
| Disposals                               |             | -                      | -                                        | -                                    | (1,281)                                                                              | (1,281)                 |
| Adjustment for revaluation              |             | -                      | (10)                                     | -                                    | -                                                                                    | (10)                    |
| At 31 December 2020                     |             | -                      | -                                        | 192                                  | 120,077                                                                              | 120,269                 |
| <b>Carrying amounts</b>                 |             |                        |                                          |                                      |                                                                                      |                         |
| At 1 January 2019                       |             | 1,010                  | 520                                      | 51                                   | 18,385                                                                               | 19,966                  |
| At 31 December 2019                     |             | 1,010                  | 520                                      | 28                                   | 16,362                                                                               | 17,920                  |
| At 31 December 2020                     |             | 1,010                  | 520                                      | 4                                    | 16,287                                                                               | 17,821                  |

## Notes to the Financial Statements

### 3. Property and equipment (continued)

#### Company

| Cost / Valuation                        | Note | Freehold<br>Land<br>RM'000 | Buildings<br>RM'000 | Motor<br>vehicles<br>RM'000 | Office<br>equipment,<br>furniture,<br>fixtures<br>and fittings<br>RM'000 | Total<br>RM'000 |
|-----------------------------------------|------|----------------------------|---------------------|-----------------------------|--------------------------------------------------------------------------|-----------------|
| At 1 January 2019                       |      | 74,089                     | 124,208             | 196                         | 129,434                                                                  | 327,927         |
| Additions                               |      | -                          | -                   | -                           | 3,847                                                                    | 3,847           |
| Disposals                               |      | -                          | -                   | -                           | (1,331)                                                                  | (1,331)         |
| Revaluation                             |      | 1,100                      | -                   | -                           | -                                                                        | 1,100           |
| At 31 December 2019 / At 1 January 2020 |      | 75,189                     | 124,208             | 196                         | 131,950                                                                  | 331,543         |
| Additions                               |      | -                          | -                   | -                           | 5,696                                                                    | 5,696           |
| Disposals                               |      | -                          | -                   | -                           | (1,282)                                                                  | (1,282)         |
| Revaluation                             |      | 9,020                      | (6,830)             | -                           | -                                                                        | 2,190           |
| At 31 December 2020                     |      | 84,209                     | 117,378             | 196                         | 136,364                                                                  | 338,147         |

#### Accumulated depreciation and impairment loss

|                             |    |     |         |     |         |         |
|-----------------------------|----|-----|---------|-----|---------|---------|
| At 1 January 2019           |    | -   | -       | 145 | 111,049 | 111,194 |
| Accumulated depreciation    |    | 199 | 28      | -   | -       | 227     |
| Accumulated impairment loss |    | 199 | 28      | 145 | 111,049 | 111,421 |
| Depreciation for the year   | 28 | -   | 2,498   | 23  | 5,867   | 8,388   |
| Disposals                   |    | -   | -       | -   | (1,328) | (1,328) |
| Adjustment for revaluation  |    | -   | (2,498) | -   | -       | (2,498) |
| At 31 December 2019         |    | -   | -       | 168 | 115,588 | 115,756 |
| Accumulated depreciation    |    | 199 | 28      | -   | -       | 227     |
| Accumulated impairment loss |    | 199 | 28      | 168 | 115,588 | 115,983 |



## Notes to the Financial Statements

### 3. Property and equipment (continued)

#### Company

| <b>Accumulated depreciation and impairment loss</b> | <b>Note</b> | <b>Freehold<br/>Land<br/>RM'000</b> | <b>Buildings<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Office<br/>equipment,<br/>furniture,<br/>fixtures<br/>and fittings<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-----------------------------------------------------|-------------|-------------------------------------|-----------------------------|--------------------------------------|--------------------------------------------------------------------------------------|-------------------------|
| At 1 January 2020                                   |             |                                     |                             |                                      |                                                                                      |                         |
| Accumulated depreciation                            |             | -                                   | -                           | 168                                  | 115,588                                                                              | 115,756                 |
| Accumulated impairment loss                         |             | 199                                 | 28                          | -                                    | -                                                                                    | 227                     |
|                                                     |             | 199                                 | 28                          | 168                                  | 115,588                                                                              | 115,983                 |
| Depreciation for the year                           | 28          | -                                   | 2,498                       | 24                                   | 5,770                                                                                | 8,292                   |
| Disposals                                           |             | -                                   | -                           | -                                    | (1,281)                                                                              | (1,281)                 |
| Adjustment for revaluation                          |             | -                                   | (2,498)                     | -                                    | -                                                                                    | (2,498)                 |
| At 31 December 2020                                 |             |                                     |                             |                                      |                                                                                      |                         |
| Accumulated depreciation                            |             | -                                   | -                           | 192                                  | 120,077                                                                              | 120,269                 |
| Accumulated impairment loss                         |             | 199                                 | 28                          | -                                    | -                                                                                    | 227                     |
|                                                     |             | 199                                 | 28                          | 192                                  | 120,077                                                                              | 120,496                 |
| <b>Carrying amounts</b>                             |             |                                     |                             |                                      |                                                                                      |                         |
| At 1 January 2019                                   |             | 73,890                              | 124,180                     | 51                                   | 18,385                                                                               | 216,506                 |
| At 31 December 2019                                 |             | 74,990                              | 124,180                     | 28                                   | 16,362                                                                               | 215,560                 |
| At 31 December 2020                                 |             | 84,010                              | 117,350                     | 4                                    | 16,287                                                                               | 217,651                 |

## Notes to the Financial Statements

### 3. Property and equipment (continued)

#### 3.1 Revaluation of properties

Had the land and buildings of the Group and of the Company been carried at historical cost less accumulated depreciation, their carrying amounts would have been as follows:

| At fair value           | Group          |                | Company        |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b> |                |                |                |                |
| Freehold land           | 487            | 487            | 487            | 487            |
| Freehold buildings      | 102            | 107            | 102            | 107            |
|                         | 589            | 594            | 589            | 594            |
| <b>Group / Company</b>  |                |                |                |                |
| Freehold land           | 43,601         | 43,601         | 43,003         | 43,003         |
| Freehold buildings      | 78,101         | 80,411         | 77,725         | 80,022         |
|                         | 121,702        | 124,012        | 120,728        | 123,025        |

#### 3.2 Fair value information

Fair value of the land and buildings are categorised as follows:

|                             | Group             |                   |                   | Total<br>RM'000 |
|-----------------------------|-------------------|-------------------|-------------------|-----------------|
|                             | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 |                 |
| <b>2020</b>                 |                   |                   |                   |                 |
| <b>Takaful Operator</b>     |                   |                   |                   |                 |
| Freehold land and buildings | -                 | -                 | 1,530             | 1,530           |
| <b>Group</b>                |                   |                   |                   |                 |
| Freehold land and buildings | -                 | -                 | 202,840           | 202,840         |
| <b>2019</b>                 |                   |                   |                   |                 |
| <b>Takaful Operator</b>     |                   |                   |                   |                 |
| Freehold land and buildings | -                 | -                 | 1,530             | 1,530           |
| <b>Group</b>                |                   |                   |                   |                 |
| Freehold land and buildings | -                 | -                 | 200,630           | 200,630         |

## Notes to the Financial Statements

### 3. Property and equipment (continued)

#### 3.2 Fair value information (continued)

|                             | Level 1<br>RM'000 | Company<br>Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|-----------------------------|-------------------|------------------------------|-------------------|-----------------|
| <b>2020</b>                 |                   |                              |                   |                 |
| <b>Takaful Operator</b>     |                   |                              |                   |                 |
| Freehold land and buildings | -                 | -                            | 1,530             | 1,530           |
| <b>Company</b>              |                   |                              |                   |                 |
| Freehold land and buildings | -                 | -                            | 201,360           | 201,360         |
| <b>2019</b>                 |                   |                              |                   |                 |
| <b>Takaful Operator</b>     |                   |                              |                   |                 |
| Freehold land and buildings | -                 | -                            | 1,530             | 1,530           |
| <b>Company</b>              |                   |                              |                   |                 |
| Freehold land and buildings | -                 | -                            | 199,170           | 199,170         |

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### Transfer between Level 1 and 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either direction).

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the land and buildings.

#### Valuation techniques and valuation processes applied by the Group and the Company

The Group and the Company applied the same valuation techniques and valuation processes as the investment properties, as described in Note 5 of the financial statements.

## Notes to the Financial Statements

### 4. Right-of-use assets

|                                      | Land<br>RM'000 | Buildings<br>RM'000 | Group<br>Office<br>equipment<br>RM'000 | Total<br>RM'000 |
|--------------------------------------|----------------|---------------------|----------------------------------------|-----------------|
| <b>Takaful Operator</b>              |                |                     |                                        |                 |
| At 1 January 2019                    | 12,909         | 2,700               | 1,575                                  | 17,184          |
| Additions                            | -              | 20                  | 22                                     | 42              |
| Depreciation for the year            | (555)          | (130)               | (638)                                  | (1,323)         |
| Revaluation                          | 1,485          | 78                  | -                                      | 1,563           |
| Effect of movement in exchange rates | 414            | 84                  | -                                      | 498             |
| At 31 December 2019 / 1 January 2020 | 14,253         | 2,752               | 959                                    | 17,964          |
| Additions                            | -              | -                   | 441                                    | 441             |
| Depreciation for the year            | (579)          | (124)               | (635)                                  | (1,338)         |
| Revaluation                          | 802            | (9)                 | -                                      | 793             |
| Effect of movement in exchange rates | (289)          | (56)                | -                                      | (345)           |
| At 31 December 2020                  | 14,187         | 2,563               | 765                                    | 17,515          |
| <b>Group</b>                         |                |                     |                                        |                 |
| At 1 January 2019                    | 35,235         | 15,344              | 1,575                                  | 52,154          |
| Additions                            | -              | 20                  | 22                                     | 42              |
| Depreciation for the year            | (1,382)        | (680)               | (638)                                  | (2,700)         |
| Revaluation                          | 3,562          | 553                 | -                                      | 4,115           |
| Effect of movement in exchange rates | 809            | 158                 | -                                      | 967             |
| At 31 December 2019 / 1 January 2020 | 38,224         | 15,395              | 959                                    | 54,578          |
| Additions                            | -              | -                   | 441                                    | 441             |
| Depreciation for the year            | (1,439)        | (685)               | (635)                                  | (2,759)         |
| Revaluation                          | 1,904          | 206                 | -                                      | 2,110           |
| Effect of movement in exchange rates | (566)          | (106)               | -                                      | (672)           |
| At 31 December 2020                  | 38,123         | 14,810              | 765                                    | 53,698          |

## Notes to the Financial Statements

### 4. Right-of-use assets (continued)

|                                      | Land<br>RM'000 | Buildings<br>RM'000 | Company<br>Office<br>equipment<br>RM'000 | Total<br>RM'000 |
|--------------------------------------|----------------|---------------------|------------------------------------------|-----------------|
| <b>Takaful Operator</b>              |                |                     |                                          |                 |
| At 1 January 2019                    | -              | -                   | 1,575                                    | 1,575           |
| Additions                            | -              | -                   | 22                                       | 22              |
| Depreciation for the year            | -              | -                   | (638)                                    | (638)           |
| At 31 December 2019 / 1 January 2020 | -              | -                   | 959                                      | 959             |
| Additions                            | -              | -                   | 441                                      | 441             |
| Depreciation for the year            | -              | -                   | (635)                                    | (635)           |
| At 31 December 2020                  | -              | -                   | 765                                      | 765             |
| <b>Company</b>                       |                |                     |                                          |                 |
| At 1 January 2019                    | 8,226          | 4,984               | 1,575                                    | 14,785          |
| Additions                            | -              | -                   | 22                                       | 22              |
| Depreciation for the year            | (230)          | (364)               | (638)                                    | (1,232)         |
| Revaluation                          | 625            | 329                 | -                                        | 954             |
| At 31 December 2019 / 1 January 2020 | 8,621          | 4,949               | 959                                      | 14,529          |
| Additions                            | -              | -                   | 441                                      | 441             |
| Depreciation for the year            | (239)          | (382)               | (635)                                    | (1,256)         |
| Revaluation                          | 279            | 187                 | -                                        | 466             |
| At 31 December 2020                  | 8,661          | 4,754               | 765                                      | 14,180          |

#### 4.1 The Group and the Company as lessee

The Group and the Company lease a number of computers and equipment under operating leases. The leases typically run for a period of five years, with an option to renew the lease after that date.

## Notes to the Financial Statements

### 4. Right-of-use assets (continued)

#### 4.2 Fair value information

Fair value of the land and buildings are categorised as follows:

|                              | Group             |                   |                   | Total  |
|------------------------------|-------------------|-------------------|-------------------|--------|
|                              | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | RM'000 |
| <b>2020</b>                  |                   |                   |                   |        |
| <b>Takaful Operator</b>      |                   |                   |                   |        |
| Leasehold land and buildings | -                 | -                 | 16,750            | 16,750 |
| <b>Group</b>                 |                   |                   |                   |        |
| Leasehold land and buildings | -                 | -                 | 52,933            | 52,933 |
| <b>2019</b>                  |                   |                   |                   |        |
| <b>Takaful Operator</b>      |                   |                   |                   |        |
| Leasehold land and buildings | -                 | -                 | 17,005            | 17,005 |
| <b>Group</b>                 |                   |                   |                   |        |
| Leasehold land and buildings | -                 | -                 | 53,619            | 53,619 |
|                              |                   |                   |                   |        |
|                              | Company           |                   |                   | Total  |
|                              | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | RM'000 |
| <b>2020</b>                  |                   |                   |                   |        |
| <b>Company</b>               |                   |                   |                   |        |
| Leasehold land and buildings | -                 | -                 | 13,415            | 13,415 |
| <b>2019</b>                  |                   |                   |                   |        |
| <b>Company</b>               |                   |                   |                   |        |
| Leasehold land and buildings | -                 | -                 | 13,570            | 13,570 |

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### Transfer between Level 1 and 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either direction).

## Notes to the Financial Statements

### 4. Right-of-use assets (continued)

#### 4.2 Fair value information (continued)

##### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the land and buildings.

##### Valuation techniques and valuation processes applied by the Group and the Company

The Group and the Company applied the same valuation techniques and valuation processes as the investment properties, as described in Note 5 of the financial statements.

### 5. Investment properties

|                                      |      | Group          |                | Company        |                |
|--------------------------------------|------|----------------|----------------|----------------|----------------|
|                                      | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>              |      |                |                |                |                |
| At 1 January                         |      | 11,295         | 11,295         | 11,295         | 11,295         |
| Fair value gains for the year - net  | 25   | 450            | -              | 450            | -              |
| At 31 December                       |      | 11,745         | 11,295         | 11,745         | 11,295         |
| <b>Family Takaful</b>                |      |                |                |                |                |
| At 1 January                         |      | 250,264        | 247,235        | 233,713        | 232,040        |
| Fair value gains for the year - net  | 25   | 2,527          | 2,546          | 2,462          | 1,673          |
| Effect of movement in exchange rates |      | (336)          | 483            | -              | -              |
| At 31 December                       |      | 252,455        | 250,264        | 236,175        | 233,713        |
| <b>General Takaful</b>               |      |                |                |                |                |
| At 1 January                         |      | 10,620         | 10,615         | -              | -              |
| Fair value gains for the year - net  | 25   | 20             | 5              | -              | -              |
| At 31 December                       |      | 10,640         | 10,620         | -              | -              |
| <b>Group / Company</b>               |      |                |                |                |                |
| At 1 January                         |      | 36,465         | 36,235         | 33,798         | 33,585         |
| Fair value gains for the year - net  | 25   | 891            | 215            | 877            | 213            |
| Effect of movement in exchange rates |      | (9)            | 15             | -              | -              |
| At 31 December                       |      | 37,347         | 36,465         | 34,675         | 33,798         |



## Notes to the Financial Statements

### 5. Investment properties (continued)

The following are amounts arising from investment properties that have been recognised in profit or loss during the financial year.

|                         |      | Group          |                | Company        |                |
|-------------------------|------|----------------|----------------|----------------|----------------|
|                         | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b> |      |                |                |                |                |
| Rental income           | 23   | 893            | 802            | 893            | 802            |
| <b>Family Takaful</b>   |      |                |                |                |                |
| Rental income           | 23   | 6,830          | 7,056          | 6,697          | 6,886          |
| <b>General Takaful</b>  |      |                |                |                |                |
| Rental income           | 23   | 161            | 128            | -              | -              |
| <b>Group / Company</b>  |      |                |                |                |                |
| Rental income           | 23   | 5,382          | 5,399          | 5,149          | 5,158          |

The investment properties are leased to tenants under operating leases with rentals payable on a monthly basis.

Investment properties comprise a number of commercial properties that are leased to third parties.

#### Fair value information

Fair value of investment properties are categorised as follows:

|                              |  | Group             |                   |                   | Total   |
|------------------------------|--|-------------------|-------------------|-------------------|---------|
| 2020                         |  | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | RM'000  |
| <b>Takaful Operator</b>      |  |                   |                   |                   |         |
| Freehold land and buildings  |  | -                 | -                 | 4,050             | 4,050   |
| Leasehold land and buildings |  | -                 | -                 | 7,695             | 7,695   |
|                              |  | -                 | -                 | 11,745            | 11,745  |
| <b>Family Takaful</b>        |  |                   |                   |                   |         |
| Freehold land and buildings  |  | -                 | -                 | 205,630           | 205,630 |
| Leasehold land and buildings |  | -                 | -                 | 46,825            | 46,825  |
|                              |  | -                 | -                 | 252,455           | 252,455 |

## Notes to the Financial Statements

### 5. Investment properties (continued)

#### Fair value information (continued)

| 2020                         | Group             |                   |                   |                 |
|------------------------------|-------------------|-------------------|-------------------|-----------------|
|                              | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
| <b>General Takaful</b>       |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 1,480             | 1,480           |
| Leasehold land and buildings | -                 | -                 | 9,160             | 9,160           |
|                              | -                 | -                 | 10,640            | 10,640          |
| <b>Group</b>                 |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 9,850             | 9,850           |
| Leasehold land and buildings | -                 | -                 | 27,497            | 27,497          |
|                              | -                 | -                 | 37,347            | 37,347          |
| 2019                         | Group             |                   |                   |                 |
|                              | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
| <b>Takaful Operator</b>      |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 4,050             | 4,050           |
| Leasehold land and buildings | -                 | -                 | 7,245             | 7,245           |
|                              | -                 | -                 | 11,295            | 11,295          |
| <b>Family Takaful</b>        |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 203,358           | 203,358         |
| Leasehold land and buildings | -                 | -                 | 46,906            | 46,906          |
|                              | -                 | -                 | 250,264           | 250,264         |
| <b>General Takaful</b>       |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 1,460             | 1,460           |
| Leasehold land and buildings | -                 | -                 | 9,160             | 9,160           |
|                              | -                 | -                 | 10,620            | 10,620          |
| <b>Group</b>                 |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 9,768             | 9,768           |
| Leasehold land and buildings | -                 | -                 | 26,697            | 26,697          |
|                              | -                 | -                 | 36,465            | 36,465          |

## Notes to the Financial Statements

### 5. Investment properties (continued)

#### Fair value information (continued)

| 2020                         | Company           |                   |                   | Total<br>RM'000 |
|------------------------------|-------------------|-------------------|-------------------|-----------------|
|                              | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 |                 |
| <b>Takaful Operator</b>      |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 4,050             | 4,050           |
| Leasehold land and buildings | -                 | -                 | 7,695             | 7,695           |
|                              | -                 | -                 | 11,745            | 11,745          |
| <b>Family Takaful</b>        |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 205,630           | 205,630         |
| Leasehold land and buildings | -                 | -                 | 30,545            | 30,545          |
|                              | -                 | -                 | 236,175           | 236,175         |
| <b>Company</b>               |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 9,850             | 9,850           |
| Leasehold land and buildings | -                 | -                 | 24,825            | 24,825          |
|                              | -                 | -                 | 34,675            | 34,675          |

## Notes to the Financial Statements

### 5. Investment properties (continued)

#### Fair value information (continued)

| 2019                         | Company           |                   |                   |                 |
|------------------------------|-------------------|-------------------|-------------------|-----------------|
|                              | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
| <b>Takaful Operator</b>      |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 4,050             | 4,050           |
| Leasehold land and buildings | -                 | -                 | 7,245             | 7,245           |
|                              | -                 | -                 | 11,295            | 11,295          |
| <b>Family Takaful</b>        |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 203,358           | 203,358         |
| Leasehold land and buildings | -                 | -                 | 30,355            | 30,355          |
|                              | -                 | -                 | 233,713           | 233,713         |
| <b>Company</b>               |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 9,768             | 9,768           |
| Leasehold land and buildings | -                 | -                 | 24,030            | 24,030          |
|                              | -                 | -                 | 33,798            | 33,798          |

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### Transfer between Level 1 and 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either direction).

## Notes to the Financial Statements

### 5. Investment properties (continued)

#### Fair value information (continued)

##### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows a reconciliation of Level 3 fair values:

| Group                                         | Note | Takaful<br>Operator<br>RM'000 | Family<br>Takaful<br>RM'000 | General<br>Takaful<br>RM'000 | Group<br>RM'000 |
|-----------------------------------------------|------|-------------------------------|-----------------------------|------------------------------|-----------------|
| At 1 January 2019                             |      | 11,295                        | 247,235                     | 10,615                       | 36,235          |
| Gains and losses recognised in profit or loss |      |                               |                             |                              |                 |
| - Change in fair value - unrealised           | 25   | -                             | 2,546                       | 5                            | 215             |
| Effect of movement in exchange rates          |      | -                             | 483                         | -                            | 15              |
| At 31 December 2019 / 1 January 2020          |      | 11,295                        | 250,264                     | 10,620                       | 36,465          |
| Gains and losses recognised in profit or loss |      |                               |                             |                              |                 |
| - Change in fair value - unrealised           | 25   | 450                           | 2,527                       | 20                           | 891             |
| Effect of movement in exchange rates          |      | -                             | (336)                       | -                            | (9)             |
| At 31 December 2020                           |      | 11,745                        | 252,455                     | 10,640                       | 37,347          |

| Company                                       | Note | Takaful<br>Operator<br>RM'000 | Family<br>Takaful<br>RM'000 | Company<br>RM'000 |
|-----------------------------------------------|------|-------------------------------|-----------------------------|-------------------|
| At 1 January 2019                             |      | 11,295                        | 232,040                     | 33,585            |
| Gains and losses recognised in profit or loss |      |                               |                             |                   |
| - Change in fair value - unrealised           | 25   | -                             | 1,673                       | 213               |
| At 31 December 2019 / 1 January 2020          |      | 11,295                        | 233,713                     | 33,798            |
| Gains and losses recognised in profit or loss |      |                               |                             |                   |
| - Change in fair value - unrealised           | 25   | 450                           | 2,462                       | 877               |
| At 31 December 2020                           |      | 11,745                        | 236,175                     | 34,675            |

## Notes to the Financial Statements

### 5. Investment properties (continued)

#### Fair value information (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

| Valuation technique                                                                                                                                                                                                                                                                                                                                                                                                                                     | Significant unobservable inputs                                                                                                                                                                                      | Inter-relationship between significant unobservable inputs and fair value measurement                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Comparison method: The valuation method consider the sales and listing of comparable properties recorded in the area and adjustments are made between the subject properties and those similar properties. The adjustments are made in relation to location and accessibility, size and shape of the lot, physical features, legal and legislation constraints, building design and condition, supply and demand, building code and public restriction. | Adjustment rate based on the comparable of sales in the past that was analysed by the National Property Information Centre ("NAPIC") under Valuation and Property Services Department, Ministry of Finance Malaysia. | The estimated fair value would increase (decrease) if:<br>- the rate were higher or lower<br>- the historical sales transaction value were higher or lower |
| Investment method: The valuation method involves estimating the current rental income that can accrue to the subject properties.                                                                                                                                                                                                                                                                                                                        | - Term yield<br>- Reversionary yield                                                                                                                                                                                 | The estimated fair value would increase (decrease) if the yield were lower or higher                                                                       |

#### Valuation processes applied by the Group and the Company for Level 3 fair value

The Group's and the Company's investment properties were valued by independent professional valuer firms, using the comparison, cost and investment methods of valuations, where applicable.

In the comparison method approach, the sales and listings of comparable properties within nearby locations are compiled. From the compiled data, adjustments are made by the valuers between the subject property and those similar properties.

The adjustments made are in relation to location, size and shape of the lot, physical features, legal and legislative constraints, building design and condition, time element, planning provision, improvements and renovation works made, if any, surrounding developments, facilities and amenities available and other factors that may affect the value of the subject property. These adjustments are therefore subject to uncertainties such as property market outlook, potential increases in rental rates and general economic conditions.

In the cost method approach, the indication of values consists of the sum of the present worth of the improvement value.

For the valuation of the improvements, the valuers have considered the following:

- Cost of replacement of the building in accordance with current trend of market prices for materials, labour, contractor's overhead, profit and fees;
- Accrued depreciation as evidenced by the observed condition and present and prospective serviceability in comparison with new units of like kind; and
- Extent, character and utility of the property.

The investment method is the capitalisation of net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

The external valuers have considered the results of all these three methods in their valuation and applied professional judgement in the selection of the fair value of these investment properties.

During the year, the external valuers performed an update of the market values of these investment properties in arriving at the fair value, after considering the properties' existing condition. In the previous financial year, the external valuers have considered the results of all these three methods in their valuation and applied professional judgement in the selection of the fair value of these investment properties.

## Notes to the Financial Statements

### 6. Intangible assets

| Takaful Operator / Group                 | Note | Software<br>RM'000 | Group<br>Bancatakaful<br>Service Fees<br>RM'000 | Total<br>RM'000 |
|------------------------------------------|------|--------------------|-------------------------------------------------|-----------------|
| <b>Cost</b>                              |      |                    |                                                 |                 |
| At 1 January 2019                        |      | -                  | 146,321                                         | 146,321         |
| Additions                                |      | 2,189              | 2,500                                           | 4,689           |
| 31 December 2019 / 1 January 2020        |      | 2,189              | 148,821                                         | 151,010         |
| Additions                                |      | 5,676              | 151,000                                         | 156,676         |
| Expiry of bancatakaful service agreement |      | -                  | (61,321)                                        | (61,321)        |
| At 31 December 2020                      |      | 7,865              | 238,500                                         | 246,365         |
| <b>Amortisation</b>                      |      |                    |                                                 |                 |
| At 1 January 2019                        |      | -                  | (52,953)                                        | (52,953)        |
| Amortisation during the year             | 28   | (97)               | (29,472)                                        | (29,569)        |
| At 31 December 2019 / 1 January 2020     |      | (97)               | (82,425)                                        | (82,522)        |
| Amortisation during the year             | 28   | (269)              | (33,708)                                        | (33,977)        |
| Expiry of bancatakaful service agreement |      | -                  | 61,321                                          | 61,321          |
| At 31 December 2020                      |      | (366)              | (54,812)                                        | (55,178)        |
| <b>Carrying amounts</b>                  |      |                    |                                                 |                 |
| At 1 January 2019                        |      | -                  | 93,368                                          | 93,368          |
| At 31 December 2019 / 1 January 2020     |      | 2,092              | 66,396                                          | 68,488          |
| At 31 December 2020                      |      | 7,499              | 183,688                                         | 191,187         |



## Notes to the Financial Statements

### 6. Intangible assets (continued)

| Takaful Operator / Company               | Note | Software<br>RM'000 | Company<br>Bancatakaful<br>Service Fees<br>RM'000 | Total<br>RM'000 |
|------------------------------------------|------|--------------------|---------------------------------------------------|-----------------|
| <b>Cost</b>                              |      |                    |                                                   |                 |
| At 1 January 2019                        |      | -                  | 146,321                                           | 146,321         |
| Additions                                |      | 2,142              | 2,500                                             | 4,642           |
| 31 December 2019 / 1 January 2020        |      | 2,142              | 148,821                                           | 150,963         |
| Additions                                |      | 5,132              | 145,000                                           | 150,132         |
| Expiry of bancatakaful service agreement | 6(i) | -                  | (61,321)                                          | (61,321)        |
| At 31 December 2020                      |      | 7,274              | 232,500                                           | 239,774         |
| <b>Amortisation</b>                      |      |                    |                                                   |                 |
| At 1 January 2019                        |      | -                  | (52,953)                                          | (52,953)        |
| Amortisation during the year             |      | (95)               | (29,472)                                          | (29,567)        |
| At 31 December 2019 / 1 January 2020     |      | (95)               | (82,425)                                          | (82,520)        |
| Amortisation during the year             | 28   | (256)              | (33,263)                                          | (33,519)        |
| Expiry of bancatakaful service agreement | 6(i) | -                  | 61,321                                            | 61,321          |
| At 31 December 2020                      |      | (351)              | (54,367)                                          | (54,718)        |
| <b>Carrying amounts</b>                  |      |                    |                                                   |                 |
| At 1 January 2019                        |      | -                  | 93,368                                            | 93,368          |
| At 31 December 2019 / 1 January 2020     |      | 2,047              | 66,396                                            | 68,443          |
| At 31 December 2020                      |      | 6,923              | 178,133                                           | 185,056         |

## Notes to the Financial Statements

### 6. Intangible assets (continued)

The intangible assets, other than software, are in relation to the followings:

- (i) Bancatakaful Service Agreement with RHB Islamic Bank ("RHB") pursuant to the term of the Bancatakaful Service Agreement ("the Agreement") entered on 26 August 2015, whereby the Company can distribute its Family takaful products via RHB Islamic Bank's distribution channel. The term of the Agreement is divided over two periods, where the First Period is for the five years of the term commencing on the agreement date and the Second Period is for the subsequent five years. Either Party has the right to terminate the Agreement at the expiry of the First Period. The First Period of the Agreement has expired on 31 July 2020 and the Agreement is terminated thereafter.
- (ii) Bancatakaful Service Agreement with Affin Islamic Bank Berhad which is effective from 15 September 2017 to distribute Family takaful products via their distribution channel.
- (iii) Bancatakaful Service Agreement with Bank Kerjasama Rakyat Malaysia Berhad which is effective from 1 July 2018 to distribute Family takaful products via their distribution channel.
- (iv) Bancatakaful Service Agreement with AEON Credit Service (M) Berhad which is effective from 1 August 2019 to distribute Family takaful products via their distribution channel.
- (v) Two Bancatakaful Service Agreements with RHB which are effective from 1 August 2020 to distribute Family credit takaful products and General takaful products via their distribution channel.

The intangible assets are amortised over its useful life of five years using the straight-line method or units-of-production method respectively. In the impairment assessment conducted, the future economic benefits that are attributable to all of the Bancatakaful Service Agreement was valued at the present value of projected future cash flows to be derived from the tenure of the agreement using the discounting cash flow model.

The following key assumptions have been used in cash flow projections in respect of the Bancatakaful Service Agreement :

#### Key assumptions

|                         | 2020 | 2019 |
|-------------------------|------|------|
| Discount rate – pre tax | 11%  | 11%  |

#### Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the abovementioned key assumptions to change so significantly that would result in impairment.

## Notes to the Financial Statements

### 7. Investments in subsidiaries

|                                     | <b>Takaful Operator /<br/>Company</b> |                        |
|-------------------------------------|---------------------------------------|------------------------|
|                                     | <b>2020<br/>RM'000</b>                | <b>2019<br/>RM'000</b> |
| <b>At cost</b>                      |                                       |                        |
| Unquoted shares                     | 149,376                               | 149,376                |
| Less: Accumulated impairment losses | (12,983)                              | (12,983)               |
|                                     | <b>136,393</b>                        | <b>136,393</b>         |

Details of the subsidiaries are as follows:

| <b>Name of subsidiaries</b>            | <b>Principal activities</b> | <b>Country of<br/>incorporation</b> | <b>Effective<br/>ownership interest</b> |             |
|----------------------------------------|-----------------------------|-------------------------------------|-----------------------------------------|-------------|
|                                        |                             |                                     | <b>2020</b>                             | <b>2019</b> |
| Syarikat Takaful Malaysia<br>Am Berhad | General Takaful<br>business | Malaysia                            | 100.00%                                 | 100.00%     |
| P.T. Syarikat Takaful<br>Indonesia*    | Investment holding          | Indonesia                           | 56.00%                                  | 56.00%      |
| P.T. Asuransi Takaful<br>Keluarga*     | Family Takaful<br>business  | Indonesia                           | 74.80%                                  | 74.80%      |

\* Audited by member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT.

### Non-controlling interests in subsidiaries

The Group's subsidiaries that have non-controlling interests are not material to the Group.

## Notes to the Financial Statements

### 8. Other investments

|                                                         |      | Group          |                | Company        |                |
|---------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                         | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>                                 |      |                |                |                |                |
| Fair value through profit or loss ("FVTPL")             | (a)  | 110,469        | 110,778        | 68,807         | 71,211         |
| Fair value through other comprehensive income ("FVOCI") | (b)  | 791,951        | 584,698        | 640,551        | 459,985        |
|                                                         |      | 902,420        | 695,476        | 709,358        | 531,196        |
| <b>Family Takaful</b>                                   |      |                |                |                |                |
| Fair value through profit or loss ("FVTPL")             | (a)  | 724,763        | 724,586        | 505,987        | 510,810        |
| Fair value through other comprehensive income ("FVOCI") | (b)  | 4,699,434      | 3,908,919      | 4,699,434      | 3,908,919      |
|                                                         |      | 5,424,197      | 4,633,505      | 5,205,421      | 4,419,729      |
| <b>General Takaful</b>                                  |      |                |                |                |                |
| Fair value through profit or loss ("FVTPL")             | (a)  | -              | 15,199         | -              | -              |
| Fair value through other comprehensive income ("FVOCI") | (b)  | 346,576        | 356,748        | -              | -              |
|                                                         |      | 346,576        | 371,947        | -              | -              |
| <b>Group / Company</b>                                  |      |                |                |                |                |
| Fair value through profit or loss ("FVTPL")             | (a)  | 793,524        | 813,096        | 533,086        | 544,554        |
| Fair value through other comprehensive income ("FVOCI") | (b)  | 5,837,961      | 4,850,365      | 5,339,985      | 4,368,904      |
|                                                         |      | 6,631,485      | 5,663,461      | 5,873,071      | 4,913,458      |

## Notes to the Financial Statements

### 8. Other investments (continued)

#### (a) FVTPL financial assets

| At fair value              | Group          |                | Company        |                |
|----------------------------|----------------|----------------|----------------|----------------|
|                            | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>    |                |                |                |                |
| Equity securities          |                |                |                |                |
| - Quoted in Malaysia       | 9,137          | 6,360          | 9,137          | 6,360          |
| - Quoted outside Malaysia  | 297            | 3,017          | -              | -              |
| - Unquoted in Malaysia     | 380            | 380            | 380            | 380            |
|                            | 9,814          | 9,757          | 9,517          | 6,740          |
| Unit trusts                |                |                |                |                |
| - Quoted in Malaysia       | 538            | -              | 538            | -              |
| - Quoted outside Malaysia  | 2,849          | 1,944          | -              | -              |
|                            | 3,387          | 1,944          | 538            | -              |
| Islamic debt securities    |                |                |                |                |
| - Unquoted in Malaysia     | 34,088         | 43,860         | 17,044         | 27,004         |
| - Quoted outside Malaysia  | 21,472         | 17,750         | -              | -              |
|                            | 55,560         | 61,610         | 17,044         | 27,004         |
| Investment in linked funds | 41,708         | 37,467         | 41,708         | 37,467         |
|                            | 110,469        | 110,778        | 68,807         | 71,211         |

## Notes to the Financial Statements

### 8. Other investments (continued)

#### (a) FVTPL financial assets (continued)

| At fair value             | Group          |                | Company        |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Family Takaful</b>     |                |                |                |                |
| Equity securities         |                |                |                |                |
| - Quoted in Malaysia      | 272,890        | 261,397        | 272,890        | 261,397        |
| - Quoted outside Malaysia | 60,850         | 62,690         | -              | -              |
|                           | 333,740        | 324,087        | 272,890        | 261,397        |
| Unit trusts               |                |                |                |                |
| - Quoted in Malaysia      | 27,088         | 32,348         | 27,088         | 32,348         |
| - Quoted outside Malaysia | 18,842         | 12,036         | -              | -              |
|                           | 45,930         | 44,384         | 27,088         | 32,348         |
| Islamic debt securities   |                |                |                |                |
| - Unquoted in Malaysia    | 206,009        | 217,065        | 206,009        | 217,065        |
| - Quoted outside Malaysia | 139,084        | 139,050        | -              | -              |
|                           | 345,093        | 356,115        | 206,009        | 217,065        |
|                           | 724,763        | 724,586        | 505,987        | 510,810        |
| <b>General Takaful</b>    |                |                |                |                |
| Islamic debt securities   |                |                |                |                |
| - Unquoted in Malaysia    | -              | 15,199         | -              | -              |
|                           | -              | 15,199         | -              | -              |

## Notes to the Financial Statements

### 8. Other investments (continued)

#### (a) FVTPL financial assets (continued)

| At fair value             | Group          |                | Company        |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Group / Company</b>    |                |                |                |                |
| Equity securities         |                |                |                |                |
| - Quoted in Malaysia      | 282,027        | 267,757        | 282,027        | 267,757        |
| - Quoted outside Malaysia | 61,147         | 65,707         | -              | -              |
| - Unquoted in Malaysia    | 380            | 380            | 380            | 380            |
|                           | 343,554        | 333,844        | 282,407        | 268,137        |
| Unit trusts               |                |                |                |                |
| - Quoted in Malaysia      | 27,626         | 32,348         | 27,626         | 32,348         |
| - Quoted outside Malaysia | 21,691         | 13,980         | -              | -              |
|                           | 49,317         | 46,328         | 27,626         | 32,348         |
| Islamic debt securities   |                |                |                |                |
| - Unquoted in Malaysia    | 240,097        | 276,124        | 223,053        | 244,069        |
| - Quoted outside Malaysia | 160,556        | 156,800        | -              | -              |
|                           | 400,653        | 432,924        | 223,053        | 244,069        |
|                           | 793,524        | 813,096        | 533,086        | 544,554        |

#### (b) FVOCI financial assets

| At fair value                       | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>             |                |                |                |                |
| Islamic debt securities             |                |                |                |                |
| - Unquoted in Malaysia              | 650,625        | 434,493        | 533,824        | 342,957        |
| Institutional Trust Account         | 107,046        | 106,038        | 83,877         | 83,948         |
| Malaysian Government Islamic papers | 34,280         | 44,167         | 22,850         | 33,080         |
|                                     | 791,951        | 584,698        | 640,551        | 459,985        |



## Notes to the Financial Statements

### 8. Other investments (continued)

#### (b) FVOCI financial assets (continued)

| At fair value                       | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Family Takaful</b>               |                |                |                |                |
| Islamic debt securities             |                |                |                |                |
| - Unquoted in Malaysia              | 3,718,196      | 3,091,214      | 3,718,196      | 3,091,214      |
| Institutional Trust Account         | 487,171        | 367,761        | 487,171        | 367,761        |
| Malaysian Government Islamic papers | 494,067        | 449,944        | 494,067        | 449,944        |
|                                     | 4,699,434      | 3,908,919      | 4,699,434      | 3,908,919      |
| <b>General Takaful</b>              |                |                |                |                |
| Islamic debt securities             |                |                |                |                |
| - Unquoted in Malaysia              | 282,590        | 294,174        | -              | -              |
| Institutional Trust Account         | 58,269         | 57,053         | -              | -              |
| Malaysian Government Islamic papers | 5,717          | 5,521          | -              | -              |
|                                     | 346,576        | 356,748        | -              | -              |
| <b>Group / Company</b>              |                |                |                |                |
| Islamic debt securities             |                |                |                |                |
| - Unquoted in Malaysia              | 4,651,411      | 3,819,881      | 4,252,020      | 3,434,171      |
| Institutional Trust Account         | 652,486        | 530,852        | 571,048        | 451,709        |
| Malaysian Government Islamic papers | 534,064        | 499,632        | 516,917        | 483,024        |
|                                     | 5,837,961      | 4,850,365      | 5,339,985      | 4,368,904      |

## Notes to the Financial Statements

### 8. Other investments (continued)

#### (c) Carrying values of financial instruments

The following tables show the movement of carrying values of other investments

|                                                         | <b>FVTPL<br/>RM'000</b> | <b>Group<br/>FVOCI<br/>RM'000</b> | <b>Group<br/>RM'000</b> |
|---------------------------------------------------------|-------------------------|-----------------------------------|-------------------------|
| 1 January 2019                                          | 1,020,182               | 4,382,939                         | 5,403,121               |
| Purchases                                               | 573,941                 | 854,468                           | 1,428,409               |
| Maturities                                              | (384,338)               | (205,557)                         | (589,895)               |
| Disposals                                               | (437,467)               | (464,410)                         | (901,877)               |
| Profit capitalised                                      | 80                      | 22,106                            | 22,186                  |
| Fair value gains recorded in:                           |                         |                                   |                         |
| Profit or loss                                          | 33,233                  | -                                 | 33,233                  |
| Other comprehensive income                              | -                       | 26,016                            | 26,016                  |
| Participants' fund                                      | -                       | 242,769                           | 242,769                 |
| Amortisation of premiums, net of accretion of discounts | (355)                   | (7,966)                           | (8,321)                 |
| Effect of movement in exchange rates                    | 7,820                   | -                                 | 7,820                   |
| At 31 December 2019 / 1 January 2020                    | 813,096                 | 4,850,365                         | 5,663,461               |
| Purchases                                               | 416,829                 | 1,195,461                         | 1,612,290               |
| Maturities                                              | (112,193)               | (80,972)                          | (193,165)               |
| Disposals                                               | (356,148)               | (226,689)                         | (582,837)               |
| Profit capitalised                                      | -                       | 28,309                            | 28,309                  |
| Fair value gains recorded in:                           |                         |                                   |                         |
| Profit or loss                                          | 36,496                  | -                                 | 36,496                  |
| Other comprehensive income                              | -                       | 10,270                            | 10,270                  |
| Participants' fund                                      | -                       | 70,160                            | 70,160                  |
| Amortisation of premiums, net of accretion of discounts | 182                     | (8,943)                           | (8,761)                 |
| Effect of movement in exchange rates                    | (4,738)                 | -                                 | (4,738)                 |
| At 31 December 2020                                     | 793,524                 | 5,837,961                         | 6,631,485               |

## Notes to the Financial Statements

### 8. Other investments (continued)

#### (c) Carrying values of financial instruments (continued)

|                                                         | FVTPL<br>RM'000 | Company<br>FVOCI<br>RM'000 | Company<br>RM'000 |
|---------------------------------------------------------|-----------------|----------------------------|-------------------|
| 1 January 2019                                          | 714,819         | 3,899,796                  | 4,614,615         |
| Purchases                                               | 499,836         | 776,270                    | 1,276,106         |
| Maturities                                              | (326,462)       | (178,957)                  | (505,419)         |
| Disposals                                               | (364,693)       | (389,049)                  | (753,742)         |
| Profit capitalised                                      | 80              | 18,669                     | 18,749            |
| Fair value gains recorded in:                           |                 |                            |                   |
| Profit or loss                                          | 21,287          | -                          | 21,287            |
| Other comprehensive income                              | -               | 19,927                     | 19,927            |
| Participants' fund                                      | -               | 229,041                    | 229,041           |
| Amortisation of premiums, net of accretion of discounts | (313)           | (6,793)                    | (7,106)           |
| At 31 December 2019 / 1 January 2020                    | 544,554         | 4,368,904                  | 4,913,458         |
| Purchases                                               | 322,984         | 1,147,362                  | 1,470,346         |
| Maturities                                              | (66,891)        | (57,254)                   | (124,145)         |
| Disposals                                               | (300,403)       | (209,617)                  | (510,020)         |
| Profit capitalised                                      | -               | 24,699                     | 24,699            |
| Fair value gains recorded in:                           |                 |                            |                   |
| Profit or loss                                          | 32,976          | -                          | 32,976            |
| Other comprehensive income                              | -               | 7,560                      | 7,560             |
| Participants' fund                                      | -               | 66,315                     | 66,315            |
| Amortisation of premiums, net of accretion of discounts | (134)           | (7,984)                    | (8,118)           |
| At 31 December 2020                                     | 533,086         | 5,339,985                  | 5,873,071         |

#### (d) Fair values of financial instruments

Quoted market prices category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange and published market price from print medias.

Market observable financial instruments are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and are instruments for which pricing is obtained from Bond Pricing Agency Malaysia and regulatory agency. The fair values of investments in structured products are obtained via investments bankers and / or fund managers.

Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category are unquoted equity securities and Institutional Trust Account.

The fair values of the unquoted equity securities are determined to approximate the carrying amount as these are immaterial in the context of the financial statements.

## Notes to the Financial Statements

### 8. Other investments (continued)

#### (e) Maturity of other investments

The following investments mature after 12 months:

|                         | Group     |           | Company   |           |
|-------------------------|-----------|-----------|-----------|-----------|
|                         | 2020      | 2019      | 2020      | 2019      |
|                         | RM'000    | RM'000    | RM'000    | RM'000    |
| <b>Takaful Operator</b> |           |           |           |           |
| FVTPL financial assets  | 104,836   | 93,895    | 68,807    | 61,063    |
| FVOCI financial assets  | 761,964   | 551,361   | 610,564   | 436,711   |
| <b>Family Takaful</b>   |           |           |           |           |
| FVTPL financial assets  | 630,923   | 560,033   | 505,987   | 452,654   |
| FVOCI financial assets  | 4,629,514 | 3,762,981 | 4,629,514 | 3,762,981 |
| <b>General Takaful</b>  |           |           |           |           |
| FVOCI financial assets  | 330,159   | 316,020   | -         | -         |
| <b>Group / Company</b>  |           |           |           |           |
| FVTPL financial assets  | 735,759   | 653,928   | 574,794   | 513,717   |
| FVOCI financial assets  | 5,721,637 | 4,630,362 | 5,240,078 | 4,199,692 |

### 9. Retakaful assets

|                          |       | Group   |         | Company |         |
|--------------------------|-------|---------|---------|---------|---------|
|                          | Note  | 2020    | 2019    | 2020    | 2019    |
|                          |       | RM'000  | RM'000  | RM'000  | RM'000  |
| <b>Family Takaful</b>    |       |         |         |         |         |
| Claims liabilities       | 16(a) | 61,533  | 53,910  | 58,767  | 51,936  |
| Actuarial liabilities    | 16(c) | 346,120 | 315,614 | 308,918 | 281,098 |
|                          |       | 407,653 | 369,524 | 367,685 | 333,034 |
| <b>General Takaful</b>   |       |         |         |         |         |
| Claims liabilities       | 16(a) | 456,765 | 295,638 | -       | -       |
| Contribution liabilities | 16(b) | 113,784 | 90,634  | -       | -       |
|                          |       | 570,549 | 386,272 | -       | -       |
| <b>Group / Company</b>   |       |         |         |         |         |
| Claims liabilities       | 16(a) | 518,298 | 349,548 | 58,767  | 51,936  |
| Contribution liabilities | 16(b) | 113,784 | 90,634  | -       | -       |
| Actuarial liabilities    | 16(c) | 346,120 | 315,614 | 308,918 | 281,098 |
|                          |       | 978,202 | 755,796 | 367,685 | 333,034 |

## Notes to the Financial Statements

### 10. Deferred tax assets / (liabilities)

|                                                      | ----- Group -----> |         |             |          |          |         |
|------------------------------------------------------|--------------------|---------|-------------|----------|----------|---------|
|                                                      | Assets             |         | Liabilities |          | Net      |         |
|                                                      | 2020               | 2019    | 2020        | 2019     | 2020     | 2019    |
|                                                      | RM'000             | RM'000  | RM'000      | RM'000   | RM'000   | RM'000  |
| <b>Takaful Operator</b>                              |                    |         |             |          |          |         |
| Property and equipment                               | -                  | -       | (1,007)     | (1,019)  | (1,007)  | (1,019) |
| Investment properties                                | -                  | -       | (1,539)     | (1,718)  | (1,539)  | (1,718) |
| Other investments                                    | -                  | 74      | (12,843)    | (7,881)  | (12,843) | (7,807) |
| Loans and receivables, excluding takaful receivables | 47                 | 60      | -           | -        | 47       | 60      |
| Other payables                                       | 3,501              | 4,541   | -           | -        | 3,501    | 4,541   |
| Expense reserves                                     | 39,400             | 37,702  | -           | -        | 39,400   | 37,702  |
| Unabsorbed tax losses                                | 1,216              | 863     | -           | -        | 1,216    | 863     |
| Tax assets / (liabilities)                           | 44,164             | 43,240  | (15,389)    | (10,618) | 28,775   | 32,622  |
| Set off of tax                                       | (3,638)            | (2,728) | 3,638       | 2,728    | -        | -       |
| Net tax assets                                       | 40,526             | 40,512  | (11,751)    | (7,890)  | 28,775   | 32,622  |
| <b>Group</b>                                         |                    |         |             |          |          |         |
| Property and equipment                               | -                  | -       | (1,544)     | (1,556)  | (1,544)  | (1,556) |
| Right-of-use assets                                  | -                  | -       | (157)       | (157)    | (157)    | (157)   |
| Investment properties                                | -                  | -       | (845)       | (1,024)  | (845)    | (1,024) |
| Other investments                                    | -                  | 74      | (12,843)    | (7,881)  | (12,843) | (7,807) |
| Loans and receivables, excluding takaful receivables | 47                 | 60      | -           | -        | 47       | 60      |
| Other payables                                       | 3,501              | 4,541   | -           | -        | 3,501    | 4,541   |
| Expense reserves                                     | 39,400             | 37,702  | -           | -        | 39,400   | 37,702  |
| Unabsorbed tax losses                                | 1,216              | 863     | -           | -        | 1,216    | 863     |
| Tax assets / (liabilities)                           | 44,164             | 43,240  | (15,389)    | (10,618) | 28,775   | 32,622  |
| Set off of tax                                       | (3,638)            | (2,728) | 3,638       | 2,728    | -        | -       |
| Net tax assets                                       | 40,526             | 40,512  | (11,751)    | (7,890)  | 28,775   | 32,622  |

## Notes to the Financial Statements

### 10. Deferred tax assets / (liabilities) (continued)

|                                                         | <b>&lt;----- Company -----&gt;</b> |               |                    |               |               |               |
|---------------------------------------------------------|------------------------------------|---------------|--------------------|---------------|---------------|---------------|
|                                                         | <b>Assets</b>                      |               | <b>Liabilities</b> |               | <b>Net</b>    |               |
|                                                         | <b>2020</b>                        | <b>2019</b>   | <b>2020</b>        | <b>2019</b>   | <b>2020</b>   | <b>2019</b>   |
|                                                         | <b>RM'000</b>                      | <b>RM'000</b> | <b>RM'000</b>      | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |
| <b>Takaful Operator</b>                                 |                                    |               |                    |               |               |               |
| Investment properties                                   | -                                  | -             | (1,539)            | (1,718)       | (1,539)       | (1,718)       |
| Other investments                                       | -                                  | -             | (10,226)           | (6,190)       | (10,226)      | (6,190)       |
| Loans and receivables, excluding<br>takaful receivables | 14                                 | 18            | -                  | -             | 14            | 18            |
| Tax assets / (liabilities)                              | 14                                 | 18            | (11,765)           | (7,908)       | (11,751)      | (7,890)       |
| Set off of tax                                          | (14)                               | (18)          | 14                 | 18            | -             | -             |
| Net tax assets                                          | -                                  | -             | (11,751)           | (7,890)       | (11,751)      | (7,890)       |
| <b>Company</b>                                          |                                    |               |                    |               |               |               |
| Property and equipment                                  | -                                  | -             | (537)              | (537)         | (537)         | (537)         |
| Right-of-use assets                                     | -                                  | -             | (157)              | (157)         | (157)         | (157)         |
| Investment properties                                   | -                                  | -             | (845)              | (1,024)       | (845)         | (1,024)       |
| Other investments                                       | -                                  | -             | (10,226)           | (6,190)       | (10,226)      | (6,190)       |
| Loans and receivables, excluding<br>takaful receivables | 14                                 | 18            | -                  | -             | 14            | 18            |
| Tax assets / (liabilities)                              | 14                                 | 18            | (11,765)           | (7,908)       | (11,751)      | (7,890)       |
| Set off of tax                                          | (14)                               | (18)          | 14                 | 18            | -             | -             |
| Net tax assets                                          | -                                  | -             | (11,751)           | (7,890)       | (11,751)      | (7,890)       |

# Notes to the Financial Statements

## 10. Deferred tax assets / (liabilities) (continued)

|                                                            | As at<br>1.1.2019<br>RM'000 | Recognised<br>in profit<br>or loss<br>(Note 31)<br>RM'000 | Recognised<br>in other<br>comprehensive<br>income<br>(Note 31)<br>RM'000 | Effect of<br>movement<br>in exchange<br>rate<br>RM'000 | As at<br>31.12.2019 /<br>1.1.2020<br>RM'000 | Recognised<br>in profit<br>or loss<br>(Note 31)<br>RM'000 | Recognised<br>in other<br>comprehensive<br>income<br>(Note 31)<br>RM'000 | Effect of<br>movement<br>in exchange<br>rate<br>RM'000 | As at<br>31.12.2020<br>RM'000 |
|------------------------------------------------------------|-----------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------|
| <b>Group Takaful Operator</b>                              |                             |                                                           |                                                                          |                                                        |                                             |                                                           |                                                                          |                                                        |                               |
| Property and equipment                                     | (1,028)                     | 8                                                         | -                                                                        | 1                                                      | (1,019)                                     | 13                                                        | -                                                                        | (1)                                                    | (1,007)                       |
| Investment properties                                      | (1,647)                     | (71)                                                      | -                                                                        | -                                                      | (1,718)                                     | 179                                                       | -                                                                        | -                                                      | (1,539)                       |
| Other investments                                          | 3,452                       | (4,962)                                                   | (6,300)                                                                  | 3                                                      | (7,807)                                     | (2,566)                                                   | (2,467)                                                                  | (3)                                                    | (12,843)                      |
| Loans and receivables,<br>excluding takaful<br>receivables | 59                          | (1)                                                       | -                                                                        | 2                                                      | 60                                          | (12)                                                      | -                                                                        | (1)                                                    | 47                            |
| Other payables                                             | 3,132                       | 1,347                                                     | 39                                                                       | 23                                                     | 4,541                                       | (1,125)                                                   | 134                                                                      | (49)                                                   | 3,501                         |
| Expense reserves                                           | 34,394                      | 3,308                                                     | -                                                                        | -                                                      | 37,702                                      | 1,698                                                     | -                                                                        | -                                                      | 39,400                        |
| Unabsorbed tax losses                                      | 1,024                       | 174                                                       | -                                                                        | (335)                                                  | 863                                         | 369                                                       | -                                                                        | (16)                                                   | 1,216                         |
| <b>Tax assets / (liabilities)</b>                          | <b>39,386</b>               | <b>(197)</b>                                              | <b>(6,261)</b>                                                           | <b>(306)</b>                                           | <b>32,622</b>                               | <b>(1,444)</b>                                            | <b>(2,333)</b>                                                           | <b>(70)</b>                                            | <b>28,775</b>                 |
| <b>Group</b>                                               |                             |                                                           |                                                                          |                                                        |                                             |                                                           |                                                                          |                                                        |                               |
| Property and equipment                                     | (1,565)                     | 8                                                         | -                                                                        | 1                                                      | (1,556)                                     | 13                                                        | -                                                                        | (1)                                                    | (1,544)                       |
| Right-of-use assets                                        | (157)                       | -                                                         | -                                                                        | -                                                      | (157)                                       | -                                                         | -                                                                        | -                                                      | (157)                         |
| Investment properties                                      | (953)                       | (71)                                                      | -                                                                        | -                                                      | (1,024)                                     | 179                                                       | -                                                                        | -                                                      | (845)                         |
| Other investments                                          | 3,452                       | (4,962)                                                   | (6,300)                                                                  | 3                                                      | (7,807)                                     | (2,566)                                                   | (2,467)                                                                  | (3)                                                    | (12,843)                      |
| Loans and receivables,<br>excluding takaful<br>receivables | 59                          | (1)                                                       | -                                                                        | 2                                                      | 60                                          | (12)                                                      | -                                                                        | (1)                                                    | 47                            |
| Other payables                                             | 3,132                       | 1,347                                                     | 39                                                                       | 23                                                     | 4,541                                       | (1,125)                                                   | 134                                                                      | (49)                                                   | 3,501                         |
| Expense reserves                                           | 34,394                      | 3,308                                                     | -                                                                        | -                                                      | 37,702                                      | 1,698                                                     | -                                                                        | -                                                      | 39,400                        |
| Unabsorbed tax losses                                      | 1,024                       | 174                                                       | -                                                                        | (335)                                                  | 863                                         | 369                                                       | -                                                                        | (16)                                                   | 1,216                         |
| <b>Tax assets / (liabilities)</b>                          | <b>39,386</b>               | <b>(197)</b>                                              | <b>(6,261)</b>                                                           | <b>(306)</b>                                           | <b>32,622</b>                               | <b>(1,444)</b>                                            | <b>(2,333)</b>                                                           | <b>(70)</b>                                            | <b>28,775</b>                 |



# Notes to the Financial Statements

## 10. Deferred tax assets / (liabilities) (continued)

|                                                      | As at<br>1.1.2019<br>RM'000 | Recognised<br>in profit<br>or loss<br>(Note 31)<br>RM'000 | Recognised<br>in other<br>comprehensive<br>income<br>(Note 31)<br>RM'000 | Recognised<br>in profit<br>or loss<br>(Note 31)<br>RM'000 | Recognised<br>in other<br>comprehensive<br>income<br>(Note 31)<br>RM'000 | As at<br>31.12.2020<br>RM'000 |
|------------------------------------------------------|-----------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------|
| <b>Company Takaful Operator</b>                      |                             |                                                           |                                                                          |                                                           |                                                                          |                               |
| Investment properties                                | (1,647)                     | (71)                                                      | -                                                                        | 179                                                       | -                                                                        | (1,539)                       |
| Other investments                                    | 3,630                       | (5,001)                                                   | (4,819)                                                                  | (2,219)                                                   | (1,817)                                                                  | (10,226)                      |
| Loans and receivables, excluding takaful receivables | 18                          | -                                                         | -                                                                        | (4)                                                       | -                                                                        | 14                            |
| <b>Tax assets / (liabilities)</b>                    | <b>2,001</b>                | <b>(5,072)</b>                                            | <b>(4,819)</b>                                                           | <b>(2,044)</b>                                            | <b>(1,817)</b>                                                           | <b>(11,751)</b>               |
| <b>Company</b>                                       |                             |                                                           |                                                                          |                                                           |                                                                          |                               |
| Property and equipment                               | (537)                       | -                                                         | -                                                                        | -                                                         | -                                                                        | (537)                         |
| Right-of-use assets                                  | (157)                       | -                                                         | -                                                                        | -                                                         | -                                                                        | (157)                         |
| Investment properties                                | (953)                       | (71)                                                      | -                                                                        | 179                                                       | -                                                                        | (845)                         |
| Other investments                                    | 3,630                       | (5,001)                                                   | (4,819)                                                                  | (2,219)                                                   | (1,817)                                                                  | (10,226)                      |
| Loans and receivables, excluding takaful receivables | 18                          | -                                                         | -                                                                        | (4)                                                       | -                                                                        | 14                            |
| <b>Tax assets / (liabilities)</b>                    | <b>2,001</b>                | <b>(5,072)</b>                                            | <b>(4,819)</b>                                                           | <b>(2,044)</b>                                            | <b>(1,817)</b>                                                           | <b>(11,751)</b>               |

## Notes to the Financial Statements

### 11. Loans and receivables, excluding takaful receivables

|                                                                                                      |      | Group          |                | Company        |                |
|------------------------------------------------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                                                                      | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>                                                                              |      |                |                |                |                |
| Financing receivables                                                                                |      |                |                |                |                |
| Unsecured financing                                                                                  |      | 26             | 26             | 26             | 26             |
| Staff financing                                                                                      |      | 1,729          | 2,034          | 1,435          | 1,857          |
| Allowance for impairment                                                                             | 38.4 | (164)          | (167)          | (15)           | (15)           |
|                                                                                                      |      | 1,591          | 1,893          | 1,446          | 1,868          |
| Fixed and call deposits with licensed financial institutions<br>with maturity more than three months |      |                |                |                |                |
| Licensed banks in Malaysia                                                                           |      | 683,065        | 629,483        | 435,804        | 440,323        |
| Banks outside Malaysia                                                                               |      | 3,049          | 2,980          | -              | -              |
|                                                                                                      |      | 686,114        | 632,463        | 435,804        | 440,323        |
| Other receivables                                                                                    |      |                |                |                |                |
| Investment receivable                                                                                |      | 21,563         | 15,709         | 16,009         | 12,096         |
| Due from Family Takaful                                                                              | 19   | 40,376         | 46,017         | 40,340         | 45,997         |
| Due from General Takaful                                                                             | 19   | 21,754         | 19,516         | -              | -              |
| Due from a subsidiary                                                                                |      | -              | -              | 6,368          | 6,786          |
| Prepayment                                                                                           |      | 6,663          | 5,519          | 5,635          | 4,730          |
| Sundry deposits                                                                                      |      | 294            | 283            | 294            | 283            |
| Sundry receivables                                                                                   |      | 6,534          | 23,986         | 571            | 8,292          |
|                                                                                                      |      | 97,184         | 111,030        | 69,217         | 78,184         |
|                                                                                                      |      | 784,889        | 745,386        | 506,467        | 520,375        |
| <b>Family Takaful</b>                                                                                |      |                |                |                |                |
| Financing receivables                                                                                |      |                |                |                |                |
| Secured financing                                                                                    |      | -              | 68,770         | -              | 68,770         |
| Allowance for impairment                                                                             | 38.4 | -              | (301)          | -              | (301)          |
|                                                                                                      |      | -              | 68,469         | -              | 68,469         |
| Fixed and call deposits with licensed financial institutions<br>with maturity more than three months |      |                |                |                |                |
| Licensed banks in Malaysia                                                                           |      | 1,227,671      | 1,443,926      | 1,227,671      | 1,443,926      |
| Banks outside Malaysia                                                                               |      | 3,294          | 5,144          | -              | -              |
|                                                                                                      |      | 1,230,965      | 1,449,070      | 1,227,671      | 1,443,926      |
| Other receivables                                                                                    |      |                |                |                |                |
| Investment receivable                                                                                |      | 79,026         | 72,342         | 77,806         | 70,936         |
| Due from General Takaful                                                                             | 19   | 302            | -              | -              | -              |
| Due from a subsidiary                                                                                |      | -              | -              | 302            | -              |
| Prepayment                                                                                           |      | 1              | 246            | 1              | 246            |
| Sundry deposits                                                                                      |      | 1,650          | 2,388          | 1,650          | 2,388          |
| Sundry receivables                                                                                   |      | 3,243          | 1,329          | 3,218          | 1,191          |
|                                                                                                      |      | 84,222         | 76,305         | 82,977         | 74,761         |
|                                                                                                      |      | 1,315,187      | 1,593,844      | 1,310,648      | 1,587,156      |

## Notes to the Financial Statements

### 11. Loans and receivables, excluding takaful receivables (continued)

|                                                                                                      |      | Group          |                | Company        |                |
|------------------------------------------------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                                                                      | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>General Takaful</b>                                                                               |      |                |                |                |                |
| Financing receivables                                                                                |      |                |                |                |                |
| Secured financing                                                                                    |      | -              | 5,292          | -              | -              |
| Allowance for impairment                                                                             | 38.4 | -              | (381)          | -              | -              |
|                                                                                                      |      | -              | 4,911          | -              | -              |
| Fixed and call deposits with licenced financial institutions<br>with maturity more than three months |      |                |                |                |                |
| Licenced banks in Malaysia                                                                           |      | 497,923        | 343,347        | -              | -              |
|                                                                                                      |      | 497,923        | 343,347        | -              | -              |
| Other receivables                                                                                    |      |                |                |                |                |
| Investment receivable                                                                                |      | 12,963         | 7,540          | -              | -              |
| Due from Family Takaful                                                                              | 19   | -              | 1,685          | -              | -              |
| Prepayment                                                                                           |      | -              | 37             | -              | -              |
| Sundry deposits                                                                                      |      | 1,333          | 1,130          | -              | -              |
| Sundry receivables                                                                                   |      | 60             | 116            | -              | -              |
|                                                                                                      |      | 14,356         | 10,508         | -              | -              |
|                                                                                                      |      | 512,279        | 358,766        | -              | -              |
| <b>Group / Company</b>                                                                               |      |                |                |                |                |
| Financing receivables                                                                                |      |                |                |                |                |
| Secured financing                                                                                    |      | -              | 74,062         | -              | 68,770         |
| Unsecured financing                                                                                  |      | 26             | 26             | 26             | 26             |
| Staff financing                                                                                      |      | 1,729          | 2,034          | 1,435          | 1,857          |
| Allowance for impairment                                                                             | 38.4 | (164)          | (849)          | (15)           | (316)          |
|                                                                                                      |      | 1,591          | 75,273         | 1,446          | 70,337         |
| Fixed and call deposits with licenced financial institutions<br>with maturity more than three months |      |                |                |                |                |
| Licenced banks in Malaysia                                                                           |      | 2,408,659      | 2,416,756      | 1,663,475      | 1,884,249      |
| Banks outside Malaysia                                                                               |      | 6,343          | 8,124          | -              | -              |
|                                                                                                      |      | 2,415,002      | 2,424,880      | 1,663,475      | 1,884,249      |
| Other receivables                                                                                    |      |                |                |                |                |
| Investment receivable                                                                                |      | 113,552        | 95,591         | 93,815         | 83,032         |
| Due from a subsidiary                                                                                |      | -              | -              | 6,670          | 6,786          |
| Prepayment                                                                                           |      | 6,664          | 5,802          | 5,636          | 4,976          |
| Sundry deposits                                                                                      |      | 3,277          | 3,801          | 1,944          | 2,671          |
| Sundry receivables                                                                                   |      | 9,834          | 25,393         | 3,789          | 9,483          |
|                                                                                                      |      | 133,327        | 130,587        | 111,854        | 106,948        |
|                                                                                                      |      | 2,549,920      | 2,630,740      | 1,776,775      | 2,061,534      |

## Notes to the Financial Statements

### 11. Loans and receivables, excluding takaful receivables (continued)

The following loans and receivables, excluding takaful receivables mature after 12 months:

|                                                              | <b>Group</b>   |               | <b>Company</b> |               |
|--------------------------------------------------------------|----------------|---------------|----------------|---------------|
|                                                              | <b>2020</b>    | <b>2019</b>   | <b>2020</b>    | <b>2019</b>   |
|                                                              | <b>RM'000</b>  | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| <b>Takaful Operator</b>                                      |                |               |                |               |
| Financing receivables                                        | 1,146          | 1,592         | 1,146          | 1,568         |
| Fixed and call deposits with licensed financial institutions | 62,942         | -             | 62,633         | -             |
| Other receivables                                            | 294            | 283           | 294            | 283           |
|                                                              | <b>64,382</b>  | <b>1,875</b>  | <b>64,073</b>  | <b>1,851</b>  |
| <b>Family Takaful</b>                                        |                |               |                |               |
| Financing receivables                                        | -              | 68,469        | -              | 68,469        |
| Fixed and call deposits with licensed financial institutions | 3,551          | -             | 3,551          | -             |
| Other receivables                                            | 1,650          | 2,388         | 1,650          | 2,388         |
|                                                              | <b>5,201</b>   | <b>70,857</b> | <b>5,201</b>   | <b>70,857</b> |
| <b>General Takaful</b>                                       |                |               |                |               |
| Fixed and call deposits with licensed financial institutions | 56,221         | -             | -              | -             |
| Other receivables                                            | 1,333          | 1,130         | -              | -             |
|                                                              | <b>57,554</b>  | <b>1,130</b>  | <b>-</b>       | <b>-</b>      |
| <b>Group / Company</b>                                       |                |               |                |               |
| Financing receivables                                        | 1,146          | 70,061        | 1,146          | 70,037        |
| Fixed and call deposits with licensed financial institutions | 122,714        | -             | 66,184         | -             |
| Other receivables                                            | 3,277          | 3,801         | 1,944          | 2,671         |
|                                                              | <b>127,137</b> | <b>73,862</b> | <b>69,274</b>  | <b>72,708</b> |

#### Offsetting of financial assets and financial liabilities

No financial assets and liabilities have been set off for presentation purposes.

## Notes to the Financial Statements

### 12. Takaful receivables

|                                    |      | Group          |                | Company        |                |
|------------------------------------|------|----------------|----------------|----------------|----------------|
|                                    | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Family Takaful</b>              |      |                |                |                |                |
| Due contributions                  |      | 136,453        | 48,219         | 131,362        | 42,285         |
| Due from retakaful / co-takaful    |      | 45,345         | 45,585         | 39,105         | 36,474         |
|                                    |      | 181,798        | 93,804         | 170,467        | 78,759         |
| Less: Allowance for impaired debts | 38.4 | (4,150)        | (3,842)        | (2,975)        | (3,842)        |
|                                    |      | 177,648        | 89,962         | 167,492        | 74,917         |
| <b>General Takaful</b>             |      |                |                |                |                |
| Due contributions                  |      | 124,047        | 114,413        | -              | -              |
| Due from retakaful / co-takaful    |      | 3,601          | 2,053          | -              | -              |
|                                    |      | 127,648        | 116,466        | -              | -              |
| Less: Allowance for impaired debts | 38.4 | (2,325)        | (2,749)        | -              | -              |
|                                    |      | 125,323        | 113,717        | -              | -              |
| <b>Group / Company</b>             |      |                |                |                |                |
| Due contributions                  |      | 260,500        | 162,632        | 131,362        | 42,285         |
| Due from retakaful / co-takaful    |      | 48,946         | 47,638         | 39,105         | 36,474         |
|                                    |      | 309,446        | 210,270        | 170,467        | 78,759         |
| Less: Allowance for impaired debts | 38.4 | (6,475)        | (6,591)        | (2,975)        | (3,842)        |
|                                    |      | 302,971        | 203,679        | 167,492        | 74,917         |

#### Offsetting of financial assets and financial liabilities

No financial assets and liabilities have been set off for presentation purposes.

## Notes to the Financial Statements

### 13. Cash and cash equivalents

|                                                                                                   | <b>Group</b>   |                | <b>Company</b> |                |
|---------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                                                   | <b>2020</b>    | <b>2019</b>    | <b>2020</b>    | <b>2019</b>    |
|                                                                                                   | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  |
| <b>Takaful Operator</b>                                                                           |                |                |                |                |
| Cash and bank balances                                                                            | 11,728         | 9,586          | 3,502          | 4,304          |
| Fixed and call deposits with licensed financial institutions with maturity less than three months |                |                |                |                |
| Licensed banks in Malaysia                                                                        | 88,934         | 69,575         | 79,701         | 35,242         |
| Banks outside Malaysia                                                                            | 36,082         | 30,149         | -              | -              |
|                                                                                                   | <u>136,744</u> | <u>109,310</u> | <u>83,203</u>  | <u>39,546</u>  |
| <b>Family Takaful</b>                                                                             |                |                |                |                |
| Cash and bank balances                                                                            | 75,597         | 74,394         | 73,679         | 71,391         |
| Fixed and call deposits with licensed financial institutions with maturity less than three months |                |                |                |                |
| Licensed banks in Malaysia                                                                        | 299,956        | 213,039        | 299,956        | 213,039        |
| Banks outside Malaysia                                                                            | 143,723        | 153,923        | -              | -              |
|                                                                                                   | <u>519,276</u> | <u>441,356</u> | <u>373,635</u> | <u>284,430</u> |
| <b>General Takaful</b>                                                                            |                |                |                |                |
| Cash and bank balances                                                                            | 29,560         | 23,904         | -              | -              |
| Fixed and call deposits with licensed financial institutions with maturity less than three months |                |                |                |                |
| Licensed banks in Malaysia                                                                        | 27,029         | 28,630         | -              | -              |
|                                                                                                   | <u>56,589</u>  | <u>52,534</u>  | <u>-</u>       | <u>-</u>       |
| <b>Group / Company</b>                                                                            |                |                |                |                |
| Cash and bank balances                                                                            | 116,885        | 107,884        | 77,181         | 75,695         |
| Fixed and call deposits with licensed financial institutions with maturity less than three months |                |                |                |                |
| Licensed banks in Malaysia                                                                        | 415,919        | 311,244        | 379,657        | 248,281        |
| Banks outside Malaysia                                                                            | 179,805        | 184,072        | -              | -              |
|                                                                                                   | <u>712,609</u> | <u>603,200</u> | <u>456,838</u> | <u>323,976</u> |

## Notes to the Financial Statements

### 14. Share capital and reserves

|                                                | Takaful Operator / Group / Company |           |         |           |
|------------------------------------------------|------------------------------------|-----------|---------|-----------|
|                                                | Number                             |           | Number  |           |
|                                                | Amount                             | of shares | Amount  | of shares |
|                                                | 2020                               | 2020      | 2019    | 2019      |
|                                                | RM'000                             | '000      | RM'000  | '000      |
| <b>Ordinary shares, issued and fully paid:</b> |                                    |           |         |           |
| At 1 January                                   | 196,753                            | 826,793   | 185,352 | 824,219   |
| Issued under LTIP                              | 15,140                             | 3,641     | 11,401  | 2,574     |
| At 31 December                                 | 211,893                            | 830,434   | 196,753 | 826,793   |

#### Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of debt investments measured at fair value through other comprehensive income recognised in other comprehensive income until the investments are derecognised or impaired.

#### Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.

#### LTIP (Long Term Incentive Plan) reserve

The LTIP reserve comprises the cumulative value of employee services received for the issue of Restricted Share Plan and Performance Share Plan. When the LTIP is exercised, the amount from the LTIP reserve is transferred to share capital. When the LTIP expires, the amount from the LTIP reserve is transferred to retained earnings. LTIP is disclosed in Note 15.

#### Retained earnings

Pursuant to Section 60(1) of the IFSA, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend with effect from financial year beginning 1 January 2014.

Pursuant to the Risk Based Capital for Takaful ("RBCT") Framework, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.



## Notes to the Financial Statements

### 15. Employee benefits

#### Share-based payments arrangement

At the Extraordinary General Meeting held on 24 July 2013, the Company's shareholders approved the establishment of a Long Term Incentive Plan ("LTIP"), which comprises a Restricted Share Plan ("RSP") and a Performance Share Plan ("PSP"), of not more than 10% of issued and paid-up share capital of the Company (excluding treasury shares) to eligible employees and executive director of the Company. The LTIP was effected on 25 July 2013 following the submission of the By-Laws for the LTIP to Bursa Malaysia Securities Berhad, the receipt of all required approvals and the compliance with the requirements pertaining to the LTIP.

The salient features of the LTIP are, *inter alia*, as follows:

- i) The RSP is a restricted share plan for selected key employees and the executive director of the Group. The RSP Grant is intended as a one-off grant, subject to the discretion of the LTIP Committee for future grants, to retain key employees for the development, growth and success of the Group. The RSP will be vested to the RSP Grantees at no consideration over a period of up to three (3) years pro-rata which may include additional holding periods for each vesting as determined by the LTIP committee, whereby selected employees will be assessed based on, amongst others, the individual performance and achievement, which may include but are not limited to, profit after zakat and taxation and / or other financial measures as may be relevant, in accordance with terms and conditions stipulated and determined by the LTIP Committee in its discretion. The LTIP Committee is a committee established by the Board to implement and administer the LTIP in accordance with the LTIP By-Laws.
- ii) The PSP is a performance share plan for selected key employees and the executive director of the Group. The PSP Grant is an annual grant to incentivise key employees for the long-term success and growth of the Group as well as shareholders' value enhancement. The PSP will be vested to the PSP Grantees at no consideration over a period of up to three (3) years cliff vesting schedule whereby selected employees will be assessed based on, amongst others, the total shareholders' return, which is the improvement in stock price including dividends paid, and the long-term financial performance of the Company over a period of three (3) financial years, or such other period of time should the LTIP committee choose to do so, in accordance with terms and conditions stipulated and determined by the LTIP Committee in its discretion.
- iii) Eligible employees are those executives (including executive director) of the Group (other than subsidiaries which are dormant) who have attained the age of 18 years; entered into a full-time or fixed-term contract of employment with and is on the payroll of a company within the Group; have not served notice of resignation or received notice of termination on the date of the offer; whose service / employment have been confirmed in writing; and have fulfilled other eligibility criteria which has been determined by the LTIP Committee at its sole and absolute discretion from time to time.
- iv) The total number of the Company's shares to be offered to any one of the employees and / or to be vested in any one of the grantees shall not be more than 10% of the Company's shares made available under the LTIP and shall not either individually or collectively through persons connected with the said employee, holds 20% or more of the Company's issued and paid up share capital.
- v) The maximum number of the Company's shares to be allotted and issued under LTIP shall not be more than in aggregate 10% of the issued and paid-up ordinary share capital of the Company at any point in time during the duration of the LTIP.
- vi) The LTIP shall be in force for a period of ten (10) years from the effective date of implementation of the LTIP.

## Notes to the Financial Statements

### 15. Employee benefits (continued)

#### Share-based payments arrangement (continued)

The salient features of the LTIP are, *inter alia*, as follows (continued):

- vii) The new Company's shares to be allotted and issued pursuant to the LTIP shall, upon allotment and issuance, rank pari passu in all respects with the then existing issued Company's shares and shall be entitled to any rights, dividends, allotments and / or distributions attached thereto and / or which may declared, made or paid to the Company's shareholders, provided that the relevant allotment date of such new shares is before the record date (as defined in the LTIP By-Laws) for any right, allotment or distribution.
- viii) If the LTIP Committee so decides (but not otherwise), in the event of any alteration in the capital structure of the Company during the duration of the LTIP, such corresponding alterations (if any) may be made in the number of unvested Company's shares and / or the method and / or manner in the vesting of the Company's shares comprised in a grant.
- ix) During the year, the Board had approved that the functions and duties of the LTIP Committee are to be assumed by the Board.

During the year, the number of the shares granted are as follows:

|                            | Number of<br>ordinary shares |                |
|----------------------------|------------------------------|----------------|
|                            | 2020<br>('000)               | 2019<br>('000) |
| <b>Performance shares</b>  |                              |                |
| Outstanding at 1 January   | 7,323                        | 7,668          |
| Granted during the year    | 1,820                        | 2,750          |
| Vested during the year     | (3,641)                      | (2,574)        |
| Forfeited during the year  | (529)                        | (521)          |
| Outstanding at 31 December | 4,973                        | 7,323          |

During the financial year, 3,640,789 shares (2019: 2,574,163 shares) were vested.

## Notes to the Financial Statements

### 15. Employee benefits (continued)

#### Share-based payments arrangement (continued)

There is no new PSP during the year and the shares granted are related to PSP in previous financial years. The fair value of services received in return for Restricted Shares and Performance Shares granted are based on the fair value of Restricted Shares and Performance Shares granted respectively, measured using the Monte Carlo Simulation, with the following inputs:

| <b>Fair value and assumption</b>                              | <b>Performance shares<br/>2019</b> |
|---------------------------------------------------------------|------------------------------------|
| Fair value at grant date                                      | 6.584                              |
| Weighted average share price                                  | 6.584                              |
| Share price at grant date                                     | 7.020                              |
| Expected volatility (weighted average volatility)             | 21.38%                             |
| Option life (expected weighted average life)                  | 3                                  |
| Expected dividends                                            | 0.0358                             |
| Risk-free interest rate (based on Malaysian government bonds) | 3.31%                              |

#### Value of employee services received for issue of shares

|                          | <b>Group and Company<br/>2020<br/>RM'000</b> | <b>2019<br/>RM'000</b> |
|--------------------------|----------------------------------------------|------------------------|
| Performance shares       |                                              |                        |
| - Shares granted in 2016 | -                                            | 4,280                  |
| - Shares granted in 2017 | 3,512                                        | 7,239                  |
| - Shares granted in 2018 | 8,125                                        | 3,828                  |
| - Shares granted in 2019 | 4,935                                        | 2,598                  |
|                          | 16,572                                       | 17,945                 |

#### Retirement benefit

The Group also makes contribution to a define benefit plans that provides pension for eligible permanent employees of its Indonesia subsidiaries. The amounts are determined based on years of service and salaries of the employees at the time of pension. The benefits will be paid upon retirement, permanent disability or termination.

## Notes to the Financial Statements

### 16. Takaful contract liabilities

The takaful contract liabilities comprise the following:

|                                      |      | Group          |                | Company        |                |
|--------------------------------------|------|----------------|----------------|----------------|----------------|
|                                      | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Family Takaful</b>                |      |                |                |                |                |
| Provision for outstanding claims     | (a)  | 219,481        | 172,874        | 213,485        | 168,840        |
| Participants' fund                   | (c)  | 7,651,317      | 7,007,658      | 7,235,971      | 6,581,828      |
|                                      |      | 7,870,798      | 7,180,532      | 7,449,456      | 6,750,668      |
| <b>General Takaful</b>               |      |                |                |                |                |
| Provision for outstanding claims     | (a)  | 699,610        | 530,724        | -              | -              |
| Provision for unearned contributions | (b)  | 465,734        | 394,340        | -              | -              |
| Participants' fund                   | (c)  | 229,173        | 190,051        | -              | -              |
|                                      |      | 1,394,517      | 1,115,115      | -              | -              |
| <b>Group / Company</b>               |      |                |                |                |                |
| Provision for outstanding claims     | (a)  | 919,091        | 703,598        | 213,485        | 168,840        |
| Provision for unearned contributions | (b)  | 465,734        | 394,340        | -              | -              |
| Participants' fund                   | (c)  | 7,838,782      | 7,160,242      | 7,194,263      | 6,544,361      |
|                                      |      | 9,223,607      | 8,258,180      | 7,407,748      | 6,713,201      |

**(a) Provision for outstanding claims**

|                                               | <div>&lt;----- Group -----&gt;</div> |                             |               |                 |                             |               |
|-----------------------------------------------|--------------------------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|                                               | Gross<br>RM'000                      | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2019<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful</b>                         |                                      |                             |               |                 |                             |               |
| Provision for claims reported by participants | 45,886                               | (10,103)                    | 35,783        | 39,182          | (8,493)                     | 30,689        |
| Provision for IBNR                            | 173,595                              | (51,430)                    | 122,165       | 133,692         | (45,417)                    | 88,275        |
| Provision for outstanding claims              | 219,481                              | (61,533)                    | 157,948       | 172,874         | (53,910)                    | 118,964       |
| <b>General Takaful</b>                        |                                      |                             |               |                 |                             |               |
| Provision for claims reported by participants | 434,985                              | (313,047)                   | 121,938       | 302,067         | (190,182)                   | 111,885       |
| Provision for IBNR                            | 264,625                              | (143,718)                   | 120,907       | 228,657         | (105,456)                   | 123,201       |
| Provision for outstanding claims              | 699,610                              | (456,765)                   | 242,845       | 530,724         | (295,638)                   | 235,086       |
| <b>Group</b>                                  |                                      |                             |               |                 |                             |               |
| Provision for claims reported by participants | 480,871                              | (323,150)                   | 157,721       | 341,249         | (198,675)                   | 142,574       |
| Provision for IBNR                            | 438,220                              | (195,148)                   | 243,072       | 362,349         | (150,873)                   | 211,476       |
| Provision for outstanding claims              | 919,091                              | (518,298)                   | 400,793       | 703,598         | (349,548)                   | 354,050       |

|                                               | Company         |                             |               |                 |                             |               |
|-----------------------------------------------|-----------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|                                               | Gross<br>RM'000 | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2019<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful / Company</b>               |                 |                             |               |                 |                             |               |
| Provision for claims reported by participants | 43,880          | (9,318)                     | 34,562        | 37,619          | (7,754)                     | 29,865        |
| Provision for IBNR                            | 169,605         | (49,449)                    | 120,156       | 131,221         | (44,182)                    | 87,039        |
| Provision for outstanding claims              | 213,485         | (58,767)                    | 154,718       | 168,840         | (51,936)                    | 116,904       |

## Notes to the Financial Statements

### 16. Takaful contract liabilities (continued)

#### (a) Provision for outstanding claims (continued)

Movement of provision for outstanding claims:

|                                                          |      | ----- Group -----> |                             |               |                 |                             |               |
|----------------------------------------------------------|------|--------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|                                                          | Note | Gross<br>RM'000    | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2019<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful</b>                                    |      |                    |                             |               |                 |                             |               |
| At 1 January                                             | 27   | 172,874            | (53,910)                    | 118,964       | 165,741         | (38,504)                    | 127,237       |
| Claims incurred during the year                          |      | 811,965            | (93,962)                    | 718,003       | 907,119         | (89,815)                    | 817,304       |
| Claims paid during the year                              | 27   | (805,230)          | 92,338                      | (712,892)     | (895,357)       | 85,374                      | (809,983)     |
| Movement in IBNR                                         |      | 39,950             | (6,037)                     | 33,913        | (4,748)         | (10,915)                    | (15,663)      |
| Effect of movement in<br>exchange rates                  |      | (78)               | 38                          | (40)          | 119             | (50)                        | 69            |
| At 31 December                                           | 27   | 219,481            | (61,533)                    | 157,948       | 172,874         | (53,910)                    | 118,964       |
| <b>General Takaful</b>                                   |      |                    |                             |               |                 |                             |               |
| At 1 January                                             | 27   | 530,724            | (295,638)                   | 235,086       | 467,984         | (258,030)                   | 209,954       |
| Claims incurred during the year                          |      | 398,810            | (241,568)                   | 157,242       | 378,916         | (192,966)                   | 185,950       |
| Adjustment to claims incurred<br>in prior accident years |      | (11,733)           | 9,941                       | (1,792)       | (25,540)        | 27,126                      | 1,586         |
| Claims paid during the year                              | 27   | (254,159)          | 108,762                     | (145,397)     | (318,603)       | 141,496                     | (177,107)     |
| Movement in IBNR                                         |      | 35,968             | (38,262)                    | (2,294)       | 27,967          | (13,264)                    | 14,703        |
| At 31 December                                           | 27   | 699,610            | (456,765)                   | 242,845       | 530,724         | (295,638)                   | 235,086       |
| <b>Group</b>                                             |      |                    |                             |               |                 |                             |               |
| At 1 January                                             | 27   | 703,598            | (349,548)                   | 354,050       | 633,725         | (296,534)                   | 337,191       |
| Claims incurred during the year                          |      | 1,194,668          | (335,530)                   | 859,138       | 1,270,364       | (282,781)                   | 987,583       |
| Adjustment to claims incurred<br>in prior accident years |      | (11,733)           | 9,941                       | (1,792)       | (25,540)        | 27,126                      | 1,586         |
| Claims paid during the year                              | 27   | (1,043,282)        | 201,100                     | (842,182)     | (1,198,289)     | 226,870                     | (971,419)     |
| Movement in IBNR                                         |      | 75,918             | (44,299)                    | 31,619        | 23,219          | (24,179)                    | (960)         |
| Effect of movement in<br>exchange rates                  |      | (78)               | 38                          | (40)          | 119             | (50)                        | 69            |
| At 31 December                                           | 27   | 919,091            | (518,298)                   | 400,793       | 703,598         | (349,548)                   | 354,050       |

## Notes to the Financial Statements

### 16. Takaful contract liabilities (continued)

#### (a) Provision for outstanding claims (continued)

Movement of provision for outstanding claims (continued):

|                                 |    | ←----- Company -----→ |                     |               |                 |                     |               |
|---------------------------------|----|-----------------------|---------------------|---------------|-----------------|---------------------|---------------|
|                                 |    |                       | 2020                |               |                 | 2019                |               |
| Note                            |    | Gross<br>RM'000       | Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful</b>           |    |                       |                     |               |                 |                     |               |
| At 1 January                    | 27 | 168,840               | (51,936)            | 116,904       | 161,978         | (36,988)            | 124,990       |
| Claims incurred during the year |    | 721,362               | (77,130)            | 644,232       | 790,254         | (70,663)            | 719,591       |
| Claims paid during the year     | 27 | (715,101)             | 75,566              | (639,535)     | (778,037)       | 66,081              | (711,956)     |
| Movement in IBNR                |    | 38,384                | (5,267)             | 33,117        | (5,355)         | (10,366)            | (15,721)      |
| At 31 December                  | 27 | 213,485               | (58,767)            | 154,718       | 168,840         | (51,936)            | 116,904       |
| <b>Company</b>                  |    |                       |                     |               |                 |                     |               |
| At 1 January                    | 27 | 168,840               | (51,936)            | 116,904       | 161,978         | (36,988)            | 124,990       |
| Claims incurred during the year |    | 707,148               | (77,130)            | 630,018       | 776,840         | (70,663)            | 706,177       |
| Claims paid during the year     | 27 | (700,887)             | 75,566              | (625,321)     | (764,623)       | 66,081              | (698,542)     |
| Movement in IBNR                |    | 38,384                | (5,267)             | 33,117        | (5,355)         | (10,366)            | (15,721)      |
| At 31 December                  | 27 | 213,485               | (58,767)            | 154,718       | 168,840         | (51,936)            | 116,904       |

## Notes to the Financial Statements

### 16. Takaful contract liabilities (continued)

#### (b) Provision for unearned contributions

The provision for unearned contributions and its movements are further analysed as follows:

|                                      | <----- Group -----> |                             |               |                 |                             |               |
|--------------------------------------|---------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|                                      | Gross<br>RM'000     | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2019<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>General Takaful / Group</b>       |                     |                             |               |                 |                             |               |
| Provision for unearned contributions | 465,734             | (113,784)                   | 351,950       | 394,340         | (90,634)                    | 303,706       |

Movement of provision for unearned contributions:

|                                       |      | <----- Group -----> |                             |               |                 |                             |               |
|---------------------------------------|------|---------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|                                       | Note | Gross<br>RM'000     | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2019<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>General Takaful</b>                |      |                     |                             |               |                 |                             |               |
| At 1 January                          |      | 394,340             | (90,634)                    | 303,706       | 376,971         | (76,884)                    | 300,087       |
| Contributions written during the year | 21   | 827,938             | (342,463)                   | 485,475       | 723,567         | (290,365)                   | 433,202       |
| Contributions earned during the year  | 21   | (756,544)           | 319,313                     | (437,231)     | (706,198)       | 276,615                     | (429,583)     |
| At 31 December                        |      | 465,734             | (113,784)                   | 351,950       | 394,340         | (90,634)                    | 303,706       |
| <b>Group</b>                          |      |                     |                             |               |                 |                             |               |
| At 1 January                          |      | 394,340             | (90,634)                    | 303,706       | 376,971         | (76,884)                    | 300,087       |
| Contributions written during the year |      | 827,892             | (342,463)                   | 485,429       | 723,511         | (290,365)                   | 433,146       |
| Contributions earned during the year  |      | (756,498)           | 319,313                     | (437,185)     | (706,142)       | 276,615                     | (429,527)     |
| At 31 December                        |      | 465,734             | (113,784)                   | 351,950       | 394,340         | (90,634)                    | 303,706       |



## Notes to the Financial Statements

### 16. Takaful contract liabilities (continued)

#### (c) Participants' fund

Participants' fund balance at end of the reporting period comprise the following:

| Note                                            | ----- Group -----> |                             |               |                 |                             |               |
|-------------------------------------------------|--------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|                                                 | Gross<br>RM'000    | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2019<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful</b>                           |                    |                             |               |                 |                             |               |
| Participants' account                           | 4,090,835          | -                           | 4,090,835     | 3,663,688       | -                           | 3,663,688     |
| Actuarial liabilities                           | 1,880,726          | (346,120)                   | 1,534,606     | 1,929,616       | (315,614)                   | 1,614,002     |
| Unallocated surplus /<br>accumulated surplus    | 1,099,833          | -                           | 1,099,833     | 916,155         | -                           | 916,155       |
| Fair value reserves                             | 326,172            | -                           | 326,172       | 257,242         | -                           | 257,242       |
| Net assets value attributable<br>to unitholders | 253,751            | -                           | 253,751       | 240,957         | -                           | 240,957       |
|                                                 | 7,651,317          | (346,120)                   | 7,305,197     | 7,007,658       | (315,614)                   | 6,692,044     |
| <b>General Takaful</b>                          |                    |                             |               |                 |                             |               |
| Unallocated surplus /<br>accumulated surplus    | 209,017            | -                           | 209,017       | 173,962         | -                           | 173,962       |
| Fair value reserves                             | 20,156             | -                           | 20,156        | 16,089          | -                           | 16,089        |
|                                                 | 229,173            | -                           | 229,173       | 190,051         | -                           | 190,051       |
| <b>Group</b>                                    |                    |                             |               |                 |                             |               |
| Participants' account                           | 4,090,835          | -                           | 4,090,835     | 3,663,688       | -                           | 3,663,688     |
| Actuarial liabilities                           | 1,880,726          | (346,120)                   | 1,534,606     | 1,929,616       | (315,614)                   | 1,614,002     |
| Unallocated surplus /<br>accumulated surplus    | 16.1 1,308,850     | -                           | 1,308,850     | 1,090,117       | -                           | 1,090,117     |
| Fair value reserves                             | 346,328            | -                           | 346,328       | 273,331         | -                           | 273,331       |
| Net assets value attributable<br>to unitholders | 212,043            | -                           | 212,043       | 203,490         | -                           | 203,490       |
|                                                 | 7,838,782          | (346,120)                   | 7,492,662     | 7,160,242       | (315,614)                   | 6,844,628     |

## Notes to the Financial Statements

### 16. Takaful contract liabilities (continued)

#### (c) Participants' fund (continued)

Participants' fund balance at end of the reporting period comprise the following: (continued)

| Note                                            | ----- Company ----- |                             |               |                 |                             |               |
|-------------------------------------------------|---------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|                                                 | Gross<br>RM'000     | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2019<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful</b>                           |                     |                             |               |                 |                             |               |
| Participants' account                           | 3,912,043           | -                           | 3,912,043     | 3,479,327       | -                           | 3,479,327     |
| Actuarial liabilities                           | 1,790,441           | (308,918)                   | 1,481,523     | 1,844,367       | (281,098)                   | 1,563,269     |
| Unallocated surplus /<br>accumulated surplus    | 1,047,245           | -                           | 1,047,245     | 862,141         | -                           | 862,141       |
| Fair value reserves                             | 325,992             | -                           | 325,992       | 257,242         | -                           | 257,242       |
| Net assets value attributable<br>to unitholders | 160,250             | -                           | 160,250       | 138,751         | -                           | 138,751       |
|                                                 | 7,235,971           | (308,918)                   | 6,927,053     | 6,581,828       | (281,098)                   | 6,300,730     |
| <b>Company</b>                                  |                     |                             |               |                 |                             |               |
| Participants' account                           | 3,912,043           | -                           | 3,912,043     | 3,479,327       | -                           | 3,479,327     |
| Actuarial liabilities                           | 1,790,441           | (308,918)                   | 1,481,523     | 1,844,367       | (281,098)                   | 1,563,269     |
| Unallocated surplus /<br>accumulated surplus    | 16.1 1,047,245      | -                           | 1,047,245     | 862,141         | -                           | 862,141       |
| Fair value reserves                             | 325,992             | -                           | 325,992       | 257,242         | -                           | 257,242       |
| Net assets value attributable<br>to unitholders | 118,542             | -                           | 118,542       | 101,284         | -                           | 101,284       |
|                                                 | 7,194,263           | (308,918)                   | 6,885,345     | 6,544,361       | (281,098)                   | 6,263,263     |

16.1 The special reserves of RM30,533,447 was classified as part of unallocated surplus that backs the annuity fund in meeting the expected future liabilities of the annuity plan.

## Notes to the Financial Statements

### 16. Takaful contract liabilities (continued)

#### (c) Participants' fund (continued)

The participants' fund movements are analysed as follows:

|                                                             | ----- Group -----> |                             |               |                 |                             |               |
|-------------------------------------------------------------|--------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|                                                             | Gross<br>RM'000    | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2019<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful</b>                                       |                    |                             |               |                 |                             |               |
| At 1 January                                                | 7,007,658          | (315,614)                   | 6,692,044     | 5,981,856       | (163,719)                   | 5,818,137     |
| Net earned contributions                                    | 1,756,863          | (121,798)                   | 1,635,065     | 2,042,293       | (117,589)                   | 1,924,704     |
| Investment income on financial assets not measured at FVTPL | 252,996            | -                           | 252,996       | 238,370         | -                           | 238,370       |
| Investment income - others                                  | 33,028             | -                           | 33,028        | 39,545          | -                           | 39,545        |
| Realised gains and losses                                   | 27,843             | -                           | 27,843        | 10,669          | -                           | 10,669        |
| Fair value gains and losses                                 | 17,156             | -                           | 17,156        | 30,259          | -                           | 30,259        |
| Other operating income                                      | 265                | -                           | 265           | 2,919           | -                           | 2,919         |
| Net benefits and claims                                     | (851,915)          | 99,999                      | (751,916)     | (902,371)       | 100,730                     | (801,641)     |
| Fees deducted (net)                                         | (571,795)          | -                           | (571,795)     | (717,390)       | -                           | (717,390)     |
| Impairment losses on financial instruments                  | (2,747)            | -                           | (2,747)       | (1,928)         | -                           | (1,928)       |
| Other operating expenses                                    | (3,751)            | -                           | (3,751)       | (4,810)         | -                           | (4,810)       |
| Profit paid to participants                                 | (4,591)            | -                           | (4,591)       | (4,013)         | -                           | (4,013)       |
| Movement in actuarial liabilities                           | 26,064             | (31,201)                    | (5,137)       | 145,644         | (151,137)                   | (5,493)       |
| Profit attributable to the Takaful Operator                 | (79,866)           | 21,797                      | (58,069)      | (82,170)        | 16,859                      | (65,311)      |
| Excess payment transferred to participants                  | (70)               | -                           | (70)          | (162)           | -                           | (162)         |
| Net change in fair value on debt investments at FVOCI       | 68,752             | -                           | 68,752        | 229,722         | -                           | 229,722       |
| Tax expense                                                 | (9,986)            | -                           | (9,986)       | (9,743)         | -                           | (9,743)       |
| Withholding tax paid                                        | (5,959)            | -                           | (5,959)       | (3,853)         | -                           | (3,853)       |
| Effect of movement in exchange rates                        | (8,628)            | 697                         | (7,931)       | 12,821          | (758)                       | 12,063        |
| At 31 December                                              | 7,651,317          | (346,120)                   | 7,305,197     | 7,007,658       | (315,614)                   | 6,692,044     |

## Notes to the Financial Statements

### 16. Takaful contract liabilities (continued)

#### (c) Participants' fund (continued)

The participants' fund movements are analysed as follows: (continued)

|                                                             | <b>Group</b>  |                  |               |               |                  |               |
|-------------------------------------------------------------|---------------|------------------|---------------|---------------|------------------|---------------|
|                                                             | <b>Gross</b>  | <b>2020</b>      | <b>Net</b>    | <b>Gross</b>  | <b>2019</b>      | <b>Net</b>    |
|                                                             | <b>RM'000</b> | <b>Retakaful</b> | <b>RM'000</b> | <b>RM'000</b> | <b>Retakaful</b> | <b>RM'000</b> |
|                                                             |               | <b>RM'000</b>    |               |               | <b>RM'000</b>    |               |
| <b>General Takaful</b>                                      |               |                  |               |               |                  |               |
| At 1 January                                                | 190,051       | -                | 190,051       | 171,129       | -                | 171,129       |
| Net earned contributions                                    | 437,231       | -                | 437,231       | 429,583       | -                | 429,583       |
| Investment income on financial assets not measured at FVTPL | 30,215        | -                | 30,215        | 29,341        | -                | 29,341        |
| Investment income - others                                  | 456           | -                | 456           | 1,882         | -                | 1,882         |
| Realised gains and losses                                   | 2,486         | -                | 2,486         | 2,697         | -                | 2,697         |
| Fair value gains and losses                                 | (151)         | -                | (151)         | 791           | -                | 791           |
| Other operating income                                      | 253           | -                | 253           | 224           | -                | 224           |
| Net benefits and claims                                     | (153,156)     | -                | (153,156)     | (202,239)     | -                | (202,239)     |
| Fees deducted (net)                                         | (237,215)     | -                | (237,215)     | (245,632)     | -                | (245,632)     |
| Reversal of impairment losses on financial instruments      | 202           | -                | 202           | 642           | -                | 642           |
| Other operating expenses                                    | (690)         | -                | (690)         | (44)          | -                | (44)          |
| Profit paid to participants                                 | (8,838)       | -                | (8,838)       | (7,802)       | -                | (7,802)       |
| Profit attributable to the Takaful Operator                 | (30,756)      | -                | (30,756)      | -             | -                | -             |
| Net change in fair value on debt investments at FVOCI       | 4,067         | -                | 4,067         | 13,831        | -                | 13,831        |
| Tax expense                                                 | (4,440)       | -                | (4,440)       | (3,329)       | -                | (3,329)       |
| Withholding tax paid                                        | (542)         | -                | (542)         | (1,023)       | -                | (1,023)       |
| At 31 December                                              | 229,173       | -                | 229,173       | 190,051       | -                | 190,051       |

## Notes to the Financial Statements

### 16. Takaful contract liabilities (continued)

#### (c) Participants' fund (continued)

The participants' fund movements are analysed as follows: (continued)

|                                                             | <b>Group</b>            |                                      |                       |                         |                                      |                       |
|-------------------------------------------------------------|-------------------------|--------------------------------------|-----------------------|-------------------------|--------------------------------------|-----------------------|
|                                                             | <b>Gross<br/>RM'000</b> | <b>2020<br/>Retakaful<br/>RM'000</b> | <b>Net<br/>RM'000</b> | <b>Gross<br/>RM'000</b> | <b>2019<br/>Retakaful<br/>RM'000</b> | <b>Net<br/>RM'000</b> |
| <b>Group</b>                                                |                         |                                      |                       |                         |                                      |                       |
| At 1 January                                                | 7,160,242               | (315,614)                            | 6,844,628             | 6,116,882               | (163,719)                            | 5,953,163             |
| Net earned contributions                                    | 2,194,094               | (121,798)                            | 2,072,296             | 2,471,876               | (117,589)                            | 2,354,287             |
| Investment income on financial assets not measured at FVTPL | 283,211                 | -                                    | 283,211               | 267,711                 | -                                    | 267,711               |
| Investment income - others                                  | 33,484                  | -                                    | 33,484                | 41,427                  | -                                    | 41,427                |
| Realised gains and losses                                   | 30,329                  | -                                    | 30,329                | 13,366                  | -                                    | 13,366                |
| Fair value gains and losses                                 | 17,005                  | -                                    | 17,005                | 31,050                  | -                                    | 31,050                |
| Other operating income                                      | 518                     | -                                    | 518                   | 3,143                   | -                                    | 3,143                 |
| Net benefits and claims                                     | (1,005,071)             | 99,999                               | (905,072)             | (1,104,610)             | 100,730                              | (1,003,880)           |
| Fees deducted (net)                                         | (809,010)               | -                                    | (809,010)             | (963,022)               | -                                    | (963,022)             |
| Impairment losses on financial instruments                  | (2,545)                 | -                                    | (2,545)               | (1,286)                 | -                                    | (1,286)               |
| Other operating expenses                                    | (4,441)                 | -                                    | (4,441)               | (4,854)                 | -                                    | (4,854)               |
| Profit paid to participants                                 | (13,429)                | -                                    | (13,429)              | (11,815)                | -                                    | (11,815)              |
| Movement in actuarial liabilities                           | 26,064                  | (31,201)                             | (5,137)               | 145,644                 | (151,137)                            | (5,493)               |
| Profit attributable to the Takaful Operator                 | (114,863)               | 21,797                               | (93,066)              | (83,534)                | 16,859                               | (66,675)              |
| Excess payment transferred to participants                  | (70)                    | -                                    | (70)                  | (162)                   | -                                    | (162)                 |
| Net change in fair value on debt investments at FVOCI       | 72,819                  | -                                    | 72,819                | 243,553                 | -                                    | 243,553               |
| Tax expense                                                 | (14,426)                | -                                    | (14,426)              | (13,072)                | -                                    | (13,072)              |
| Withholding tax paid                                        | (6,501)                 | -                                    | (6,501)               | (4,876)                 | -                                    | (4,876)               |
| Effect of movement in exchange rates                        | (8,628)                 | 697                                  | (7,931)               | 12,821                  | (758)                                | 12,063                |
| At 31 December                                              | 7,838,782               | (346,120)                            | 7,492,662             | 7,160,242               | (315,614)                            | 6,844,628             |

## Notes to the Financial Statements

### 16. Takaful contract liabilities (continued)

#### (c) Participants' fund (continued)

The participants' fund movements are analysed as follows: (continued)

|                                                                | ----- Company -----> |                             |               |                 |                             |               |
|----------------------------------------------------------------|----------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|                                                                | Gross<br>RM'000      | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2019<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful</b>                                          |                      |                             |               |                 |                             |               |
| At 1 January                                                   | 6,581,828            | (281,098)                   | 6,300,730     | 5,576,936       | (141,802)                   | 5,435,134     |
| Net earned contributions                                       | 1,651,309            | (106,620)                   | 1,544,689     | 1,921,364       | (93,961)                    | 1,827,403     |
| Investment income on financial<br>assets not measured at FVTPL | 245,898              | -                           | 245,898       | 231,146         | -                           | 231,146       |
| Investment income - others                                     | 24,737               | -                           | 24,737        | 30,702          | -                           | 30,702        |
| Realised gains and losses                                      | 27,843               | -                           | 27,843        | 10,669          | -                           | 10,669        |
| Fair value gains and losses                                    | 15,353               | -                           | 15,353        | 19,317          | -                           | 19,317        |
| Other operating income                                         | -                    | -                           | -             | 14              | -                           | 14            |
| Net benefits and claims                                        | (759,746)            | 82,397                      | (677,349)     | (784,899)       | 81,029                      | (703,870)     |
| Fees deducted (net)                                            | (547,208)            | -                           | (547,208)     | (691,557)       | -                           | (691,557)     |
| Impairment losses on financial<br>instruments                  | (1,572)              | -                           | (1,572)       | (1,928)         | -                           | (1,928)       |
| Other operating expenses                                       | (1,789)              | -                           | (1,789)       | (1,745)         | -                           | (1,745)       |
| Profit paid to participants                                    | (3,217)              | -                           | (3,217)       | (3,942)         | -                           | (3,942)       |
| Movement in actuarial liabilities                              | 24,122               | (27,820)                    | (3,698)       | 133,249         | (139,296)                   | (6,047)       |
| Profit attributable to the Takaful<br>Operator                 | (74,324)             | 24,223                      | (50,101)      | (73,462)        | 12,932                      | (60,530)      |
| Excess payment transferred<br>to participants                  | (70)                 | -                           | (70)          | (162)           | -                           | (162)         |
| Net change in fair value on<br>debt investments at FVOCI       | 68,752               | -                           | 68,752        | 229,722         | -                           | 229,722       |
| Tax expense                                                    | (9,986)              | -                           | (9,986)       | (9,743)         | -                           | (9,743)       |
| Withholding tax paid                                           | (5,959)              | -                           | (5,959)       | (3,853)         | -                           | (3,853)       |
| At 31 December                                                 | 7,235,971            | (308,918)                   | 6,927,053     | 6,581,828       | (281,098)                   | 6,300,730     |

## Notes to the Financial Statements

### 16. Takaful contract liabilities (continued)

#### (c) Participants' fund (continued)

The participants' fund movements are analysed as follows: (continued)

|                                                                | ----- Company -----> |                             |               |                 |                             |               |
|----------------------------------------------------------------|----------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|                                                                | Gross<br>RM'000      | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2019<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Company</b>                                                 |                      |                             |               |                 |                             |               |
| At 1 January                                                   | 6,544,361            | (281,098)                   | 6,263,263     | 5,540,833       | (141,802)                   | 5,399,031     |
| Net earned contributions                                       | 1,651,309            | (106,620)                   | 1,544,689     | 1,921,364       | (93,961)                    | 1,827,403     |
| Investment income on financial<br>assets not measured at FVTPL | 245,898              | -                           | 245,898       | 231,146         | -                           | 231,146       |
| Investment income - others                                     | 24,737               | -                           | 24,737        | 30,702          | -                           | 30,702        |
| Realised gains and losses                                      | 27,843               | -                           | 27,843        | 10,669          | -                           | 10,669        |
| Fair value gains and losses                                    | 15,353               | -                           | 15,353        | 19,317          | -                           | 19,317        |
| Other operating income                                         | -                    | -                           | -             | 14              | -                           | 14            |
| Net benefits and claims                                        | (759,746)            | 82,397                      | (677,349)     | (784,899)       | 81,029                      | (703,870)     |
| Fees deducted (net)                                            | (547,208)            | -                           | (547,208)     | (691,557)       | -                           | (691,557)     |
| Impairment losses on financial<br>instruments                  | (1,572)              | -                           | (1,572)       | (1,928)         | -                           | (1,928)       |
| Other operating expenses                                       | (1,789)              | -                           | (1,789)       | (1,745)         | -                           | (1,745)       |
| Profit paid to participants                                    | (3,217)              | -                           | (3,217)       | (3,942)         | -                           | (3,942)       |
| Movement in actuarial liabilities                              | 24,122               | (27,820)                    | (3,698)       | 133,249         | (139,296)                   | (6,047)       |
| Profit attributable to the Takaful<br>Operator                 | (78,565)             | 24,223                      | (54,342)      | (74,826)        | 12,932                      | (61,894)      |
| Excess payment transferred<br>to participants                  | (70)                 | -                           | (70)          | (162)           | -                           | (162)         |
| Net change in fair value on<br>debt investments at FVOCI       | 68,752               | -                           | 68,752        | 229,722         | -                           | 229,722       |
| Tax expense                                                    | (9,986)              | -                           | (9,986)       | (9,743)         | -                           | (9,743)       |
| Withholding tax paid                                           | (5,959)              | -                           | (5,959)       | (3,853)         | -                           | (3,853)       |
| At 31 December                                                 | 7,194,263            | (308,918)                   | 6,885,345     | 6,544,361       | (281,098)                   | 6,263,263     |

## Notes to the Financial Statements

### 17. Expense reserves

|                                           | Group          |                | Company        |                |
|-------------------------------------------|----------------|----------------|----------------|----------------|
|                                           | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator / Group / Company</b> |                |                |                |                |
| At 1 January                              | 311,700        | 251,806        | 142,412        | 99,240         |
| Provision for the year, net               | 5,275          | 59,588         | (1,963)        | 43,172         |
| Effect of movement in exchange rates      | (246)          | 306            | -              | -              |
| At 31 December                            | 316,729        | 311,700        | 140,449        | 142,412        |

### 18. Takaful payables

|                                         | Group          |                | Company        |                |
|-----------------------------------------|----------------|----------------|----------------|----------------|
|                                         | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>                 |                |                |                |                |
| Due to intermediaries                   | 32,847         | 31,301         | 19,972         | 19,110         |
| <b>Family Takaful</b>                   |                |                |                |                |
| Due to retakaful companies              | 60,931         | 56,231         | 56,499         | 50,812         |
| Due to intermediaries                   | 1,953          | 2,119          | 1,953          | 2,119          |
|                                         | 62,884         | 58,350         | 58,452         | 52,931         |
| <b>General Takaful</b>                  |                |                |                |                |
| Due to retakaful companies / co-takaful | 136,798        | 85,700         | -              | -              |
| <b>Group / Company</b>                  |                |                |                |                |
| Due to retakaful companies              | 197,729        | 141,931        | 56,499         | 50,812         |
| Due to intermediaries                   | 34,800         | 33,420         | 21,925         | 21,229         |
|                                         | 232,529        | 175,351        | 78,424         | 72,041         |



## Notes to the Financial Statements

### 19. Other payables

|                                |      | Group          |                | Company        |                |
|--------------------------------|------|----------------|----------------|----------------|----------------|
|                                | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>        |      |                |                |                |                |
| Deposit payable                |      | 263            | 240            | 263            | 240            |
| Zakat payable                  |      | 1,351          | 1,438          | 600            | 711            |
| Dividend payable               |      | 99,652         | -              | 99,652         |                |
| Other payables and accruals    |      | 173,706        | 170,441        | 134,927        | 136,053        |
|                                |      | 274,972        | 172,119        | 235,442        | 137,004        |
| <b>Family Takaful</b>          |      |                |                |                |                |
| Advanced takaful contribution  |      | 28,567         | 1,992          | 28,567         | 1,992          |
| Deposit payable                |      | 4,436          | 5,868          | 1,659          | 1,634          |
| Unclaimed monies               |      | 10,614         | 11,700         | 6,948          | 7,087          |
| Due to Takaful Operator        | 11   | 40,376         | 46,017         | 40,340         | 45,997         |
| Due to General Takaful         | 11   | -              | 1,685          | -              | 1,685          |
| Other payables and accruals    |      | 61,591         | 55,748         | 58,484         | 54,422         |
|                                |      | 145,584        | 123,010        | 135,998        | 112,817        |
| <b>General Takaful</b>         |      |                |                |                |                |
| Advanced takaful contribution  |      | 25,314         | 30,130         | -              | -              |
| Deposit payable                |      | 117            | 105            | -              | -              |
| Profit payable to participants |      | 738            | 744            | -              | -              |
| Due to Takaful Operator        | 11   | 21,754         | 19,516         | -              | -              |
| Due to Family Takaful          | 11   | 302            | -              | -              | -              |
| Other payables and accruals    |      | 32,465         | 36,224         | -              | -              |
|                                |      | 80,690         | 86,719         | -              | -              |
| <b>Group / Company</b>         |      |                |                |                |                |
| Advanced takaful contribution  |      | 53,881         | 32,122         | 28,567         | 1,992          |
| Deposit payable                |      | 4,816          | 6,213          | 1,922          | 1,874          |
| Profit payable to participants |      | 738            | 744            | -              | -              |
| Unclaimed monies               |      | 10,614         | 11,700         | 6,948          | 7,087          |
| Zakat payable                  |      | 1,351          | 1,438          | 600            | 711            |
| Dividend payable               |      | 99,652         | -              | 99,652         | -              |
| Due to a subsidiary            |      | -              | -              | -              | 1,685          |
| Other payables and accruals    |      | 267,759        | 262,375        | 193,411        | 190,475        |
|                                |      | 438,811        | 314,592        | 331,100        | 203,824        |

## Notes to the Financial Statements

### 20. Operating revenue

|                                                             |      | Group          |                | Company        |                |
|-------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                             | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>                                     |      |                |                |                |                |
| Investment income on financial assets not measured at FVTPL | 22   | 55,367         | 50,234         | 38,680         | 36,190         |
| Investment income - others                                  | 23   | 4,450          | 6,057          | 2,245          | 3,589          |
|                                                             |      | 59,817         | 56,291         | 40,925         | 39,779         |
| <b>Family Takaful</b>                                       |      |                |                |                |                |
| Gross contributions                                         | 21   | 1,752,936      | 2,036,543      | 1,647,611      | 1,915,317      |
| Investment income on financial assets not measured at FVTPL | 22   | 252,996        | 238,370        | 245,898        | 231,146        |
| Investment income - others                                  | 23   | 33,028         | 39,545         | 24,737         | 30,702         |
|                                                             |      | 2,038,960      | 2,314,458      | 1,918,246      | 2,177,165      |
| <b>General Takaful</b>                                      |      |                |                |                |                |
| Gross contributions                                         | 21   | 827,938        | 723,567        | -              | -              |
| Investment income on financial assets not measured at FVTPL | 22   | 30,215         | 29,341         | -              | -              |
| Investment income - others                                  | 23   | 456            | 1,882          | -              | -              |
|                                                             |      | 858,609        | 754,790        | -              | -              |
| <b>Group / Company</b>                                      |      |                |                |                |                |
| Gross contributions                                         | 21   | 2,581,547      | 2,760,256      | 1,647,282      | 1,915,039      |
| Investment income on financial assets not measured at FVTPL | 22   | 338,578        | 317,945        | 284,578        | 267,336        |
| Investment income - others                                  | 23   | 37,055         | 46,364         | 26,165         | 33,228         |
|                                                             |      | 2,957,180      | 3,124,565      | 1,958,025      | 2,215,603      |

### 21. Net earned contributions

|                                                                |      | Group          |                | Company        |                |
|----------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                                | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Family Takaful</b>                                          |      |                |                |                |                |
| (i) Gross contributions                                        | 20   | 1,752,936      | 2,036,543      | 1,647,611      | 1,915,317      |
| Change in actuarial reserves / unearned contributions reserves |      | 3,927          | 5,750          | 3,698          | 6,047          |
| Gross earned contributions                                     |      | 1,756,863      | 2,042,293      | 1,651,309      | 1,921,364      |
| (ii) Retakaful                                                 |      | (121,798)      | (117,589)      | (106,620)      | (93,961)       |
| Contributions ceded to retakaful                               |      | (121,798)      | (117,589)      | (106,620)      | (93,961)       |
| (iii) Net earned contributions                                 |      | 1,635,065      | 1,924,704      | 1,544,689      | 1,827,403      |

## Notes to the Financial Statements

### 21. Net earned contributions (continued)

|                                                                |          | Group          |                | Company        |                |
|----------------------------------------------------------------|----------|----------------|----------------|----------------|----------------|
|                                                                | Note     | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>General Takaful</b>                                         |          |                |                |                |                |
| (i) Gross contributions                                        | 16(b),20 | 827,938        | 723,567        | -              | -              |
| Change in actuarial reserves / unearned contributions reserves |          | (71,394)       | (17,369)       | -              | -              |
| Gross earned contributions                                     | 16(b)    | 756,544        | 706,198        | -              | -              |
| (ii) Retakaful                                                 | 16(b)    | (342,463)      | (290,365)      | -              | -              |
| Change in actuarial reserves / unearned contributions reserves |          | 23,150         | 13,750         | -              | -              |
| Contributions ceded to retakaful                               | 16(b)    | (319,313)      | (276,615)      | -              | -              |
| (iii) Net earned contributions                                 |          | 437,231        | 429,583        | -              | -              |
| <b>Group / Company</b>                                         |          |                |                |                |                |
| (i) Gross contributions                                        | 20       | 2,581,547      | 2,760,256      | 1,647,282      | 1,915,039      |
| Change in actuarial reserves / unearned contributions reserves |          | (67,467)       | (11,619)       | 3,698          | 6,047          |
| Gross earned contributions                                     |          | 2,514,080      | 2,748,637      | 1,650,980      | 1,921,086      |
| (ii) Retakaful                                                 |          | (464,261)      | (407,954)      | (106,620)      | (93,961)       |
| Change in actuarial reserves / unearned contributions reserves |          | 23,150         | 13,750         | -              | -              |
| Contributions ceded to retakaful                               |          | (441,111)      | (394,204)      | (106,620)      | (93,961)       |
| (iii) Net earned contributions                                 |          | 2,072,969      | 2,354,433      | 1,544,360      | 1,827,125      |

## Notes to the Financial Statements

### 22. Investment income on financial assets not measured at FVTPL

|                                                                      |      | Group          |                | Company        |                |
|----------------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                                      | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>                                              |      |                |                |                |                |
| FVOCI financial assets                                               |      |                |                |                |                |
| Profit income                                                        |      |                |                |                |                |
| - Institutional Trust Account                                        |      | 5,122          | 4,047          | 4,018          | 3,188          |
| - Islamic debt securities                                            |      | 21,939         | 21,192         | 17,599         | 16,723         |
| - Malaysian Government Islamic papers                                |      | 1,380          | 1,644          | 906            | 1,170          |
| Amortisation of premiums, net of accretion of discounts              |      | (977)          | (617)          | (786)          | (441)          |
| Profit income from cash and cash equivalents and AC financial assets |      | 27,903         | 23,968         | 16,943         | 15,550         |
|                                                                      | 20   | 55,367         | 50,234         | 38,680         | 36,190         |
| <b>Family Takaful</b>                                                |      |                |                |                |                |
| FVOCI financial assets                                               |      |                |                |                |                |
| Profit income                                                        |      |                |                |                |                |
| - Institutional Trust Account                                        |      | 22,227         | 15,253         | 22,227         | 15,253         |
| - Islamic debt securities                                            |      | 154,942        | 152,730        | 154,942        | 152,730        |
| - Malaysian Government Islamic papers                                |      | 20,680         | 17,685         | 20,680         | 17,685         |
| Amortisation of premiums, net of accretion of discounts              |      | (7,198)        | (6,352)        | (7,198)        | (6,352)        |
| Profit income from cash and cash equivalents and AC financial assets |      | 62,345         | 59,054         | 55,247         | 51,830         |
|                                                                      | 20   | 252,996        | 238,370        | 245,898        | 231,146        |
| <b>General Takaful</b>                                               |      |                |                |                |                |
| FVOCI financial assets                                               |      |                |                |                |                |
| Profit income                                                        |      |                |                |                |                |
| - Institutional Trust Account                                        |      | 2,664          | 2,512          | -              | -              |
| - Islamic debt securities                                            |      | 13,939         | 16,190         | -              | -              |
| - Malaysian Government Islamic papers                                |      | 236            | 637            | -              | -              |
| Amortisation of premiums, net of accretion of discounts              |      | (768)          | (997)          | -              | -              |
| Profit income from cash and cash equivalents and AC financial assets |      | 14,144         | 10,999         | -              | -              |
|                                                                      | 20   | 30,215         | 29,341         | -              | -              |
| <b>Group / Company</b>                                               |      |                |                |                |                |
| FVOCI financial assets                                               |      |                |                |                |                |
| Profit income                                                        |      |                |                |                |                |
| - Institutional Trust Account                                        |      | 30,013         | 21,812         | 26,245         | 18,441         |
| - Islamic debt securities                                            |      | 190,820        | 190,112        | 172,541        | 169,453        |
| - Malaysian Government Islamic papers                                |      | 22,296         | 19,966         | 21,586         | 18,855         |
| Amortisation of premiums, net of accretion of discounts              | 8(c) | (8,943)        | (7,966)        | (7,984)        | (6,793)        |
| Profit income from cash and cash equivalents and AC financial assets |      | 104,392        | 94,021         | 72,190         | 67,380         |
|                                                                      | 20   | 338,578        | 317,945        | 284,578        | 267,336        |

## Notes to the Financial Statements

### 23. Investment income - others

|                                                         |      | Group          |                | Company        |                |
|---------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                         | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>                                 |      |                |                |                |                |
| Rental income from investment properties                | 5    | 893            | 802            | 893            | 802            |
| FVTPL financial assets                                  |      |                |                |                |                |
| Dividend income                                         |      |                |                |                |                |
| - Equity securities                                     |      |                |                |                |                |
| - quoted in Malaysia                                    |      | 180            | 261            | 180            | 261            |
| - quoted outside Malaysia                               |      | 79             | 108            | -              | -              |
| - Unit trusts                                           |      | 17             | 24             | 17             | -              |
| FVTPL financial assets                                  |      |                |                |                |                |
| Profit income                                           |      |                |                |                |                |
| - Islamic debt securities                               |      | 3,447          | 3,813          | 1,326          | 1,817          |
| - Structured deposits                                   |      | -              | 1,291          | -              | 956            |
| Amortisation of premiums, net of accretion of discounts |      | (31)           | (136)          | (36)           | (141)          |
| Investment expenses                                     |      | (135)          | (106)          | (135)          | (106)          |
|                                                         | 20   | 4,450          | 6,057          | 2,245          | 3,589          |
| <b>Family Takaful</b>                                   |      |                |                |                |                |
| Rental income from investment properties                | 5    | 6,830          | 7,056          | 6,697          | 6,886          |
| FVTPL financial assets                                  |      |                |                |                |                |
| Dividend income                                         |      |                |                |                |                |
| - Equity securities                                     |      |                |                |                |                |
| - quoted in Malaysia                                    |      | 5,885          | 6,918          | 5,885          | 6,918          |
| - quoted outside Malaysia                               |      | 133            | 291            | -              | -              |
| - Unit trusts                                           |      | 970            | 486            | 731            | 21             |
| FVTPL financial assets                                  |      |                |                |                |                |
| Profit income                                           |      |                |                |                |                |
| - Islamic debt securities                               |      | 21,296         | 23,399         | 13,850         | 15,506         |
| - Structured deposits                                   |      | -              | 3,458          | -              | 3,458          |
| Amortisation of premiums, net of accretion of discounts |      | 241            | (148)          | (98)           | (172)          |
| Investment expenses                                     |      | (2,327)        | (1,915)        | (2,328)        | (1,915)        |
|                                                         | 20   | 33,028         | 39,545         | 24,737         | 30,702         |

## Notes to the Financial Statements

### 23. Investment income - others (continued)

|                                                         |      | Group          |                | Company        |                |
|---------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                         | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>General Takaful</b>                                  |      |                |                |                |                |
| Rental income from investment properties                | 5    | 161            | 128            | -              | -              |
| FVTPL financial assets                                  |      |                |                |                |                |
| Profit income                                           |      |                |                |                |                |
| - Islamic debt securities                               |      | 479            | 1,485          | -              | -              |
| - Structured deposits                                   |      | -              | 375            | -              | -              |
| Amortisation of premiums, net of accretion of discounts |      | (28)           | (71)           | -              | -              |
| Investment expenses                                     |      | (156)          | (35)           | -              | -              |
|                                                         | 20   | 456            | 1,882          | -              | -              |
| <b>Group / Company</b>                                  |      |                |                |                |                |
| Rental income from investment properties                | 5    | 5,382          | 5,399          | 5,149          | 5,158          |
| FVTPL financial assets                                  |      |                |                |                |                |
| Dividend income                                         |      |                |                |                |                |
| - Equity securities                                     |      |                |                |                |                |
| - quoted in Malaysia                                    |      | 6,065          | 7,179          | 6,065          | 7,179          |
| - quoted outside Malaysia                               |      | 212            | 399            | -              | -              |
| - Unit trusts                                           |      | 987            | 510            | 748            | 21             |
| FVTPL financial assets                                  |      |                |                |                |                |
| Profit income                                           |      |                |                |                |                |
| - Islamic debt securities                               |      | 25,222         | 28,697         | 15,176         | 17,323         |
| - Structured deposits                                   |      | -              | 5,124          | -              | 4,414          |
| Amortisation of premiums, net of accretion of discounts | 8(c) | 182            | (355)          | (134)          | (313)          |
| Investment expenses                                     |      | (995)          | (589)          | (839)          | (554)          |
|                                                         | 20   | 37,055         | 46,364         | 26,165         | 33,228         |

## Notes to the Financial Statements

### 24. Realised gains and losses

|                                     | Group  |        | Company |        |
|-------------------------------------|--------|--------|---------|--------|
|                                     | 2020   | 2019   | 2020    | 2019   |
|                                     | RM'000 | RM'000 | RM'000  | RM'000 |
| <b>Takaful Operator</b>             |        |        |         |        |
| Realised gains arising from:        |        |        |         |        |
| Property and equipment              | 14     | 11     | 14      | 11     |
| FVOCI financial assets              |        |        |         |        |
| Islamic debt securities             |        |        |         |        |
| - unquoted in Malaysia              | -      | 1,373  | -       | 1,237  |
| Malaysian Government Islamic papers | 3,335  | 423    | 3,335   | 423    |
|                                     | 3,335  | 1,796  | 3,335   | 1,660  |
|                                     | 3,349  | 1,807  | 3,349   | 1,671  |
| <b>Family Takaful</b>               |        |        |         |        |
| Realised gains arising from:        |        |        |         |        |
| FVOCI financial assets              |        |        |         |        |
| Islamic debt securities             |        |        |         |        |
| - unquoted in Malaysia              | 23,827 | 7,636  | 23,827  | 7,636  |
| Malaysian Government Islamic papers | 4,016  | 3,033  | 4,016   | 3,033  |
|                                     | 27,843 | 10,669 | 27,843  | 10,669 |
| <b>General Takaful</b>              |        |        |         |        |
| Realised gains arising from:        |        |        |         |        |
| FVOCI financial assets              |        |        |         |        |
| Islamic debt securities             |        |        |         |        |
| - unquoted in Malaysia              | 2,486  | 1,401  | -       | -      |
| Malaysian Government Islamic papers | -      | 1,296  | -       | -      |
|                                     | 2,486  | 2,697  | -       | -      |
| <b>Group / Company</b>              |        |        |         |        |
| Realised gains arising from:        |        |        |         |        |
| Property and equipment              | 14     | 11     | 14      | 11     |
| FVOCI financial assets              |        |        |         |        |
| Islamic debt securities             |        |        |         |        |
| - unquoted in Malaysia              | 26,313 | 10,410 | 23,827  | 8,873  |
| Malaysian Government Islamic papers | 7,351  | 4,752  | 7,351   | 3,456  |
|                                     | 33,664 | 15,162 | 31,178  | 12,329 |
|                                     | 33,678 | 15,173 | 31,192  | 12,340 |

## Notes to the Financial Statements

### 25. Fair value gains and losses

|                                |      | Group          |                | Company        |                |
|--------------------------------|------|----------------|----------------|----------------|----------------|
|                                | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>        |      |                |                |                |                |
| Fair value gains arising from: |      |                |                |                |                |
| Investment properties          | 5    | 450            | -              | 450            | -              |
| FVTPL financial assets         |      |                |                |                |                |
| Equity securities              |      |                |                |                |                |
| - quoted in Malaysia           |      | 535            | 1,529          | 535            | 411            |
| - quoted outside Malaysia      |      | (1,368)        | (211)          | -              | -              |
| Unit trusts                    |      |                |                |                |                |
| - quoted in Malaysia           |      | -              | 233            | -              | 233            |
| - quoted outside Malaysia      |      | 21             | (458)          | -              | -              |
| Islamic debt securities        |      |                |                |                |                |
| - unquoted in Malaysia         |      | 265            | 1,204          | 77             | 1,204          |
| - quoted outside Malaysia      |      | 1,619          | 644            | -              | -              |
| Structured deposits            |      | -              | 432            | -              | 432            |
| Investment in linked funds     |      | 4,241          | 1,364          | 4,241          | 1,364          |
|                                |      | 5,313          | 4,737          | 4,853          | 3,644          |
|                                |      | 5,763          | 4,737          | 5,303          | 3,644          |
| <b>Family Takaful</b>          |      |                |                |                |                |
| Fair value gains arising from: |      |                |                |                |                |
| Investment properties          | 5    | 2,527          | 2,546          | 2,462          | 1,673          |
| FVTPL financial assets         |      |                |                |                |                |
| Equity securities              |      |                |                |                |                |
| - quoted in Malaysia           |      | 17,348         | 583            | 17,348         | 583            |
| - quoted outside Malaysia      |      | (1,426)        | (1,078)        | -              | -              |
| Unit trust                     |      |                |                |                |                |
| - quoted in Malaysia           |      | (5,660)        | 2,812          | (5,660)        | 2,812          |
| - quoted outside Malaysia      |      | 738            | (1,133)        | -              | -              |
| Islamic debt securities        |      |                |                |                |                |
| - unquoted in Malaysia         |      | 1,203          | 9,830          | 1,203          | 9,830          |
| - quoted outside Malaysia      |      | 2,426          | 11,757         | -              | -              |
| Structured deposits            |      | -              | 4,942          | -              | 4,419          |
|                                |      | 14,629         | 27,713         | 12,891         | 17,644         |
|                                |      | 17,156         | 30,259         | 15,353         | 19,317         |



## Notes to the Financial Statements

### 25. Fair value gains and losses (continued)

|                                |      | Group          |                | Company        |                |
|--------------------------------|------|----------------|----------------|----------------|----------------|
|                                | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>General Takaful</b>         |      |                |                |                |                |
| Fair value gains arising from: |      |                |                |                |                |
| Investment properties          | 5    | 20             | 5              | -              | -              |
| FVTPL financial assets         |      |                |                |                |                |
| Unit trusts                    |      |                |                |                |                |
| - quoted in Malaysia           |      | -              | 73             | -              | -              |
| Islamic debt securities        |      |                |                |                |                |
| - unquoted in Malaysia         |      | (171)          | 118            | -              | -              |
| Structured deposits            |      | -              | 595            | -              | -              |
|                                |      | (171)          | 786            | -              | -              |
|                                |      | (151)          | 791            | -              | -              |
| <b>Group / Company</b>         |      |                |                |                |                |
| Fair value gains arising from: |      |                |                |                |                |
| Investment properties          | 5    | 891            | 215            | 877            | 213            |
| FVTPL financial assets         |      |                |                |                |                |
| Equity securities              |      |                |                |                |                |
| - quoted in Malaysia           |      | 17,883         | 2,112          | 17,883         | 994            |
| - quoted outside Malaysia      |      | (2,794)        | (1,289)        | -              | -              |
| Unit trusts                    |      |                |                |                |                |
| - quoted in Malaysia           |      | (5,660)        | 3,118          | (5,660)        | 3,045          |
| - quoted outside Malaysia      |      | 759            | (1,591)        | -              | -              |
| Islamic debt securities        |      |                |                |                |                |
| - unquoted in Malaysia         |      | 1,297          | 11,152         | 1,280          | 11,029         |
| - quoted outside Malaysia      |      | 4,043          | 12,401         | -              | -              |
| Structured deposits            |      | -              | 5,969          | -              | 4,851          |
|                                |      | 15,528         | 31,872         | 13,503         | 19,919         |
|                                |      | 16,419         | 32,087         | 14,380         | 20,132         |

## Notes to the Financial Statements

### 26. Other operating income

| Note                                                                    | Group          |                | Company        |                |
|-------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                         | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>                                                 |                |                |                |                |
| Income from Family Takaful business, service charge and management fees | 19,777         | 18,832         | 16,837         | 16,088         |
| Writeback of:                                                           |                |                |                |                |
| - Allowance for impaired financing                                      | 137            | 93             | 69             | 91             |
| Dividend received from a subsidiary                                     | -              | -              | 60,000         | -              |
| Miscellaneous income                                                    | 1,376          | 1,264          | 3,939          | 5,262          |
|                                                                         | 21,290         | 20,189         | 80,845         | 21,441         |
| <b>Family Takaful</b>                                                   |                |                |                |                |
| Miscellaneous income                                                    | 265            | 2,919          | -              | 14             |
| <b>General Takaful</b>                                                  |                |                |                |                |
| Miscellaneous income                                                    | 253            | 224            | -              | -              |
| <b>Group / Company</b>                                                  |                |                |                |                |
| Writeback of:                                                           |                |                |                |                |
| - Allowance for impaired financing                                      | 137            | 93             | 69             | 91             |
| Dividend received from a subsidiary                                     | -              | -              | 60,000         | -              |
| Miscellaneous income                                                    | 1,894          | 4,414          | 3,939          | 5,276          |
|                                                                         | 2,031          | 4,507          | 64,008         | 5,367          |

## Notes to the Financial Statements

### 27. Net benefits and claims

|                                                    |       | Group          |                | Company        |                |
|----------------------------------------------------|-------|----------------|----------------|----------------|----------------|
|                                                    | Note  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Family Takaful</b>                              |       |                |                |                |                |
| Gross benefits and claims paid                     | 16(a) | (805,230)      | (895,357)      | (715,101)      | (778,037)      |
| Claims ceded to retakaful                          | 16(a) | 92,338         | 85,374         | 75,566         | 66,081         |
| Net benefits and claims paid                       |       | (712,892)      | (809,983)      | (639,535)      | (711,956)      |
| Gross change to contract liabilities:              |       |                |                |                |                |
| At 31 December                                     | 16(a) | (219,481)      | (172,874)      | (213,485)      | (168,840)      |
| Less:                                              |       |                |                |                |                |
| At 1 January                                       | 16(a) | (172,874)      | (165,741)      | (168,840)      | (161,978)      |
| Effect of movement in exchange rates               |       | (78)           | 119            | -              | -              |
|                                                    |       | (46,685)       | (7,014)        | (44,645)       | (6,862)        |
| Change to contract liabilities ceded to retakaful: |       |                |                |                |                |
| At 31 December                                     | 16(a) | 61,533         | 53,910         | 58,767         | 51,936         |
| Less:                                              |       |                |                |                |                |
| At 1 January                                       | 16(a) | 53,910         | 38,504         | 51,936         | 36,988         |
| Effect of movement in exchange rates               |       | 38             | (50)           | -              | -              |
|                                                    |       | 7,661          | 15,356         | 6,831          | 14,948         |
|                                                    |       | (751,916)      | (801,641)      | (677,349)      | (703,870)      |

## Notes to the Financial Statements

### 27. Net benefits and claims (continued)

|                                                    |       | Group          |                | Company        |                |
|----------------------------------------------------|-------|----------------|----------------|----------------|----------------|
|                                                    | Note  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>General Takaful</b>                             |       |                |                |                |                |
| Gross benefits and claims paid                     | 16(a) | (254,159)      | (318,603)      | -              | -              |
| Claims ceded to retakaful                          | 16(a) | 108,762        | 141,496        | -              | -              |
| Net benefits and claims paid                       |       | (145,397)      | (177,107)      | -              | -              |
| Gross change to contract liabilities:              |       |                |                |                |                |
| At 31 December                                     | 16(a) | (699,610)      | (530,724)      | -              | -              |
| Less:                                              |       |                |                |                |                |
| At 1 January                                       | 16(a) | (530,724)      | (467,984)      | -              | -              |
|                                                    |       | (168,886)      | (62,740)       | -              | -              |
| Change to contract liabilities ceded to retakaful: |       |                |                |                |                |
| At 31 December                                     | 16(a) | 456,765        | 295,638        | -              | -              |
| Less:                                              |       |                |                |                |                |
| At 1 January                                       | 16(a) | 295,638        | 258,030        | -              | -              |
|                                                    |       | 161,127        | 37,608         | -              | -              |
|                                                    |       | (153,156)      | (202,239)      | -              | -              |
| <b>Group / Company</b>                             |       |                |                |                |                |
| Gross benefits and claims paid                     | 16(a) | (1,043,282)    | (1,198,289)    | (700,887)      | (764,623)      |
| Claims ceded to retakaful                          | 16(a) | 201,100        | 226,870        | 75,566         | 66,081         |
| Net benefits and claims paid                       |       | (842,182)      | (971,419)      | (625,321)      | (698,542)      |
| Gross change to contract liabilities:              |       |                |                |                |                |
| At 31 December                                     | 16(a) | (919,091)      | (703,598)      | (213,485)      | (168,840)      |
| Less:                                              |       |                |                |                |                |
| At 1 January                                       | 16(a) | (703,598)      | (633,725)      | (168,840)      | (161,978)      |
| Effect of movement in exchange rates               |       | (78)           | 119            | -              | -              |
|                                                    |       | (215,571)      | (69,754)       | (44,645)       | (6,862)        |
| Change to contract liabilities ceded to retakaful: |       |                |                |                |                |
| At 31 December                                     | 16(a) | 518,298        | 349,548        | 58,767         | 51,936         |
| Less:                                              |       |                |                |                |                |
| At 1 January                                       | 16(a) | 349,548        | 296,534        | 51,936         | 36,988         |
| Effect of movement in exchange rates               |       | 38             | (50)           | -              | -              |
|                                                    |       | 168,788        | 52,964         | 6,831          | 14,948         |
|                                                    |       | (888,965)      | (988,209)      | (663,135)      | (690,456)      |

## Notes to the Financial Statements

### 28. Management expenses

|                                                         |       | Group          |                | Company        |                |
|---------------------------------------------------------|-------|----------------|----------------|----------------|----------------|
|                                                         | Note  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>                                 |       |                |                |                |                |
| Personnel expenses (including key management personnel) |       |                |                |                |                |
| Directors' remuneration                                 |       |                |                |                |                |
| - Salaries and other emoluments                         |       | 900            | 614            | 574            | 370            |
| - Fees                                                  |       | 1,074          | 1,007          | 655            | 556            |
| Shariah Advisory Body remuneration                      |       |                |                |                |                |
| - Company                                               | 28(i) | 289            | 288            | 289            | 288            |
| Wages, salaries and others                              |       | 95,229         | 119,474        | 62,576         | 72,132         |
| Contributions to Employees' Provident Fund              |       | 10,783         | 11,853         | 7,386          | 8,290          |
|                                                         |       | 108,275        | 133,236        | 71,480         | 81,636         |
| Depreciation of property and equipment                  | 3     | 8,474          | 8,780          | 5,804          | 5,900          |
| Depreciation of right-of-use assets                     | 4     | 1,338          | 1,323          | 635            | 638            |
| Amortisation of intangible assets                       | 6     | 33,977         | 29,569         | 33,519         | 29,567         |
| Auditors' remuneration                                  |       |                |                |                |                |
| Audit fees                                              |       |                |                |                |                |
| - Within Malaysia                                       |       | 685            | 685            | 405            | 405            |
| - Outside Malaysia                                      |       | 349            | 345            | -              | -              |
| Non audit fees                                          |       |                |                |                |                |
| - Malaysia                                              |       | 760            | 145            | 674            | 139            |
| License fees                                            |       | 283            | 143            | 154            | 116            |
| Legal fees                                              |       | 303            | 198            | 136            | 32             |
| Professional fees                                       |       | 18,581         | 23,665         | 11,919         | 17,247         |
| Repair and maintenance                                  |       | 14,494         | 12,702         | 7,961          | 7,338          |
| Travelling expenses                                     |       | 543            | 2,213          | 122            | 1,157          |
| Utilities                                               |       | 696            | 886            | 433            | 532            |
| Communication costs                                     |       | 3,056          | 3,433          | 1,389          | 1,866          |
| Advertising                                             |       | 1,171          | 917            | 1,013          | 386            |
| Expenses relating to short-term leases                  |       | 3,174          | 3,473          | 2,734          | 2,992          |
| Expenses relating to leases of low-value assets         |       | 182            | 42             | 164            | 27             |
| Profit expense on lease liabilities                     |       | 92             | 103            | 92             | 103            |
| Other expenses                                          |       | 190,470        | 204,437        | 114,304        | 141,005        |
|                                                         |       | 278,628        | 293,059        | 181,458        | 209,450        |
| Total management expenses                               |       | 386,903        | 426,295        | 252,938        | 291,086        |

All management expenses are borne by the Takaful Operator.

## Notes to the Financial Statements

### 28. Management expenses (continued)

|                                                         | Note  | Group          |                | Company        |                |
|---------------------------------------------------------|-------|----------------|----------------|----------------|----------------|
|                                                         |       | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Group / Company</b>                                  |       |                |                |                |                |
| Personnel expenses (including key management personnel) |       |                |                |                |                |
| Directors' remuneration                                 |       |                |                |                |                |
| - Salaries and other emoluments                         |       | 900            | 614            | 574            | 370            |
| - Fees                                                  |       | 1,074          | 1,007          | 655            | 556            |
| Shariah Advisory Body remuneration                      |       |                |                |                |                |
| - Company                                               | 28(i) | 289            | 288            | 289            | 288            |
| Wages, salaries and others                              |       | 95,229         | 119,474        | 62,576         | 72,132         |
| Contributions to Employees' Provident Fund              |       | 10,783         | 11,853         | 7,386          | 8,290          |
|                                                         |       | 108,275        | 133,236        | 71,480         | 81,636         |
| Depreciation of property and equipment                  | 3     | 10,962         | 11,268         | 8,292          | 8,388          |
| Depreciation of right-of-use assets                     | 4     | 2,759          | 2,700          | 1,256          | 1,232          |
| Amortisation of intangible assets                       | 6     | 33,977         | 29,569         | 33,519         | 29,567         |
| Auditors' remuneration                                  |       |                |                |                |                |
| Audit fees                                              |       |                |                |                |                |
| - Within Malaysia                                       |       | 685            | 685            | 405            | 405            |
| - Outside Malaysia                                      |       | 349            | 345            | -              | -              |
| Non audit fees                                          |       |                |                |                |                |
| - Within Malaysia                                       |       | 760            | 145            | 674            | 139            |
| License fees                                            |       | 283            | 143            | 154            | 116            |
| Legal fees                                              |       | 303            | 198            | 136            | 32             |
| Professional fees                                       |       | 18,581         | 23,665         | 11,919         | 17,247         |
| Repair and maintenance                                  |       | 14,494         | 12,702         | 7,961          | 7,338          |
| Travelling expenses                                     |       | 543            | 2,213          | 122            | 1,157          |
| Utilities                                               |       | 696            | 886            | 433            | 532            |
| Communication costs                                     |       | 3,056          | 3,433          | 1,389          | 1,866          |
| Advertising                                             |       | 1,171          | 917            | 1,013          | 386            |
| Expenses relating to short-term leases                  |       | 3,174          | 3,473          | 2,734          | 2,992          |
| Expenses relating to leases of low-value assets         |       | 182            | 42             | 164            | 27             |
| Profit expense on lease liabilities                     |       | 92             | 103            | 92             | 103            |
| Other expenses                                          |       | 187,591        | 201,516        | 111,139        | 138,197        |
|                                                         |       | 279,658        | 294,003        | 181,402        | 209,724        |
| Total management expenses                               |       | 387,933        | 427,239        | 252,882        | 291,360        |

All management expenses are borne by the Takaful Operator.

(i) The Shariah Advisory Body remuneration is as follows:

|                                    | Group and Company |                |
|------------------------------------|-------------------|----------------|
|                                    | 2020<br>RM'000    | 2019<br>RM'000 |
| <b>Takaful Operator / Company</b>  |                   |                |
| Shariah Advisory Body remuneration |                   |                |
| Fees                               | 168               | 177            |
| Other emoluments                   | 87                | 107            |
| Benefits-in-kind                   | 34                | 4              |
|                                    | 289               | 288            |

## Notes to the Financial Statements

### 28. Management expenses (continued)

- (i) The Shariah Advisory Body remuneration is as follows: (continued)

The total remuneration of the Shariah Advisory Body members are as follows:

|                                           | <b>Group and Company</b> |               |
|-------------------------------------------|--------------------------|---------------|
|                                           | <b>2020</b>              | <b>2019</b>   |
|                                           | <b>RM'000</b>            | <b>RM'000</b> |
| <b>Takaful Operator / Group / Company</b> |                          |               |
| Dato' Wan Mohamad Dato' Sheikh Abdul Aziz |                          |               |
| Fees                                      | -                        | 8             |
| Other emoluments                          | -                        | 13            |
|                                           | -                        | 21            |
| Ahmad Shahbari @ Sobri Salamon            |                          |               |
| Fees                                      | -                        | 8             |
| Other emoluments                          | -                        | 13            |
|                                           | -                        | 21            |
| Muhamad Rahimi Osman                      |                          |               |
| Fees                                      | 48                       | 48            |
| Other emoluments                          | 18                       | 18            |
| Benefits-in-kind                          | 1                        | 1             |
|                                           | 67                       | 67            |
| Ahmad Sufian Bin Che Abdullah             |                          |               |
| Fees                                      | 30                       | 30            |
| Other emoluments                          | 18                       | 19            |
| Benefits-in-kind                          | 31                       | 1             |
|                                           | 79                       | 50            |
| Megat Hizaini Bin Hassan                  |                          |               |
| Fees                                      | 30                       | 30            |
| Other emoluments                          | 18                       | 19            |
|                                           | 48                       | 49            |
| Marhanum Che Mohd Salleh                  |                          |               |
| Fees                                      | 30                       | 30            |
| Other emoluments                          | 18                       | 19            |
| Benefits-in-kind                          | 1                        | 1             |
|                                           | 49                       | 50            |
| Nik Abdul Rahim Nik Abdul Ghani           |                          |               |
| Fees                                      | 30                       | 23            |
| Other emoluments                          | 15                       | 6             |
| Benefits-in-kind                          | 1                        | 1             |
|                                           | 46                       | 30            |
|                                           | 289                      | 288           |

## Notes to the Financial Statements

### 29. Key management personnel compensation

The key management personnel compensation are as follows:

|                                           | Group          |                | Company        |                |
|-------------------------------------------|----------------|----------------|----------------|----------------|
|                                           | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator / Group / Company</b> |                |                |                |                |
| Non-executive Directors                   |                |                |                |                |
| Fees                                      | 758            | 633            | 655            | 556            |
| Other emoluments                          | 644            | 411            | 574            | 370            |
| Benefits-in-kind                          | 131            | 132            | 108            | 125            |
|                                           | 1,533          | 1,176          | 1,337          | 1,051          |
| Subsidiaries' Directors                   |                |                |                |                |
| Fees                                      | 316            | 374            | -              | -              |
| Other emoluments                          | 256            | 203            | -              | -              |
| Benefits-in-kind                          | 48             | 29             | -              | -              |
|                                           | 621            | 606            | -              | -              |
| Group Chief Executive Officer             |                |                |                |                |
| Salaries and bonus                        | 5,288          | 6,398          | 5,250          | 6,360          |
| Fee                                       | 5              | 6              | -              | -              |
| Long Term Incentive Plan                  | 2,085          | 2,646          | 2,085          | 2,646          |
| Other emoluments                          | 1,049          | 3,200          | 1,049          | 3,190          |
| Benefits-in-kind                          | 258            | 394            | 249            | 384            |
|                                           | 8,685          | 12,644         | 8,633          | 12,580         |
| Other key management personnel:           |                |                |                |                |
| Salaries and bonus                        | 6,505          | 8,153          | 4,621          | 6,375          |
| Long Term Incentive Plan                  | 3,947          | 3,334          | 3,947          | 3,334          |
| Other emoluments                          | 1,204          | 1,517          | 1,067          | 1,412          |
| Benefits-in-kind                          | 561            | 528            | 94             | 105            |
|                                           | 12,217         | 13,532         | 9,729          | 11,226         |
| Total                                     | 23,056         | 27,958         | 19,699         | 24,857         |

The estimated monetary value of benefits-in-kind received by the Directors are RM179,000 (2019: RM161,000) and RM108,000 (2019: RM125,000) at Group and Company level respectively.



## Notes to the Financial Statements

### 29. Key management personnel compensation (continued)

The total remuneration (including benefits-in-kind) of the Directors are as follows:

|                                           | Group          |                | Company        |                |
|-------------------------------------------|----------------|----------------|----------------|----------------|
|                                           | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator / Group / Company</b> |                |                |                |                |
| Non-executive Directors                   |                |                |                |                |
| Dato' Mohammed Haji Che Hussein           |                |                |                |                |
| Fees                                      | 89             | -              | 89             | -              |
| Other emoluments                          | 125            | -              | 125            | -              |
| Benefits-in-kind                          | 22             | -              | 22             | -              |
|                                           | 236            | -              | 236            | -              |
| Datuk Bazlan Osman                        |                |                |                |                |
| Fees                                      | 44             | -              | 44             | -              |
| Other emoluments                          | 39             | -              | 39             | -              |
|                                           | 83             | -              | 83             | -              |
| Dato' Mustaffa Ahmad                      |                |                |                |                |
| Fees                                      | 52             | -              | 52             | -              |
| Other emoluments                          | 34             | -              | 34             | -              |
|                                           | 86             | -              | 86             | -              |
| Mohd Azman Sulaiman                       |                |                |                |                |
| Fees                                      | 84             | 76             | 84             | 76             |
| Other emoluments                          | 62             | 16             | 62             | 16             |
| Benefits-in-kind                          | 22             | 2              | 22             | 2              |
|                                           | 168            | 94             | 168            | 94             |
| Suraya Hassan                             |                |                |                |                |
| Fees                                      | 135            | 38             | 135            | 38             |
| Other emoluments                          | 79             | 6              | 79             | 6              |
| Benefits-in-kind                          | 25             | 11             | 25             | 11             |
|                                           | 239            | 55             | 239            | 55             |

## Notes to the Financial Statements

### 29. Key management personnel compensation (continued)

The total remuneration (including benefits-in-kind) of the Directors are as follows (continued):

|                                           | Group          |                | Company        |                |
|-------------------------------------------|----------------|----------------|----------------|----------------|
|                                           | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator / Group / Company</b> |                |                |                |                |
| Non-executive Directors                   |                |                |                |                |
| Mohamad Salihuddin Ahmad                  |                |                |                |                |
| Fees                                      | 138            | -              | 66             | -              |
| Other emoluments                          | 68             | -              | 34             | -              |
| Benefits-in-kind                          | 16             | -              | -              | -              |
|                                           | 222            | -              | 100            | -              |
| Datin Sri Azlin Arshad                    |                |                |                |                |
| Fees                                      | 60             | 84             | 60             | 84             |
| Other emoluments                          | 56             | 56             | 56             | 56             |
| Benefits-in-kind                          | 17             | 27             | 17             | 27             |
|                                           | 133            | 167            | 133            | 167            |
| Dato' Othman Abdullah                     |                |                |                |                |
| Fees                                      | 29             | 116            | 29             | 116            |
| Other emoluments                          | 52             | 90             | 52             | 90             |
| Benefits-in-kind                          | 1              | 41             | 1              | 41             |
|                                           | 82             | 247            | 82             | 247            |
| Mahadzir Azizan                           |                |                |                |                |
| Fees                                      | 91             | 156            | 60             | 102            |
| Other emoluments                          | 94             | 97             | 58             | 60             |
| Benefits-in-kind                          | 28             | 30             | 21             | 23             |
|                                           | 213            | 283            | 139            | 185            |
| Zakaria Ismail                            |                |                |                |                |
| Fees                                      | -              | 45             | -              | 45             |
| Other emoluments                          | -              | 46             | -              | 46             |
| Benefits-in-kind                          | -              | 5              | -              | 5              |
|                                           | -              | 96             | -              | 96             |

## Notes to the Financial Statements

### 29. Key management personnel compensation (continued)

The total remuneration (including benefits-in-kind) of the Directors are as follows (continued):

|                                           | <b>Group</b>  |               | <b>Company</b> |               |
|-------------------------------------------|---------------|---------------|----------------|---------------|
|                                           | <b>2020</b>   | <b>2019</b>   | <b>2020</b>    | <b>2019</b>   |
|                                           | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| <b>Takaful Operator / Group / Company</b> |               |               |                |               |
| Non-executive Directors                   |               |               |                |               |
| Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak |               |               |                |               |
| Fees                                      | -             | 55            | -              | 32            |
| Other emoluments                          | -             | 89            | -              | 85            |
|                                           | -             | 144           | -              | 117           |
| Mohd Tarmidzi Bin Ahmad Nordin            |               |               |                |               |
| Fees                                      | -             | 18            | -              | 18            |
| Other emoluments                          | -             | 3             | -              | 3             |
| Benefits-in-kind                          | -             | 8             | -              | 8             |
|                                           | -             | 29            | -              | 29            |
| Damanhuri Mahmod                          |               |               |                |               |
| Fees                                      | 36            | 45            | 36             | 45            |
| Other emoluments                          | 35            | 8             | 35             | 8             |
| Benefits-in-kind                          | -             | 8             | -              | 8             |
|                                           | 71            | 61            | 71             | 61            |
| Total remunerations                       | 1,533         | 1,176         | 1,337          | 1,051         |

## Notes to the Financial Statements

### 30. Other operating expenses

|                         | Group  |        | Company |        |
|-------------------------|--------|--------|---------|--------|
|                         | 2020   | 2019   | 2020    | 2019   |
|                         | RM'000 | RM'000 | RM'000  | RM'000 |
| <b>Takaful Operator</b> |        |        |         |        |
| Agency related expenses | 57,568 | 60,210 | 44,063  | 53,996 |
| Miscellaneous expenses  | 609    | 430    | -       | -      |
|                         | 58,177 | 60,640 | 44,063  | 53,996 |
| <b>Family Takaful</b>   |        |        |         |        |
| Write-off of bad debts  | 820    | 341    | -       | -      |
| Miscellaneous expenses  | 2,931  | 4,469  | 1,789   | 1,745  |
|                         | 3,751  | 4,810  | 1,789   | 1,745  |
| <b>General Takaful</b>  |        |        |         |        |
| Write-off of bad debts  | -      | 10     | -       | -      |
| Miscellaneous expenses  | 690    | 34     | -       | -      |
|                         | 690    | 44     | -       | -      |
| <b>Group / Company</b>  |        |        |         |        |
| Write-off of bad debts  | 820    | 351    | -       | -      |
| Agency related expenses | 57,568 | 60,210 | 44,063  | 53,996 |
| Miscellaneous expenses  | 3,231  | 3,726  | 789     | 538    |
|                         | 61,619 | 64,287 | 44,852  | 54,534 |

## Notes to the Financial Statements

### 31. Tax expense

|                                                |      | Group          |                | Company        |                |
|------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>                        |      |                |                |                |                |
| <b>Recognised in profit or loss</b>            |      |                |                |                |                |
| <b>Current tax expense</b>                     |      |                |                |                |                |
| Malaysian - current                            |      | 63,127         | 62,054         | 24,620         | 28,462         |
| - prior years                                  |      | (2,608)        | (6,982)        | (2,393)        | (6,340)        |
| Overseas - prior years                         |      | -              | (5,088)        | -              | -              |
| Total current tax recognised in profit or loss |      | 60,519         | 49,984         | 22,227         | 22,122         |
| <b>Deferred tax benefits</b>                   |      |                |                |                |                |
| Deferred tax recognised in profit or loss      | 10   | 1,444          | 197            | 2,044          | 5,072          |
| Total tax expense                              |      | 61,963         | 50,181         | 24,271         | 27,194         |
| <b>Reconciliation of tax expense</b>           |      |                |                |                |                |
| Profit before zakat and taxation               |      | 426,821        | 417,739        | 330,585        | 298,500        |
| Income tax using Malaysian tax rate of 24%     |      | 102,437        | 100,257        | 79,340         | 71,640         |
| Effect of tax rates in foreign jurisdictions   |      | 38             | 2              | -              | -              |
| Items not subject to tax                       |      | (108,976)      | (123,169)      | (121,850)      | (120,925)      |
| Non-deductible expenses                        |      | 71,072         | 85,161         | 69,174         | 82,819         |
| Over provided in prior years                   |      | (2,608)        | (12,070)       | (2,393)        | (6,340)        |
| Tax expense                                    |      | 61,963         | 50,181         | 24,271         | 27,194         |
| <b>Recognised directly in equity</b>           |      |                |                |                |                |
| Deferred tax                                   |      |                |                |                |                |
| FVOCI financial assets                         | 10   | 2,467          | 6,300          | 1,817          | 4,819          |
| Defined benefits liabilities                   | 10   | (134)          | (39)           | -              | -              |
|                                                | 10   | 2,333          | 6,261          | 1,817          | 4,819          |

## Notes to the Financial Statements

### 31. Tax expense (continued)

|                                                |      | Group          |                | Company        |                |
|------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                | Note | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Group / Company</b>                         |      |                |                |                |                |
| <b>Recognised in profit or loss</b>            |      |                |                |                |                |
| <b>Current tax expense</b>                     |      |                |                |                |                |
| Malaysian - current                            |      | 63,127         | 62,054         | 24,620         | 28,462         |
| - prior years                                  |      | (2,608)        | (6,982)        | (2,393)        | (6,340)        |
| Overseas - prior years                         |      | -              | (5,088)        | -              | -              |
| Total current tax recognised in profit or loss |      | 60,519         | 49,984         | 22,227         | 22,122         |
| <b>Deferred tax benefits</b>                   |      |                |                |                |                |
| Deferred tax recognised in profit or loss      | 10   | 1,444          | 197            | 2,044          | 5,072          |
| Total tax expense                              |      | 61,963         | 50,181         | 24,271         | 27,194         |
| <b>Reconciliation of tax expense</b>           |      |                |                |                |                |
| Profit before zakat and taxation               |      | 426,821        | 417,739        | 330,585        | 298,500        |
| Income tax using Malaysian tax rate of 24%     |      | 102,437        | 100,257        | 79,340         | 71,640         |
| Effect of tax rates in foreign jurisdictions   |      | 38             | 2              | -              | -              |
| Items not subject to tax                       |      | (108,976)      | (123,169)      | (121,850)      | (120,925)      |
| Non-deductible expenses                        |      | 71,072         | 85,161         | 69,174         | 82,819         |
| Over provided in prior years                   |      | (2,608)        | (12,070)       | (2,393)        | (6,340)        |
| Tax expense                                    |      | 61,963         | 50,181         | 24,271         | 27,194         |
| <b>Recognised directly in equity</b>           |      |                |                |                |                |
| Deferred tax                                   |      |                |                |                |                |
| FVOCI financial assets                         | 10   | 2,467          | 6,300          | 1,817          | 4,819          |
| Defined benefits liabilities                   | 10   | (134)          | (39)           | -              | -              |
|                                                | 10   | 2,333          | 6,261          | 1,817          | 4,819          |

31.1 The Inland Revenue Board ("IRB") had, on 8 September 2017, issued to the Company notices of additional assessment (i.e. Form JA) for the years of assessment ("YA") 2012, 2013, and 2014. The additional tax payable by the Company under the above-mentioned notices is RM12,561,630.50. As a result of the above, IRB had also treated the tax returns made by the Company for the above years of assessment as incorrect, and imposed a penalty of RM6,200,802.97 to the Company.

The Company has paid the additional tax on 4 October 2017 and submitted an appeal (Form Q) to Special Commissioner of Income Tax against the notice of assessment on 5 October 2017.

The Company is of the view that there are strong justifications for its appeal against certain matters raised by IRB and have treated the related tax payment of RM16,741,000.00 as tax recoverable.

The matter above has been fixed for hearing at the Court on 1st and 2nd September 2021.

## Notes to the Financial Statements

### 32. Other comprehensive income

|                                                                               | <b>Group</b>                     |                                                           |                                  |                                  |                                                           |                                  |
|-------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------|----------------------------------|----------------------------------|-----------------------------------------------------------|----------------------------------|
|                                                                               | <b>Before<br/>tax<br/>RM'000</b> | <b>2020<br/>Tax<br/>(expense)/<br/>benefit<br/>RM'000</b> | <b>Net<br/>of tax<br/>RM'000</b> | <b>Before<br/>tax<br/>RM'000</b> | <b>2019<br/>Tax<br/>(expense)/<br/>benefit<br/>RM'000</b> | <b>Net<br/>of tax<br/>RM'000</b> |
| <b>Takaful Operator</b>                                                       |                                  |                                                           |                                  |                                  |                                                           |                                  |
| <b>Items that will not be reclassified<br/>subsequently to profit or loss</b> |                                  |                                                           |                                  |                                  |                                                           |                                  |
| Remeasurement of defined benefit liability                                    | (558)                            | 134                                                       | (424)                            | (156)                            | 39                                                        | (117)                            |
| Revaluation of property and equipment                                         |                                  |                                                           |                                  |                                  |                                                           |                                  |
| - Gains arising during the year                                               | 803                              | -                                                         | 803                              | 1,576                            | -                                                         | 1,576                            |
|                                                                               | 245                              | 134                                                       | 379                              | 1,420                            | 39                                                        | 1,459                            |
| <b>Items that may be reclassified<br/>subsequently to profit or loss</b>      |                                  |                                                           |                                  |                                  |                                                           |                                  |
| Foreign currency translation differences<br>for foreign operations            | (1,409)                          | -                                                         | (1,409)                          | 2,069                            | -                                                         | 2,069                            |
| Debt investments measured at FVOCI                                            |                                  |                                                           |                                  |                                  |                                                           |                                  |
| - net change in fair value                                                    | 13,618                           | (3,268)                                                   | 10,350                           | 28,044                           | (6,731)                                                   | 21,313                           |
| - reclassified to profit or loss                                              | (3,335)                          | 801                                                       | (2,534)                          | (1,796)                          | 431                                                       | (1,365)                          |
|                                                                               | 8,874                            | (2,467)                                                   | 6,407                            | 28,317                           | (6,300)                                                   | 22,017                           |
|                                                                               | 9,119                            | (2,333)                                                   | 6,786                            | 29,737                           | (6,261)                                                   | 23,476                           |
| <b>Family Takaful</b>                                                         |                                  |                                                           |                                  |                                  |                                                           |                                  |
| <b>Items that may be reclassified<br/>subsequently to profit or loss</b>      |                                  |                                                           |                                  |                                  |                                                           |                                  |
| Debt investments measured at FVOCI                                            |                                  |                                                           |                                  |                                  |                                                           |                                  |
| - net change in fair value                                                    | 96,773                           | -                                                         | 96,773                           | 229,722                          | -                                                         | 229,722                          |
| - reclassified to profit or loss                                              | (27,843)                         | -                                                         | (27,843)                         | (10,669)                         | -                                                         | (10,669)                         |
| Other comprehensive income attributable<br>to participants                    | (68,930)                         | -                                                         | (68,930)                         | (219,053)                        | -                                                         | (219,053)                        |
|                                                                               | -                                | -                                                         | -                                | -                                | -                                                         | -                                |

## Notes to the Financial Statements

### 32. Other comprehensive income (continued)

|                                                                           | <b>Group</b>                     |                                                           |                                  |                                  |                                                           |                                  |
|---------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------|----------------------------------|----------------------------------|-----------------------------------------------------------|----------------------------------|
|                                                                           | <b>Before<br/>tax<br/>RM'000</b> | <b>2020<br/>Tax<br/>(expense)/<br/>benefit<br/>RM'000</b> | <b>Net<br/>of tax<br/>RM'000</b> | <b>Before<br/>tax<br/>RM'000</b> | <b>2019<br/>Tax<br/>(expense)/<br/>benefit<br/>RM'000</b> | <b>Net<br/>of tax<br/>RM'000</b> |
| <b>General Takaful</b>                                                    |                                  |                                                           |                                  |                                  |                                                           |                                  |
| <b>Items that may be reclassified subsequently to profit or loss</b>      |                                  |                                                           |                                  |                                  |                                                           |                                  |
| Debt investments measured at FVOCI                                        |                                  |                                                           |                                  |                                  |                                                           |                                  |
| - net change in fair value                                                | 6,553                            | -                                                         | 6,553                            | 16,528                           | -                                                         | 16,528                           |
| - reclassified to profit or loss                                          | (2,486)                          | -                                                         | (2,486)                          | (2,697)                          | -                                                         | (2,697)                          |
| Other comprehensive income attributable to participants                   | (4,067)                          | -                                                         | (4,067)                          | (13,831)                         | -                                                         | (13,831)                         |
|                                                                           | -                                | -                                                         | -                                | -                                | -                                                         | -                                |
| <b>Group</b>                                                              |                                  |                                                           |                                  |                                  |                                                           |                                  |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |                                  |                                                           |                                  |                                  |                                                           |                                  |
| Remeasurement of defined benefit liability                                | (558)                            | 134                                                       | (424)                            | (156)                            | 39                                                        | (117)                            |
| Revaluation of property and equipment                                     |                                  |                                                           |                                  |                                  |                                                           |                                  |
| - Gains arising during the year                                           | 6,818                            | -                                                         | 6,818                            | 7,776                            | -                                                         | 7,776                            |
| Other comprehensive income attributable to participants                   | (6,015)                          | -                                                         | (6,015)                          | (6,200)                          | -                                                         | (6,200)                          |
|                                                                           | 245                              | 134                                                       | 379                              | 1,420                            | 39                                                        | 1,459                            |
| <b>Items that may be reclassified subsequently to profit or loss</b>      |                                  |                                                           |                                  |                                  |                                                           |                                  |
| Foreign currency translation differences for foreign operations           | (1,409)                          | -                                                         | (1,409)                          | 2,069                            | -                                                         | 2,069                            |
| Debt investments measured at FVOCI                                        |                                  |                                                           |                                  |                                  |                                                           |                                  |
| - net change in fair value                                                | 116,944                          | (3,268)                                                   | 113,676                          | 274,294                          | (6,731)                                                   | 267,563                          |
| - reclassified to profit or loss                                          | (33,664)                         | 801                                                       | (32,863)                         | (15,162)                         | 431                                                       | (14,731)                         |
| Other comprehensive income attributable to participants                   | (72,997)                         | -                                                         | (72,997)                         | (232,884)                        | -                                                         | (232,884)                        |
|                                                                           | 8,874                            | (2,467)                                                   | 6,407                            | 28,317                           | (6,300)                                                   | 22,017                           |
|                                                                           | 9,119                            | (2,333)                                                   | 6,786                            | 29,737                           | (6,261)                                                   | 23,476                           |



## Notes to the Financial Statements

### 32. Other comprehensive income (continued)

|                                                                              | <b>Company</b>                   |                                                           |                                  |                                  |                                                           |                                  |
|------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------|----------------------------------|----------------------------------|-----------------------------------------------------------|----------------------------------|
|                                                                              | <b>Before<br/>tax<br/>RM'000</b> | <b>2020<br/>Tax<br/>(expense)/<br/>benefit<br/>RM'000</b> | <b>Net<br/>of tax<br/>RM'000</b> | <b>Before<br/>tax<br/>RM'000</b> | <b>2019<br/>Tax<br/>(expense)/<br/>benefit<br/>RM'000</b> | <b>Net<br/>of tax<br/>RM'000</b> |
| <b>Takaful Operator</b>                                                      |                                  |                                                           |                                  |                                  |                                                           |                                  |
| <b>Item that will not be reclassified<br/>subsequently to profit or loss</b> |                                  |                                                           |                                  |                                  |                                                           |                                  |
| Revaluation of property and equipment                                        |                                  |                                                           |                                  |                                  |                                                           |                                  |
| - Gains arising during the year                                              | 10                               | -                                                         | 10                               | 10                               | -                                                         | 10                               |
|                                                                              | 10                               | -                                                         | 10                               | 10                               | -                                                         | 10                               |
| <b>Items that may be reclassified<br/>subsequently to profit or loss</b>     |                                  |                                                           |                                  |                                  |                                                           |                                  |
| Debt investments measured at FVOCI                                           |                                  |                                                           |                                  |                                  |                                                           |                                  |
| - net change in fair value                                                   | 10,908                           | (2,618)                                                   | 8,290                            | 21,737                           | (5,217)                                                   | 16,520                           |
| - reclassified to profit or loss                                             | (3,335)                          | 801                                                       | (2,534)                          | (1,660)                          | 398                                                       | (1,262)                          |
|                                                                              | 7,573                            | (1,817)                                                   | 5,756                            | 20,077                           | (4,819)                                                   | 15,258                           |
|                                                                              | 7,583                            | (1,817)                                                   | 5,766                            | 20,087                           | (4,819)                                                   | 15,268                           |
| <b>Family Takaful</b>                                                        |                                  |                                                           |                                  |                                  |                                                           |                                  |
| <b>Items that may be reclassified<br/>subsequently to profit or loss</b>     |                                  |                                                           |                                  |                                  |                                                           |                                  |
| Debt investments measured at FVOCI                                           |                                  |                                                           |                                  |                                  |                                                           |                                  |
| - net change in fair value                                                   | 96,593                           | -                                                         | 96,593                           | 240,391                          | -                                                         | 240,391                          |
| - reclassified to profit or loss                                             | (27,843)                         | -                                                         | (27,843)                         | (10,669)                         | -                                                         | (10,669)                         |
| Other comprehensive income attributable<br>to participants                   | (68,750)                         | -                                                         | (68,750)                         | (229,722)                        | -                                                         | (229,722)                        |
|                                                                              | -                                | -                                                         | -                                | -                                | -                                                         | -                                |

## Notes to the Financial Statements

### 32. Other comprehensive income (continued)

|                                                                               | ----- Company ----->    |                                                |                         |                         |                                                |                         |
|-------------------------------------------------------------------------------|-------------------------|------------------------------------------------|-------------------------|-------------------------|------------------------------------------------|-------------------------|
|                                                                               | Before<br>tax<br>RM'000 | 2020<br>Tax<br>(expense)/<br>benefit<br>RM'000 | Net<br>of tax<br>RM'000 | Before<br>tax<br>RM'000 | 2019<br>Tax<br>(expense)/<br>benefit<br>RM'000 | Net<br>of tax<br>RM'000 |
| <b>Company</b>                                                                |                         |                                                |                         |                         |                                                |                         |
| <b>Items that will not be reclassified<br/>subsequently to profit or loss</b> |                         |                                                |                         |                         |                                                |                         |
| Revaluation of property and equipment                                         |                         |                                                |                         |                         |                                                |                         |
| - Gains arising during the year                                               | 4,760                   | -                                              | 4,760                   | 4,176                   | -                                              | 4,176                   |
| Other comprehensive income attributable<br>to participants                    | (4,750)                 | -                                              | (4,750)                 | (4,166)                 | -                                              | (4,166)                 |
|                                                                               | 10                      | -                                              | 10                      | 10                      | -                                              | 10                      |
| <b>Items that may be reclassified subsequently<br/>to profit or loss</b>      |                         |                                                |                         |                         |                                                |                         |
| Debt investments measured at FVOCI                                            |                         |                                                |                         |                         |                                                |                         |
| - net change in fair value                                                    | 107,501                 | (2,618)                                        | 104,883                 | 262,128                 | (5,217)                                        | 256,911                 |
| - reclassified to profit or loss                                              | (31,178)                | 801                                            | (30,377)                | (12,329)                | 398                                            | (11,931)                |
| Other comprehensive income attributable<br>to participants                    | (68,750)                | -                                              | (68,750)                | (229,722)               | -                                              | (229,722)               |
|                                                                               | 7,573                   | (1,817)                                        | 5,756                   | 20,077                  | (4,819)                                        | 15,258                  |
|                                                                               | 7,583                   | (1,817)                                        | 5,766                   | 20,087                  | (4,819)                                        | 15,268                  |

## Notes to the Financial Statements

### 33. Earnings per share - Group

#### *Basic earnings per ordinary share*

The calculation of basic earnings per ordinary share at 31 December 2020 was based on the profit attributable to ordinary shareholders of RM362,420,000 (2019: RM364,837,000) and a weighted average number of ordinary shares outstanding, calculated as follows:

|                                                         | Group            |                  |
|---------------------------------------------------------|------------------|------------------|
|                                                         | 2020<br>Unit'000 | 2019<br>Unit'000 |
| Issued ordinary shares at beginning of the year (basic) | 826,793          | 824,219          |
| Effect of ordinary shares issued under LTIP             | 1,496            | 1,918            |
| Weighted average number of ordinary shares (basic)      | 828,289          | 826,137          |

#### *Diluted earnings per ordinary share*

The calculation of diluted earnings per ordinary share at 31 December 2020 was based on the profit attributable to ordinary shareholders of RM362,420,000 (2019: RM364,837,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

|                                                      | Group            |                  |
|------------------------------------------------------|------------------|------------------|
|                                                      | 2020<br>Unit'000 | 2019<br>Unit'000 |
| Weighted average number of ordinary shares (basic)   | 828,289          | 826,137          |
| Effect of Restricted / Performance shares on issue   | 3,442            | 4,265            |
| Weighted average number of ordinary shares (diluted) | 831,731          | 830,402          |

### 34. Dividends

Dividends recognised by the Company:

|                                                                      | Sen per<br>share<br>(single tier) | Total<br>amount<br>RM'000 | Date of<br>payment |
|----------------------------------------------------------------------|-----------------------------------|---------------------------|--------------------|
| <b>2020</b>                                                          |                                   |                           |                    |
| Interim ordinary dividend per ordinary share for financial year 2020 | 12.00                             | 99,652                    | 29.1.2021          |
| <b>2019</b>                                                          |                                   |                           |                    |
| Interim ordinary dividend per ordinary share for financial year 2019 | 20.00                             | 165,358                   | 2.1.2020           |

## Notes to the Financial Statements

### 35. Operating segments

Segment information is presented in respect of the Group's geographical segments. This is based on the Group's management and internal reporting structure. Inter-segment pricing, if any, is determined based on negotiated terms. The Group does not present information by business segment as it is principally engaged as an operator of Family and General takaful / retakaful businesses. The financial position and performance of the Family and General Takaful businesses managed by the Group and the Company have been disclosed separately within these financial statements.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise expenses, which are all incurred by Takaful Operator for the management of Takaful funds.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

#### **Geographical segments**

|                                                            | <b>Malaysia<br/>RM'000</b> | <b>Indonesia<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|------------------------------------------------------------|----------------------------|-----------------------------|--------------------------------|
| <b>2020</b>                                                |                            |                             |                                |
| Total external revenue                                     | 2,832,181                  | 124,999                     | 2,957,180                      |
| Inter-segment revenue                                      | -                          | -                           | -                              |
| Total segment revenue                                      | 2,832,181                  | 124,999                     | 2,957,180                      |
| Segment result / Profit before zakat and taxation          | 422,150                    | 4,671                       | 426,821                        |
| Zakat                                                      |                            |                             | (1,281)                        |
| Tax expense                                                |                            |                             | (61,963)                       |
| Profit for the year                                        |                            |                             | 363,577                        |
| Segment assets by location of assets                       | 11,258,988                 | 534,150                     | 11,793,138                     |
| Segment liabilities by location of liabilities             | 9,796,289                  | 455,046                     | 10,251,335                     |
| Capital expenditure by location of assets                  | 12,372                     | 1,150                       | 13,522                         |
| Depreciation and amortisation                              | 45,815                     | 1,883                       | 47,698                         |
| Non-cash expenses other than depreciation and amortisation | 25,677                     | 476                         | 26,153                         |

## Notes to the Financial Statements

### 35. Operating segments (continued)

#### *Geographical segments (continued)*

|                                                            | Malaysia<br>RM'000 | Indonesia<br>RM'000 | Consolidated<br>RM'000 |
|------------------------------------------------------------|--------------------|---------------------|------------------------|
| <b>2019</b>                                                |                    |                     |                        |
| Total external revenue                                     | 2,983,536          | 141,029             | 3,124,565              |
| Inter-segment revenue                                      | -                  | -                   | -                      |
| Total segment revenue                                      | 2,983,536          | 141,029             | 3,124,565              |
| Segment result / Profit before zakat and taxation          | 417,168            | 571                 | 417,739                |
| Zakat                                                      |                    |                     | (1,259)                |
| Tax expense                                                |                    |                     | (50,181)               |
| Profit for the year                                        |                    |                     | 366,299                |
| Segment assets by location of assets                       | 9,810,451          | 535,655             | 10,346,106             |
| Segment liabilities by location of liabilities             | 8,631,468          | 460,118             | 9,091,586              |
| Capital expenditure by location of assets                  | 4,325              | 128                 | 4,453                  |
| Depreciation and amortisation                              | 42,803             | 734                 | 43,537                 |
| Non-cash expenses other than depreciation and amortisation | 26,129             | 829                 | 26,958                 |

### 36. Risk management framework

The Board, with the assistance of the management team, is responsible for the Risk Management Framework within the Group. The Board delegates the responsibility of oversight and monitoring of management's initiatives in managing key risk areas and ensuring the functioning of the risk management processes to the Board Risk Committee ("BRC"). The BRC is supported by the Management Risk Committee ("MRC"), which is represented by the respective heads of divisions and headed by Senior Management.

The Group established the Enterprise Risk Management ("ERM") Framework to ensure an ongoing process of identifying, evaluating, monitoring and managing the significant risk exposures surrounding its business strategies and operations.

By executing the risk management process through robust controls, monitoring and responding to potential risks, the Group is able to mitigate risks to within the risk appetite of the Board. Operational Loss Incidences reporting based on the BNM's ORION requirement are reported to BNM, MRC, BRC and the Board to act as a gauge on the effectiveness of the ERM in place.

Whistle Blowing Policy, Fraud Management Policy, Compliance Framework, Anti Corruption Framework and Shariah Governance Framework are in place to provide basic structure and further strengthen the existing control mechanism underlying the business activities.

Business Continuity Management is consistently practised in accordance with Bank Negara Malaysia guidelines. The Group tests the Business Continuity Plan annually to ensure the continuity of essential services in the event of major disruption and to safeguard the lives of the employees and others in the office premises. The Disaster Recovery Plan is tested twice a year to ensure the critical IT systems are up and running at all times.

## Notes to the Financial Statements

### 36. Risk management framework (continued)

The Group has an Internal Capital Adequacy Assessment Process Policy to maintain financial resilience and stability, whilst having the flexibility of pursuing strategic business opportunities to optimise shareholder value.

Stress Testing is conducted at least once a year by Actuarial Division together with Investment Department, Finance Department and Risk Management Department to ensure the Group's financial standing is secure under several risk scenarios.

Asset and Liability Management Framework and Strategic Asset Allocation are also in place to enhance Financial Risk Management and facilitate in the Group's and the Company's investment strategy.

### 37. Takaful risk management

#### (a) Family Takaful Fund

The Family Takaful contracts consist of:

##### (i) Family Takaful non-investment-linked contracts

The Family Takaful non-investment-linked contracts are mainly credit related takaful products, group takaful schemes, yearly renewable individual ordinary medical plans, regular contribution individual ordinary plans and annuity plans. The main product types are Mortgage Reducing Term Takaful ("MRTT"), Group Credit Takaful, Group Term Takaful and Group Medical Takaful.

##### (ii) Family Takaful investment-linked contracts

The Family Takaful investment-linked contracts are mainly made up of regular contribution investment-linked products. The main products are Takaful myInvest and Takaful myGenLife.

#### The key coverage for the Family Takaful contracts

The key coverage for the Family Takaful contracts are death, total and permanent disability, hospital and surgical benefits, personal accident benefits, daily hospitalisation cash allowance benefits, dread disease benefits, waiver of contribution benefits and survival benefits (for annuity).

#### Concentration of Family Takaful risk

The following gives details of the Group's and the Company's concentration of risks based on outstanding actuarial reserves by main product categories:

|                                           | Note  | <----- Group -----> |                     |               |
|-------------------------------------------|-------|---------------------|---------------------|---------------|
|                                           |       | Gross<br>RM'000     | Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>2020</b>                               |       |                     |                     |               |
| Term                                      |       | 1,139,676           | (3,542)             | 1,136,134     |
| Endowment                                 |       | 851,886             | (172)               | 851,714       |
| Mortgage                                  |       | 3,691,306           | (342,407)           | 3,348,899     |
| Annuity                                   |       | 288,693             | -                   | 288,693       |
| <b>Total Family actuarial liabilities</b> | 16(c) | 5,971,561           | (346,121)           | 5,625,440     |

## Notes to the Financial Statements

### 37. Takaful risk management (continued)

#### (a) Family Takaful Fund (continued)

|                                           |       | <----- Group -----> |                     |               |
|-------------------------------------------|-------|---------------------|---------------------|---------------|
|                                           | Note  | Gross<br>RM'000     | Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>2019</b>                               |       |                     |                     |               |
| Term                                      |       | 1,108,400           | -                   | 1,108,400     |
| Endowment                                 |       | 1,114,604           | (202)               | 1,114,402     |
| Mortgage                                  |       | 3,074,991           | (315,412)           | 2,759,579     |
| Annuity                                   |       | 295,309             | -                   | 295,309       |
| <b>Total Family actuarial liabilities</b> | 16(c) | 5,593,304           | (315,614)           | 5,277,690     |
| <----- Company ----->                     |       |                     |                     |               |
|                                           | Note  | Gross<br>RM'000     | Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>2020</b>                               |       |                     |                     |               |
| Term                                      |       | 1,139,017           | (3,542)             | 1,135,475     |
| Endowment                                 |       | 648,835             | (8)                 | 648,827       |
| Mortgage                                  |       | 3,625,939           | (305,368)           | 3,320,571     |
| Annuity                                   |       | 288,693             | -                   | 288,693       |
| <b>Total Family actuarial liabilities</b> | 16(c) | 5,702,484           | (308,918)           | 5,393,566     |
| <----- Company ----->                     |       |                     |                     |               |
|                                           | Note  | Gross<br>RM'000     | Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>2019</b>                               |       |                     |                     |               |
| Term                                      |       | 1,107,750           | -                   | 1,107,750     |
| Endowment                                 |       | 907,173             | -                   | 907,173       |
| Mortgage                                  |       | 3,013,462           | (281,098)           | 2,732,364     |
| Annuity                                   |       | 295,309             | -                   | 295,309       |
| <b>Total Family actuarial liabilities</b> | 16(c) | 5,323,694           | (281,098)           | 5,042,596     |

#### Key assumptions

Reserves for all plans were valued on a basis that the Appointed Actuary considers adequate and appropriate, and in line with the valuation basis set out by BNM in respect of the Guidelines on Valuation Basis for Liabilities of Family Takaful Business (BNM/RH/GL 004-20) and Risk-Based Capital Framework for Takaful Operator.

## Notes to the Financial Statements

### 37. Takaful risk management (continued)

#### (a) Family Takaful Fund (continued)

##### **Key assumptions (continued)**

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

- **Mortality and morbidity rates**

This is significant for contracts with significant coverage for death, total permanent disability and critical illness and the increase in the mortality or morbidity rates would have direct impact on the liability.

- **Discount rate**

As the liabilities are the present value of future cash flows, both income and outgo, a decrease in discount rate would have an increasing impact on the liabilities and vice-versa.

- **Surrender rate**

This is only applicable to long-term products, where when the rate is reduced (products with PIF) or increased (products without PIF), the impact is an increase of the liability.

##### **Sensitivities**

A summary of key assumptions used for sensitivity analysis is as below:

|                   | <-----Group and Company-----> |               |                |
|-------------------|-------------------------------|---------------|----------------|
|                   | Mortality and morbidity rates | Discount rate | Surrender rate |
| <b>2020</b>       |                               |               |                |
| Endowment         | +10% <sup>(i)</sup>           | -1%           | -20%           |
| Mortgage          | +10% <sup>(i)</sup>           | -1%           | -20%           |
| Investment-linked | +10% <sup>(i)</sup>           | -1%           | -20%           |
| <b>2019</b>       |                               |               |                |
| Endowment         | +10% <sup>(i)</sup>           | -1%           | -20%           |
| Mortgage          | +10% <sup>(i)</sup>           | -1%           | -20%           |
| Investment-linked | +10% <sup>(i)</sup>           | -1%           | -20%           |

(i) 10% Industry mortality and morbidity experience tables M8388 and M9903



## Notes to the Financial Statements

### 37. Takaful risk management (continued)

#### (a) Family Takaful Fund (continued)

##### *Sensitivities (continued)*

The analysis below is performed for reasonably possible movements in each of the key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, and unallocated surplus. 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 had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

|                            | <----- Group ----->   |                                    |                                  |                                      |
|----------------------------|-----------------------|------------------------------------|----------------------------------|--------------------------------------|
|                            | Change in assumptions | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on unallocated surplus RM'000 |
| <b>2020</b>                |                       |                                    |                                  |                                      |
| Mortality / morbidity rate | +10%                  | 369,843                            | 224,435                          | (224,435)                            |
| Discount rate              | -1%                   | 259,131                            | 193,146                          | (193,146)                            |
| Surrender rate             | -20%                  | 90,200                             | 47,129                           | (47,129)                             |

|                            |      |         |         |           |
|----------------------------|------|---------|---------|-----------|
| <b>2019</b>                |      |         |         |           |
| Mortality / morbidity rate | +10% | 335,691 | 207,706 | (207,706) |
| Discount rate              | -1%  | 251,542 | 190,790 | (190,790) |
| Surrender rate             | -20% | 82,005  | 42,630  | (42,630)  |

|                            | <----- Company -----> |                                    |                                  |                                      |
|----------------------------|-----------------------|------------------------------------|----------------------------------|--------------------------------------|
|                            | Change in assumptions | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on unallocated surplus RM'000 |
| <b>2020</b>                |                       |                                    |                                  |                                      |
| Mortality / morbidity rate | +10%                  | 285,344                            | 177,618                          | (177,618)                            |
| Discount rate              | -1%                   | 181,808                            | 150,101                          | (150,101)                            |
| Surrender rate             | -20%                  | 12,291                             | 3,868                            | (3,868)                              |

|                            |      |         |         |           |
|----------------------------|------|---------|---------|-----------|
| <b>2019</b>                |      |         |         |           |
| Mortality / morbidity rate | +10% | 255,746 | 162,340 | (162,340) |
| Discount rate              | -1%  | 178,269 | 148,915 | (148,915) |
| Surrender rate             | -20% | 8,192   | 565     | (565)     |

## Notes to the Financial Statements

### 37. Takaful risk management (continued)

#### (b) General Takaful Fund

The General Takaful contracts consist of fire, motor, personal accident, workmen's compensation and employers' liability, liabilities and engineering and others.

#### **Concentration of General Takaful risk**

The table below sets out the concentration of General Takaful gross contribution by type of business.

|                           |      | <-----Group-----> |                     |               |
|---------------------------|------|-------------------|---------------------|---------------|
|                           | Note | Gross<br>RM'000   | Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>2020</b>               |      |                   |                     |               |
| Fire                      |      | 266,276           | (109,392)           | 156,884       |
| Motor                     |      | 418,229           | (182,216)           | 236,013       |
| Marine                    |      | 5,761             | (2,338)             | 3,423         |
| Miscellaneous             |      | 137,672           | (48,517)            | 89,155        |
| <b>Gross contribution</b> | 21   | 827,938           | (342,463)           | 485,475       |
| <b>2019</b>               |      |                   |                     |               |
| Fire                      |      | 262,515           | (108,464)           | 154,051       |
| Motor                     |      | 331,686           | (134,926)           | 196,760       |
| Marine                    |      | 7,833             | (6,771)             | 1,062         |
| Miscellaneous             |      | 121,533           | (40,204)            | 81,329        |
| <b>Gross contribution</b> | 21   | 723,567           | (290,365)           | 433,202       |

#### **Key assumptions**

The provision for Takaful liabilities is in accordance with the valuation methods set out by BNM in respect of the Guidelines on Valuation Basis for Liabilities of General Takaful Business (BNM/RH/GL 004-21) and Risk-Based Capital Framework for Takaful Operator. The key assumptions underlying the estimation of liabilities is that the Group's and the Company's future claims development will follow a similar pattern to past claims development experience, including average claim cost, average claim frequency and business mix for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrences, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, underwriting policy, certificate conditions and claims handling procedures.

Other key circumstances affecting the reliability of assumptions include delays in settlement and changes in foreign currency rates.

## Notes to the Financial Statements

### 37. Takaful risk management (continued)

#### (b) General Takaful Fund (continued)

##### ***Sensitivities***

The General Takaful claim liabilities are sensitive to the above key assumptions and change in these assumptions may impact the liabilities and operating surplus of the General Takaful Fund significantly. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and operating surplus. 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 had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

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

- ***Fire loss ratio for latest accident year***

This is significant as Fire portfolio is one of the largest under general business, a change in loss ratio estimate will impact the liabilities significantly.

- ***Motor Act loss ratio for latest accident year***

Motor Act business is long tailed in nature and need years before the claim experience matures. A significant impact may result if the ultimate experience differs from current estimation.

- ***Average claim cost***

Reserves are based on assumption that historical average claim cost is reflective of the future experience. Increase in average cost will increase future liabilities.

- ***Average claim frequency***

Reserves are based on assumption that historical average claim number in each accident year reflects the future experience. A change in average number of claims will impact the future liabilities.

- ***Average claim settlement period***

Reserves are based on assumption that claim settlement period will be stable over years. A change in claim handling practice will affect the claim cost and the future liabilities.

## Notes to the Financial Statements

### 37. Takaful risk management (continued)

#### (b) General Takaful Fund (continued)

##### *Sensitivities (continued)*

Below shows the summary of changes in key assumptions and the impact to the gross and net claim liabilities, and the operating surplus.

| <----- Group ----->              |                       |                                    |                                  |                                    |
|----------------------------------|-----------------------|------------------------------------|----------------------------------|------------------------------------|
|                                  | Change in assumptions | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on operating surplus RM'000 |
| <b>2020</b>                      |                       |                                    |                                  |                                    |
| Fire loss ratio for AY 2020      | +10%                  | 21,940                             | 11,858                           | (11,858)                           |
| Motor Act loss ratio for AY 2020 | +10%                  | 6,740                              | 4,062                            | (4,062)                            |
| Average unpaid claims            | +10%                  | 71,965                             | 25,505                           | (25,505)                           |
| Average claim frequency          | +10%                  | 20,465                             | 11,655                           | (11,655)                           |
| Average claim settlement period  | Increase by 6 months  | 44,278                             | 41,940                           | (41,940)                           |
| <b>2019</b>                      |                       |                                    |                                  |                                    |
| Fire loss ratio for AY 2019      | +10%                  | 26,246                             | 15,471                           | (15,471)                           |
| Motor Act loss ratio for AY 2019 | +10%                  | 4,465                              | 2,950                            | (2,950)                            |
| Average unpaid claims            | +10%                  | 53,072                             | 23,508                           | (23,508)                           |
| Average claim frequency          | +10%                  | 17,244                             | 10,882                           | (10,882)                           |
| Average claim settlement period  | Increase by 6 months  | 87,928                             | 46,848                           | (46,848)                           |

##### *Claims development table*

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of reporting period, together with cumulative payments to-date.

In setting provisions for claims, the Group and the Company give consideration to the probability and magnitude of future experience being more adverse than assumed and exercise the degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

## Notes to the Financial Statements

### 37. Takaful risk management (continued)

#### (b) General Takaful Fund (continued)

##### Gross General Takaful contract liabilities for 2020 (Group):

| Accident year                                                                         | Before<br>2013<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | Total<br>RM'000 |
|---------------------------------------------------------------------------------------|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| At end of accident year                                                               | 331,800                  | 262,204        | 221,648        | 223,780        | 295,991        | 375,596        | 444,901        | 391,412        |                 |
| One year later                                                                        | 306,084                  | 251,372        | 208,227        | 203,209        | 267,272        | 344,545        | 396,142        | -              |                 |
| Two years later                                                                       | 305,183                  | 250,924        | 188,734        | 202,810        | 240,429        | 409,748        | -              | -              |                 |
| Three years later                                                                     | 264,940                  | 243,501        | 172,121        | 202,762        | 231,587        | -              | -              | -              |                 |
| Four years later                                                                      | 263,409                  | 235,522        | 165,394        | 201,289        | -              | -              | -              | -              |                 |
| Five years later                                                                      | 262,593                  | 229,543        | 164,371        | -              | -              | -              | -              | -              |                 |
| Six years later                                                                       | 261,634                  | 231,864        | -              | -              | -              | -              | -              | -              |                 |
| Seven years later                                                                     | 262,623                  | -              | -              | -              | -              | -              | -              | -              |                 |
| <b>Current estimate of cumulative claims incurred</b>                                 | 262,623                  | 231,864        | 164,371        | 201,289        | 231,587        | 409,748        | 396,142        | 391,412        | 2,289,036       |
| At end of accident year                                                               | (47,866)                 | (58,855)       | (59,362)       | (75,630)       | (99,942)       | (130,992)      | (160,378)      | (123,221)      |                 |
| One year later                                                                        | (117,379)                | (138,390)      | (124,477)      | (137,673)      | (175,925)      | (236,588)      | (239,236)      | -              |                 |
| Two years later                                                                       | (158,980)                | (180,634)      | (145,455)      | (172,581)      | (204,497)      | (269,543)      | -              | -              |                 |
| Three years later                                                                     | (240,162)                | (212,447)      | (156,623)      | (189,935)      | (211,834)      | -              | -              | -              |                 |
| Four years later                                                                      | (255,632)                | (221,968)      | (160,346)      | (194,422)      | -              | -              | -              | -              |                 |
| Five years later                                                                      | (259,073)                | (223,057)      | (162,956)      | -              | -              | -              | -              | -              |                 |
| Six years later                                                                       | (260,332)                | (227,022)      | -              | -              | -              | -              | -              | -              |                 |
| Seven years later                                                                     | (260,589)                | -              | -              | -              | -              | -              | -              | -              |                 |
| <b>Cumulative payments to-date</b>                                                    | (260,589)                | (227,022)      | (162,956)      | (194,422)      | (211,834)      | (269,543)      | (239,236)      | (123,221)      | (1,688,823)     |
| <b>Gross General Takaful contract liabilities</b>                                     | 2,034                    | 4,842          | 1,415          | 6,867          | 19,753         | 140,205        | 156,906        | 268,191        | 600,213         |
| Additional risk margin                                                                |                          |                |                |                |                |                |                |                | 99,397          |
| <b>Gross General Takaful contract liabilities per financial position (Note 16(a))</b> |                          |                |                |                |                |                |                |                | 699,610         |

## Notes to the Financial Statements

### 37. Takaful risk management (continued)

#### (b) General Takaful Fund (continued)

##### Net General Takaful contract liabilities for 2020 (Group):

| Accident year                                                                       | Before<br>2013<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | Total<br>RM'000 |
|-------------------------------------------------------------------------------------|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| At end of accident year                                                             | 145,951                  | 149,409        | 127,623        | 130,234        | 158,981        | 218,797        | 233,780        | 201,454        |                 |
| One year later                                                                      | 131,597                  | 128,160        | 121,144        | 130,936        | 150,209        | 200,540        | 197,759        | -              |                 |
| Two years later                                                                     | 121,436                  | 120,438        | 112,551        | 127,663        | 140,847        | 192,251        | -              | -              |                 |
| Three years later                                                                   | 114,847                  | 114,884        | 105,004        | 124,901        | 138,651        | -              | -              | -              |                 |
| Four years later                                                                    | 108,663                  | 111,191        | 103,672        | 123,640        | -              | -              | -              | -              |                 |
| Five years later                                                                    | 110,447                  | 111,283        | 103,724        | -              | -              | -              | -              | -              |                 |
| Six years later                                                                     | 109,976                  | 110,775        | -              | -              | -              | -              | -              | -              |                 |
| Seven years later                                                                   | 110,018                  | -              | -              | -              | -              | -              | -              | -              |                 |
| <b>Current estimate of cumulative claims incurred</b>                               | 110,018                  | 110,775        | 103,724        | 123,640        | 138,651        | 192,251        | 197,759        | 201,454        | 1,178,272       |
| At end of accident year                                                             | (41,956)                 | (43,125)       | (42,496)       | (54,552)       | (67,730)       | (90,056)       | (97,579)       | (72,745)       |                 |
| One year later                                                                      | (84,498)                 | (88,199)       | (84,402)       | (97,117)       | (117,548)      | (149,370)      | (146,663)      | -              |                 |
| Two years later                                                                     | (101,303)                | (103,471)      | (96,660)       | (113,364)      | (129,329)      | (166,084)      | -              | -              |                 |
| Three years later                                                                   | (105,696)                | (108,312)      | (100,570)      | (119,281)      | (132,997)      | -              | -              | -              |                 |
| Four years later                                                                    | (105,070)                | (109,189)      | (101,961)      | (121,171)      | -              | -              | -              | -              |                 |
| Five years later                                                                    | (109,430)                | (109,784)      | (102,880)      | -              | -              | -              | -              | -              |                 |
| Six years later                                                                     | (109,517)                | (110,020)      | -              | -              | -              | -              | -              | -              |                 |
| Seven years later                                                                   | (109,475)                | -              | -              | -              | -              | -              | -              | -              |                 |
| <b>Cumulative payments to-date</b>                                                  | (109,475)                | (110,020)      | (102,880)      | (121,171)      | (132,997)      | (166,084)      | (146,663)      | (72,745)       | (962,035)       |
| <b>Net General Takaful contract liabilities</b>                                     | 543                      | 755            | 844            | 2,469          | 5,654          | 26,167         | 51,096         | 128,709        | 216,237         |
| Additional risk margin                                                              |                          |                |                |                |                |                |                |                | 26,608          |
| <b>Net General Takaful contract liabilities per financial position (Note 16(a))</b> |                          |                |                |                |                |                |                |                | 242,845         |

## Notes to the Financial Statements

### 37. Takaful risk management (continued)

#### (b) General Takaful Fund (continued)

##### Gross General Takaful contract liabilities for 2019 (Group):

|                                                                                       | Before<br>2012   | 2013             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | Total              |
|---------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| Accident year                                                                         | RM'000           | RM'000           | RM'000           | RM'000           | RM'000           | RM'000           | RM'000           | RM'000           | RM'000             |
| At end of accident year                                                               | 215,495          | 331,800          | 262,204          | 221,648          | 223,780          | 295,991          | 375,596          | 444,901          |                    |
| One year later                                                                        | 209,161          | 306,084          | 251,372          | 208,227          | 203,209          | 267,272          | 344,545          | -                |                    |
| Two years later                                                                       | 177,695          | 305,183          | 250,924          | 188,734          | 202,810          | 240,429          | -                | -                |                    |
| Three years later                                                                     | 163,244          | 264,940          | 243,501          | 172,121          | 202,762          | -                | -                | -                |                    |
| Four years later                                                                      | 158,686          | 263,409          | 235,522          | 165,394          | -                | -                | -                | -                |                    |
| Five years later                                                                      | 155,598          | 262,593          | 229,543          | -                | -                | -                | -                | -                |                    |
| Six years later                                                                       | 155,764          | 261,634          | -                | -                | -                | -                | -                | -                |                    |
| Seven years later                                                                     | 154,984          | -                | -                | -                | -                | -                | -                | -                |                    |
| <b>Current estimate of cumulative claims incurred</b>                                 | <b>154,984</b>   | <b>261,634</b>   | <b>229,543</b>   | <b>165,394</b>   | <b>202,762</b>   | <b>240,429</b>   | <b>344,545</b>   | <b>444,901</b>   | <b>2,044,192</b>   |
| At end of accident year                                                               | (43,107)         | (47,866)         | (58,855)         | (59,362)         | (75,630)         | (99,942)         | (130,992)        | (160,378)        |                    |
| One year later                                                                        | (99,559)         | (117,379)        | (138,390)        | (124,477)        | (137,673)        | (175,925)        | (236,588)        | -                |                    |
| Two years later                                                                       | (132,631)        | (158,980)        | (180,634)        | (145,455)        | (172,581)        | (204,497)        | -                | -                |                    |
| Three years later                                                                     | (146,199)        | (240,162)        | (212,447)        | (156,623)        | (189,935)        | -                | -                | -                |                    |
| Four years later                                                                      | (152,499)        | (255,632)        | (221,968)        | (160,346)        | -                | -                | -                | -                |                    |
| Five years later                                                                      | (153,664)        | (259,073)        | (223,057)        | -                | -                | -                | -                | -                |                    |
| Six years later                                                                       | (154,205)        | (260,332)        | -                | -                | -                | -                | -                | -                |                    |
| Seven years later                                                                     | (154,751)        | -                | -                | -                | -                | -                | -                | -                |                    |
| <b>Cumulative payments to-date</b>                                                    | <b>(154,751)</b> | <b>(260,332)</b> | <b>(223,057)</b> | <b>(160,346)</b> | <b>(189,935)</b> | <b>(204,497)</b> | <b>(236,588)</b> | <b>(160,378)</b> | <b>(1,589,884)</b> |
| <b>Gross General Takaful contract liabilities</b>                                     | <b>233</b>       | <b>1,302</b>     | <b>6,486</b>     | <b>5,048</b>     | <b>12,827</b>    | <b>35,932</b>    | <b>107,957</b>   | <b>284,523</b>   | <b>454,308</b>     |
| Additional risk margin                                                                |                  |                  |                  |                  |                  |                  |                  |                  | 76,416             |
| <b>Gross General Takaful contract liabilities per financial position (Note 16(a))</b> |                  |                  |                  |                  |                  |                  |                  |                  | <b>530,724</b>     |

## Notes to the Financial Statements

### 37. Takaful risk management (continued)

#### (b) General Takaful Fund (continued)

##### Net General Takaful contract liabilities for 2019 (Group):

| Accident year                                                                       | Before<br>2012<br>RM'000 | 2013<br>RM'000   | 2014<br>RM'000   | 2015<br>RM'000   | 2016<br>RM'000   | 2017<br>RM'000   | 2018<br>RM'000   | 2019<br>RM'000  | Total<br>RM'000  |
|-------------------------------------------------------------------------------------|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|------------------|
| At end of accident year                                                             | 155,704                  | 145,951          | 149,409          | 127,623          | 130,234          | 158,981          | 218,797          | 233,780         |                  |
| One year later                                                                      | 154,707                  | 131,597          | 128,160          | 121,144          | 130,936          | 150,209          | 200,540          | -               |                  |
| Two years later                                                                     | 138,856                  | 121,436          | 120,438          | 112,551          | 127,663          | 140,847          | -                | -               |                  |
| Three years later                                                                   | 127,442                  | 114,847          | 114,884          | 105,004          | 124,901          | -                | -                | -               |                  |
| Four years later                                                                    | 124,850                  | 108,663          | 111,191          | 103,672          | -                | -                | -                | -               |                  |
| Five years later                                                                    | 122,698                  | 110,447          | 111,283          | -                | -                | -                | -                | -               |                  |
| Six years later                                                                     | 122,891                  | 109,976          | -                | -                | -                | -                | -                | -               |                  |
| Seven years later                                                                   | 122,332                  | -                | -                | -                | -                | -                | -                | -               |                  |
| <b>Current estimate of cumulative claims incurred</b>                               | <b>122,332</b>           | <b>109,976</b>   | <b>111,283</b>   | <b>103,672</b>   | <b>124,901</b>   | <b>140,847</b>   | <b>200,540</b>   | <b>233,780</b>  | <b>1,147,331</b> |
| At end of accident year                                                             | (40,054)                 | (41,956)         | (43,125)         | (42,496)         | (54,552)         | (67,730)         | (90,056)         | (97,579)        |                  |
| One year later                                                                      | (88,968)                 | (84,498)         | (88,199)         | (84,402)         | (97,117)         | (117,548)        | (149,370)        | -               |                  |
| Two years later                                                                     | (109,215)                | (101,303)        | (103,471)        | (96,660)         | (113,364)        | (129,329)        | -                | -               |                  |
| Three years later                                                                   | (117,457)                | (105,696)        | (108,312)        | (100,570)        | (119,281)        | -                | -                | -               |                  |
| Four years later                                                                    | (120,530)                | (105,070)        | (109,189)        | (101,961)        | -                | -                | -                | -               |                  |
| Five years later                                                                    | (121,442)                | (109,430)        | (109,784)        | -                | -                | -                | -                | -               |                  |
| Six years later                                                                     | (121,934)                | (109,517)        | -                | -                | -                | -                | -                | -               |                  |
| Seven years later                                                                   | (122,243)                | -                | -                | -                | -                | -                | -                | -               |                  |
| <b>Cumulative payments to-date</b>                                                  | <b>(122,243)</b>         | <b>(109,517)</b> | <b>(109,784)</b> | <b>(101,961)</b> | <b>(119,281)</b> | <b>(129,329)</b> | <b>(149,370)</b> | <b>(97,579)</b> | <b>(939,064)</b> |
| <b>Net General Takaful contract liabilities</b>                                     | <b>89</b>                | <b>459</b>       | <b>1,499</b>     | <b>1,711</b>     | <b>5,620</b>     | <b>11,518</b>    | <b>51,170</b>    | <b>136,201</b>  | <b>208,267</b>   |
| Additional risk margin                                                              |                          |                  |                  |                  |                  |                  |                  |                 | 26,819           |
| <b>Net General Takaful contract liabilities per financial position (Note 16(a))</b> |                          |                  |                  |                  |                  |                  |                  |                 | <b>235,086</b>   |



## Notes to the Financial Statements

### 38. Financial instruments

#### 38.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Fair value through profit or loss ("FVTPL")
  - Mandatorily required by MFRS 9
  - Designated upon initial recognition ("DUIR")
- (b) Amortised cost ("AC")
- (c) Fair value through other comprehensive income ("FVOCI")
  - Debt instrument ("DI")

| 2020                                                                   | Note | <----- Group ----->          |              |                                   |                           |                         |
|------------------------------------------------------------------------|------|------------------------------|--------------|-----------------------------------|---------------------------|-------------------------|
|                                                                        |      | Carrying<br>amount<br>RM'000 | AC<br>RM'000 | Mandatorily<br>at FVTPL<br>RM'000 | FVTPL<br>- DUIR<br>RM'000 | FVOCI<br>- DI<br>RM'000 |
| <b>Financial assets</b>                                                |      |                              |              |                                   |                           |                         |
| <b>Takaful Operator</b>                                                |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 902,420                      | -            | 88,997                            | 21,472                    | 791,951                 |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 778,226                      | 778,226      | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 136,744                      | 136,744      | -                                 | -                         | -                       |
|                                                                        |      | 1,817,390                    | 914,970      | 88,997                            | 21,472                    | 791,951                 |
| <b>Family Takaful</b>                                                  |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 5,424,197                    | -            | 585,679                           | 139,084                   | 4,699,434               |
| Retakaful assets                                                       | 9    | 10,103                       | 10,103       | -                                 | -                         | -                       |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 1,315,186                    | 1,315,186    | -                                 | -                         | -                       |
| Takaful receivables                                                    | 12   | 177,648                      | 177,648      | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 519,276                      | 519,276      | -                                 | -                         | -                       |
|                                                                        |      | 7,446,410                    | 2,022,213    | 585,679                           | 139,084                   | 4,699,434               |
| <b>General Takaful</b>                                                 |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 346,576                      | -            | -                                 | -                         | 346,576                 |
| Retakaful assets                                                       | 9    | 313,047                      | 313,047      | -                                 | -                         | -                       |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 512,279                      | 512,279      | -                                 | -                         | -                       |
| Takaful receivables                                                    | 12   | 125,323                      | 125,323      | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 56,589                       | 56,589       | -                                 | -                         | -                       |
|                                                                        |      | 1,353,814                    | 1,007,238    | -                                 | -                         | 346,576                 |
| <b>Group</b>                                                           |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 6,631,485                    | -            | 632,968                           | 160,556                   | 5,837,961               |
| Retakaful assets                                                       | 9    | 323,150                      | 323,150      | -                                 | -                         | -                       |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 2,543,256                    | 2,543,256    | -                                 | -                         | -                       |
| Takaful receivables                                                    | 12   | 302,971                      | 302,971      | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 712,609                      | 712,609      | -                                 | -                         | -                       |
|                                                                        |      | 10,513,471                   | 3,881,986    | 632,968                           | 160,556                   | 5,837,961               |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.1 Categories of financial instruments (continued)

| 2019                                                                   | Note | Group                        |              |                                   |                           |                         |
|------------------------------------------------------------------------|------|------------------------------|--------------|-----------------------------------|---------------------------|-------------------------|
|                                                                        |      | Carrying<br>amount<br>RM'000 | AC<br>RM'000 | Mandatorily<br>at FVTPL<br>RM'000 | FVTPL<br>- DUIR<br>RM'000 | FVOCI<br>- DI<br>RM'000 |
| <b>Financial assets</b>                                                |      |                              |              |                                   |                           |                         |
| <b>Takaful Operator</b>                                                |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 695,476                      | -            | 93,028                            | 17,750                    | 584,698                 |
| Loans and receivables, excluding takaful<br>receivables and prepayment | 11   | 739,867                      | 739,867      | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 109,310                      | 109,310      | -                                 | -                         | -                       |
|                                                                        |      | 1,544,653                    | 849,177      | 93,028                            | 17,750                    | 584,698                 |
| <b>Family Takaful</b>                                                  |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 4,633,505                    | -            | 585,536                           | 139,050                   | 3,908,919               |
| Retakaful assets                                                       | 9    | 8,493                        | 8,493        | -                                 | -                         | -                       |
| Loans and receivables, excluding takaful<br>receivables and prepayment | 11   | 1,593,598                    | 1,593,598    | -                                 | -                         | -                       |
| Takaful receivables                                                    | 12   | 89,962                       | 89,962       | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 441,356                      | 441,356      | -                                 | -                         | -                       |
|                                                                        |      | 6,766,914                    | 2,133,409    | 585,536                           | 139,050                   | 3,908,919               |
| <b>General Takaful</b>                                                 |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 371,947                      | -            | 15,199                            | -                         | 356,748                 |
| Retakaful assets                                                       | 9    | 190,182                      | 190,182      | -                                 | -                         | -                       |
| Loans and receivables, excluding takaful<br>receivables and prepayment | 11   | 358,729                      | 358,729      | -                                 | -                         | -                       |
| Takaful receivables                                                    | 12   | 113,717                      | 113,717      | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 52,534                       | 52,534       | -                                 | -                         | -                       |
|                                                                        |      | 1,087,109                    | 715,162      | 15,199                            | -                         | 356,748                 |
| <b>Group</b>                                                           |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 5,663,461                    | -            | 656,296                           | 156,800                   | 4,850,365               |
| Retakaful assets                                                       | 9    | 198,675                      | 198,675      | -                                 | -                         | -                       |
| Loans and receivables, excluding takaful<br>receivables and prepayment | 11   | 2,624,938                    | 2,624,938    | -                                 | -                         | -                       |
| Takaful receivables                                                    | 12   | 203,679                      | 203,679      | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 603,200                      | 603,200      | -                                 | -                         | -                       |
|                                                                        |      | 9,293,953                    | 3,630,492    | 656,296                           | 156,800                   | 4,850,365               |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.1 Categories of financial instruments (continued)

| 2020                                                                   | Note | Company                      |              |                                   |                           |                         |
|------------------------------------------------------------------------|------|------------------------------|--------------|-----------------------------------|---------------------------|-------------------------|
|                                                                        |      | Carrying<br>amount<br>RM'000 | AC<br>RM'000 | Mandatorily<br>at FVTPL<br>RM'000 | FVTPL<br>- DUIR<br>RM'000 | FVOCI<br>- DI<br>RM'000 |
| <b>Financial assets</b>                                                |      |                              |              |                                   |                           |                         |
| <b>Takaful Operator</b>                                                |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 709,358                      | -            | 68,807                            | -                         | 640,551                 |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 500,832                      | 500,832      | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 83,203                       | 83,203       | -                                 | -                         | -                       |
|                                                                        |      | 1,293,393                    | 584,035      | 68,807                            | -                         | 640,551                 |
| <b>Family Takaful</b>                                                  |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 5,205,421                    | -            | 505,987                           | -                         | 4,699,434               |
| Retakaful assets                                                       | 9    | 9,318                        | 9,318        | -                                 | -                         | -                       |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 1,310,647                    | 1,310,647    | -                                 | -                         | -                       |
| Takaful receivables                                                    | 12   | 167,492                      | 167,492      | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 373,635                      | 373,635      | -                                 | -                         | -                       |
|                                                                        |      | 7,066,513                    | 1,861,092    | 505,987                           | -                         | 4,699,434               |
| <b>Company</b>                                                         |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 5,873,071                    | -            | 533,086                           | -                         | 5,339,985               |
| Retakaful assets                                                       | 9    | 9,318                        | 9,318        | -                                 | -                         | -                       |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 1,771,139                    | 1,771,139    | -                                 | -                         | -                       |
| Takaful receivables                                                    | 12   | 167,492                      | 167,492      | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 456,838                      | 456,838      | -                                 | -                         | -                       |
|                                                                        |      | 8,277,858                    | 2,404,787    | 533,086                           | -                         | 5,339,985               |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.1 Categories of financial instruments (continued)

| 2019                                                                   | Note | Company                      |              |                                   |                           |                         |
|------------------------------------------------------------------------|------|------------------------------|--------------|-----------------------------------|---------------------------|-------------------------|
|                                                                        |      | Carrying<br>amount<br>RM'000 | AC<br>RM'000 | Mandatorily<br>at FVTPL<br>RM'000 | FVTPL<br>- DUIR<br>RM'000 | FVOCI<br>- DI<br>RM'000 |
| <b>Financial assets</b>                                                |      |                              |              |                                   |                           |                         |
| <b>Takaful Operator</b>                                                |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 531,196                      | -            | 71,211                            | -                         | 459,985                 |
| Loans and receivables, excluding takaful<br>receivables and prepayment | 11   | 515,645                      | 515,645      | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 39,546                       | 39,546       | -                                 | -                         | -                       |
|                                                                        |      | 1,086,387                    | 555,191      | 71,211                            | -                         | 459,985                 |
| <b>Family Takaful</b>                                                  |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 4,419,729                    | -            | 510,810                           | -                         | 3,908,919               |
| Retakaful assets                                                       | 9    | 7,754                        | 7,754        | -                                 | -                         | -                       |
| Loans and receivables, excluding takaful<br>receivables and prepayment | 11   | 1,586,910                    | 1,586,910    | -                                 | -                         | -                       |
| Takaful receivables                                                    | 12   | 74,917                       | 74,917       | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 284,430                      | 284,430      | -                                 | -                         | -                       |
|                                                                        |      | 6,373,740                    | 1,954,011    | 510,810                           | -                         | 3,908,919               |
| <b>Company</b>                                                         |      |                              |              |                                   |                           |                         |
| Other investments                                                      | 8    | 4,913,458                    | -            | 544,554                           | -                         | 4,368,904               |
| Retakaful assets                                                       | 9    | 7,754                        | 7,754        | -                                 | -                         | -                       |
| Loans and receivables, excluding takaful<br>receivables and prepayment | 11   | 2,056,558                    | 2,056,558    | -                                 | -                         | -                       |
| Takaful receivables                                                    | 12   | 74,917                       | 74,917       | -                                 | -                         | -                       |
| Cash and cash equivalents                                              | 13   | 323,976                      | 323,976      | -                                 | -                         | -                       |
|                                                                        |      | 7,376,663                    | 2,463,205    | 544,554                           | -                         | 4,368,904               |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.1 Categories of financial instruments (continued)

| 2020                             | Note | Group                        |              |                                   |                           |                         |
|----------------------------------|------|------------------------------|--------------|-----------------------------------|---------------------------|-------------------------|
|                                  |      | Carrying<br>amount<br>RM'000 | AC<br>RM'000 | Mandatorily<br>at FVTPL<br>RM'000 | FVTPL<br>- DUIR<br>RM'000 | FVOCI<br>- DI<br>RM'000 |
| <b>Financial liabilities</b>     |      |                              |              |                                   |                           |                         |
| <b>Takaful Operator</b>          |      |                              |              |                                   |                           |                         |
| Takaful payables                 | 18   | (32,847)                     | (32,847)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (274,972)                    | (274,972)    | -                                 | -                         | -                       |
|                                  |      | (307,819)                    | (307,819)    | -                                 | -                         | -                       |
| <b>Family Takaful</b>            |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (45,886)                     | (45,886)     | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (62,884)                     | (62,884)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (145,584)                    | (145,584)    | -                                 | -                         | -                       |
|                                  |      | (254,354)                    | (254,354)    | -                                 | -                         | -                       |
| <b>General Takaful</b>           |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (434,985)                    | (434,985)    | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (136,798)                    | (136,798)    | -                                 | -                         | -                       |
| Other payables                   | 19   | (80,690)                     | (80,690)     | -                                 | -                         | -                       |
|                                  |      | (652,473)                    | (652,473)    | -                                 | -                         | -                       |
| <b>Group</b>                     |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (480,871)                    | (480,871)    | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (232,529)                    | (232,529)    | -                                 | -                         | -                       |
| Other payables                   | 19   | (438,811)                    | (438,811)    | -                                 | -                         | -                       |
|                                  |      | (1,152,211)                  | (1,152,211)  | -                                 | -                         | -                       |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.1 Categories of financial instruments (continued)

| 2019                             | Note | Group                        |              |                                   |                           |                         |
|----------------------------------|------|------------------------------|--------------|-----------------------------------|---------------------------|-------------------------|
|                                  |      | Carrying<br>amount<br>RM'000 | AC<br>RM'000 | Mandatorily<br>at FVTPL<br>RM'000 | FVTPL<br>- DUIR<br>RM'000 | FVOCI<br>- DI<br>RM'000 |
| <b>Financial liabilities</b>     |      |                              |              |                                   |                           |                         |
| <b>Takaful Operator</b>          |      |                              |              |                                   |                           |                         |
| Takaful payables                 | 18   | (31,301)                     | (31,301)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (172,119)                    | (172,119)    | -                                 | -                         | -                       |
|                                  |      | (203,420)                    | (203,420)    | -                                 | -                         | -                       |
| <b>Family Takaful</b>            |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (39,182)                     | (39,182)     | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (58,350)                     | (58,350)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (123,010)                    | (123,010)    | -                                 | -                         | -                       |
|                                  |      | (220,542)                    | (220,542)    | -                                 | -                         | -                       |
| <b>General Takaful</b>           |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (302,067)                    | (302,067)    | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (85,700)                     | (85,700)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (86,719)                     | (86,719)     | -                                 | -                         | -                       |
|                                  |      | (474,486)                    | (474,486)    | -                                 | -                         | -                       |
| <b>Group</b>                     |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (341,249)                    | (341,249)    | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (175,351)                    | (175,351)    | -                                 | -                         | -                       |
| Other payables                   | 19   | (314,592)                    | (314,592)    | -                                 | -                         | -                       |
|                                  |      | (831,192)                    | (831,192)    | -                                 | -                         | -                       |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.1 Categories of financial instruments (continued)

| 2020                             | Note | <----- Company ----->        |              |                                   |                           |                         |
|----------------------------------|------|------------------------------|--------------|-----------------------------------|---------------------------|-------------------------|
|                                  |      | Carrying<br>amount<br>RM'000 | AC<br>RM'000 | Mandatorily<br>at FVTPL<br>RM'000 | FVTPL<br>- DUIR<br>RM'000 | FVOCI<br>- DI<br>RM'000 |
| <b>Financial liabilities</b>     |      |                              |              |                                   |                           |                         |
| <b>Takaful Operator</b>          |      |                              |              |                                   |                           |                         |
| Takaful payables                 | 18   | (19,972)                     | (19,972)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (235,442)                    | (235,442)    | -                                 | -                         | -                       |
|                                  |      | (255,414)                    | (255,414)    | -                                 | -                         | -                       |
| <b>Family Takaful</b>            |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (43,880)                     | (43,880)     | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (58,452)                     | (58,452)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (135,998)                    | (135,998)    | -                                 | -                         | -                       |
|                                  |      | (238,330)                    | (238,330)    | -                                 | -                         | -                       |
| <b>Company</b>                   |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (43,880)                     | (43,880)     | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (78,424)                     | (78,424)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (331,100)                    | (331,100)    | -                                 | -                         | -                       |
|                                  |      | (453,404)                    | (453,404)    | -                                 | -                         | -                       |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.1 Categories of financial instruments (continued)

| 2019                             | Note | Company                      |              |                                   |                           |                         |
|----------------------------------|------|------------------------------|--------------|-----------------------------------|---------------------------|-------------------------|
|                                  |      | Carrying<br>amount<br>RM'000 | AC<br>RM'000 | Mandatorily<br>at FVTPL<br>RM'000 | FVTPL<br>- DUJR<br>RM'000 | FVOCI<br>- DI<br>RM'000 |
| <b>Financial liabilities</b>     |      |                              |              |                                   |                           |                         |
| <b>Takaful Operator</b>          |      |                              |              |                                   |                           |                         |
| Takaful payables                 | 18   | (19,110)                     | (19,110)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (137,004)                    | (137,004)    | -                                 | -                         | -                       |
|                                  |      | (156,114)                    | (156,114)    | -                                 | -                         | -                       |
| <b>Family Takaful</b>            |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (37,619)                     | (37,619)     | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (52,931)                     | (52,931)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (112,817)                    | (112,817)    | -                                 | -                         | -                       |
|                                  |      | (203,367)                    | (203,367)    | -                                 | -                         | -                       |
| <b>Company</b>                   |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (37,619)                     | (37,619)     | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (72,041)                     | (72,041)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (203,824)                    | (203,824)    | -                                 | -                         | -                       |
|                                  |      | (313,484)                    | (313,484)    | -                                 | -                         | -                       |



## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.2 Net gains and losses arising from use of financial instruments

|                                                                  | Group   |         | Company |         |
|------------------------------------------------------------------|---------|---------|---------|---------|
|                                                                  | 2020    | 2019    | 2020    | 2019    |
|                                                                  | RM'000  | RM'000  | RM'000  | RM'000  |
| <b>Takaful Operator</b>                                          |         |         |         |         |
| Net gains / (losses) on:                                         |         |         |         |         |
| Financial assets at FVTPL                                        |         |         |         |         |
| - Mandatorily required by MFRS 9                                 | 8,926   | 9,211   | 6,340   | 6,537   |
| - Designated upon initial recognition                            | 79      | 1,344   | -       | -       |
|                                                                  | 9,005   | 10,555  | 6,340   | 6,537   |
| Debt investments measured at FVOCI                               |         |         |         |         |
| - recognised in profit or loss                                   | 27,451  | 26,033  | 21,725  | 20,489  |
| - recognised in other comprehensive income                       | 6,935   | 24,220  | 4,225   | 18,267  |
| - reclassified from other comprehensive income to profit or loss | 3,335   | 1,796   | 3,335   | 1,660   |
|                                                                  | 37,721  | 52,049  | 29,285  | 40,416  |
| Financial assets at amortised cost                               | 27,903  | 24,059  | 16,943  | 15,550  |
|                                                                  | 74,629  | 86,663  | 52,568  | 62,503  |
| <b>Family Takaful</b>                                            |         |         |         |         |
| Net gains / (losses) on:                                         |         |         |         |         |
| Financial assets at FVTPL                                        |         |         |         |         |
| - Mandatorily required by MFRS 9                                 | 41,283  | 46,405  | 33,259  | 43,375  |
| - Designated upon initial recognition                            | 1,871   | 18,194  | -       | -       |
|                                                                  | 43,154  | 64,599  | 33,259  | 43,375  |
| Debt investments measured at FVOCI                               |         |         |         |         |
| - recognised in profit or loss                                   | 188,212 | 178,617 | 188,212 | 178,617 |
| - recognised in participants' fund                               | 68,930  | 229,722 | 68,750  | 229,722 |
| - reclassified from participants' fund to profit or loss         | 27,843  | 10,669  | 27,843  | 10,669  |
|                                                                  | 284,985 | 419,008 | 284,805 | 419,008 |
| Financial assets at amortised cost                               | 62,037  | 44,699  | 56,114  | 38,475  |
|                                                                  | 390,176 | 528,306 | 374,178 | 500,858 |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.2 Net gains and losses arising from use of financial instruments (continued)

|                                                          | Group          |                | Company        |                |
|----------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                          | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>General Takaful</b>                                   |                |                |                |                |
| Net gains / (losses) arising on:                         |                |                |                |                |
| Financial assets at FVTPL                                |                |                |                |                |
| - Mandatorily required by MFRS 9                         | 280            | 2,575          | -              | -              |
|                                                          | 280            | 2,575          | -              | -              |
| Debt investments measured at FVOCI                       |                |                |                |                |
| - recognised in profit or loss                           | 15,850         | 18,239         | -              | -              |
| - recognised in participants' fund                       | 4,067          | 13,831         | -              | -              |
| - reclassified from participants' fund to profit or loss | 2,486          | 2,697          | -              | -              |
|                                                          | 22,403         | 34,767         | -              | -              |
| Financial assets at amortised cost                       | 14,567         | 11,744         | -              | -              |
|                                                          | 37,250         | 49,086         | -              | -              |
| <b>Group / Company</b>                                   |                |                |                |                |
| Net gains / (losses) on:                                 |                |                |                |                |
| Financial assets at FVTPL                                |                |                |                |                |
| - Mandatorily required by MFRS 9                         | 46,248         | 58,191         | 35,358         | 49,912         |
| - Designated upon initial recognition                    | 1,950          | 19,538         | -              | -              |
|                                                          | 48,198         | 77,729         | 35,358         | 49,912         |
| Debt investments measured at FVOCI                       |                |                |                |                |
| - recognised in profit or loss                           | 231,513        | 222,889        | 209,937        | 199,106        |
| - recognised in participants' fund                       | 79,932         | 267,773        | 72,975         | 247,989        |
| - reclassified from participants' fund to profit or loss | 33,664         | 15,162         | 31,178         | 12,329         |
|                                                          | 345,109        | 505,824        | 314,090        | 459,424        |
| Financial assets at amortised cost                       | 104,507        | 80,502         | 73,057         | 54,025         |
|                                                          | 497,814        | 664,055        | 422,505        | 563,361        |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.3 Financial risk management

The Group and the Company have exposure to the following risks arising from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, profit rate risk, price risk)
- Operational risk

#### 38.4 Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Group and the Company as and when they fall due.

The Group's and the Company's portfolio of Islamic debt securities, and to a lesser extent short term and other investments, are subject to credit risk. This risk is defined as the potential loss resulting from adverse changes in a borrower's ability to repay the debt. The Group's and the Company's objective is to earn competitive relative returns by investing in a diversified portfolio of securities. Management has an investment credit risk policy in place. Limits are established to manage credit quality and concentration risk.

The Group and the Company have takaful and other receivables balances that are subject to credit risk. Among the most significant of these are retakaful recoveries. To mitigate the risk of the counterparties not paying the amount due, the Group and the Company have established certain business and financial guidelines for retakaful approval, incorporating ratings by major agencies and considering currently available market information. The Group and the Company also periodically review the financial stability of retakaful companies from public and other sources and the settlement trend of amounts due from retakaful companies.

Cash and deposits are generally placed with banks and financial institutions licensed under the Financial Services Act 2013 and Islamic Financial Services Act 2013 which are regulated by Bank Negara Malaysia and Sharia Insurance Regulation in Indonesia.

The Group and the Company manage individual exposures as well as concentration of credit risks. There are no significant changes as compared to prior periods. At end of the reporting period, there were no significant concentration of credit risks, other than investments in Islamic debt securities issued by single issuer and investment in Institutional Trust Account. There are no significant changes as compared to prior periods.

|                             | <b>Group</b>     |                  | <b>Company</b>   |                  |
|-----------------------------|------------------|------------------|------------------|------------------|
|                             | <b>2020</b>      | <b>2019</b>      | <b>2020</b>      | <b>2019</b>      |
|                             | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    |
| Islamic debt securities     | 1,150,976        | 653,414          | 1,038,486        | 618,332          |
| Institutional Trust Account | 652,486          | 530,852          | 571,048          | 451,709          |
|                             | <b>1,803,462</b> | <b>1,184,266</b> | <b>1,609,534</b> | <b>1,070,041</b> |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit exposure

The table below shows the maximum exposure to credit risk for the components recognised in the statements of financial position.

|                                                      | Group          |                | Company        |                |
|------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                      | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Takaful Operator</b>                              |                |                |                |                |
| FVTPL financial assets                               |                |                |                |                |
| Islamic debt securities                              | 55,560         | 61,610         | 17,044         | 27,004         |
| FVOCI financial assets                               |                |                |                |                |
| Islamic debt securities                              | 650,625        | 434,493        | 533,824        | 342,957        |
| Institutional Trust Account                          | 107,046        | 106,038        | 83,877         | 83,948         |
| Malaysian Government Islamic papers                  | 34,280         | 44,167         | 22,850         | 33,080         |
| Amortised cost                                       |                |                |                |                |
| Loans and receivables, excluding takaful receivables | 778,226        | 739,867        | 500,832        | 515,645        |
| Cash and cash equivalents                            | 136,744        | 109,310        | 83,203         | 39,546         |
|                                                      | 1,762,481      | 1,495,485      | 1,241,630      | 1,042,180      |
| <b>Family Takaful</b>                                |                |                |                |                |
| FVTPL financial assets                               |                |                |                |                |
| Islamic debt securities                              | 345,093        | 356,115        | 206,009        | 217,065        |
| FVOCI financial assets                               |                |                |                |                |
| Islamic debt securities                              | 3,718,196      | 3,091,214      | 3,718,196      | 3,091,214      |
| Institutional Trust Account                          | 487,171        | 367,761        | 487,171        | 367,761        |
| Malaysian Government Islamic papers                  | 494,067        | 449,944        | 494,067        | 449,944        |
| Amortised cost                                       |                |                |                |                |
| Retakaful assets                                     | 10,103         | 8,493          | 9,318          | 7,754          |
| Loans and receivables, excluding takaful receivables | 1,315,186      | 1,593,598      | 1,310,647      | 1,586,910      |
| Takaful receivables                                  | 177,648        | 89,962         | 167,492        | 74,917         |
| Cash and cash equivalents                            | 519,276        | 441,356        | 373,635        | 284,430        |
|                                                      | 7,066,740      | 6,398,443      | 6,766,535      | 6,079,995      |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

|                                                      | Group      |           | Company   |           |
|------------------------------------------------------|------------|-----------|-----------|-----------|
|                                                      | 2020       | 2019      | 2020      | 2019      |
|                                                      | RM'000     | RM'000    | RM'000    | RM'000    |
| <b>General Takaful</b>                               |            |           |           |           |
| FVTPL financial assets                               |            |           |           |           |
| Islamic debt securities                              | -          | 15,199    | -         | -         |
| FVOCI financial assets                               |            |           |           |           |
| Islamic debt securities                              | 282,590    | 294,174   | -         | -         |
| Institutional Trust Account                          | 58,269     | 57,053    | -         | -         |
| Malaysian Government Islamic papers                  | 5,717      | 5,521     | -         | -         |
| Amortised cost                                       |            |           |           |           |
| Retakaful assets                                     | 313,047    | 190,182   | -         | -         |
| Loans and receivables, excluding takaful receivables | 512,279    | 358,729   | -         | -         |
| Takaful receivables                                  | 125,323    | 113,717   | -         | -         |
| Cash and cash equivalents                            | 56,589     | 52,534    | -         | -         |
|                                                      | 1,353,814  | 1,087,109 | -         | -         |
| <b>Group / Company</b>                               |            |           |           |           |
| FVTPL financial assets                               |            |           |           |           |
| Islamic debt securities                              | 400,653    | 432,924   | 223,053   | 244,069   |
| FVOCI financial assets                               |            |           |           |           |
| Islamic debt securities                              | 4,651,411  | 3,819,881 | 4,252,020 | 3,434,171 |
| Institutional Trust Account                          | 652,486    | 530,852   | 571,048   | 451,709   |
| Malaysian Government Islamic papers                  | 534,064    | 499,632   | 516,917   | 483,024   |
| Amortised cost                                       |            |           |           |           |
| Retakaful assets                                     | 323,150    | 198,675   | 9,318     | 7,754     |
| Loans and receivables, excluding takaful receivables | 2,543,256  | 2,624,938 | 1,771,139 | 2,056,558 |
| Takaful receivables                                  | 302,971    | 203,679   | 167,492   | 74,917    |
| Cash and cash equivalents                            | 712,609    | 603,200   | 456,838   | 323,976   |
|                                                      | 10,120,600 | 8,913,781 | 7,967,825 | 7,076,178 |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis

The following table presents an analysis of the credit quality of financial assets at FVTPL, FVOCI and amortised cost. The inputs, assumptions and techniques used for estimating the impairment are disclosed in Note 38.4.

| 2020                                | Group   |         |         |        |        |           |             | Total     |
|-------------------------------------|---------|---------|---------|--------|--------|-----------|-------------|-----------|
|                                     | AAA     | AA      | A       | BBB    | B      | Not-rated | Unit-linked |           |
|                                     | RM'000  | RM'000  | RM'000  | RM'000 | RM'000 | RM'000    | RM'000      | RM'000    |
| <b>Takaful Operator</b>             |         |         |         |        |        |           |             |           |
| FVTPL                               |         |         |         |        |        |           |             |           |
| Islamic debt securities             | 6,709   | 585     | 35,967  | -      | -      | 12,299    | -           | 55,560    |
| FVOCI                               |         |         |         |        |        |           |             |           |
| Islamic debt securities             | 199,687 | 265,277 | 5,041   | -      | -      | 180,620   | -           | 650,625   |
| Institutional Trust Account         | -       | -       | -       | -      | -      | 107,046   | -           | 107,046   |
| Malaysian Government Islamic papers | -       | -       | -       | -      | -      | 34,280 *  | -           | 34,280    |
| Amortised cost                      |         |         |         |        |        |           |             |           |
| Loans and receivables, excluding    |         |         |         |        |        |           |             |           |
| takaful receivables                 | 109,429 | 260,947 | 150,125 | -      | -      | 257,725   | -           | 778,226   |
| Cash and cash equivalents           | 75,301  | 20,336  | -       | -      | -      | 41,107    | -           | 136,744   |
|                                     | 391,126 | 547,145 | 191,133 | -      | -      | 633,077   | -           | 1,762,481 |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

| 2020                                                    | Group         |              |             |               |             |                     |                       |  | Total<br>RM'000 |
|---------------------------------------------------------|---------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|--|-----------------|
|                                                         | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | B<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |  |                 |
| Family Takaful                                          |               |              |             |               |             |                     |                       |  |                 |
| FVTPL                                                   |               |              |             |               |             |                     |                       |  |                 |
| Islamic debt securities                                 | 39,555        | 50,297       | 90,817      | -             | -           | 114,400             | 50,024                |  | 345,093         |
| FVOCI                                                   |               |              |             |               |             |                     |                       |  |                 |
| Islamic debt securities                                 | 1,349,996     | 1,346,482    | 45,458      | 60,411        | -           | 915,849             | -                     |  | 3,718,196       |
| Institutional Trust Account                             | -             | -            | -           | -             | -           | 487,171             | -                     |  | 487,171         |
| Malaysian Government Islamic papers                     | -             | -            | -           | -             | -           | 494,067 *           | -                     |  | 494,067         |
| Amortised cost                                          |               |              |             |               |             |                     |                       |  |                 |
| Retakaful assets                                        | -             | -            | -           | -             | -           | 10,103              | -                     |  | 10,103          |
| Loans and receivables, excluding<br>takaful receivables | 55,178        | 467,580      | 330,660     | -             | -           | 443,902             | 17,866                |  | 1,315,186       |
| Takaful receivables                                     | -             | -            | -           | -             | -           | 177,648             | -                     |  | 177,648         |
| Cash and cash equivalents                               | 182,404       | 110,362      | 9,693       | -             | -           | 171,094             | 45,723                |  | 519,276         |
|                                                         | 1,627,133     | 1,974,721    | 476,628     | 60,411        | -           | 2,814,234           | 113,613               |  | 7,066,740       |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

| 2020                                | Group         |              |             |               |             |                     |                       | Total     |
|-------------------------------------|---------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|-----------|
|                                     | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | B<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |           |
| <b>General Takaful</b>              |               |              |             |               |             |                     |                       |           |
| FVOCI                               |               |              |             |               |             |                     |                       |           |
| Islamic debt securities             | 81,216        | 142,398      | 3,996       | 4,166         | -           | 50,814              | -                     | 282,590   |
| Institutional Trust Account         | -             | -            | -           | -             | -           | 58,269              | -                     | 58,269    |
| Malaysian Government Islamic papers | -             | -            | -           | -             | -           | 5,717 *             | -                     | 5,717     |
| Amortised cost                      |               |              |             |               |             |                     |                       |           |
| Retakaful assets                    | -             | -            | -           | -             | -           | 313,047             | -                     | 313,047   |
| Loans and receivables, excluding    |               |              |             |               |             |                     |                       |           |
| takaful receivables                 | 35,293        | 252,627      | 89,388      | -             | -           | 134,971             | -                     | 512,279   |
| Takaful receivables                 | -             | -            | -           | -             | -           | 125,323             | -                     | 125,323   |
| Cash and cash equivalents           | 4,381         | 51,987       | 151         | -             | -           | 70                  | -                     | 56,589    |
|                                     | 120,890       | 447,012      | 93,535      | 4,166         | -           | 688,211             | -                     | 1,353,814 |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.



## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

| 2020                                                    | Group         |              |             |               |             |                     |                       |  |  |            | Total<br>RM'000 |
|---------------------------------------------------------|---------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|--|--|------------|-----------------|
|                                                         | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | B<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |  |  |            |                 |
| Group                                                   |               |              |             |               |             |                     |                       |  |  |            |                 |
| FVTPL                                                   |               |              |             |               |             |                     |                       |  |  |            |                 |
| Islamic debt securities                                 | 46,264        | 50,882       | 126,784     | -             | -           | 126,699             | 50,024                |  |  | 400,653    |                 |
| FVOCI                                                   |               |              |             |               |             |                     |                       |  |  |            |                 |
| Islamic debt securities                                 | 1,630,899     | 1,754,157    | 54,495      | 64,577        | -           | 1,147,283           | -                     |  |  | 4,651,411  |                 |
| Institutional Trust Account                             | -             | -            | -           | -             | -           | 652,486             | -                     |  |  | 652,486    |                 |
| Malaysian Government Islamic papers                     | -             | -            | -           | -             | -           | 534,064 *           | -                     |  |  | 534,064    |                 |
| Amortised cost                                          |               |              |             |               |             |                     |                       |  |  |            |                 |
| Retakaful assets                                        | -             | -            | -           | -             | -           | 323,150             | -                     |  |  | 323,150    |                 |
| Loans and receivables, excluding<br>takaful receivables | 199,900       | 981,154      | 570,173     | -             | -           | 774,163             | 17,866                |  |  | 2,543,256  |                 |
| Takaful receivables                                     | -             | -            | -           | -             | -           | 302,971             | -                     |  |  | 302,971    |                 |
| Cash and cash equivalents                               | 262,086       | 182,685      | 9,844       | -             | -           | 212,271             | 45,723                |  |  | 712,609    |                 |
|                                                         | 2,139,149     | 2,968,878    | 761,296     | 64,577        | -           | 4,073,087           | 113,613               |  |  | 10,120,600 |                 |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis

The following table presents an analysis of the credit quality of financial assets at FVTPL, FVOCI and amortised cost. The inputs, assumptions and techniques used for estimating the impairment are disclosed in Note 38.4.

| 2019                                | Group   |         |         |        |        |           |             | Total     |
|-------------------------------------|---------|---------|---------|--------|--------|-----------|-------------|-----------|
|                                     | AAA     | AA      | A       | BBB    | B      | Not-rated | Unit-linked |           |
|                                     | RM'000  | RM'000  | RM'000  | RM'000 | RM'000 | RM'000    | RM'000      | RM'000    |
| <b>Takaful Operator</b>             |         |         |         |        |        |           |             |           |
| FVTPL                               |         |         |         |        |        |           |             |           |
| Islamic debt securities             | 6,512   | 17,453  | 28,922  | -      | -      | 8,723     | -           | 61,610    |
| FVOCI                               |         |         |         |        |        |           |             |           |
| Islamic debt securities             | 146,653 | 179,027 | 5,000   | -      | -      | 103,813   | -           | 434,493   |
| Institutional Trust Account         | -       | -       | -       | -      | -      | 106,038   | -           | 106,038   |
| Malaysian Government Islamic papers | -       | -       | -       | -      | -      | 44,167 *  | -           | 44,167    |
| Amortised cost                      |         |         |         |        |        |           |             |           |
| Loans and receivables, excluding    |         |         |         |        |        |           |             |           |
| takaful receivables                 | 88,330  | 304,783 | 119,801 | -      | -      | 226,953   | -           | 739,867   |
| Cash and cash equivalents           | 18,602  | 35,559  | 5,142   | -      | -      | 50,007    | -           | 109,310   |
|                                     | 260,097 | 536,822 | 158,865 | -      | -      | 539,701   | -           | 1,495,485 |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

| 2019                                | Group         |              |             |               |             |                     |                       |           | Total<br>RM'000 |
|-------------------------------------|---------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|-----------|-----------------|
|                                     | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | B<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |           |                 |
| Family Takaful                      |               |              |             |               |             |                     |                       |           |                 |
| FVTPL                               | 42,449        | 9,218        | 142,138     | -             | -           | 115,070             | 47,240                | 356,115   |                 |
| FVOCI                               | 1,053,258     | 1,080,865    | 97,829      | 26,124        | -           | 833,138             | -                     | 3,091,214 |                 |
| Islamic debt securities             | -             | -            | -           | -             | -           | 367,761             | -                     | 367,761   |                 |
| Institutional Trust Account         | -             | -            | -           | -             | -           | 449,944 *           | -                     | 449,944   |                 |
| Malaysian Government Islamic papers | -             | -            | -           | -             | -           | -                   | -                     | -         |                 |
| Amortised cost                      | -             | -            | -           | -             | -           | -                   | -                     | -         |                 |
| Retakaful assets                    | -             | -            | -           | -             | -           | 8,493               | -                     | 8,493     |                 |
| Loans and receivables, excluding    | 124,679       | 714,549      | 351,118     | -             | -           | 398,217             | 5,035                 | 1,593,598 |                 |
| takaful receivables                 | -             | -            | -           | -             | -           | 89,962              | -                     | 89,962    |                 |
| Takaful receivables                 | 112,431       | 97,078       | 10,065      | -             | -           | 168,337             | 53,445                | 441,356   |                 |
| Cash and cash equivalents           |               |              |             |               |             |                     |                       |           |                 |
|                                     | 1,332,817     | 1,901,710    | 601,150     | 26,124        | -           | 2,430,922           | 105,720               | 6,398,443 |                 |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

| 2019                                | Group         |              |             |               |             |                     |                       | Total     |
|-------------------------------------|---------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|-----------|
|                                     | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | B<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |           |
| <b>General Takaful</b>              |               |              |             |               |             |                     |                       |           |
| FVTPL                               | -             | -            | 15,199      | -             | -           | -                   | -                     | 15,199    |
| Islamic debt securities             |               |              |             |               |             |                     |                       |           |
| FVOCI                               |               |              |             |               |             |                     |                       |           |
| Islamic debt securities             | 89,162        | 120,538      | 14,794      | 3,732         | -           | 65,948              | -                     | 294,174   |
| Institutional Trust Account         | -             | -            | -           | -             | -           | 57,053              | -                     | 57,053    |
| Malaysian Government Islamic papers | -             | -            | -           | -             | -           | 5,521 *             | -                     | 5,521     |
| Amortised cost                      |               |              |             |               |             |                     |                       |           |
| Retakaful assets                    | -             | -            | -           | -             | -           | 190,182             | -                     | 190,182   |
| Loans and receivables, excluding    |               |              |             |               |             |                     |                       |           |
| takaful receivables                 | 20,970        | 195,850      | 89,212      | -             | -           | 52,697              | -                     | 358,729   |
| Takaful receivables                 | -             | -            | -           | -             | -           | 113,717             | -                     | 113,717   |
| Cash and cash equivalents           | 1,298         | 47,421       | 3,282       | -             | -           | 533                 | -                     | 52,534    |
|                                     | 111,430       | 363,809      | 122,487     | 3,732         | -           | 485,651             | -                     | 1,087,109 |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

| 2019                                                    | Group         |              |             |               |             |                     |                       |  |  |           | Total<br>RM'000 |
|---------------------------------------------------------|---------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|--|--|-----------|-----------------|
|                                                         | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | B<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |  |  |           |                 |
| Group                                                   |               |              |             |               |             |                     |                       |  |  |           |                 |
| FVTPL                                                   |               |              |             |               |             |                     |                       |  |  |           |                 |
| Islamic debt securities                                 | 48,961        | 26,671       | 186,259     | -             | -           | 123,793             | 47,240                |  |  | 432,924   |                 |
| FVOCI                                                   |               |              |             |               |             |                     |                       |  |  |           |                 |
| Islamic debt securities                                 | 1,289,073     | 1,380,430    | 117,623     | 29,856        | -           | 1,002,899           | -                     |  |  | 3,819,881 |                 |
| Institutional Trust Account                             | -             | -            | -           | -             | -           | 530,852             | -                     |  |  | 530,852   |                 |
| Malaysian Government Islamic papers                     | -             | -            | -           | -             | -           | 499,632 *           | -                     |  |  | 499,632   |                 |
| Amortised cost                                          |               |              |             |               |             |                     |                       |  |  |           |                 |
| Retakaful assets                                        | -             | -            | -           | -             | -           | 198,675             | -                     |  |  | 198,675   |                 |
| Loans and receivables, excluding<br>takaful receivables | 233,979       | 1,215,182    | 560,131     | -             | -           | 610,611             | 5,035                 |  |  | 2,624,938 |                 |
| Takaful receivables                                     | -             | -            | -           | -             | -           | 203,679             | -                     |  |  | 203,679   |                 |
| Cash and cash equivalents                               | 132,331       | 180,058      | 18,489      | -             | -           | 218,877             | 53,445                |  |  | 603,200   |                 |
|                                                         | 1,704,344     | 2,802,341    | 882,502     | 29,856        | -           | 3,389,018           | 105,720               |  |  | 8,913,781 |                 |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

| 2020                                | Company       |              |             |               |             |                     |                       | Total<br>RM'000 |
|-------------------------------------|---------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|-----------------|
|                                     | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | B<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |                 |
| <b>Takaful Operator</b>             |               |              |             |               |             |                     |                       |                 |
| FVTPL                               |               |              |             |               |             |                     |                       |                 |
| Islamic debt securities             | -             | -            | 17,044      | -             | -           | -                   | -                     | 17,044          |
| FVOCI                               |               |              |             |               |             |                     |                       |                 |
| Islamic debt securities             | 176,954       | 211,615      | 5,041       | -             | -           | 140,214             | -                     | 533,824         |
| Institutional Trust Account         | -             | -            | -           | -             | -           | 83,877              | -                     | 83,877          |
| Malaysian Government Islamic papers | -             | -            | -           | -             | -           | 22,850 *            | -                     | 22,850          |
| Amortised cost                      |               |              |             |               |             |                     |                       |                 |
| Loans and receivables, excluding    |               |              |             |               |             |                     |                       |                 |
| takaful receivables                 | 73,682        | 199,042      | 71,036      | -             | -           | 157,072             | -                     | 500,832         |
| Cash and cash equivalents           | 75,301        | 7,854        | -           | -             | -           | 48                  | -                     | 83,203          |
|                                     | 325,937       | 418,511      | 93,121      | -             | -           | 404,061             | -                     | 1,241,630       |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

| 2020                                | Company       |              |             |               |             |                     |                       |           | Total<br>RM'000 |
|-------------------------------------|---------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|-----------|-----------------|
|                                     | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | B<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |           |                 |
| Family Takaful                      |               |              |             |               |             |                     |                       |           |                 |
| FVTPL                               | -             | 46,513       | 78,404      | -             | -           | 62,657              | 18,435                | 206,009   |                 |
| FVOCI                               |               |              |             |               |             |                     |                       |           |                 |
| Islamic debt securities             |               |              |             |               |             |                     |                       |           |                 |
| Islamic debt securities             | 1,349,996     | 1,346,482    | 45,458      | 60,411        | -           | 915,849             | -                     | 3,718,196 |                 |
| Institutional Trust Account         | -             | -            | -           | -             | -           | 487,171             | -                     | 487,171   |                 |
| Malaysian Government Islamic papers | -             | -            | -           | -             | -           | 494,067 *           | -                     | 494,067   |                 |
| Amortised cost                      |               |              |             |               |             |                     |                       |           |                 |
| Retakaful assets                    | -             | -            | -           | -             | -           | 9,318               | -                     | 9,318     |                 |
| Loans and receivables, excluding    |               |              |             |               |             |                     |                       |           |                 |
| takaful receivables                 | 55,178        | 467,580      | 330,660     | -             | -           | 439,363             | 17,866                | 1,310,647 |                 |
| Takaful receivables                 | -             | -            | -           | -             | -           | 167,492             | -                     | 167,492   |                 |
| Cash and cash equivalents           | 182,404       | 110,362      | 9,693       | -             | -           | 27,704              | 43,472                | 373,635   |                 |
|                                     | 1,587,578     | 1,970,937    | 464,215     | 60,411        | -           | 2,603,621           | 79,773                | 6,766,535 |                 |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

| 2020                                | Company       |              |             |               |             |                     |                       | Total     |
|-------------------------------------|---------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|-----------|
|                                     | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | B<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |           |
| <b>Company</b>                      |               |              |             |               |             |                     |                       |           |
| FVTPL                               |               |              |             |               |             |                     |                       |           |
| Islamic debt securities             | -             | 46,513       | 95,448      | -             | -           | 62,657              | 18,435                | 223,053   |
| FVOCI                               |               |              |             |               |             |                     |                       |           |
| Islamic debt securities             | 1,526,950     | 1,558,097    | 50,499      | 60,411        | -           | 1,056,063           | -                     | 4,252,020 |
| Institutional Trust Account         | -             | -            | -           | -             | -           | 571,048             | -                     | 571,048   |
| Malaysian Government Islamic papers | -             | -            | -           | -             | -           | 516,917 *           | -                     | 516,917   |
| Amortised cost                      |               |              |             |               |             |                     |                       |           |
| Retakaful assets                    | -             | -            | -           | -             | -           | 9,318               | -                     | 9,318     |
| Loans and receivables, excluding    |               |              |             |               |             |                     |                       |           |
| takaful receivables                 | 128,860       | 666,622      | 401,696     | -             | -           | 556,095             | 17,866                | 1,771,139 |
| Takaful receivables                 | -             | -            | -           | -             | -           | 167,492             | -                     | 167,492   |
| Cash and cash equivalents           | 257,705       | 118,216      | 9,693       | -             | -           | 27,752              | 43,472                | 456,838   |
|                                     | 1,913,515     | 2,389,448    | 557,336     | 60,411        | -           | 2,967,342           | 79,773                | 7,967,825 |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.



## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

| 2019                                                    | Company       |              |             |               |             |                     |                       | Total<br>RM'000 |
|---------------------------------------------------------|---------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|-----------------|
|                                                         | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | B<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |                 |
| <b>Takaful Operator</b>                                 |               |              |             |               |             |                     |                       |                 |
| FVTPL                                                   | -             | -            | 27,004      | -             | -           | -                   | -                     | 27,004          |
| Islamic debt securities                                 |               |              |             |               |             |                     |                       |                 |
| FVOCI                                                   |               |              |             |               |             |                     |                       |                 |
| Islamic debt securities                                 | 119,691       | 142,311      | 5,000       | -             | -           | 75,955              | -                     | 342,957         |
| Institutional Trust Account                             | -             | -            | -           | -             | -           | 83,948              | -                     | 83,948          |
| Malaysian Government Islamic papers                     | -             | -            | -           | -             | -           | 33,080 *            | -                     | 33,080          |
| Amortised cost                                          |               |              |             |               |             |                     |                       |                 |
| Loans and receivables, excluding<br>takaful receivables | 50,952        | 230,616      | 78,850      | -             | -           | 155,227             | -                     | 515,645         |
| Cash and cash equivalents                               | 8,472         | 21,026       | -           | -             | -           | 10,048              | -                     | 39,546          |
|                                                         | 179,115       | 393,953      | 110,854     | -             | -           | 358,258             | -                     | 1,042,180       |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

| 2019                                                    | Company       |              |             |               |             |                     |                       |                 |
|---------------------------------------------------------|---------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|-----------------|
|                                                         | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | B<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 | Total<br>RM'000 |
| <b>Family Takaful</b>                                   |               |              |             |               |             |                     |                       |                 |
| FVTPL                                                   | -             | 7,732        | 132,442     | -             | -           | 58,456              | 18,435                | 217,065         |
| Islamic debt securities                                 |               |              |             |               |             |                     |                       |                 |
| FVOCI                                                   |               |              |             |               |             |                     |                       |                 |
| Islamic debt securities                                 | 1,053,258     | 1,080,865    | 97,829      | 26,124        | -           | 833,138             | -                     | 3,091,214       |
| Institutional Trust Account                             | -             | -            | -           | -             | -           | 367,761             | -                     | 367,761         |
| Malaysian Government Islamic papers                     | -             | -            | -           | -             | -           | 449,944 *           | -                     | 449,944         |
| Amortised cost                                          |               |              |             |               |             |                     |                       |                 |
| Retakaful assets                                        | -             | -            | -           | -             | -           | 7,754               | -                     | 7,754           |
| Loans and receivables, excluding<br>takaful receivables | 124,679       | 714,549      | 351,118     | -             | -           | 391,529             | 5,035                 | 1,586,910       |
| Takaful receivables                                     | -             | -            | -           | -             | -           | 74,917              | -                     | 74,917          |
| Cash and cash equivalents                               | 112,431       | 97,078       | 10,065      | -             | -           | 30,662              | 34,194                | 284,430         |
|                                                         | 1,290,368     | 1,900,224    | 591,454     | 26,124        | -           | 2,214,161           | 57,664                | 6,079,995       |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

| 2019                                                    | Company       |              |             |               |             |                     |                       |           | Total<br>RM'000 |
|---------------------------------------------------------|---------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|-----------|-----------------|
|                                                         | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | B<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |           |                 |
| Company                                                 |               |              |             |               |             |                     |                       |           |                 |
| FVTPL                                                   |               |              |             |               |             |                     |                       |           |                 |
| Islamic debt securities                                 | -             | 7,732        | 159,446     | -             | -           | 58,456              | 18,435                | 244,069   |                 |
| FVOCI                                                   |               |              |             |               |             |                     |                       |           |                 |
| Islamic debt securities                                 | 1,172,949     | 1,223,176    | 102,829     | 26,124        | -           | 909,093             | -                     | 3,434,171 |                 |
| Institutional Trust Account                             | -             | -            | -           | -             | -           | 451,709             | -                     | 451,709   |                 |
| Malaysian Government Islamic papers                     | -             | -            | -           | -             | -           | 483,024 *           | -                     | 483,024   |                 |
| Amortised cost                                          |               |              |             |               |             |                     |                       |           |                 |
| Retakaful assets                                        | -             | -            | -           | -             | -           | 7,754               | -                     | 7,754     |                 |
| Loans and receivables, excluding<br>takaful receivables | 175,631       | 945,165      | 429,968     | -             | -           | 500,759             | 5,035                 | 2,056,558 |                 |
| Takaful receivables                                     | -             | -            | -           | -             | -           | 74,917              | -                     | 74,917    |                 |
| Cash and cash equivalents                               | 120,903       | 118,104      | 10,065      | -             | -           | 40,710              | 34,194                | 323,976   |                 |
|                                                         | 1,469,483     | 2,294,177    | 702,308     | 26,124        | -           | 2,526,422           | 57,664                | 7,076,178 |                 |

\* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.



## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Allowance for impairment (continued)

|                                      | Group                          |                                              |                            |                              |              |                                |                                              |                            |                              |              |
|--------------------------------------|--------------------------------|----------------------------------------------|----------------------------|------------------------------|--------------|--------------------------------|----------------------------------------------|----------------------------|------------------------------|--------------|
|                                      | 2020                           |                                              |                            |                              |              | 2019                           |                                              |                            |                              |              |
|                                      | 12-month ECL                   |                                              | Lifetime ECL               |                              |              | 12-month ECL                   |                                              | Lifetime ECL               |                              |              |
|                                      | Islamic debt securities RM'000 | Institutional Trust and call deposits RM'000 | Takaful receivables RM'000 | Financing receivables RM'000 | Total RM'000 | Islamic debt securities RM'000 | Institutional Trust and call deposits RM'000 | Takaful receivables RM'000 | Financing receivables RM'000 | Total RM'000 |
| <b>General Takaful</b>               |                                |                                              |                            |                              |              |                                |                                              |                            |                              |              |
| At 1 January                         | 104                            | 216                                          | -                          | 2,749                        | 381          | 80                             | 137                                          | -                          | 3,494                        | 381          |
| Net remeasurement of allowance       |                                |                                              |                            |                              |              |                                |                                              |                            |                              |              |
| for impairment                       | 222                            | -                                            | -                          | (424)                        | -            | 24                             | 79                                           | -                          | (745)                        | -            |
| Write back of impairment allowance   | -                              | -                                            | -                          | -                            | (381)        | -                              | -                                            | -                          | -                            | -            |
| As at 31 December                    | 326                            | 216                                          | -                          | 2,325                        | -            | 104                            | 216                                          | -                          | 2,749                        | 381          |
|                                      |                                |                                              |                            |                              | 2,867        |                                |                                              |                            |                              | 3,450        |
| <b>Group</b>                         |                                |                                              |                            |                              |              |                                |                                              |                            |                              |              |
| At 1 January                         | 1,238                          | 1,708                                        | 19                         | 6,591                        | 849          | 976                            | 954                                          | -                          | 6,107                        | 844          |
| Net remeasurement of allowance       |                                |                                              |                            |                              |              |                                |                                              |                            |                              |              |
| for impairment                       | 2,284                          | 387                                          | 3                          | (116)                        | -            | 262                            | 754                                          | 19                         | 484                          | -            |
| Write back of impairment allowance   | -                              | -                                            | -                          | -                            | (682)        | -                              | -                                            | -                          | -                            | -            |
| Effect of movement in exchange rates | -                              | -                                            | -                          | -                            | (3)          | -                              | -                                            | -                          | -                            | 5            |
| As at 31 December                    | 3,522                          | 2,095                                        | 22                         | 6,475                        | 164          | 1,238                          | 1,708                                        | 19                         | 6,591                        | 849          |
|                                      |                                |                                              |                            |                              | 12,278       |                                |                                              |                            |                              | 10,405       |



## 38. Financial instruments (continued)

### 38.4 Credit risk (continued)

### Allowance for impairment (continued)

| Company                            | 2020                      |                       |                              |                            |                              |              | 2019                      |                       |                              |                            |                              |              |
|------------------------------------|---------------------------|-----------------------|------------------------------|----------------------------|------------------------------|--------------|---------------------------|-----------------------|------------------------------|----------------------------|------------------------------|--------------|
|                                    | 12-month ECL              |                       |                              | Lifetime ECL               |                              |              | 12-month ECL              |                       |                              | Lifetime ECL               |                              |              |
|                                    | Islamic securities RM'000 | Fixed deposits RM'000 | Financing receivables RM'000 | Takaful receivables RM'000 | Financing receivables RM'000 | Total RM'000 | Islamic securities RM'000 | Fixed deposits RM'000 | Financing receivables RM'000 | Takaful receivables RM'000 | Financing receivables RM'000 | Total RM'000 |
| At 1 January                       | 1,046                     | 1,492                 | 19                           | 3,842                      | 316                          | 6,715        | 890                       | 817                   | -                            | 2,613                      | 316                          | 4,636        |
| Net remeasurement of allowance     |                           |                       |                              |                            |                              |              |                           |                       |                              |                            |                              |              |
| for impairment                     | 2,061                     | 387                   | 3                            | (867)                      | -                            | 1,584        | 156                       | 675                   | 19                           | 1,229                      | -                            | 2,079        |
| Write back of impairment allowance | -                         | -                     | -                            | -                          | (301)                        | (301)        | -                         | -                     | -                            | -                          | -                            | -            |
| As at 31 December                  | 3,107                     | 1,879                 | 22                           | 2,975                      | 15                           | 7,998        | 1,046                     | 1,492                 | 19                           | 3,842                      | 316                          | 6,715        |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### **Input, assumptions and techniques used for estimating impairment**

###### *Measurement of ECL*

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an assets is considered to be credit-impaired.

The key inputs into the measurement of ECL are the term structures of the following variables:

- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

PD represents the likelihood of a counterparty defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. To determine 12-month PDs, the Group and Company use the PD table supplied by reputable rating agency based on the default history of obligors with the same credit rating. The Group and the Company adopt the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the amount or the percentage of an outstanding claim on the counterparty that is not likely to be recovered in the event of a default. LGD varies by type of counterparty, type and seniority of claim and available of collateral or other credit support.

EAD is the Group's and the Company gross credit exposure to the counterparty at the time of default.

Forward-looking information is considered in determining the PD, EAD and LGD.

For ECL modelled on a collective basis, a grouping of exposures is perform on the basis of shared risks characteristics, such as risk exposure within a group are homogeneous. The characteristics and any data used to determine the groupings includes:

- instrument type;
- credit rating band;
- type and seniority of claim; and
- class of business.

The appropriateness of groupings is monitored and reviewed on a periodic basis by credit control team.

The Group and the Company has elected to measure the impairment losses for takaful receivables at an amount equal to lifetime ECL. The Group and the Company use an allowance matrix to measure ECLs of takaful receivables. Loss rates are calculated using a "roll rate" method based on the probability of receivable. The loss rates are based on actual credit loss experience over the past three years.



## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### **Input, assumptions and techniques used for estimating impairment (continued)**

###### *Definition of default and credit-impaired assets*

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group and the Company define a financial asset as in default when it meets one or more of the following criteria:

###### Quantitative criteria

The counterparty is overdue or non-payment on its contractual payments.

###### Qualitative criteria

The counterparty meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- the counterparty is insolvent or in breach of financial covenants;
- an active market for that financial asset has disappeared because of financial difficulty;
- it is becoming probable that the counterparty will enter bankruptcy; or
- financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

###### *Significant increase in credit risk*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The Group and the Company consider a financial instrument to have experience a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met, based on the Group's historical experience and informed credit assessment and including forward-looking information.

###### Quantitative criteria

The remaining lifetime PD at the reporting date has increased.

###### Qualitative criteria

- A drop in the credit rating or rating placed on Negative Rating Watch.
- Deterioration in financials, i.e. profit margins, negative cash flow, rising debt and inventory levels, hence increasing probability of default.
- The counterparty is in breach of financial covenants.
- Significant adverse changes in business, financial and/or economic conditions.
- Rescheduling / Restructuring or variation to existing terms.

Whenever available, the Group and the Company monitor changes in credit risk by tracking published external credit ratings. The Group and the Company also perform a regular internal review on the creditworthiness of the counterparty based on the latest quantitative and qualitative data.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.4 Credit risk (continued)

##### Credit quality analysis (continued)

##### Input, assumptions and techniques used for estimating impairment (continued)

##### *Significant increase in credit risk (continued)*

Where external ratings are not available, the Group and the Company allocate each exposure to an internal credit risk grade. The internal credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and benchmarked against external credit rating from reputable rating agencies.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and the Company are exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as 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). ECLs are discounted at the effective profit rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and Islamic debt securities 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.

#### 38.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected retakaful recoveries.

The following policies and procedures are in place to mitigate the Group's and the Company's exposure to liquidity risk:

- The Group and the Company-wide liquidity risk policy setting out the evaluation and determination of the components of liquidity risk of the Group and the Company. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Group's and the Company's Risk Management Committee as soon as practicable. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Setting up guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet takaful and investment contracts obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess of loss retakaful contracts contains clauses permitting the immediate draw down of funds to meet claims payments should claims events exceed certain amount.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.5 Liquidity risk (continued)

##### Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Group and of the Company based on remaining undiscounted contractual obligations, including profit payable.

For provision for outstanding claims, maturity profiles are determined based on estimated timing of net cash outflows from the recognised takaful liabilities.

| 2020                             | ----- Group ----->       |                                |                         |                       |                       |                             |                                 |
|----------------------------------|--------------------------|--------------------------------|-------------------------|-----------------------|-----------------------|-----------------------------|---------------------------------|
|                                  | Carrying value<br>RM'000 | Contractual interest rate<br>% | Up to a year*<br>RM'000 | 1 - 3 years<br>RM'000 | 3 - 5 years<br>RM'000 | More than 5 years<br>RM'000 | Contractual cash flow<br>RM'000 |
| <b>Takaful Operator</b>          |                          |                                |                         |                       |                       |                             |                                 |
| Lease liabilities                | 807                      | 6.34% to 6.50%                 | 639                     | 220                   | -                     | -                           | 859                             |
| Takaful payables                 | 32,847                   | -                              | 32,847                  | -                     | -                     | -                           | 32,847                          |
| Other payables                   | 274,972                  | -                              | 274,709                 | 263                   | -                     | -                           | 274,972                         |
|                                  | <u>308,626</u>           |                                | <u>308,195</u>          | <u>483</u>            | <u>-</u>              | <u>-</u>                    | <u>308,678</u>                  |
| <b>Family Takaful</b>            |                          |                                |                         |                       |                       |                             |                                 |
| Provision for outstanding claims | 45,886                   | -                              | 45,886                  | -                     | -                     | -                           | 45,886                          |
| Takaful payables                 | 62,884                   | -                              | 62,884                  | -                     | -                     | -                           | 62,884                          |
| Other payables                   | 145,584                  | -                              | 143,925                 | 1,659                 | -                     | -                           | 145,584                         |
|                                  | <u>254,354</u>           |                                | <u>252,695</u>          | <u>1,659</u>          | <u>-</u>              | <u>-</u>                    | <u>254,354</u>                  |
| <b>General Takaful</b>           |                          |                                |                         |                       |                       |                             |                                 |
| Provision for outstanding claims | 434,985                  | -                              | 173,349                 | 205,091               | 39,241                | 17,304                      | 434,985                         |
| Takaful payables                 | 136,798                  | -                              | 136,798                 | -                     | -                     | -                           | 136,798                         |
| Other payables                   | 80,690                   | -                              | 80,573                  | 117                   | -                     | -                           | 80,690                          |
|                                  | <u>652,473</u>           |                                | <u>390,720</u>          | <u>205,208</u>        | <u>39,241</u>         | <u>17,304</u>               | <u>652,473</u>                  |
| <b>Group</b>                     |                          |                                |                         |                       |                       |                             |                                 |
| Provision for outstanding claims | 480,871                  | -                              | 219,235                 | 205,091               | 39,241                | 17,304                      | 480,871                         |
| Lease liabilities                | 807                      | 6.34% to 6.50%                 | 639                     | 220                   | -                     | -                           | 859                             |
| Takaful payables                 | 232,529                  | -                              | 232,529                 | -                     | -                     | -                           | 232,529                         |
| Other payables                   | 438,811                  | -                              | 436,772                 | 2,039                 | -                     | -                           | 438,811                         |
|                                  | <u>1,153,018</u>         |                                | <u>889,175</u>          | <u>207,350</u>        | <u>39,241</u>         | <u>17,304</u>               | <u>1,153,070</u>                |

\* expected utilisation or settlement is within 12 months from the reporting date.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.5 Liquidity risk (continued)

##### Maturity profiles (continued)

| 2019                             | Group                    |                                |                         |                       |                       |                             |                                 |
|----------------------------------|--------------------------|--------------------------------|-------------------------|-----------------------|-----------------------|-----------------------------|---------------------------------|
|                                  | Carrying value<br>RM'000 | Contractual interest rate<br>% | Up to a year*<br>RM'000 | 1 - 3 years<br>RM'000 | 3 - 5 years<br>RM'000 | More than 5 years<br>RM'000 | Contractual cash flow<br>RM'000 |
| <b>Takaful Operator</b>          |                          |                                |                         |                       |                       |                             |                                 |
| Lease liabilities                | 988                      | 6.34% to 6.50%                 | 595                     | 457                   | -                     | -                           | 1,052                           |
| Takaful payables                 | 31,301                   | -                              | 31,301                  | -                     | -                     | -                           | 31,301                          |
| Other payables                   | 172,119                  | -                              | 171,879                 | 240                   | -                     | -                           | 172,119                         |
|                                  | <u>204,408</u>           |                                | <u>203,775</u>          | <u>697</u>            | <u>-</u>              | <u>-</u>                    | <u>204,472</u>                  |
| <b>Family Takaful</b>            |                          |                                |                         |                       |                       |                             |                                 |
| Provision for outstanding claims | 39,182                   | -                              | 39,182                  | -                     | -                     | -                           | 39,182                          |
| Takaful payables                 | 58,350                   | -                              | 58,350                  | -                     | -                     | -                           | 58,350                          |
| Other payables                   | 123,010                  | -                              | 121,376                 | 1,634                 | -                     | -                           | 123,010                         |
|                                  | <u>220,542</u>           |                                | <u>218,908</u>          | <u>1,634</u>          | <u>-</u>              | <u>-</u>                    | <u>220,542</u>                  |
| <b>General Takaful</b>           |                          |                                |                         |                       |                       |                             |                                 |
| Provision for outstanding claims | 302,067                  | -                              | 140,518                 | 120,401               | 29,218                | 11,930                      | 302,067                         |
| Takaful payables                 | 85,700                   | -                              | 85,700                  | -                     | -                     | -                           | 85,700                          |
| Other payables                   | 86,719                   | -                              | 86,614                  | 105                   | -                     | -                           | 86,719                          |
|                                  | <u>474,486</u>           |                                | <u>312,832</u>          | <u>120,506</u>        | <u>29,218</u>         | <u>11,930</u>               | <u>474,486</u>                  |
| <b>Group</b>                     |                          |                                |                         |                       |                       |                             |                                 |
| Provision for outstanding claims | 341,249                  | -                              | 179,700                 | 120,401               | 29,218                | 11,930                      | 341,249                         |
| Lease liabilities                | 988                      | 6.34% to 6.50%                 | 595                     | 457                   | -                     | -                           | 1,052                           |
| Takaful payables                 | 175,351                  | -                              | 175,351                 | -                     | -                     | -                           | 175,351                         |
| Other payables                   | 314,592                  | -                              | 312,613                 | 1,979                 | -                     | -                           | 314,592                         |
|                                  | <u>832,180</u>           |                                | <u>668,259</u>          | <u>122,837</u>        | <u>29,218</u>         | <u>11,930</u>               | <u>832,244</u>                  |

\* expected utilisation or settlement is within 12 months from the reporting date.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.5 Liquidity risk (continued)

##### Maturity profiles (continued)

| 2020                             | Company                  |                                |                |                       |                       |                             |                                 |
|----------------------------------|--------------------------|--------------------------------|----------------|-----------------------|-----------------------|-----------------------------|---------------------------------|
|                                  | Carrying value<br>RM'000 | Contractual interest rate<br>% | Up to a year*  | 1 - 3 years<br>RM'000 | 3 - 5 years<br>RM'000 | More than 5 years<br>RM'000 | Contractual cash flow<br>RM'000 |
| <b>Takaful Operator</b>          |                          |                                |                |                       |                       |                             |                                 |
| Lease liabilities                | 807                      | 6.34% to 6.50%                 | 639            | 220                   | -                     | -                           | 859                             |
| Takaful payables                 | 19,972                   | -                              | 19,972         | -                     | -                     | -                           | 19,972                          |
| Other payables                   | 235,442                  | -                              | 235,179        | 263                   | -                     | -                           | 235,442                         |
|                                  | <u>256,221</u>           |                                | <u>255,790</u> | <u>483</u>            | <u>-</u>              | <u>-</u>                    | <u>256,273</u>                  |
| <b>Family Takaful</b>            |                          |                                |                |                       |                       |                             |                                 |
| Provision for outstanding claims | 43,880                   | -                              | 43,880         | -                     | -                     | -                           | 43,880                          |
| Takaful payables                 | 58,452                   | -                              | 58,452         | -                     | -                     | -                           | 58,452                          |
| Other payables                   | 135,998                  | -                              | 134,339        | 1,659                 | -                     | -                           | 135,998                         |
|                                  | <u>238,330</u>           |                                | <u>236,671</u> | <u>1,659</u>          | <u>-</u>              | <u>-</u>                    | <u>238,330</u>                  |
| <b>Company</b>                   |                          |                                |                |                       |                       |                             |                                 |
| Provision for outstanding claims | 43,880                   | -                              | 43,880         | -                     | -                     | -                           | 43,880                          |
| Lease liabilities                | 807                      | 6.34% to 6.50%                 | 639            | 220                   | -                     | -                           | 859                             |
| Takaful payables                 | 78,424                   | -                              | 78,424         | -                     | -                     | -                           | 78,424                          |
| Other payables                   | 331,100                  | -                              | 329,178        | 1,922                 | -                     | -                           | 331,100                         |
|                                  | <u>454,211</u>           |                                | <u>452,121</u> | <u>2,142</u>          | <u>-</u>              | <u>-</u>                    | <u>454,263</u>                  |

\* expected utilisation or settlement is within 12 months from the reporting date.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.5 Liquidity risk (continued)

##### Maturity profiles (continued)

| 2019                             | Company                  |                                |                         |                       |                       |                             |                                 |
|----------------------------------|--------------------------|--------------------------------|-------------------------|-----------------------|-----------------------|-----------------------------|---------------------------------|
|                                  | Carrying value<br>RM'000 | Contractual interest rate<br>% | Up to a year*<br>RM'000 | 1 - 3 years<br>RM'000 | 3 - 5 years<br>RM'000 | More than 5 years<br>RM'000 | Contractual cash flow<br>RM'000 |
| <b>Takaful Operator</b>          |                          |                                |                         |                       |                       |                             |                                 |
| Lease liabilities                | 988                      | 6.34% to 6.50%                 | 595                     | 457                   | -                     | -                           | 1,052                           |
| Takaful payables                 | 19,110                   | -                              | 19,110                  | -                     | -                     | -                           | 19,110                          |
| Other payables                   | 137,004                  | -                              | 136,764                 | 240                   | -                     | -                           | 137,004                         |
|                                  | <u>157,102</u>           |                                | <u>156,469</u>          | <u>697</u>            | <u>-</u>              | <u>-</u>                    | <u>157,166</u>                  |
| <b>Family Takaful</b>            |                          |                                |                         |                       |                       |                             |                                 |
| Provision for outstanding claims | 37,619                   | -                              | 37,619                  | -                     | -                     | -                           | 37,619                          |
| Takaful payables                 | 52,931                   | -                              | 52,931                  | -                     | -                     | -                           | 52,931                          |
| Other payables                   | 112,817                  | -                              | 111,183                 | 1,634                 | -                     | -                           | 112,817                         |
|                                  | <u>203,367</u>           |                                | <u>201,733</u>          | <u>1,634</u>          | <u>-</u>              | <u>-</u>                    | <u>203,367</u>                  |
| <b>Company</b>                   |                          |                                |                         |                       |                       |                             |                                 |
| Provision for outstanding claims | 37,619                   | -                              | 37,619                  | -                     | -                     | -                           | 37,619                          |
| Lease liabilities                | 988                      | 6.34% to 6.50%                 | 595                     | 457                   | -                     | -                           | 1,052                           |
| Takaful payables                 | 72,041                   | -                              | 72,041                  | -                     | -                     | -                           | 72,041                          |
| Other payables                   | 203,824                  | -                              | 198,467                 | 1,874                 | -                     | -                           | 200,341                         |
|                                  | <u>314,472</u>           |                                | <u>308,722</u>          | <u>2,331</u>          | <u>-</u>              | <u>-</u>                    | <u>311,053</u>                  |

\* expected utilisation or settlement is within 12 months from the reporting date.

#### 38.6 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three (3) types of risk - foreign exchange rates (Currency risk), market profit yields (Profit Yield risk) and market prices (Price risk).

The key features of the Group's and the Company's market risk management practices and policies are as follows:

- A Group and the Company-wide market risk policy setting out the evaluation and determination of components of market risk for the Group and the Company. Compliance with the policy is monitored and reported monthly to the Risk Management Committee ("RMC") and exposures and breaches are reported as soon as practicable.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.6 Market risk (continued)

- Set asset allocation, portfolio limit structure and diversification benchmark to ensure that assets back specific contract liabilities and that assets are held to deliver income and gains for certificate holders in line with terms of the respective contracts expectations of policies. The Group's and the Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with Group's and Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

The Group and the Company also issue unit-linked investment certificates. In the unit-linked business, the certificate holders bear investment risk on the assets held in the unit-linked funds as the certificate benefits are directly linked to value of the assets in the funds. The Group's and Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds.

#### 38.7 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's and the Company's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to Indonesia Rupiah ("Rp") and US Dollar ("USD").

As the Group's and Company's business is conducted primarily in Malaysia, the Group's and the Company's financial assets are also primarily maintained in Malaysia as required under the Islamic Financial Services Act 2013, and hence, primarily denominated in the same currency (the local RM) as its takaful and investment contract liabilities. Accordingly, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which takaful and investment contract liabilities are expected to be settled.

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

The Group's and the Company's exposure to currency risk is immaterial in the context of the financial statements and hence, sensitivity analysis is not presented.

#### 38.8 Profit yield risk

Profit yield risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market profit yield.

Floating rate / yield instruments expose the Group and the Company to cash flow risk, whereas fixed rate / yield instruments expose the Group and the Company to fair value risk.

#### ***Risk management objectives, policies and processes for managing the risk***

The Group's and the Company's profit risk policy requires Management to manage the risk by maintaining an appropriate mix of variable and fixed rate / yield instruments. The policy also requires Management to manage the maturities of profit-bearing financial assets and liabilities. Floating rate / yield instruments will be re-priced at intervals of not more than one (1) year. Profit on fixed rate / yield instruments is priced at inception of the financial instrument and is fixed until maturity.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.8 Profit yield risk (continued)

##### *Exposure to profit yield risk*

The profit yield profile of the Group's and the Company's significant profit-bearing financial instruments, based on carrying amounts as at the end of the reporting period was as follows:

|                               | <b>Group</b>  |               | <b>Company</b> |               |
|-------------------------------|---------------|---------------|----------------|---------------|
|                               | <b>2020</b>   | <b>2019</b>   | <b>2020</b>    | <b>2019</b>   |
| <b>Fixed rate instruments</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| <b>Takaful Operator</b>       |               |               |                |               |
| FVTPL financial assets        | 55,560        | 61,610        | 17,044         | 27,004        |
| FVOCI financial assets        | 791,951       | 584,698       | 640,551        | 459,985       |
| Amortised cost                | 811,130       | 732,187       | 515,505        | 475,565       |
|                               | 1,658,641     | 1,378,495     | 1,173,100      | 962,554       |
| <b>Family Takaful</b>         |               |               |                |               |
| FVTPL financial assets        | 345,093       | 356,115       | 206,009        | 217,065       |
| FVOCI financial assets        | 4,699,434     | 3,908,919     | 4,699,434      | 3,908,919     |
| Amortised cost                | 1,674,644     | 1,816,032     | 1,527,627      | 1,656,965     |
|                               | 6,719,171     | 6,081,066     | 6,433,070      | 5,782,949     |
| <b>General Takaful</b>        |               |               |                |               |
| FVTPL financial assets        | -             | 15,199        | -              | -             |
| FVOCI financial assets        | 346,576       | 356,748       | -              | -             |
| Amortised cost                | 524,952       | 371,977       | -              | -             |
|                               | 871,528       | 743,924       | -              | -             |
| <b>Group / Company</b>        |               |               |                |               |
| FVTPL financial assets        | 400,653       | 432,924       | 223,053        | 244,069       |
| FVOCI financial assets        | 5,837,961     | 4,850,365     | 5,339,985      | 4,368,904     |
| Amortised cost                | 3,010,726     | 2,920,196     | 2,043,132      | 2,132,530     |
|                               | 9,249,340     | 8,203,485     | 7,606,170      | 6,745,503     |

The Group and the Company have no significant concentration of profit yield risk.

A change of 50 basis points in profit rates at the end of the reporting period would have increased / (decreased) other comprehensive income / equity, Family and General Takaful participant's fund by the amounts shown below. This analysis assumes that all other variables remain constant.



## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.8 Profit yield risk (continued)

##### Exposure to profit yield risk (continued)

|                         |                     | <----- Group ----->               |                          |                                    |                                     |
|-------------------------|---------------------|-----------------------------------|--------------------------|------------------------------------|-------------------------------------|
| 2020                    | Change in variables | Impact on profit after tax RM'000 | Impact on equity* RM'000 | Impact on operating surplus RM'000 | Impact on participants' fund RM'000 |
| <b>Takaful Operator</b> |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | (718)                             | (718)                    | -                                  | -                                   |
| FVOCI financial assets  | +50bps              | -                                 | (20,604)                 | -                                  | -                                   |
|                         |                     | (718)                             | (21,322)                 | -                                  | -                                   |
| FVTPL financial assets  | -50bps              | 746                               | 746                      | -                                  | -                                   |
| FVOCI financial assets  | -50bps              | -                                 | 22,181                   | -                                  | -                                   |
|                         |                     | 746                               | 22,927                   | -                                  | -                                   |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | -                                 | -                        | (3,619)                            | (3,619)                             |
| FVOCI financial assets  | +50bps              | -                                 | -                        | -                                  | (184,342)                           |
|                         |                     | -                                 | -                        | (3,619)                            | (187,961)                           |
| FVTPL financial assets  | -50bps              | -                                 | -                        | 3,795                              | 3,795                               |
| FVOCI financial assets  | -50bps              | -                                 | -                        | -                                  | 206,073                             |
|                         |                     | -                                 | -                        | 3,795                              | 209,868                             |
| <b>General Takaful</b>  |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | -                                 | -                        | -                                  | -                                   |
| FVOCI financial assets  | +50bps              | -                                 | -                        | -                                  | (7,868)                             |
|                         |                     | -                                 | -                        | -                                  | (7,868)                             |
| FVTPL financial assets  | -50bps              | -                                 | -                        | -                                  | -                                   |
| FVOCI financial assets  | -50bps              | -                                 | -                        | -                                  | 8,955                               |
|                         |                     | -                                 | -                        | -                                  | 8,955                               |
| <b>Group</b>            |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | (718)                             | (718)                    | (3,619)                            | (3,619)                             |
| FVOCI financial assets  | +50bps              | -                                 | (20,604)                 | -                                  | (192,210)                           |
|                         |                     | (718)                             | (21,322)                 | (3,619)                            | (195,829)                           |
| FVTPL financial assets  | -50bps              | 746                               | 746                      | 3,795                              | 3,795                               |
| FVOCI financial assets  | -50bps              | -                                 | 22,181                   | -                                  | 215,028                             |
|                         |                     | 746                               | 22,927                   | 3,795                              | 218,823                             |

\* impact on equity reflects adjustments for tax, when applicable.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.8 Profit yield risk (continued)

##### Exposure to profit yield risk (continued)

| 2019                    | Change in variables | Impact on profit after tax RM'000 | Impact on equity* RM'000 | Impact on operating surplus RM'000 | Impact on participants' fund RM'000 |
|-------------------------|---------------------|-----------------------------------|--------------------------|------------------------------------|-------------------------------------|
| <b>Takaful Operator</b> |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | (821)                             | (821)                    | -                                  | -                                   |
| FVOCI financial assets  | +50bps              | -                                 | (13,932)                 | -                                  | -                                   |
|                         |                     | (821)                             | (14,753)                 | -                                  | -                                   |
| FVTPL financial assets  | -50bps              | 854                               | 854                      | -                                  | -                                   |
| FVOCI financial assets  | -50bps              | -                                 | 14,863                   | -                                  | -                                   |
|                         |                     | 854                               | 15,717                   | -                                  | -                                   |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | -                                 | -                        | (3,972)                            | (3,972)                             |
| FVOCI financial assets  | +50bps              | -                                 | -                        | -                                  | (162,086)                           |
|                         |                     | -                                 | -                        | (3,972)                            | (166,058)                           |
| FVTPL financial assets  | -50bps              | -                                 | -                        | 4,162                              | 4,162                               |
| FVOCI financial assets  | -50bps              | -                                 | -                        | -                                  | 174,710                             |
|                         |                     | -                                 | -                        | 4,162                              | 178,872                             |
| <b>General Takaful</b>  |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | -                                 | -                        | (39)                               | (39)                                |
| FVOCI financial assets  | +50bps              | -                                 | -                        | -                                  | (9,665)                             |
|                         |                     | -                                 | -                        | (39)                               | (9,704)                             |
| FVTPL financial assets  | -50bps              | -                                 | -                        | 37                                 | 37                                  |
| FVOCI financial assets  | -50bps              | -                                 | -                        | -                                  | 10,193                              |
|                         |                     | -                                 | -                        | 37                                 | 10,230                              |
| <b>Group</b>            |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | (821)                             | (821)                    | (4,011)                            | (4,011)                             |
| FVOCI financial assets  | +50bps              | -                                 | (13,932)                 | -                                  | (171,751)                           |
|                         |                     | (821)                             | (14,753)                 | (4,011)                            | (175,762)                           |
| FVTPL financial assets  | -50bps              | 854                               | 854                      | 4,199                              | 4,199                               |
| FVOCI financial assets  | -50bps              | -                                 | 14,863                   | -                                  | 184,903                             |
|                         |                     | 854                               | 15,717                   | 4,199                              | 189,102                             |

\* impact on equity reflects adjustments for tax, when applicable.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.8 Profit yield risk (continued)

##### *Exposure to profit yield risk (continued)*

|                         |                     | ----- Company ----->              |                          |                                    |                                     |
|-------------------------|---------------------|-----------------------------------|--------------------------|------------------------------------|-------------------------------------|
|                         | Change in variables | Impact on profit after tax RM'000 | Impact on equity* RM'000 | Impact on operating surplus RM'000 | Impact on participants' fund RM'000 |
| <b>2020</b>             |                     |                                   |                          |                                    |                                     |
| <b>Takaful Operator</b> |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | (377)                             | (377)                    | -                                  | -                                   |
| FVOCI financial assets  | +50bps              | -                                 | (16,590)                 | -                                  | -                                   |
|                         |                     | (377)                             | (16,967)                 | -                                  | -                                   |
|                         |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | -50bps              | 391                               | 391                      | -                                  | -                                   |
| FVOCI financial assets  | -50bps              | -                                 | 17,914                   | -                                  | -                                   |
|                         |                     | 391                               | 18,305                   | -                                  | -                                   |
|                         |                     |                                   |                          |                                    |                                     |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | -                                 | -                        | (4,124)                            | (4,124)                             |
| FVOCI financial assets  | +50bps              | -                                 | -                        | -                                  | (184,342)                           |
|                         |                     | -                                 | -                        | (4,124)                            | (188,466)                           |
|                         |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | -50bps              | -                                 | -                        | 4,300                              | 4,300                               |
| FVOCI financial assets  | -50bps              | -                                 | -                        | -                                  | 206,073                             |
|                         |                     | -                                 | -                        | 4,300                              | 210,373                             |
|                         |                     |                                   |                          |                                    |                                     |
| <b>Company</b>          |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | (377)                             | (377)                    | (4,124)                            | (4,124)                             |
| FVOCI financial assets  | +50bps              | -                                 | (16,590)                 | -                                  | (184,342)                           |
|                         |                     | (377)                             | (16,967)                 | (4,124)                            | (188,466)                           |
|                         |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | -50bps              | 391                               | 391                      | 4,300                              | 4,300                               |
| FVOCI financial assets  | -50bps              | -                                 | 17,914                   | -                                  | 206,073                             |
|                         |                     | 391                               | 18,305                   | 4,300                              | 210,373                             |

\* impact on equity reflects adjustments for tax, when applicable.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.8 Profit yield risk (continued)

##### *Exposure to profit yield risk (continued)*

| 2019                    | Change in variables | <----- Company ----->             |                          |                                    |                                     |
|-------------------------|---------------------|-----------------------------------|--------------------------|------------------------------------|-------------------------------------|
|                         |                     | Impact on profit after tax RM'000 | Impact on equity* RM'000 | Impact on operating surplus RM'000 | Impact on participants' fund RM'000 |
| <b>Takaful Operator</b> |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | (435)                             | (435)                    | -                                  | -                                   |
| FVOCI financial assets  | +50bps              | -                                 | (10,925)                 | -                                  | -                                   |
|                         |                     | (435)                             | (11,360)                 | -                                  | -                                   |
|                         |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | -50bps              | 451                               | 451                      | -                                  | -                                   |
| FVOCI financial assets  | -50bps              | -                                 | 11,667                   | -                                  | -                                   |
|                         |                     | 451                               | 12,118                   | -                                  | -                                   |
|                         |                     |                                   |                          |                                    |                                     |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | -                                 | -                        | (4,394)                            | (4,394)                             |
| FVOCI financial assets  | +50bps              | -                                 | -                        | -                                  | (162,086)                           |
|                         |                     | -                                 | -                        | (4,394)                            | (166,480)                           |
|                         |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | -50bps              | -                                 | -                        | 4,584                              | 4,584                               |
| FVOCI financial assets  | -50bps              | -                                 | -                        | -                                  | 174,710                             |
|                         |                     | -                                 | -                        | 4,584                              | 179,294                             |
|                         |                     |                                   |                          |                                    |                                     |
| <b>Company</b>          |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | (435)                             | (435)                    | (4,394)                            | (4,394)                             |
| FVOCI financial assets  | +50bps              | -                                 | (10,925)                 | -                                  | (162,086)                           |
|                         |                     | (435)                             | (11,360)                 | (4,394)                            | (166,480)                           |
|                         |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | -50bps              | 451                               | 451                      | 4,584                              | 4,584                               |
| FVOCI financial assets  | -50bps              | -                                 | 11,667                   | -                                  | 174,710                             |
|                         |                     | 451                               | 12,118                   | 4,584                              | 179,294                             |

\* impact on equity reflects adjustments for tax, when applicable.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.9 Other price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Group's and the Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (excluding those investment securities held for the account of unit-linked business).

#### ***Risk management objectives, policies and processes for managing the risk***

The Group's and the Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Group and the Company comply with BNM stipulated limits during the financial year and have no significant concentration of price risk.

#### ***Equity price risk sensitivity analysis***

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on OCI / Equity for Takaful Operator, and showing the impact on operating surplus and participants' fund for Family Takaful Fund and General Takaful Fund accordingly. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on individual basis. It should be noted that movements in these variables are non-linear.

|                         |                     | ----- Group ----->                |                          |                                    |                                     |
|-------------------------|---------------------|-----------------------------------|--------------------------|------------------------------------|-------------------------------------|
|                         | Change in variables | Impact on profit after tax RM'000 | Impact on equity* RM'000 | Impact on operating surplus RM'000 | Impact on participants' fund RM'000 |
| <b>2020</b>             |                     |                                   |                          |                                    |                                     |
| <b>Takaful Operator</b> |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | 5,931                             | 5,931                    | -                                  | -                                   |
| Market price            | -15%                | (5,931)                           | (5,931)                  | -                                  | -                                   |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | -                                 | -                        | 45,006                             | 45,006                              |
| Market price            | -15%                | -                                 | -                        | (45,006)                           | (45,006)                            |
| <b>Group</b>            |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | 1,176                             | 1,176                    | 45,006                             | 45,006                              |
| Market price            | -15%                | (1,176)                           | (1,176)                  | (45,006)                           | (45,006)                            |

\* impact on equity reflects adjustments for tax, when applicable.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.9 Other price risk (continued)

##### Equity price risk sensitivity analysis (continued)

|                         |                     | <----- Group ----->               |                          |                                    |                                     |
|-------------------------|---------------------|-----------------------------------|--------------------------|------------------------------------|-------------------------------------|
|                         | Change in variables | Impact on profit after tax RM'000 | Impact on equity* RM'000 | Impact on operating surplus RM'000 | Impact on participants' fund RM'000 |
| <b>2019</b>             |                     |                                   |                          |                                    |                                     |
| <b>Takaful Operator</b> |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | 5,115                             | 5,115                    | -                                  | -                                   |
| Market price            | -15%                | (5,081)                           | (5,081)                  | -                                  | -                                   |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | -                                 | -                        | 44,905                             | 44,905                              |
| Market price            | -15%                | -                                 | -                        | (44,905)                           | (44,905)                            |
| <b>Group</b>            |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | 844                               | 844                      | 44,905                             | 44,905                              |
| Market price            | -15%                | (810)                             | (810)                    | (44,905)                           | (44,905)                            |
|                         |                     | <----- Company ----->             |                          |                                    |                                     |
|                         | Change in variables | Impact on profit after tax RM'000 | Impact on equity* RM'000 | Impact on operating surplus RM'000 | Impact on participants' fund RM'000 |
| <b>2020</b>             |                     |                                   |                          |                                    |                                     |
| <b>Takaful Operator</b> |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | 5,858                             | 5,858                    | -                                  | -                                   |
| Market price            | -15%                | (5,858)                           | (5,858)                  | -                                  | -                                   |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | -                                 | -                        | 44,997                             | 44,997                              |
| Market price            | -15%                | -                                 | -                        | (44,997)                           | (44,997)                            |
| <b>Company</b>          |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | 1,103                             | 1,103                    | 44,997                             | 44,997                              |
| Market price            | -15%                | (1,103)                           | (1,103)                  | (44,997)                           | (44,997)                            |

\* impact on equity reflects adjustments for tax, when applicable.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.9 Other price risk (continued)

##### *Equity price risk sensitivity analysis (continued)*

|                  |                     | <----- Company ----->                |                             |                                       |                                        |
|------------------|---------------------|--------------------------------------|-----------------------------|---------------------------------------|----------------------------------------|
|                  | Change in variables | Impact on profit after tax<br>RM'000 | Impact on equity*<br>RM'000 | Impact on operating surplus<br>RM'000 | Impact on participants' fund<br>RM'000 |
| 2019             |                     |                                      |                             |                                       |                                        |
| Takaful Operator |                     |                                      |                             |                                       |                                        |
| Market price     | +15%                | 4,996                                | 4,996                       | -                                     | -                                      |
| Market price     | -15%                | (4,996)                              | (4,996)                     | -                                     | -                                      |
| Family Takaful   |                     |                                      |                             |                                       |                                        |
| Market price     | +15%                | -                                    | -                           | 44,062                                | 44,062                                 |
| Market price     | -15%                | -                                    | -                           | (44,062)                              | (44,062)                               |
| Company          |                     |                                      |                             |                                       |                                        |
| Market price     | +15%                | 4,271                                | 4,271                       | 44,062                                | 44,062                                 |
| Market price     | -15%                | (4,271)                              | (4,271)                     | (44,062)                              | (44,062)                               |

\* impact on equity reflects adjustments for tax, when applicable.

#### 38.10 Fair value information

The carrying amounts of cash and cash equivalents, and short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured. Please refer to the respective note for the fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.10 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

| 2020                       | Group                                                     |                   |                   |                 |                                                               |                   |                   |                 | Carrying amount |                  |
|----------------------------|-----------------------------------------------------------|-------------------|-------------------|-----------------|---------------------------------------------------------------|-------------------|-------------------|-----------------|-----------------|------------------|
|                            | Fair value of financial instruments carried at fair value |                   |                   |                 | Fair value of financial instruments not carried at fair value |                   |                   |                 |                 | Total fair value |
|                            | Level 1<br>RM'000                                         | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 | Level 1<br>RM'000                                             | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |                 |                  |
| <b>Takaful Operator</b>    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| <b>Financial assets</b>    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| Equity securities          | 9,434                                                     | -                 | 380               | 9,814           | -                                                             | -                 | -                 | -               | 9,814           | 9,814            |
| Unit trusts                | 538                                                       | 2,849             | -                 | 3,387           | -                                                             | -                 | -                 | -               | 3,387           | 3,387            |
| Institutional Trust        |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| Account                    | -                                                         | -                 | 107,046           | 107,046         | -                                                             | -                 | -                 | -               | 107,046         | 107,046          |
| Islamic debt securities    | 21,472                                                    | 684,713           | -                 | 706,185         | -                                                             | -                 | -                 | -               | 706,185         | 706,185          |
| Malaysian Government       |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| Islamic papers             | -                                                         | 34,280            | -                 | 34,280          | -                                                             | -                 | -                 | -               | 34,280          | 34,280           |
| Investment in linked funds | 41,708                                                    | -                 | -                 | 41,708          | -                                                             | -                 | -                 | -               | 41,708          | 41,708           |
|                            | 73,152                                                    | 721,842           | 107,426           | 902,420         | -                                                             | -                 | -                 | -               | 902,420         | 902,420          |
| <b>Family Takaful</b>      |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| <b>Financial assets</b>    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| Equity securities          | 333,740                                                   | -                 | -                 | 333,740         | -                                                             | -                 | -                 | -               | 333,740         | 333,740          |
| Unit trusts                | 27,088                                                    | 18,842            | -                 | 45,930          | -                                                             | -                 | -                 | -               | 45,930          | 45,930           |
| Institutional Trust        |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| Account                    | -                                                         | -                 | 487,171           | 487,171         | -                                                             | -                 | -                 | -               | 487,171         | 487,171          |
| Islamic debt securities    | 139,084                                                   | 3,924,205         | -                 | 4,063,289       | -                                                             | -                 | -                 | -               | 4,063,289       | 4,063,289        |
| Malaysian Government       |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| Islamic papers             | -                                                         | 494,067           | -                 | 494,067         | -                                                             | -                 | -                 | -               | 494,067         | 494,067          |
|                            | 499,912                                                   | 4,437,114         | 487,171           | 5,424,197       | -                                                             | -                 | -                 | -               | 5,424,197       | 5,424,197        |



**38. Financial instruments (continued)**

### 38.10 Fair value information (continued)

| ←-----Group-----→       |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
|-------------------------|-----------------------------------------------------------|-------------------|-------------------|-----------------|---------------------------------------------------------------|-------------------|-------------------|-----------------|------------------|-----------------|
|                         | Fair value of financial instruments carried at fair value |                   |                   |                 | Fair value of financial instruments not carried at fair value |                   |                   |                 | Total fair value | Carrying amount |
|                         | Level 1<br>RM'000                                         | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 | Level 1<br>RM'000                                             | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |                  |                 |
| 2020                    |                                                           |                   |                   |                 |                                                               |                   |                   |                 | RM'000           | RM'000          |
| General Takaful         |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Financial assets        |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Institutional Trust     |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Account                 | -                                                         | -                 | 58,269            | 58,269          | -                                                             | -                 | -                 | -               | 58,269           | 58,269          |
| Islamic debt securities | -                                                         | 282,590           | -                 | 282,590         | -                                                             | -                 | -                 | -               | 282,590          | 282,590         |
| Malaysian Government    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Islamic papers          | -                                                         | 5,717             | -                 | 5,717           | -                                                             | -                 | -                 | -               | 5,717            | 5,717           |
|                         | -                                                         | 288,307           | 58,269            | 346,576         | -                                                             | -                 | -                 | -               | 346,576          | 346,576         |
|                         |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Group                   |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Financial assets        |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Equity securities       | 343,174                                                   | -                 | 380               | 343,554         | -                                                             | -                 | -                 | -               | 343,554          | 343,554         |
| Unit trusts             | 27,626                                                    | 21,691            | -                 | 49,317          | -                                                             | -                 | -                 | -               | 49,317           | 49,317          |
| Institutional Trust     |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Account                 | -                                                         | -                 | 652,486           | 652,486         | -                                                             | -                 | -                 | -               | 652,486          | 652,486         |
| Islamic debt securities | 160,556                                                   | 4,891,508         | -                 | 5,052,064       | -                                                             | -                 | -                 | -               | 5,052,064        | 5,052,064       |
| Malaysian Government    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Islamic papers          | -                                                         | 534,064           | -                 | 534,064         | -                                                             | -                 | -                 | -               | 534,064          | 534,064         |
|                         | 531,356                                                   | 5,447,263         | 652,866           | 6,631,485       | -                                                             | -                 | -                 | -               | 6,631,485        | 6,631,485       |

### 38.10 Fair value information (continued)

| ←----- Company -----→   |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                            |                           |
|-------------------------|-----------------------------------------------------------|-------------------|-------------------|-----------------|---------------------------------------------------------------|-------------------|-------------------|-----------------|----------------------------|---------------------------|
| 2020                    | Fair value of financial instruments carried at fair value |                   |                   |                 | Fair value of financial instruments not carried at fair value |                   |                   |                 | Total fair value<br>RM'000 | Carrying amount<br>RM'000 |
|                         | Level 1<br>RM'000                                         | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 | Level 1<br>RM'000                                             | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |                            |                           |
| <b>Takaful Operator</b> |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                            |                           |
| <b>Financial assets</b> |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                            |                           |
| Equity securities       | 9,137                                                     | -                 | 380               | 9,517           | -                                                             | -                 | -                 | -               | 9,517                      | 9,517                     |
| Institutional Trust     |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                            |                           |
| Account                 | -                                                         | -                 | 83,877            | 83,877          | -                                                             | -                 | -                 | -               | 83,877                     | 83,877                    |
| Islamic debt securities | -                                                         | 550,868           | -                 | 550,868         | -                                                             | -                 | -                 | -               | 550,868                    | 550,868                   |
| Malaysian Government    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                            |                           |
| Islamic papers          | -                                                         | 22,850            | -                 | 22,850          | -                                                             | -                 | -                 | -               | 22,850                     | 22,850                    |
| Investment in           |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                            |                           |
| linked funds            | 41,708                                                    | -                 | -                 | 41,708          | -                                                             | -                 | -                 | -               | 41,708                     | 41,708                    |
|                         | 51,383                                                    | 573,718           | 84,257            | 709,358         | -                                                             | -                 | -                 | -               | 709,358                    | 709,358                   |
| <b>Family Takaful</b>   |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                            |                           |
| <b>Financial assets</b> |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                            |                           |
| Equity securities       | 272,890                                                   | -                 | -                 | 272,890         | -                                                             | -                 | -                 | -               | 272,890                    | 272,890                   |
| Unit trusts             | 27,088                                                    | -                 | -                 | 27,088          | -                                                             | -                 | -                 | -               | 27,088                     | 27,088                    |
| Institutional Trust     |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                            |                           |
| Account                 | -                                                         | -                 | 487,171           | 487,171         | -                                                             | -                 | -                 | -               | 487,171                    | 487,171                   |
| Islamic debt securities | -                                                         | 3,924,205         | -                 | 3,924,205       | -                                                             | -                 | -                 | -               | 3,924,205                  | 3,924,205                 |
| Malaysian Government    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                            |                           |
| Islamic papers          | -                                                         | 494,067           | -                 | 494,067         | -                                                             | -                 | -                 | -               | 494,067                    | 494,067                   |
|                         | 299,978                                                   | 4,418,272         | 487,171           | 5,205,421       | -                                                             | -                 | -                 | -               | 5,205,421                  | 5,205,421                 |

## 38. Financial instruments (continued)

### 38.10 Fair value information (continued)

[illegible]

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.10 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

| 2019                       | Group                                                     |                   |                   |                 |                                                               |                   |                   |                 | Carrying amount |                  |
|----------------------------|-----------------------------------------------------------|-------------------|-------------------|-----------------|---------------------------------------------------------------|-------------------|-------------------|-----------------|-----------------|------------------|
|                            | Fair value of financial instruments carried at fair value |                   |                   |                 | Fair value of financial instruments not carried at fair value |                   |                   |                 |                 | Total fair value |
|                            | Level 1<br>RM'000                                         | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 | Level 1<br>RM'000                                             | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |                 |                  |
| <b>Takaful Operator</b>    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| <b>Financial assets</b>    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| Equity securities          | 9,377                                                     | -                 | 380               | 9,757           | -                                                             | -                 | -                 | -               | 9,757           | 9,757            |
| Unit trusts                | -                                                         | 1,944             | -                 | 1,944           | -                                                             | -                 | -                 | -               | 1,944           | 1,944            |
| Institutional Trust        |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| Account                    | -                                                         | -                 | 106,038           | 106,038         | -                                                             | -                 | -                 | -               | 106,038         | 106,038          |
| Islamic debt securities    | 17,750                                                    | 478,353           | -                 | 496,103         | -                                                             | -                 | -                 | -               | 496,103         | 496,103          |
| Malaysian Government       |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| Islamic papers             | -                                                         | 44,167            | -                 | 44,167          | -                                                             | -                 | -                 | -               | 44,167          | 44,167           |
| Investment in linked funds | 37,467                                                    | -                 | -                 | 37,467          | -                                                             | -                 | -                 | -               | 37,467          | 37,467           |
|                            | 64,594                                                    | 524,464           | 106,418           | 695,476         | -                                                             | -                 | -                 | -               | 695,476         | 695,476          |
| <b>Family Takaful</b>      |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| <b>Financial assets</b>    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| Equity securities          | 324,087                                                   | -                 | -                 | 324,087         | -                                                             | -                 | -                 | -               | 324,087         | 324,087          |
| Unit trusts                | 32,348                                                    | 12,036            | -                 | 44,384          | -                                                             | -                 | -                 | -               | 44,384          | 44,384           |
| Institutional Trust        |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| Account                    | -                                                         | -                 | 367,761           | 367,761         | -                                                             | -                 | -                 | -               | 367,761         | 367,761          |
| Islamic debt securities    | 139,050                                                   | 3,308,279         | -                 | 3,447,329       | -                                                             | -                 | -                 | -               | 3,447,329       | 3,447,329        |
| Malaysian Government       |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                 |                  |
| Islamic papers             | -                                                         | 449,944           | -                 | 449,944         | -                                                             | -                 | -                 | -               | 449,944         | 449,944          |
|                            | 495,485                                                   | 3,770,259         | 367,761           | 4,633,505       | -                                                             | -                 | -                 | -               | 4,633,505       | 4,633,505        |

**38. Financial instruments (continued)**

### 38.10 Fair value information (continued)

| ←-----Group-----→       |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
|-------------------------|-----------------------------------------------------------|-------------------|-------------------|-----------------|---------------------------------------------------------------|-------------------|-------------------|-----------------|------------------|-----------------|
|                         | Fair value of financial instruments carried at fair value |                   |                   |                 | Fair value of financial instruments not carried at fair value |                   |                   |                 | Total fair value | Carrying amount |
|                         | Level 1<br>RM'000                                         | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 | Level 1<br>RM'000                                             | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |                  |                 |
| 2019                    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| General Takaful         |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Financial assets        |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Institutional Trust     |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Account                 | -                                                         | -                 | 57,053            | 57,053          | -                                                             | -                 | -                 | -               | 57,053           |                 |
| Islamic debt securities | -                                                         | 309,373           | -                 | 309,373         | -                                                             | -                 | -                 | -               | 309,373          |                 |
| Malaysian Government    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Islamic papers          | -                                                         | 5,521             | -                 | 5,521           | -                                                             | -                 | -                 | -               | 5,521            |                 |
|                         | -                                                         | 314,894           | 57,053            | 371,947         | -                                                             | -                 | -                 | -               | 371,947          |                 |
|                         |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Group                   |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Financial assets        |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Equity securities       | 333,464                                                   | -                 | 380               | 333,844         | -                                                             | -                 | -                 | -               | 333,844          |                 |
| Unit trusts             | 32,348                                                    | 13,980            | -                 | 46,328          | -                                                             | -                 | -                 | -               | 46,328           |                 |
| Institutional Trust     |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Account                 | -                                                         | -                 | 530,852           | 530,852         | -                                                             | -                 | -                 | -               | 530,852          |                 |
| Islamic debt securities | 156,800                                                   | 4,096,005         | -                 | 4,252,805       | -                                                             | -                 | -                 | -               | 4,252,805        |                 |
| Malaysian Government    |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Islamic papers          | -                                                         | 499,632           | -                 | 499,632         | -                                                             | -                 | -                 | -               | 499,632          |                 |
|                         | 522,612                                                   | 4,609,617         | 531,232           | 5,663,461       | -                                                             | -                 | -                 | -               | 5,663,461        |                 |

### 38.10 Fair value information (continued)

|                         |  | Company                                                   |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
|-------------------------|--|-----------------------------------------------------------|-------------------|-------------------|-----------------|---------------------------------------------------------------|-------------------|-------------------|-----------------|------------------|-----------------|
|                         |  | Fair value of financial instruments carried at fair value |                   |                   |                 | Fair value of financial instruments not carried at fair value |                   |                   |                 | Total fair value | Carrying amount |
|                         |  | Level 1<br>RM'000                                         | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 | Level 1<br>RM'000                                             | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 | RM'000           | RM'000          |
| 2019                    |  |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Takaful Operator        |  |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Financial assets        |  |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Equity securities       |  | 6,360                                                     | -                 | 380               | 6,740           | -                                                             | -                 | -                 | -               | 6,740            | 6,740           |
| Institutional Trust     |  |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Account                 |  | -                                                         | -                 | 83,948            | 83,948          | -                                                             | -                 | -                 | -               | 83,948           | 83,948          |
| Islamic debt securities |  | -                                                         | 369,961           | -                 | 369,961         | -                                                             | -                 | -                 | -               | 369,961          | 369,961         |
| Malaysian Government    |  |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Islamic papers          |  | -                                                         | 33,080            | -                 | 33,080          | -                                                             | -                 | -                 | -               | 33,080           | 33,080          |
| Investment in           |  |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| linked funds            |  | 37,467                                                    | -                 | -                 | 37,467          | -                                                             | -                 | -                 | -               | 37,467           | 37,467          |
|                         |  | 43,827                                                    | 403,041           | 84,328            | 531,196         | -                                                             | -                 | -                 | -               | 531,196          | 531,196         |
| Family Takaful          |  |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Financial assets        |  |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Equity securities       |  | 261,397                                                   | -                 | -                 | 261,397         | -                                                             | -                 | -                 | -               | 261,397          | 261,397         |
| Unit trusts             |  | 32,348                                                    | -                 | -                 | 32,348          | -                                                             | -                 | -                 | -               | 32,348           | 32,348          |
| Institutional Trust     |  |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Account                 |  | -                                                         | -                 | 367,761           | 367,761         | -                                                             | -                 | -                 | -               | 367,761          | 367,761         |
| Islamic debt securities |  | -                                                         | 3,308,279         | -                 | 3,308,279       | -                                                             | -                 | -                 | -               | 3,308,279        | 3,308,279       |
| Malaysian Government    |  |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Islamic papers          |  | -                                                         | 449,944           | -                 | 449,944         | -                                                             | -                 | -                 | -               | 449,944          | 449,944         |
|                         |  | 293,745                                                   | 3,758,223         | 367,761           | 4,419,729       | -                                                             | -                 | -                 | -               | 4,419,729        | 4,419,729       |

## 38. Financial instruments (continued)

### 38.10 Fair value information (continued)

|                                     |         | Company                                                   |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
|-------------------------------------|---------|-----------------------------------------------------------|-------------------|-------------------|-----------------|---------------------------------------------------------------|-------------------|-------------------|-----------------|------------------|-----------------|
|                                     | 2019    | Fair value of financial instruments carried at fair value |                   |                   |                 | Fair value of financial instruments not carried at fair value |                   |                   |                 | Total fair value | Carrying amount |
|                                     |         | Level 1<br>RM'000                                         | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 | Level 1<br>RM'000                                             | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |                  |                 |
| Company                             |         |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Financial assets                    |         |                                                           |                   |                   |                 |                                                               |                   |                   |                 |                  |                 |
| Equity securities                   | 267,757 | -                                                         | 380               | -                 | 268,137         | -                                                             | -                 | -                 | -               | 268,137          | 268,137         |
| Unit trusts                         | 32,348  | -                                                         | -                 | -                 | 32,348          | -                                                             | -                 | -                 | -               | 32,348           | 32,348          |
| Institutional Trust Account         | -       | -                                                         | 451,709           | -                 | 451,709         | -                                                             | -                 | -                 | -               | 451,709          | 451,709         |
| Islamic debt securities             | -       | 3,678,240                                                 | -                 | -                 | 3,678,240       | -                                                             | -                 | -                 | -               | 3,678,240        | 3,678,240       |
| Malaysian Government Islamic papers | -       | 483,024                                                   | -                 | -                 | 483,024         | -                                                             | -                 | -                 | -               | 483,024          | 483,024         |
|                                     | 300,105 | 4,161,264                                                 | 452,089           |                   | 4,913,458       | -                                                             | -                 | -                 | -               | 4,913,458        | 4,913,458       |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.10 Fair value information (continued)

##### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

##### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

##### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the identical financial assets or liabilities, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

##### Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and profit cash flows, discounted at the market rate of profit at the end of the reporting period.

##### Transfer between Level 1 and 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either direction).

##### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.



## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.10 Fair value information (continued)

The following table shows a reconciliation of Level 3 fair values:

|                                                           | Group          |                | Company        |                |
|-----------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                           | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Institutional Trust Account</b>                        |                |                |                |                |
| <b>Takaful Operator</b>                                   |                |                |                |                |
| At 1 January                                              | 106,038        | 55,141         | 83,948         | 55,141         |
| Purchases                                                 | -              | 47,000         | -              | 26,000         |
| Maturities                                                | (4,111)        | -              | (4,111)        | -              |
| Gains and losses recognised in profit or loss             |                |                |                |                |
| Investment income - realised                              | 4,985          | 3,653          | 3,890          | 2,972          |
| Gains and losses recognised in other comprehensive income |                |                |                |                |
| Net change in fair value (unrealised)                     | 134            | 244            | 150            | (165)          |
| At 31 December                                            | 107,046        | 106,038        | 83,877         | 83,948         |
| <b>Family Takaful</b>                                     |                |                |                |                |
| At 1 January                                              | 367,761        | 220,881        | 367,761        | 220,881        |
| Purchases                                                 | 100,000        | 146,844        | 100,000        | 146,844        |
| Maturities                                                | -              | (15,842)       | -              | (15,842)       |
| Gains and losses recognised in profit or loss             |                |                |                |                |
| Investment income - realised                              | 20,809         | 13,970         | 20,809         | 13,970         |
| Gains and losses recognised in other comprehensive income |                |                |                |                |
| Net change in fair value (unrealised)                     | (1,399)        | 1,908          | (1,399)        | 1,908          |
| At 31 December                                            | 487,171        | 367,761        | 487,171        | 367,761        |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.10 Fair value information (continued)

The following table shows a reconciliation of Level 3 fair values (continued):

|                                                           | Group          |                | Company        |                |
|-----------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                           | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Institutional Trust Account</b>                        |                |                |                |                |
| <b>General Takaful</b>                                    |                |                |                |                |
| At 1 January                                              | 57,053         | 42,603         | -              | -              |
| Purchases                                                 | -              | 12,000         | -              | -              |
| Gains and losses recognised in profit or loss             |                |                |                |                |
| Investment income - realised                              | 2,515          | 2,397          | -              | -              |
| Gains and losses recognised in other comprehensive income |                |                |                |                |
| Net change in fair value (unrealised)                     | (1,299)        | 53             | -              | -              |
| At 31 December                                            | 58,269         | 57,053         | -              | -              |
| <b>Group / Company</b>                                    |                |                |                |                |
| At 1 January                                              | 530,852        | 318,625        | 451,709        | 276,022        |
| Purchases                                                 | 100,000        | 205,844        | 100,000        | 172,844        |
| Maturities                                                | (4,111)        | (15,842)       | (4,111)        | (15,842)       |
| Gains and losses recognised in profit or loss             |                |                |                |                |
| Investment income - realised                              | 28,309         | 20,020         | 24,699         | 16,942         |
| Gains and losses recognised in other comprehensive income |                |                |                |                |
| Net change in fair value (unrealised)                     | (2,564)        | 2,205          | (1,249)        | 1,743          |
| At 31 December                                            | 652,486        | 530,852        | 571,048        | 451,709        |

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.10 Fair value information (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

##### Financial instruments carried at fair value

| Type                        | Valuation technique                                                                               | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement        |
|-----------------------------|---------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------------------------------------------------------------------|
| Institutional Trust Account | Discounted cash flows using market profit rates for a similar instrument at the measurement date. | Discount rate of 4.58%          | The estimated fair value would increase (decrease) if the discount rate were (lower) higher. |

##### Sensitivity analysis for Level 3

|                         | Change in variables | -----Group-----                   |                          |                                    |                                     |
|-------------------------|---------------------|-----------------------------------|--------------------------|------------------------------------|-------------------------------------|
|                         |                     | Impact on profit after tax RM'000 | Impact on equity* RM'000 | Impact on operating surplus RM'000 | Impact on participants' fund RM'000 |
| <b>2020</b>             |                     |                                   |                          |                                    |                                     |
| <b>Takaful Operator</b> |                     |                                   |                          |                                    |                                     |
| Discount rate           | +1%                 | -                                 | (1,812)                  | -                                  | -                                   |
| Discount rate           | -1%                 | -                                 | 1,881                    | -                                  | -                                   |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| Discount rate           | +1%                 | -                                 | -                        | (13,274)                           | (13,274)                            |
| Discount rate           | -1%                 | -                                 | -                        | 13,858                             | 13,858                              |
| <b>General Takaful</b>  |                     |                                   |                          |                                    |                                     |
| Discount rate           | +1%                 | -                                 | -                        | (1,744)                            | (1,744)                             |
| Discount rate           | -1%                 | -                                 | -                        | 1,827                              | 1,827                               |
| <b>Group</b>            |                     |                                   |                          |                                    |                                     |
| Discount rate           | +1%                 | -                                 | (1,812)                  | (15,018)                           | (15,018)                            |
| Discount rate           | -1%                 | -                                 | 1,881                    | 15,685                             | 15,685                              |

\* impact on equity reflects adjustments for tax, when applicable.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.10 Fair value information (continued)

##### Financial instruments carried at fair value (continued)

##### Sensitivity analysis for Level 3 (continued)

|                  |                     | <----- Group ----->               |                          |                                    |                                     |
|------------------|---------------------|-----------------------------------|--------------------------|------------------------------------|-------------------------------------|
|                  | Change in variables | Impact on profit after tax RM'000 | Impact on equity* RM'000 | Impact on operating surplus RM'000 | Impact on participants' fund RM'000 |
| 2019             |                     |                                   |                          |                                    |                                     |
| Takaful Operator |                     |                                   |                          |                                    |                                     |
| Discount rate    | +1%                 | -                                 | (2,450)                  | -                                  | -                                   |
| Discount rate    | -1%                 | -                                 | 2,564                    | -                                  | -                                   |
| Family Takaful   |                     |                                   |                          |                                    |                                     |
| Discount rate    | +1%                 | -                                 | -                        | (9,732)                            | (9,732)                             |
| Discount rate    | -1%                 | -                                 | -                        | 10,170                             | 10,170                              |
| General Takaful  |                     |                                   |                          |                                    |                                     |
| Discount rate    | +1%                 | -                                 | -                        | (1,057)                            | (1,057)                             |
| Discount rate    | -1%                 | -                                 | -                        | 1,100                              | 1,100                               |
| Group            |                     |                                   |                          |                                    |                                     |
| Discount rate    | +1%                 | -                                 | (2,450)                  | (10,789)                           | (10,789)                            |
| Discount rate    | -1%                 | -                                 | 2,564                    | 11,270                             | 11,270                              |
|                  |                     | <----- Company ----->             |                          |                                    |                                     |
|                  | Change in variables | Impact on profit after tax RM'000 | Impact on equity* RM'000 | Impact on operating surplus RM'000 | Impact on participants' fund RM'000 |
| 2020             |                     |                                   |                          |                                    |                                     |
| Takaful Operator |                     |                                   |                          |                                    |                                     |
| Discount rate    | +1%                 | -                                 | (1,284)                  | -                                  | -                                   |
| Discount rate    | -1%                 | -                                 | 1,331                    | -                                  | -                                   |
| Family Takaful   |                     |                                   |                          |                                    |                                     |
| Discount rate    | +1%                 | -                                 | -                        | (13,274)                           | (13,274)                            |
| Discount rate    | -1%                 | -                                 | -                        | 13,858                             | 13,858                              |
| Company          |                     |                                   |                          |                                    |                                     |
| Discount rate    | +1%                 | -                                 | (1,284)                  | (13,274)                           | (13,274)                            |
| Discount rate    | -1%                 | -                                 | 1,331                    | 13,858                             | 13,858                              |

\* impact on equity reflects adjustments for tax, when applicable.

## Notes to the Financial Statements

### 38. Financial instruments (continued)

#### 38.10 Fair value information (continued)

##### Financial instruments carried at fair value (continued)

##### Sensitivity analysis for Level 3 (continued)

|                  |                     | <----- Company ----->             |                          |                                    |                                     |
|------------------|---------------------|-----------------------------------|--------------------------|------------------------------------|-------------------------------------|
|                  | Change in variables | Impact on profit after tax RM'000 | Impact on equity* RM'000 | Impact on operating surplus RM'000 | Impact on participants' fund RM'000 |
| 2019             |                     |                                   |                          |                                    |                                     |
| Takaful Operator |                     |                                   |                          |                                    |                                     |
| Discount rate    | +1%                 | -                                 | (1,791)                  | -                                  | -                                   |
| Discount rate    | -1%                 | -                                 | 1,872                    | -                                  | -                                   |
| Family Takaful   |                     |                                   |                          |                                    |                                     |
| Discount rate    | +1%                 | -                                 | -                        | (9,732)                            | (9,732)                             |
| Discount rate    | -1%                 | -                                 | -                        | 10,170                             | 10,170                              |
| Company          |                     |                                   |                          |                                    |                                     |
| Discount rate    | +1%                 | -                                 | (1,791)                  | (9,732)                            | (9,732)                             |
| Discount rate    | -1%                 | -                                 | 1,872                    | 10,170                             | 10,170                              |

\* impact on equity reflects adjustments for tax, when applicable.

##### Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, which reports directly to the Chief Investment Officer and Chief Financial Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

### 39. Capital commitments

|                                 | Group and Company |        |
|---------------------------------|-------------------|--------|
|                                 | 2020              | 2019   |
|                                 | RM'000            | RM'000 |
| Contracted but not provided for | 18,204            | 9,723  |

## Notes to the Financial Statements

### 40. Related parties

#### Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group. Compensation paid to key management personnel have been disclosed in Note 29.

The Group has related party relationships with its holding companies, significant investors, subsidiaries, Directors and key management personnel.

#### Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company, other than key management personnel compensation as disclosed in Note 29, are as follows:

|                                         | Group  |        | Company |        |
|-----------------------------------------|--------|--------|---------|--------|
|                                         | 2020   | 2019   | 2020    | 2019   |
|                                         | RM'000 | RM'000 | RM'000  | RM'000 |
| <b>Ultimate holding company</b>         |        |        |         |        |
| Contribution income for Family Takaful  | -      | 799    | -       | 799    |
| Contribution income for General Takaful | 6      | 2,420  | -       | -      |
| Claims paid for Family Takaful          | 745    | 202    | 745     | 202    |
| Claims paid for General Takaful         | 292    | 69     | -       | -      |
| <b>Holding company</b>                  |        |        |         |        |
| Dividend paid                           | -      | 98,310 | -       | 98,310 |
| <b>Subsidiary</b>                       |        |        |         |        |
| Outsourcing fee                         | -      | -      | 46,545  | 51,163 |
| Dividend received                       | -      | -      | 60,000  | -      |
| <b>Related companies*</b>               |        |        |         |        |
| Contribution income for Family Takaful  | 2,302  | 2,973  | 2,302   | 2,973  |
| Contribution income for General Takaful | 4,653  | 3,812  | -       | -      |
| Claims paid for Family Takaful          | 635    | 809    | 635     | 809    |
| Claims paid for General Takaful         | 199    | 512    | -       | -      |
| Investment income                       | 20,570 | 16,758 | 14,508  | 13,696 |
| Rental income                           | 2,934  | 2,791  | 2,818   | 2,682  |
| Administrative fee paid                 | 25,551 | 28,862 | 20,133  | 21,480 |
| Bank charges                            | 1,719  | 1,825  | 101     | 195    |
| Refund of cash back                     | 349    | -      | 349     | -      |

\* Related companies are companies within the Tabung Haji group.

## Notes to the Financial Statements

### 40. Related parties (continued)

The significant outstanding balances of the Group and of the Company with its related parties, are as follows:

|                           | Group   |         | Company |         |
|---------------------------|---------|---------|---------|---------|
|                           | 2020    | 2019    | 2020    | 2019    |
|                           | RM'000  | RM'000  | RM'000  | RM'000  |
| <b>Related companies*</b> |         |         |         |         |
| <b>Takaful Operator</b>   |         |         |         |         |
| Bank balances             | 6,630   | 7,050   | 3,383   | 3,956   |
| Fixed and call deposits   | 188,628 | 186,542 | 139,489 | 129,132 |
| Islamic debt securities   | -       | 5,116   | -       | 5,116   |
|                           | 195,258 | 198,708 | 142,872 | 138,204 |
| <b>Family Takaful</b>     |         |         |         |         |
| Bank balances             | 29,549  | 28,894  | 29,549  | 28,894  |
| Fixed and call deposits   | 149,213 | 286,117 | 149,213 | 286,117 |
| Islamic debt securities   | -       | 40,930  | -       | 40,930  |
|                           | 178,762 | 355,941 | 178,762 | 355,941 |
| <b>General Takaful</b>    |         |         |         |         |
| Bank balances             | 19,516  | 16,938  | -       | -       |
| Fixed and call deposits   | 155,281 | 141,031 | -       | -       |
| Islamic debt securities   | -       | 5,116   | -       | -       |
|                           | 174,797 | 163,085 | -       | -       |
| <b>Group / Company</b>    |         |         |         |         |
| Bank balances             | 55,695  | 52,882  | 32,932  | 32,850  |
| Fixed and call deposits   | 493,122 | 613,690 | 288,702 | 415,249 |
| Islamic debt securities   | -       | 51,162  | -       | 46,046  |
|                           | 548,817 | 717,734 | 321,634 | 494,145 |

\* Related companies are companies within the Tabung Haji group.

### 41. Significant event during the year

The immediate holding, BIMB Holdings Berhad ("BHB") has on 10 December 2020 announced that it has received the approval from the Minister of Finance (on the recommendation of BNM), and BNM in relation to the Proposals (Proposed placement, proposed scheme of arrangement ("SOA"), proposed internal reorganisation, proposed distribution and capital repayment and proposed transfer of listing status).

The Proposals are now subject to the approvals and/or consent being obtained from Securities Commission Malaysia ("SC"), Bursa Malaysia Securities Berhad ("Bursa Securities"), shareholders of BHB at an extraordinary general meeting to be convened, shareholder of the Bank, warrant holders at the court-convened meeting, sanction of the High Court of Malaya, the creditors and/or financiers of the BHB Group, the Bank and Identified Subsidiaries, if required and any other relevant regulatory authorities and/or parties, if required.

## Notes to the Financial Statements

### 42. Subsequent event

The COVID-19 pandemic and associated economic impact continue posing challenges and uncertainties to the Malaysian economy and insurance and takaful industry. The Group has been taking necessary and thoughtful steps to strengthen its business resilience and adjust its operating models in managing the business in a very different market and dynamic operating landscape as concerns on job security remain heightened and consumers will be more cautious on their spending. It is expected that economic activities will take some time to recover. Amid the uncertainties in current economic environment to support business expansion, the Group will continue to monitor the situation and remains vigilant and cautious in managing operating costs, business growth and risk profile of our portfolio.

### 43. Regulatory capital requirements

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect participants and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the Risk Based Capital for Takaful ("RBCT") Framework issued by Bank Negara Malaysia where Takaful operators are required to satisfy a minimum capital adequacy ratio of 130%. As at period end, the Company has a capital adequacy ratio in excess of the minimum requirement.

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

|                                | <b>Company</b>   |                  |
|--------------------------------|------------------|------------------|
|                                | <b>2020</b>      | <b>2019</b>      |
|                                | <b>RM'000</b>    | <b>RM'000</b>    |
| Tier 1 capital                 | 1,742,983        | 1,519,250        |
| Tier 2 capital                 | 198,670          | 162,531          |
| Amount deducted from capital   | (321,448)        | (203,564)        |
| <b>Total capital available</b> | <b>1,620,205</b> | <b>1,478,217</b> |



## Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Mohammed Haji Che Hussein and Datuk Bazlan Osman, two of the Directors of Syarikat Takaful Malaysia Keluarga Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 102 to 301 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and financial performance of the Group and of the Company for the financial year ended 31 December 2020 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

.....  
**Dato' Mohammed Haji Che Hussein**

Director

.....  
**Datuk Bazlan Osman**

Director

Kuala Lumpur

Date: 23 February 2021

## Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Sia Meng Hui, the officer primarily responsible for the financial management of Syarikat Takaful Malaysia Keluarga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 102 to 301 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

.....  
**Sia Meng Hui**

Subscribed and solemnly declared by the abovenamed Sia Meng Hui, MIA CA: 43839, at Kuala Lumpur in the Federal Territory on 23 February 2021.

Before me:

COMMISSIONER FOR OATHS

# Independent Auditors' Report

to the members of Syarikat Takaful Malaysia Keluarga Berhad  
(Incorporated in Malaysia)  
(Company No.198401019089 (131646-K))

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Syarikat Takaful Malaysia Keluarga Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 102 to 301.

### Basis for opinion

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

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

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International 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.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Independent Auditors' Report**  
 to the members of Syarikat Takaful Malaysia Keluarga Berhad (continued)  
 (Incorporated in Malaysia)  
 (Company No.198401019089 (131646-K))

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Valuation of Actuarial liabilities – family takaful contract liabilities**

|                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Key audit matters</b>                             | <p>Refer to accounting policy 2 (n) and Notes 16 (c) and 37 (a) of the Financial Statements.</p> <p>As at 31 December 2020, the Group and the Company's family takaful contract liabilities net of retakaful amount to RM7,305 million and RM6,927 million respectively.</p> <p>The actuarial liabilities have been estimated based on the actuarial valuation methodologies as allowed under the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") issued by Bank Negara Malaysia ("BNM").</p> <p>Family takaful contract liabilities to the unitholders and the participants' accounts balances are substantially based on the value of the account balance. Liabilities for unearned revenue and takaful benefits which are dependent upon operating assumptions and future investment return assumptions that are reassessed at each reporting period.</p> <p>As part of our audit, we focused on management's valuation of the actuarial liabilities where it involves significant judgement about uncertain future outcomes, including assumptions on mortality, morbidity, surrender rates, and discount rates, as well as actuarial valuation methodologies.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>How our audit addressed the key audit matters</b> | <p>Our audit procedures included the following:</p> <p>We evaluated the design and tested the key controls over the family takaful actuarial reserving process, including controls over the reliability of data used in the calculation of actuarial liabilities.</p> <p>We engaged our actuarial experts to assist us to assess if the valuation methodologies used by the Group and the Company are in line with the valuation methods specified in the RBCT Framework. We also compared if the valuation methodologies are consistent with recognised actuarial practices derived from market experience.</p> <p>We assessed the reasonableness of the key actuarial assumptions, particularly around mortality, morbidity, surrender rates, and discount rates by:</p> <ol style="list-style-type: none"> <li>1. Reviewing the approach used by management to derive the assumptions using our industry knowledge and experience;</li> <li>2. Comparing them with the Group and the Company's actual historical experience, market observable data (as applicable) and our views of current trends and experience to-date.</li> </ol> <p>We evaluated the Group and the Company's assessment of COVID-19 on the actuarial liabilities including key judgements in relation to potential claims arising from circumstances connected with the COVID-19 pandemic.</p> <p>We performed an independent review of model points on sample basis to assess if the methodologies and assumptions reviewed have been consistently applied.</p> <p>We assessed the analysis of movements in actuarial liabilities to determine whether the movements during the year are consistent with key actuarial assumptions adopted by the Group and the Company and our knowledge of developments in the family takaful business.</p> <p>We assessed the appropriateness and adequacy of the Group and the Company's disclosures in relation to actuarial liabilities in the financial statements, including sensitivity analysis of the key actuarial assumptions to different scenarios.</p> <p>Based on the procedures performed, we found the methodology and key assumptions used by the Group and the Company in the valuation of family takaful contract liabilities as at 31 December 2020 to be appropriate.</p> |

## Independent Auditors' Report

to the members of Syarikat Takaful Malaysia Keluarga Berhad (continued)  
(Incorporated in Malaysia)  
(Company No.198401019089 (131646-K))

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Valuation of provision for outstanding claims and unearned contribution – general takaful contract liabilities

|                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Key audit matters</b>                             | <p><u>Provision for outstanding claims for general takaful</u></p> <p>Refer to accounting policy 2 (m) and Notes 16 (a) and 37 (b) of the Financial Statements.</p> <p>As at 31 December 2020, the Group has provision for outstanding claims for general takaful net of retakaful of RM243 million.</p> <p>We focused our audit on this area because of the level of subjectivity inherent in estimating the impact of claims events that have occurred but for which the ultimate outcome remains uncertain.</p> <p>The valuation of provision for outstanding claims involves a range of standard actuarial methodologies as allowed under the RBCT Framework and relies on a number of assumptions including past claims development experiences, management's judgement on external factors and regulatory changes, and internal factors such as portfolio mix and claims handling process. The estimation of provision for outstanding claims is sensitive to various factors and uncertainties as discussed in Note 37 (b).</p> <p><u>Provision for unearned contribution for general takaful</u></p> <p>Refer to accounting policy 2 (m) and Notes 16 (b) and 37 (b) of the Financial Statements.</p> <p>As at 31 December 2020, the Group has accounted for RM352 million of provision for unearned contribution for general takaful net of retakaful, based on the higher of Unexpired Risk Reserves ("URR") of RM206 million and Unearned Contribution Reserves ("UCR") of RM352 million as required under the RBCT Framework.</p> <p>We focused on this area as the estimation of URR involves significant judgement in identifying best estimate values of future contractual cash flows in consideration of the expected loss and expenses for policies in-force as at year-end at the required risk margin for adverse deviation.</p>                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>How our audit addressed the key audit matters</b> | <p>Our audit procedures included the following:</p> <p>We evaluated the design and tested key controls over the reserving process, including controls over the completeness and accuracy of contribution data, and settlement of claims that support key reserving calculations and controls over the valuation of provision for outstanding claims and provision for unearned contribution.</p> <p>We tested the underlying data used in estimation of the general takaful contract liabilities to source documents.</p> <p>We engaged our actuarial experts to assist us in reviewing and assessing the methodologies, basis and key assumptions used in the valuation of provision for outstanding claims and provision for unearned contribution in accordance with the requirements of the RBCT Framework and liability adequacy test under MFRS 4 'Insurance Contracts'.</p> <p>We reviewed and assessed the reasonableness of key actuarial assumptions by referencing to the Group's historical experiences, current trends and our own industry knowledge.</p> <p>Our actuarial experts performed independent re-projections of outstanding claims and reviewed the calculation of the unexpired risk reserves ("URR") for selected major classes of business, focusing on the largest and most uncertain outstanding claims and URR to ensure that the assumptions and methodology used are appropriate.</p> <p>We also assessed the appropriateness and adequacy of the Group's disclosures in relation to the general takaful contract liabilities in the financial statements, including the historical claims development and sensitivity analysis of key assumptions used in the valuation of general takaful contract liabilities.</p> <p>Specific to the current environment, we evaluated the Group's assessment of COVID-19 on provision for outstanding claims and provision for unearned contribution, including key judgement used when determining the provision for outstanding claims and URR.</p> <p>Based on the procedures performed, we found the methodology and key assumptions used by the Group in the valuation of general takaful contract liabilities as at 31 December 2020 to be appropriate.</p> |

**Independent Auditors' Report**  
to the members of Syarikat Takaful Malaysia Keluarga Berhad (continued)  
(Incorporated in Malaysia)  
(Company No.198401019089 (131646-K))

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

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, Statement on Risk Management and Internal Control, Shariah Advisory Body's Report and 2020 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

## Independent Auditors' Report

to the members of Syarikat Takaful Malaysia Keluarga Berhad (continued)  
(Incorporated in Malaysia)  
(Company No.198401019089 (131646-K))

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Auditors' responsibilities for the audit of the financial statements (continued)

- (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 Group's and 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 Group's or 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 Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Independent Auditors' Report**  
to the members of Syarikat Takaful Malaysia Keluarga Berhad (continued)  
(Incorporated in Malaysia)  
(Company No.198401019089 (131646-K))

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

**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

Kuala Lumpur

23 February 2021

**MANJIT SINGH A/L HAJANDER SINGH**  
02954/03/2021 J  
Chartered Accountant



# Notice of 36th Annual General Meeting

*Due to the Conditional Movement Control Order (CMCO) and based on the 'Guidance and FAQs on the Conduct of General Meetings for Listed Issuers' by the Securities Commission Malaysia, listed issuers are to conduct fully virtual general meetings during the CMCO period.*

*A fully virtual general meeting is to be conducted online, without a physical meeting venue, and shareholders will participate remotely by audio and/or video capabilities. The only venue involved is the broadcast venue (as set out below) which is the main venue where only the essential individuals are physically present to organise the fully virtual general meeting. The broadcast venue is strictly for the purpose of complying with Section 327 (2) of the Companies Act, 2016 ("CA 2016") which stipulates that the Chairman shall be present at the main venue of the meeting. Hence, NO SHAREHOLDERS/ PROXY(IES)/ CORPORATE REPRESENTATIVES will be physically present at the broadcast venue on the day of the meeting.*

**NOTICE IS HEREBY GIVEN** that the **THIRTY-SIXTH (36th) ANNUAL GENERAL MEETING (AGM)** of **SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD (STMKB or "the Company")** will be held fully virtual at the broadcast venue at Dewan Ahmad Mohamed Ibrahim, 5th Floor, Annexe Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur on Tuesday, 1 June 2021, at 09:30 a.m. for the following purposes

## AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020, together with the reports of the Directors and Auditors thereon. (See Explanatory Note 2[i])
2. To re-elect Mohd Azman Sulaiman who is retiring by rotation in accordance with Rule 74 of the Company's Constitution and being eligible, has offered himself for re-election. (Resolution 1)
3. To re-elect the following Directors who are retiring in accordance with Rule 83 of the Company's Constitution and being eligible, have offered themselves for re-election:-
  - (i) Dato' Mustaffa Ahmad (Resolution 2)
  - (ii) Mohamad Salihuddin Ahmad (Resolution 3)
  - (iii) Datuk Bazlan Osman (Resolution 4)
4. To approve the payment of Non-Executive Directors' fees of up to RM2,224,400 for STMKB Group from this AGM of the Company until the next AGM of the Company. (Resolution 5)
5. To approve the payment of Non-Executive Directors' benefits of up to RM1,275,600 for STMKB Group from this AGM of the Company until the next AGM of the Company. (Resolution 6)
6. To re-appoint Messrs. PricewaterhouseCoopers PLT as the Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration. (Resolution 7)

## AS SPECIAL BUSINESS

7. Ordinary Resolution - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with BIMB Holdings Berhad and its Subsidiaries ("BHB Group").

"THAT, subject to compliance with the Listing Requirements of Bursa Malaysia Securities Berhad, Companies Act 2016, the Constitution of the Company and all other applicable laws, rules, regulations and guidelines, approval be and is hereby given to the Company and its subsidiaries ("STMKB Group") to enter into the Recurrent Related Party Transactions of a revenue or trading nature with the BHB Group which are necessary for the day to day operations of the STMKB Group as set out in Section 2.1.3 of the Circular to Shareholders dated 3 May 2021, provided that:

- (a) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders of the Company;
- (b) the transactions are made at arm's length and on normal commercial terms; and
- (c) the disclosure will be made in the annual report with the breakdown of the aggregate value of the transactions conducted pursuant to the mandate during the financial year.

## Notice of 36th Annual General Meeting

AND THAT such authority shall commence immediately upon the passing of this resolution and shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next AGM after the date that it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of Companies Act 2016); or
  - (c) revoked or varied by resolution passed by the shareholders in a general meeting,
- whichever is earlier." (Resolution 8)

8. Special Resolution - Proposed amendments to the Company's Constitution (Subject to the approval from Ministry of Finance and Bank Negara Malaysia).

"THAT Rules 7, 11, 129 and the definitions of "Muslim Bumiputra Institution", "Muslim Bumiputra Company" and "Minister" in the Company's Constitution to be deleted as set out in the Circular to Shareholders dated 3 May 2021 be and are hereby approved; and the amended Constitution be adopted as the new Constitution of the Company.

AND THAT the Board of Directors of the Company be and are hereby authorised and empowered to take all acts, deeds and things as are necessary and/or expedient in order to implement, finalise and give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities." (Resolution 9)

9. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a Member who shall be entitled to attend this 36th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Rule 49(f)(ii) of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 24 May 2021. Only a depositor whose name appears on the Record of Depositors as at 24 May 2021 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

SHAMSUL SHAHRINA MOHD HUSSEIN (MAICSA 7047477)  
(SSM Practicing Certificate No. 201908002446)  
Company Secretary  
Kuala Lumpur  
3 May 2021

## Notice of 36th Annual General Meeting

### Explanatory Notes:

#### 1. Virtual AGM

- (i) As part of the initiatives to curb the spread of COVID-19, the 36th AGM of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting facilities which are available at <https://web.lumiagm.com>. Please follow the procedures provided in the Administrative Details for the 36th AGM in order to register, participate and vote remotely.
- (ii) The broadcast venue of the 36th AGM which is the main venue of the meeting is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. The broadcast venue of the 36th AGM is to organise the fully virtual meeting and where streaming would be conducted from. No shareholder(s)/proxy(ies)/ corporate representatives from the public will be physically present at the broadcast venue on the day of the 36th AGM of the Company.

#### 2. Appointment of Proxy

- (i) Save as set out in Note (iii) below, a Member of the Company entitled to attend and vote at this meeting is entitled to appoint up to two (2) proxies to attend and to vote instead of him at the same meeting. A proxy may but need not be a Member of the Company.
- (ii) Where a Member of the Company appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- (iii) Where a Member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (iv) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney and in the case of a corporation, must be under seal or under the hand of an officer or attorney duly authorised.
- (v) The instrument appointing a proxy must be deposited at the Office of the Share Registrar of the Company, Boardroom Share Registrars Sdn Bhd at Ground Floor or 11th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof.
- (vi) Only Members whose names appear in the Record of Depositors on 24 May 2021 shall be eligible to attend, speak and vote at the AGM or appoint proxy(ies) to attend, speak and/or vote on their behalf.
- (vii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of AGM will be put to vote by poll.

#### 3. Ordinary Business

- (i) Audited Financial Statements for the financial year ended 31 December 2020.  
The Audited Financial Statements in Agenda 1 laid in accordance with Section 340(1)(a) of the Companies Act 2016 are meant for the Shareholders' information and discussion only. The Audited Financial Statements do not require Shareholders' approval and as such, are not put forward for voting by the Shareholders of the Company.
- (ii) Re-election of Director who retire in accordance with Rule 74 of the Company's Constitution  
Rule 74 of the Company's Constitution provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at the AGM of the Company. Pursuant to Paragraph 7.26(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election.  
Mohd Azman Sulaiman is standing for re-election as a Director of the Company and being eligible has offered himself for re-election.
- (iii) Re-election of Directors who retire in accordance with Rule 83 of the Company's Constitution.  
Rule 83 of the Company's Constitution provides that any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.  
Dato' Mustaffa Ahmad, Mohamad Salihuddin Ahmad and Datuk Bazlan Osman are standing for re-election as Directors of the Company and being eligible have offered themselves for re-election.
- (iv) To approve the payment of Non-Executive Directors' fees of up to RM2,224,400 for STMKB Group from this AGM of the Company until the next AGM of the Company.  
Total fees comprising of RM1,578,000 by STMKB and RM646,400 by Syarikat Takaful Malaysia Am Berhad (STMAB).
- (v) To approve the payment of Non-Executive Directors' benefits of up to RM1,275,600 for STMKB Group from this AGM of the Company until the next AGM of the Company.  
Total benefits comprising of RM982,600 by STMKB and RM293,000 by STMAB.

#### 4. Special Business

- (i) Proposed Shareholders' Mandate for Recurrent Related Party Transaction of Revenue or Trading Nature.  
The proposed Resolution 8, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading in nature which are necessary for the STMKB Group's day to day operations and will eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval. The details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature are set out in the Circular to Shareholders dated 3 May 2021.
- (ii) Proposed Amendments to the Company's Constitution  
Further details are set out in the Circular to Shareholders dated 3 May 2021. Prior approval has been obtained from BHB via its letter dated 5 April 2021.

## Statement Accompanying Notice of 36th Annual General Meeting

### **STATEMENT ACCOMPANYING NOTICE OF THIRTY-SIXTH ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27 (2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

There is no individual standing for election as Director (other than Directors standing for re-election i.e. Mohd Azman Sulaiman, Dato' Mustaffa Ahmad, Mohamad Salihuddin Ahmad and Datuk Bazlan Osman at this forthcoming Thirty-Sixth Annual General Meeting of the Company).

The profile of the above Directors who are standing for re-election as per Resolutions 1 to 4 as stated in the Notice of Annual General Meeting is set out in the Profile of Directors' section on pages 54 to 59 of the Annual Report 2020.

# Shareholding Statistics

## SHARE CAPITAL

|                                                      |                                       |
|------------------------------------------------------|---------------------------------------|
| Issued and fully paid-up capital as at 31 March 2021 | : 830,784,733 ordinary shares         |
| No. of shareholders as at 31 March 2021              | : 6,814                               |
| Class of shares                                      | : Ordinary shares                     |
| Voting right                                         | : 1 vote per ordinary share on a poll |

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS (5% AND ABOVE) AS AT 31 MARCH 2021

| Name of Shareholders           | Number of Shares   | Percentage (%) |
|--------------------------------|--------------------|----------------|
| BIMB Holdings Berhad           | 491,550,925        | 59.17          |
| Employees Provident Fund Board | 43,142,600         | 5.19           |
| <b>Total</b>                   | <b>534,693,525</b> | <b>64.36</b>   |

## DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2021

| Name of Directors               | Direct Interest<br>Number of Shares | Direct Interest<br>Percentage (%) | Indirect Interest/Deemed Interest<br>Number of Shares | Indirect Interest/Deemed Interest<br>Percentage (%) |
|---------------------------------|-------------------------------------|-----------------------------------|-------------------------------------------------------|-----------------------------------------------------|
| Dato' Mohammed Haji Che Hussein | -                                   | -                                 | -                                                     | -                                                   |
| Mohd Azman Sulaiman             | -                                   | -                                 | -                                                     | -                                                   |
| Suraya Hassan                   | -                                   | -                                 | -                                                     | -                                                   |
| Dato' Mustaffa Ahmad            | -                                   | -                                 | -                                                     | -                                                   |
| Mohamad Salihuddin Ahmad        | -                                   | -                                 | -                                                     | -                                                   |
| Datuk Bazlan Osman              | -                                   | -                                 | -                                                     | -                                                   |

## GROUP CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS AS AT 31 MARCH 2021

| Name of Group Chief Executive Officer | Direct Interest<br>Number of Shares | Direct Interest<br>Percentage (%) | Indirect Interest/Deemed Interest<br>Number of Shares | Indirect Interest/Deemed Interest<br>Percentage (%) |
|---------------------------------------|-------------------------------------|-----------------------------------|-------------------------------------------------------|-----------------------------------------------------|
| Dato' Sri Mohamed Hassan Kamil        | 70                                  | 0.00001                           | Refer Note*                                           |                                                     |

Note :

\* Dato' Sri Mohamed Hassan Kamil has indirect/deemed interest in the shares of the Company by virtue of his acceptance of the following ordinary shares granted under the Long Term Incentive Plan (LTIP):

- 1) 753,589 shares granted under the 5th tranche of Performance Share Plan (PSP)
- 2) 351,611 shares granted under the 5th tranche of PSP

## ANALYSIS OF SHAREHOLDINGS BY SIZE AS AT 31 MARCH 2021

| Size of Shareholdings                                 | Number of Shareholders | Percentage (%) | Total Shareholdings | Percentage (%) |
|-------------------------------------------------------|------------------------|----------------|---------------------|----------------|
| Less than 100                                         | 520                    | 7.63           | 9,269               | 0.00           |
| 100 - 1,000                                           | 2,415                  | 35.44          | 1,507,618           | 0.18           |
| 1,001 - 10,000                                        | 2,924                  | 42.91          | 11,786,949          | 1.42           |
| 10,001 - 100,000                                      | 750                    | 11.01          | 22,286,774          | 2.68           |
| 100,001 to 41,539,235 (less than 5% of issued shares) | 203                    | 2.98           | 260,500,598         | 31.36          |
| 41,539,236 (5% of issued shares) and above            | 2                      | 0.03           | 534,693,525         | 64.36          |
| <b>Total</b>                                          | <b>6,814</b>           | <b>100.00</b>  | <b>830,784,733</b>  | <b>100.00</b>  |

## Shareholding Statistics

### ANALYSIS OF SHAREHOLDINGS BY CATEGORY AS AT 31 MARCH 2021

| Category of Shareholders                     | Number of Shareholders |               |            | Total Shareholdings |                    |                   | Percentage (%) |              |               |
|----------------------------------------------|------------------------|---------------|------------|---------------------|--------------------|-------------------|----------------|--------------|---------------|
|                                              | Malaysian              | Non-Bumiputra | Foreign    | Bumiputra           | Malaysian          | Non-Bumiputra     | Bumiputra      | Malaysian    | Non-Bumiputra |
|                                              |                        |               |            |                     |                    |                   |                |              |               |
| 1 Individual                                 | 827                    | 4,123         | 58         | 4,638,670           | 31,648,957         | 1,362,710         | 0.56           | 3.81         | 0.16          |
| 2 Body Corporate                             |                        |               |            |                     |                    |                   |                |              |               |
| A. Banks/Finance Companies                   | 37                     | 1             | 0          | 579,944,325         | 1,903,100          | 0                 | 69.81          | 0.23         | 0.00          |
| B. Investments Trusts/ Foundation/ Charities | 1                      | 0             | 0          | 18,000              | 0                  | 0                 | 0.00           | 0.00         | 0.00          |
| C. Other types of Companies                  | 21                     | 60            | 1          | 1,499,800           | 4,285,900          | 2,500             | 0.18           | 0.52         | 0.00          |
| 3 Government Agencies/ Institutions          | 3                      | 0             | 0          | 2,522,000           | 0                  | 0                 | 0.30           | 0.00         | 0.00          |
| 4 Nominees                                   | 1,079                  | 437           | 166        | 20,644,528          | 114,924,344        | 67,389,899        | 2.48           | 13.83        | 8.11          |
| 5 Trustee                                    | 0                      | 0             | 0          | 0                   | 0                  | 0                 | 0.00           | 0.00         | 0.00          |
| 6 Others                                     | 0                      | 0             | 0          | 0                   | 0                  | 0                 | 0.00           | 0.00         | 0.00          |
| <b>Total</b>                                 | <b>1,968</b>           | <b>4,621</b>  | <b>225</b> | <b>609,267,323</b>  | <b>152,762,301</b> | <b>68,755,109</b> | <b>73.34</b>   | <b>18.39</b> | <b>8.28</b>   |
| <b>Grand Total</b>                           | <b>6,814</b>           |               |            | <b>830,784,733</b>  |                    |                   | <b>100.00</b>  |              |               |

## Shareholding Statistics

### THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 MARCH 2021

| Name of Shareholders                                                                                                           | Number of Shares | Percentage (%) |
|--------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|
| BIMB Holdings Berhad                                                                                                           | 491,550,925      | 59.17          |
| Citigroup Nominees (Tempatan) Sdn Bhd<br>Employees Provident Fund Board                                                        | 43,142,600       | 5.19           |
| Kumpulan Wang Persaraan (Diperbadankan)                                                                                        | 38,681,100       | 4.66           |
| Bimsec Nominees (Asing) Sdn Bhd<br>Islamic Development Bank                                                                    | 35,000,000       | 4.21           |
| Citigroup Nominees (Tempatan) Sdn Bhd<br>Exempt An for AIA Bhd                                                                 | 18,592,500       | 2.24           |
| Amanahraya Trustees Berhad<br>Public Islamic Select Treasures Fund                                                             | 13,066,100       | 1.57           |
| Permodalan Nasional Berhad                                                                                                     | 9,438,500        | 1.14           |
| Cartaban Nominees (Tempatan) Sdn Bhd<br>PAMB for Prulink Equity Fund                                                           | 8,293,000        | 1.00           |
| Amanahraya Trustees Berhad<br>Public Islamic Opportunities Fund                                                                | 7,672,500        | 0.92           |
| Cartaban Nominees (Tempatan) Sdn Bhd<br>PBTB for Takafulink Dana Ekuiti                                                        | 6,743,500        | 0.81           |
| Amanahraya Trustees Berhad<br>Public Islamic Dividend Fund                                                                     | 5,434,900        | 0.65           |
| Teh Cheong Hua                                                                                                                 | 4,125,700        | 0.50           |
| Cartaban Nominees (Tempatan) Sdn Bhd<br>PAMB for Prulink Dana Unggul                                                           | 3,759,700        | 0.45           |
| Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for Norges Bank (FI 17)                                                             | 3,690,000        | 0.44           |
| HSBC Nominees (Asing) Sdn Bhd<br>JPMCB NA for Vanguard Emerging Markets Stock Index Fund                                       | 3,375,300        | 0.41           |
| DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>Deutsche Trustees Malaysia Berhad for Eastspring Investmentsdana Al-Ilham | 3,372,400        | 0.41           |
| CIMB Group Nominees (Tempatan) Sdn Bhd<br>CIMB Bank Berhad (EDP 2)                                                             | 3,244,900        | 0.39           |

## Shareholding Statistics

### THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 MARCH 2021 (CONTINUED)

| Name of Shareholders                                                                                                                      | Number of Shares   | Percentage (%) |
|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------|
| T.O.Lim Holdings Sdn Bhd                                                                                                                  | 2,742,000          | 0.33           |
| Amanahraya Trustees Berhad<br>Public Islamic Treasures Growth Fund                                                                        | 2,474,400          | 0.30           |
| Amanahraya Trustees Berhad<br>Public Islamic Equity Fund                                                                                  | 2,469,600          | 0.30           |
| Cartaban Nominees (Tempatan) Sdn Bhd<br>RHB Trustees Berhad for Manulife Investment Shariah Progressfund                                  | 2,227,000          | 0.27           |
| Amanah Raya Berhad<br>Kumpulan Wang Bersama Syariah                                                                                       | 2,200,000          | 0.26           |
| DB (Malaysia) Nominee (Asing) Sdn Bhd<br>SSBT Fund DU5J for Caisse De Depot Et Placement Du Quebec                                        | 2,069,800          | 0.25           |
| Amin Baitulmal Johor                                                                                                                      | 2,000,000          | 0.24           |
| Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc                  | 1,990,700          | 0.24           |
| DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>Deutsche Trustees Malaysia Berhad for Eastspring Investm Ents Islamic Small-Cap Fund | 1,923,600          | 0.23           |
| CIMB Commerce Trustee Berhad<br>Public Focus Select Fund                                                                                  | 1,903,100          | 0.23           |
| Citigroup Nominees (Tempatan) Sdn Bhd<br>Urusharta Jamaah Sdn. Bhd. (Maybank 2)                                                           | 1,785,000          | 0.21           |
| Cartaban Nominees (Tempatan) Sdn Bhd<br>PAMB for Participating Fund                                                                       | 1,718,900          | 0.21           |
| HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd for Affin Hwang Aiiman Growth Fund (4207)                                        | 1,653,700          | 0.20           |
| <b>Total</b>                                                                                                                              | <b>726,341,425</b> | <b>87.43</b>   |



## Particulars of Properties

### A. INVESTMENT PROPERTIES

| No | Location                                                                                                 | Description of Existing Use                              | Tenure                                                  | Age of Building (years) | Land, Built-up Area (square feet) | Net Book Value as at 31.12.2020 (RM) | Date of Revaluation |
|----|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|-------------------------|-----------------------------------|--------------------------------------|---------------------|
| 1  | No. 325A & 325B<br>Blok 41, Kompleks<br>Perniagaan Fajar<br>91000 Tawau, Sabah                           | Three units of 4 storey<br>Commercial Complex/<br>Office | 999 years<br>town<br>lease expiring<br>on<br>31.12.2895 | 29                      | 4,025/<br>6,037                   | 3,165,000                            | 31.12.2020          |
| 2  | No. 64 & 65<br>Kompleks Jitra<br>Jalan Sungai Korok<br>06000 Jitra<br>Kedah Darul Aman                   | Two units of 2 storey<br>Shophouse/Office                | Freehold                                                | 34                      | 3,095/<br>6,935                   | 1,210,000                            | 31.12.2020          |
| 3  | No. 23<br>Medan Istana 3<br>Bandar Ipoh Raya<br>30450 Ipoh<br>Perak Darul Ridzuan                        | One unit of 3 storey<br>Shophouse/Office                 | 99 years lease<br>expiring on<br>30.03.2081             | 25                      | 1,539/<br>4,255                   | 650,000                              | 31.12.2020          |
| 4  | Lot 54 & 55<br>Bandar Wilayah Jasa<br>Jalan Bunga Raya<br>91100 Lahad Datu<br>Sabah                      | Two units of 3 storey<br>Shophouse/Office                | 99 years town<br>lease expiring<br>on<br>31.12.2090     | 25                      | 2,400/<br>7,200                   | 1,730,000                            | 31.12.2020          |
| 5  | No. 15 & 17<br>Jalan Kelibang<br>Langkawi Mall<br>07000 Kuah<br>Langkawi<br>Kedah Darul Aman             | Two units of 2 storey<br>Shophouse/Office                | Freehold                                                | 27                      | 1,440/<br>7,720                   | 790,000                              | 31.12.2020          |
| 6  | No. 26 & 28<br>Jalan Perda Barat<br>Bukit Mertajam<br>Seberang Prai<br>14000 Penang                      | Two units of 3 storey<br>Shophouse/Office                | Freehold                                                | 22                      | 3,293/<br>8,840                   | 1,480,000                            | 31.12.2020          |
| 7  | No. 433 & 434<br>Jalan Kulas<br>93400 Kuching<br>Sarawak                                                 | Two units of 4 storey<br>Shophouse/Office                | Freehold                                                | 25                      | 3,589/<br>12,855                  | 4,050,000                            | 31.12.2020          |
| 8  | Lot 13 & 14<br>Lazenda Commercial<br>Centre<br>Jalan Okk Abdullah<br>87007 Wilayah<br>Persekutuan Labuan | Two units of 3 storey<br>Office building                 | 999 years<br>lease<br>expiring on<br>30.06.2902         | 26                      | 2,504/<br>7,200                   | 2,800,000                            | 31.12.2020          |

## Particulars of Properties

| No | Location                                                                                                          | Description of Existing Use               | Tenure                                | Age of Building (years) | Land, Built-up Area (square feet) | Net Book Value as at 31.12.2020 (RM) | Date of Revaluation |
|----|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------|---------------------------------------|-------------------------|-----------------------------------|--------------------------------------|---------------------|
| 9  | No. 1 & 2<br>Jalan Kelicap<br>Taman Pekan Baru<br>34200 Parit Buntar<br>Perak Darul Ridzuan                       | Two units of 2 storey Shophouse/Office    | 99 years lease expiring on 05.09.2078 | 33                      | 3,956/<br>7,044                   | 1,010,000                            | 31.12.2020          |
| 10 | No. 46 & 47<br>Jalan Rahmat<br>83000 Batu Pahat<br>Johor Darul Takzim                                             | Two units of 4 Storey Shophouse/Office    | Freehold                              | 31                      | 3,220/<br>12,092                  | 1,890,000                            | 31.12.2020          |
| 11 | No. 180 & 181<br>Jalan Tuan Hitam<br>22000 Jerteh<br>Terengganu Darul Iman                                        | Two units of 4 storey Shophouse/Office    | Freehold                              | 30                      | 3,200/<br>12,250                  | 1,900,000                            | 31.12.2020          |
| 12 | Lot 82, 84 & 86<br>Jalan Rugby 13/30<br>Seksyen 13<br>40100 Shah Alam<br>Selangor Darul Ehsan                     | Three units of 2 storey Shophouse/Office  | 99 years lease expiring on 22.01.2102 | 21                      | 6,339/<br>11,309                  | 3,720,000                            | 31.12.2020          |
| 13 | No. 229<br>Jalan Shahab 2<br>Shahab Perdana<br>Jalan Sultanah<br>Sambungan<br>05350 Alor Star<br>Kedah Darul Aman | One unit of 2 1/2 storey Shophouse/Office | Freehold                              | 24                      | 1,400/<br>3,570                   | 570,000                              | 31.12.2020          |
| 14 | Lot No. 3803<br>Jalan Dato' Ulu Muar<br>72000 Kuala Pilah<br>Negeri Sembilan Darul Khusus                         | One unit of 3 storey Shophouse/Office     | 99 years lease expiring on 06.10.2079 | 21                      | 2,001/<br>3,120                   | 620,000                              | 31.12.2020          |
| 15 | No. 45<br>Jalan Teluk Sisek<br>25000 Kuantan<br>Pahang Darul Makmur                                               | One unit of 4 storey Shophouse/Office     | 99 years lease expiring on 18.09.2068 | 20                      | 3,200/<br>8,019                   | 2,630,000                            | 31.12.2020          |
| 16 | No. 27<br>Pusat Komersil<br>Temerloh<br>28000 Temerloh<br>Pahang Darul Makmur                                     | One unit of 2 1/2 storey Shophouse/Office | 99 years lease expiring on 01.04.2095 | 20                      | 1,398/<br>5,017                   | 775,000                              | 31.12.2020          |

## Particulars of Properties

| No | Location                                                                                                            | Description of Existing Use            | Tenure                                    | Age of Building (years) | Land, Built-up Area (square feet) | Net Book Value as at 31.12.2020 (RM) | Date of Revaluation |
|----|---------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------------------|-------------------------|-----------------------------------|--------------------------------------|---------------------|
| 17 | No. 2 & 4<br>Jalan 6C/7<br>43650 Bandar Baru Bangi<br>Selangor Darul Ehsan                                          | Two units of 2 storey Shophouse/Office | 99 years lease expiring on 08.07.2086     | 33                      | 6,383/<br>8,032                   | 2,330,000                            | 31.12.2020          |
| 18 | Lot 14<br>Seremban City Centre<br>Jalan Tuanku Munawir<br>70000 Seremban<br>Negeri Sembilan Darul Khusus            | One unit of 6 storey Shophouse/Office  | Freehold                                  | 24                      | 1,500/<br>14,589                  | 3,920,000                            | 31.12.2020          |
| 19 | No. 29, Jalan Delima<br>Pusat Perdagangan Pontian<br>82000 Pontian<br>Johor Darul Takzim                            | One unit of 3 storey Shophouse/Office  | 99 years lease expiring on 25.09.2097     | 19                      | 3,899/<br>10,248                  | 1,810,000                            | 31.12.2020          |
| 20 | Lot 1129 & 1130<br>Bangunan Darul Takaful<br>Jalan Sultan Ismail<br>20100 Kuala Terengganu<br>Terengganu Darul Iman | One unit of 12 storey Office building  | 35 years sub lease expiring on 29.06.2050 | 18                      | 3,600/<br>23,637                  | 6,310,000                            | 31.12.2020          |
| 21 | No. 616 & 617<br>Jalan Besar<br>73000 Tampin<br>Negeri Sembilan Darul Khusus                                        | Two units of 2 storey Office building  | 99 years lease expiring on 05.10.2088     | 28                      | 4,498/<br>8,685                   | 1,840,000                            | 31.12.2020          |
| 22 | No. 6<br>Jalan 6C/7<br>43650 Bandar Baru Bangi<br>Selangor Darul Ehsan                                              | One unit of 2 storey Shophouse/Office  | 99 years lease expiring on 08.07.2086     | 33                      | 1,905/<br>3,508                   | 930,000                              | 31.12.2020          |
| 23 | Suite 3B/G<br>Blok 3B, Plaza Sentral<br>Jalan Stesen Sentral 5<br>50470 Kuala Lumpur                                | One floor of 22 storey Office building | Freehold                                  | 19                      | 6,409*                            | 8,700,000                            | 31.12.2020          |

## Particulars of Properties

| No | Location                                                                                        | Description of Existing Use                                                           | Tenure                                      | Age of Building (years)                          | Land, Built-up Area (square feet) | Net Book Value as at 31.12.2020 (RM) | Date of Revaluation |
|----|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------|--------------------------------------------------|-----------------------------------|--------------------------------------|---------------------|
| 24 | No. 26 & 27<br>Jalan Tanjung<br>Pasar Baru<br>18500 Machang<br>Kelantan Darul Naim              | Two units of 2 storey<br>Office building                                              | 66 years lease<br>expiring on<br>18.02.2069 | 39                                               | 1,600/<br>4,000                   | 720,000                              | 31.12.2020          |
| 25 | No. 330 & 331<br>Jalan Sultan Yahya<br>Petra<br>15720 Kota Bharu<br>Kelantan Darul Naim         | Two units of 4 1/2<br>storey Office building                                          | 99 years lease<br>expiring on<br>09.12.2069 | 38                                               | 3,200/<br>15,200                  | 2,240,000                            | 31.12.2020          |
| 26 | Menara Takaful<br>Malaysia<br>No. 4, Jalan Sultan<br>Sulaiman<br>50000 Kuala Lumpur             | Two units of<br>Office building<br>Main Block - 26 storey<br>Annexe Block - 29 storey | Freehold                                    | Main<br>Block<br>- 47<br>Annexe<br>Block<br>- 40 | 90,427/<br>393,508                | 183,000,000                          | 31.12.2020          |
| 27 | No. 2408<br>Taman Samudera<br>32040 Sri Manjung<br>Perak Darul Ridzuan                          | One unit of 2 storey<br>Shophouse/Office                                              | 99 years lease<br>expiring on<br>19.05.2091 | 24                                               | 2,800/<br>5,300                   | 890,000                              | 31.12.2020          |
| 28 | No. 29 & 30<br>Pusat Perniagaan<br>Jalan Tupai<br>34000 Taiping<br>Perak Darul Ridzuan          | Two units of 3 storey<br>Office building                                              | Freehold                                    | 17                                               | 3,134/<br>18,304                  | 1,750,000                            | 31.12.2020          |
| 29 | No. 10 & 11 & 446<br>Jalan Sultan Yahya<br>Petra<br>15200 Kota Bharu<br>Kelantan Darul Naim     | Two units of 3 storey<br>Office building                                              | Leasehold                                   | 18                                               | 3,852/<br>9,120                   | 2,520,000                            | 31.12.2020          |
| 30 | No. 4197<br>Jalan Teluk Wanjah<br>05200 Alor Star<br>Kedah Darul Aman                           | One unit of 4 storey<br>Office building                                               | Freehold                                    | 18                                               | 8,716/<br>18,440                  | 1,900,000                            | 31.12.2020          |
| 31 | No. 10 & 8<br>Jalan Padi Emas 5/2<br>Bandar Baru UDA<br>81200 Johor Bharu<br>Johor Darul Takzim | Two units of 3 storey<br>Office building                                              | 99 years lease<br>expiring on<br>16.02.2099 | 15                                               | 3,080/<br>8,024                   | 2,300,000                            | 31.12.2020          |

## Particulars of Properties

| No           | Location                                                                          | Description of Existing Use              | Tenure                                | Age of Building (years) | Land, Built-up Area (square feet) | Net Book Value as at 31.12.2020 (RM) | Date of Revaluation |
|--------------|-----------------------------------------------------------------------------------|------------------------------------------|---------------------------------------|-------------------------|-----------------------------------|--------------------------------------|---------------------|
| 32           | No. 4 Kompleks Seri Temin Jalan Ibrahim 08000 Sungai Petani Kedah Darul Aman      | One unit of 4 storey Office building     | 99 years lease expiring on 03.10.2080 | 35                      | 1,400/5,510                       | 690,000                              | 31.12.2020          |
| 33           | Lot 1340 Miri Waterfront Commercial Centre 98000 Miri Sarawak                     | One unit of 4 storey Office building     | 60 years lease expiring on 30.09.2066 | 16                      | 1,400/5,500                       | 1,540,000                            | 31.12.2020          |
| 34           | No. 6 Jalan Padi Emas 5/2 Bandar Baru UDA 81200 Johor Bharu Johor Darul Takzim    | One unit of 3 storey Office building     | 99 years lease expiring on 16.02.2099 | 15                      | 1,540/4,012                       | 1,150,000                            | 31.12.2020          |
| 35           | No. 148, Kompleks Munshi Abdullah 75200 Melaka                                    | One unit of 4 1/2 storey Office building | 99 years lease expiring on 23.04.2102 | 27                      | 1,470/6,117                       | 1,100,000                            | 31.12.2020          |
| 36           | No. 16474 & 16475 Pusat Perniagaan Inderapura Jalan Tras Raub Pahang Darul Makmur | Two units of 3 storey Office building    | 99 years lease expiring on 29.06.2092 | 21                      | 3,218/9,280                       | 1,730,000                            | 31.12.2020          |
| 37           | No. 20, Fasa 1A Jalan Haji Manan 86000 Kluang Johor Darul Takzim                  | One unit of 4 storey Shophouse/Office    | 99 years lease expiring on 10.12.2108 | 24                      | 2,658/9,930                       | 2,200,000                            | 31.12.2020          |
| <b>Total</b> |                                                                                   |                                          |                                       |                         |                                   | <b>258,560,000</b>                   |                     |

\* Built-up Area

## Particulars of Properties

### B. SELF-OCCUPIED PROPERTY

| No | Location                                           | Description of Existing Use              | Tenure   | Age of Building (years) | Land, Built-up Area (square feet) | Net Book Value as at 31.12.2020 (RM) | Date of Revaluation |
|----|----------------------------------------------------|------------------------------------------|----------|-------------------------|-----------------------------------|--------------------------------------|---------------------|
| 1  | No. 435<br>Jalan Kulas<br>93400 Kuching<br>Sarawak | One unit of 4 storey<br>Shophouse/Office | Freehold | 25                      | 1,214/<br>4,262                   | 1,530,000                            | 31.12.2020          |

# Branch Network & Subsidiary Companies

## HEAD OFFICE

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD** [198401019089 (131646-K)]

14th Floor, Annexe Block  
Menara Takaful Malaysia  
No. 4, Jalan Sultan Sulaiman  
50000 Kuala Lumpur  
P.O.Box 11483, 50746 Kuala Lumpur

☎ 1-300 88 252 385  
☎ 603-2274 0237  
🌐 takaful-malaysia.com.my  
✉ csu@takafulmalaysia.com.my  
📘 Takaful Malaysia  
📱 takafulmalaysia.official

## TAKAFUL myCARE CENTRES

### KUALA LUMPUR

**Menara Takaful Malaysia**  
Ground Floor, Main Block  
Menara Takaful Malaysia  
No. 4, Jalan Sultan Sulaiman  
50000 Kuala Lumpur

### SELANGOR

**Shah Alam**  
Ground Floor  
Lot. No 82, 84, 86  
Jalan Rugby 13/30, Seksyen 13  
40100 Shah Alam  
Selangor Darul Ehsan

### MELAKA

**Melaka**  
148, Kompleks Munshi Abdullah  
Jalan Munshi Abdullah  
75100 Melaka

### PULAU PINANG

**Bandar Perda**  
No.28, Jalan Perda Barat 1  
Bandar Baru Perda  
14000 Bukit Mertajam  
Pulau Pinang

### Gelugor

No. 2480, Ground Floor  
Jalan Sultan Azlan Shah  
11700 Gelugor  
Pulau Pinang

### KEDAH

### Alor Setar

No. 229, Jalan Shahab 2  
Shahab Perdana  
Jalan Sultanah Sambungan  
05150 Alor Setar  
Kedah Darul Aman

### Sungai Petani

No. 4, Kompleks Seri Temin  
Jalan Ibrahim  
08000 Sungai Petani  
Kedah Darul Aman

### JOHOR

**Batu Pahat**  
Ground Floor  
No. 46, Jalan Rahmat  
83000 Batu Pahat  
Johor Darul Takzim

### Johor Bahru

Ground Floor  
No. 5, Jalan Setia Tropika 1/30  
Taman Setia Tropika  
81200 Johor Bahru  
Johor Darul Takzim

### NEGERI SEMBILAN

### Seremban

Suite 14-2, 2nd Floor  
Seremban City Centre  
Jalan Tuanku Munawir  
70000 Seremban  
Negeri Sembilan Darul Khusus

### TERENGGANU

**Kuala Terengganu**  
2nd Floor, Lot 1129 & 1130  
Jalan Sultan Ismail  
20200 Kuala Terengganu  
Terengganu Darul Iman

### PAHANG

### Kuantan

No. 45, Ground Floor  
Jalan Teluk Sisek  
25000 Kuantan  
Pahang Darul Makmur

### Temerloh

No. 27, Jalan Dato' Bahaman 3  
Pusat Dagangan Temerloh  
28000 Temerloh  
Pahang Darul Makmur

### KELANTAN

### Kota Bharu

Lot 331 & 332  
Ground Floor  
Jalan Sultan Yahya Petra  
Wakaf Siku, 15200 Kota Bharu  
Kelantan Darul Naim

### SARAWAK

### Miri

Lot 1340, Ground Floor  
Miri Waterfront  
Commercial Centre  
Jalan Waterfront  
98000 Miri, Sarawak

### Kuching

Lot 435, 1st & 2nd Floor  
Bangunan Tuanku Haji  
Mohammad Al-Edrus  
Jalan Kulas  
93400 Kuching, Sarawak

### SABAH

### Kota Kinabalu

Lot A 202 & 203, 2nd Floor  
Block A, Wisma MUIS  
Jalan Tengku Abdul Rahman  
88850 Kota Kinabalu, Sabah

## TAKAFUL RETAIL CENTRES

### IFiC KL Sentral

Ground Floor, Menara TH Sentral  
Blok D, Plaza Sentral  
Jalan Stesen Sentral 5  
50470 Kuala Lumpur

### IFiC Jalan Tun Razak

Aras 2, Menara Tabung Haji  
201, Jalan Tun Razak  
54000 Kuala Lumpur

### IFiC Sepang

Ground Floor, Lot 01  
Movenpick Hotel &  
Convention Centre KLIA  
Kompleks TH Sepang  
Jalan Masjid KLIA  
64000 Sepang  
Kuala Lumpur

### IFiC Johor Bahru

Ground Floor  
Menara TH Johor Bahru  
PTB 20485, Jalan Ayer Molek  
80000 Johor Bahru  
Johor Darul Takzim

### IFiC Banda Kaba

Tabung Haji Building  
Lot 250, Jalan Banda Kaba  
Peti Surat 205, 75740 Melaka

### IFiC Ipoh

Level 1, Tabung Haji Building  
Jalan Koo Chong Kong  
30000 Ipoh, Perak

### IFiC Putrajaya

Kompleks Islam Putrajaya  
Block B, Jalan Tunku Abdul  
Rahman  
Presint 3, Pusat Pentadbiran  
Kerajaan Persekutuan  
62100 Putrajaya

## SUBSIDIARY COMPANIES

### SYARIKAT TAKAFUL MALAYSIA AM BERHAD

[201701032316 (1246486-D)]  
14th Floor, Annexe Block  
Menara Takaful Malaysia  
No. 4, Jalan Sultan Sulaiman  
50000 Kuala Lumpur  
☎ +603-2268 1984  
☎ +603-2274 2864

### PT SYARIKAT TAKAFUL INDONESIA

Graha Takaful Indonesia  
Jalan Mampang Prapatan Raya  
No. 100, Jakarta  
12790 Indonesia  
☎ 6221-799 1234  
☎ 6221-790 1435

### PT ASURANSI TAKAFUL KELUARGA

Graha Takaful Indonesia  
Jalan Mampang Prapatan Raya  
No. 100, Jakarta  
12790 Indonesia  
☎ 6221-799 1234  
☎ 6221-790 1435  
🌐 www.takaful.co.id

# FORM OF PROXY

## FOR 36TH AGM

| NUMBER OF ORDINARY SHARES HELD | CDS ACCOUNT NO |
|--------------------------------|----------------|
|                                |                |

I/We.....  
 (Full Name of Shareholder)

NRIC No. / Passport No. / Company No.....

of .....  
 (Full Address)

Telephone No. .... being a Member/Members of SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD ("the Company"), hereby appoint:

| Proxy 1                        | No. of Shares | % |
|--------------------------------|---------------|---|
| Full Name of Proxy as per NRIC |               |   |
| NRIC / Passport No.            |               |   |
| Full Address                   |               |   |
| Email Address                  |               |   |
| Contact No                     |               |   |

and/or failing him/her;

| Proxy 2                        | No. of Shares | % |
|--------------------------------|---------------|---|
| Full Name of Proxy as per NRIC |               |   |
| NRIC / Passport No.            |               |   |
| Full Address                   |               |   |
| Email Address                  |               |   |
| Contact No                     |               |   |

**TOTAL SHARES      100%**

or failing him/her, the Chairman of the Meeting as my / our proxy to vote for me / us on my / our behalf at the THIRTY-SIXTH ANNUAL GENERAL MEETING of SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD, to be held fully virtual at the broadcast venue at Dewan Ahmad Mohamed Ibrahim, 5th Floor, Annexe Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur on Tuesday, 1 June 2021, at 09:30 a.m and any adjournment thereof.

Please indicate an "X" in the space provided below, how you wish your vote to be cast in respect of the following resolutions. In the absence of specific directions, your proxy may vote or abstain at his/her discretion. If you appoint two (2) proxies, please specify the proportions of holdings to be represented by each proxy.

My / Our proxy is to vote as indicated hereunder:

| NO. | RESOLUTION                                                                                                                                                                               | FOR | AGAINST |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------|
| 1   | To re-elect Mohd Azman Sulaiman who is retiring by rotation in accordance with Rule 74 of the Company's Constitution and being eligible, has offered himself for re-election.            |     |         |
| 2   | To re-elect Dato' Mustaffa Ahmad who is retiring by rotation in accordance with Rule 83 of the Company's Constitution and being eligible, has offered himself for re-election.           |     |         |
| 3   | To re-elect Mohamad Salihuddin Ahmad who is retiring by rotation in accordance with Rule 83 of the Company's Constitution and being eligible, has offered himself for re-election.       |     |         |
| 4   | To re-elect Datuk Bazlan Osman who is retiring by rotation in accordance with Rule 83 of the Company's Constitution and being eligible, has offered himself for re-election.             |     |         |
| 5   | To approve the payment of Non-Executive Directors' fees of up to RM2,224,400 for STMKB Group from this AGM of the Company until the next AGM of the Company.                             |     |         |
| 6   | To approve the payment of Non-Executive Directors' benefits of up to RM1,275,600 for STMKB Group from this AGM of the Company until the next AGM of the Company.                         |     |         |
| 7   | To re-appoint Messrs. PricewaterhouseCoopers PLT as the Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration. |     |         |
| 8   | Proposed Shareholders' Mandate for Recurrent Related Party Transactions.                                                                                                                 |     |         |
| 9   | Proposed amendments to the Company's Constitution.                                                                                                                                       |     |         |

Dated this.....day of ..... 2021

.....  
 Signature / Common Seal of Shareholders



Notes:

- (i) Save as set out in Note (iii) below, a Member of the Company entitled to attend and vote at this meeting is entitled to appoint up to two (2) proxies to attend and to vote instead of him at the same meeting. A proxy may but need not be a Member of the Company.
- (ii) Where a Member of the Company appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- (iii) Where a Member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (iv) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney and in the case of a corporation, must be under seal or under the hand of an officer or attorney duly authorised.
- (v) The instrument appointing a proxy must be deposited at the Office of the Share Registrar of the Company, Boardroom Share Registrars Sdn Bhd at Ground Floor or 11th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof.
- (vi) Only Members whose names appear in the Record of Depositors on 24 May 2021 shall be eligible to attend, speak and vote at the AGM or appoint proxy(ies) to attend, speak and/or vote on their behalf.
- (vii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of AGM will be put to vote by poll.
- (viii) As part of the initiatives to curb the spread of COVID-19, the 36th AGM of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting facilities which are available at <https://web.lumiagm.com>. Please follow the procedures provided in the Administrative Details for the 36th AGM in order to register, participate and vote remotely.
- (ix) The broadcast venue of the 36th AGM which is the main venue of the meeting is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. The broadcast venue of the 36th AGM is to organise the fully virtual meeting and where streaming would be conducted from. No shareholder(s)/proxy(ies) /corporate representatives from the public will be physically present at the broadcast venue on the day of the 36th AGM of the Company.

AFFIX  
STAMP HERE

**BOARDROOM SHARE REGISTRARS SDN BHD**

[199601006647 (378993-D)]

11th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan



**TakaFULmalaysia**

**Syarikat Takaful Malaysia Keluarga Berhad**

[198401019089 (131646-K)]

14th Floor, Annexe Block, Menara Takaful Malaysia  
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