



**ANNUAL REPORT 2021**



**TAKAFULmalaysia**

**Syarikat Takaful Malaysia Keluarga Berhad**

198401019089 (131646-K)

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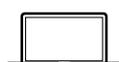


## Creating Value for Our Stakeholders

Takaful Malaysia is committed to implementing environmental, social, and governance criteria in our ongoing efforts to operate responsibly in an economically, environmentally, and socially sustainable manner. Recognizing the importance of adopting sustainability in accelerating, maintaining, and advancing corporate and social values, we focus on creating value for all our stakeholders. In building a competitive advantage to accelerate growth and thrive in a highly competitive landscape, we navigate and address challenges vigilantly and realize opportunities to deliver sustainable returns and meet customer expectations for innovative takaful solutions.

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# ABOUT US

Syarikat Takaful Malaysia Berhad (“STMB”) was incorporated on 29 November 1984. In accordance with the Islamic Financial Services Act 2013 (“IFSA”), STMB separated its composite licence into two (2) licenced entities on 1 June 2018. STMB, now known as Syarikat Takaful Malaysia Keluarga Berhad (“STMKB”) manages the Family Takaful business whilst Syarikat Takaful Malaysia Am Berhad (“STMAB”) manages the General Takaful business. STMKB is the holding company and owns 100% of STMAB, and the Company has a paid up capital of RM211.9 million with total assets of RM12.7 billion at the Group level as at 31 December 2021. Both STMKB and STMAB operate through a combined network of service centres across 24 locations nationwide.



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



We aim to exceed customer expectations through:

**Operational Excellence**

---

**Technology Driven Capabilities**

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**Product Innovation**

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**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

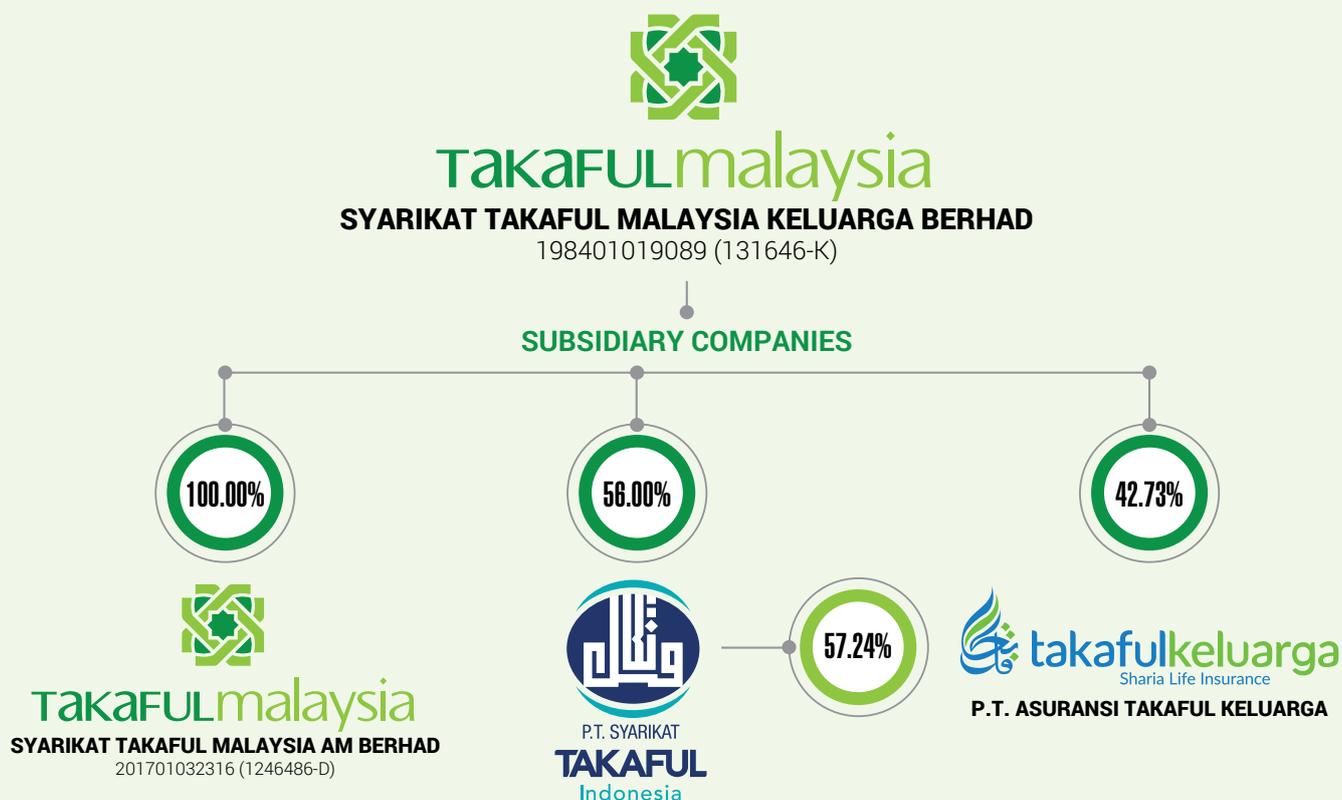
Our commitment in values of personal integrity and to build trust.



## 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 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

**DATIN PADUKA KARTINI**

**HAJI ABDUL MANAF**

Non-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 AND REMUNERATION  
COMMITTEE**MOHD AZMAN SULAIMAN**

Chairman

**DATO' MUSTAFFA AHMAD****MOHAMAD SALIHUDDIN AHMAD**

## BOARD RISK COMMITTEE

**SURAYA HASSAN**

Chairperson

**DATO' MUSTAFFA AHMAD****MOHAMAD SALIHUDDIN AHMAD**

## INVESTMENT COMMITTEE

**DATO' MUSTAFFA AHMAD**

Chairman

**DATUK BAZLAN OSMAN****NOR AZMAN ZAINAL**LONG TERM INCENTIVE PLAN  
COMMITTEE**DATUK BAZLAN OSMAN**

Chairman

**MOHD AZMAN SULAIMAN****DATO' MUSTAFFA AHMAD****MOHAMAD SALIHUDDIN AHMAD**

## COMPANY SECRETARY

**SUHLA AL ASRI**SSM Practicing Certificate  
No. 201908002158  
MAICSA 7025570

## SENIOR MANAGEMENT

**NOR AZMAN ZAINAL**

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**MOHAMMAD FADHLEE AWALUDIN**

Chief Investment Officer

## AUDITORS

PricewaterhouseCoopers PLT  
(LLP0014401-LCA & AF 1146)  
Level 10, 1 Sentral, Jalan Rakyat  
Kuala Lumpur Sentral  
50706 Kuala Lumpur

Tel : +603-21731188

Fax : +603-21731288

## REGISTERED OFFICE

Tingkat 14, Blok Annex  
Menara Takaful Malaysia  
No. 4, Jalan Sultan Sulaiman  
50000 Kuala Lumpur

Tel : +603-22681984

Fax : +603-22742864

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  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
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

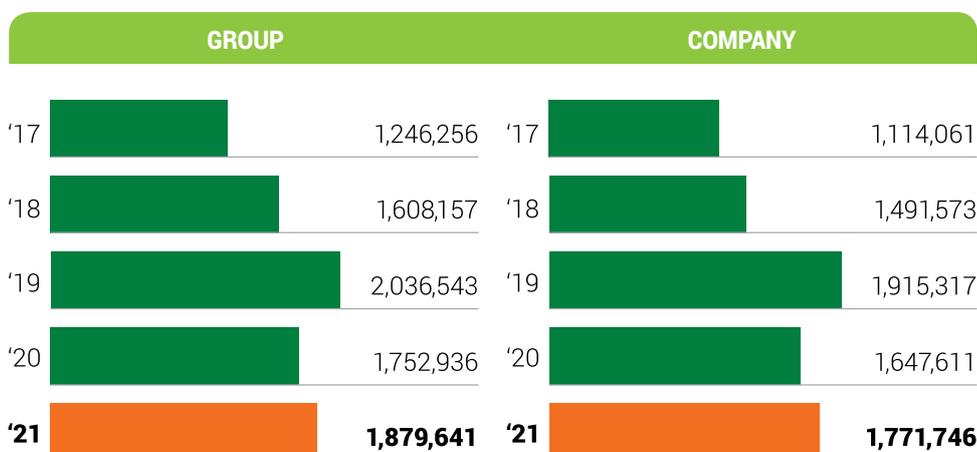
## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities  
Berhad on 30 July 1996

Stock Code: 6139

Stock Name: TAKAFUL

# FIVE-YEAR FINANCIAL HIGHLIGHTS

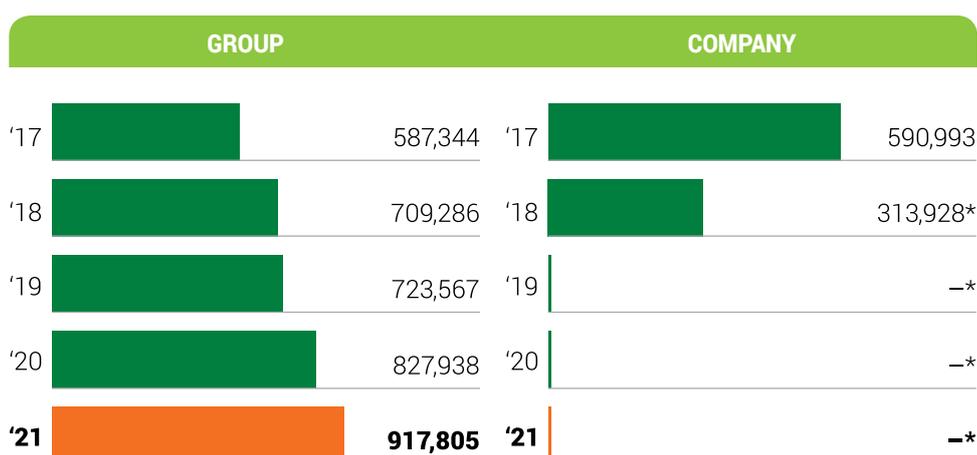


### Total Family Takaful Gross Contribution

 GROUP  
(RM'000)

**1,879,641**

 COMPANY  
(RM'000)

**1,771,746**


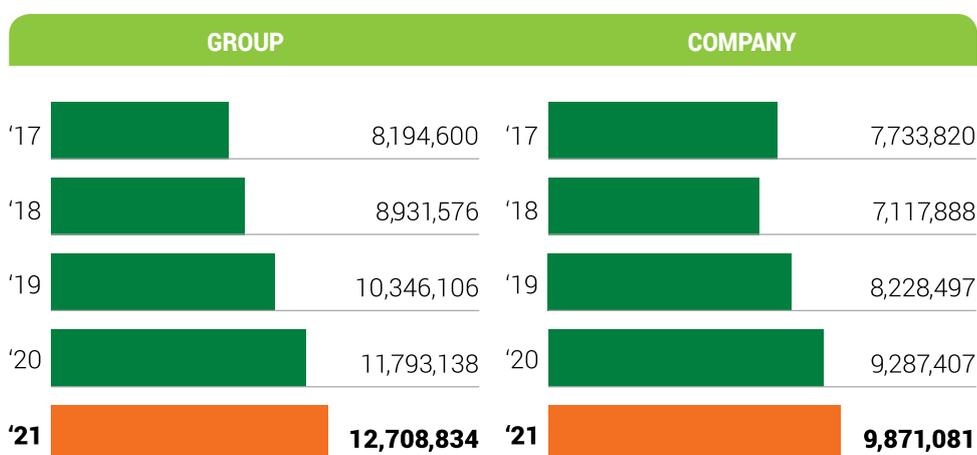
### Total General Takaful Gross Contribution

 GROUP  
(RM'000)

**917,805**

 COMPANY  
(RM'000)

—



### Total Assets

 GROUP  
(RM'000)

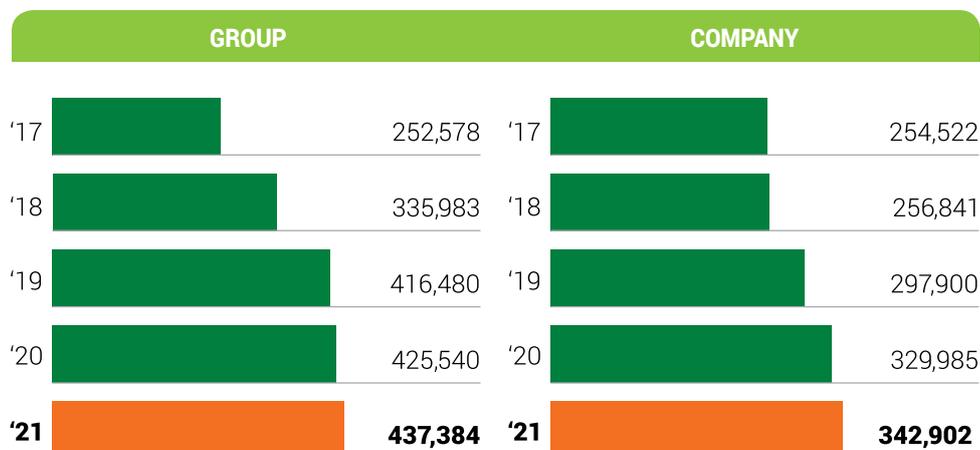
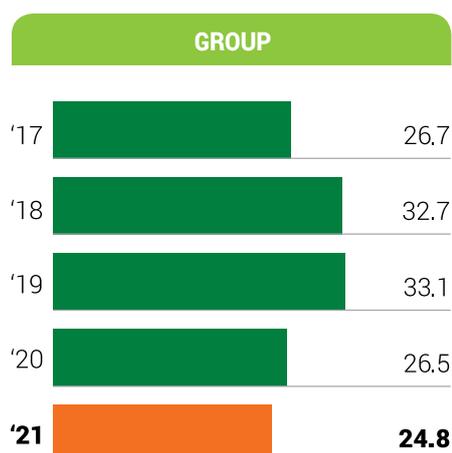
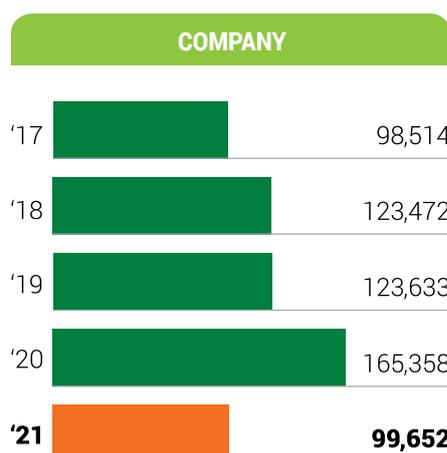
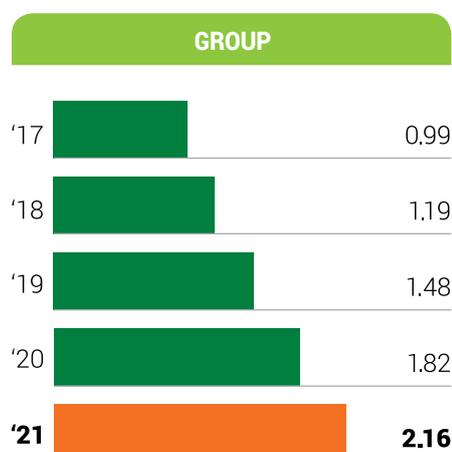
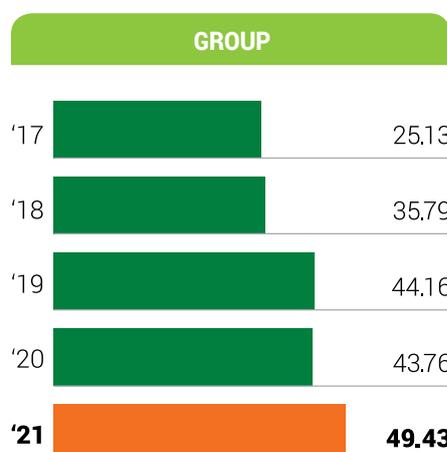
**12,708,834**

 COMPANY  
(RM'000)

**9,871,081**

\* 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

Profit Before Taxation  
After ZakatGROUP  
(RM'000)**437,384**COMPANY  
(RM'000)**342,902**Return on  
EquityGROUP  
(%)**24.8**Dividend  
Paid  
(Net of  
Taxation)COMPANY  
(RM'000)**99,652**Net Assets  
Per ShareGROUP  
(RM)**2.16**Earnings  
Per ShareGROUP  
(SEN)**49.43**

# OUR PRODUCTS

With the well-established “Takaful Malaysia” household brand, we provide a comprehensive and affordable range of family and general takaful solutions to meet customer protection needs. Takaful Malaysia is committed to helping people achieve their ambitions of a brighter and financially more secure future.



## Family Takaful Products

- Employee Benefits
- Takaful *mySME* Partner
- Group Credit Family Takaful
- Takaful *myMortgage*
- Takaful *myTerm*
- Takaful *myCI* Cover
- Takaful *myClick* Motor
- Takaful *myClick* Motor FlexiSaver
- Takaful *myClick* PA
- Takaful *myClick* Travel PA
- Takaful *myClick* MediCare
- Takaful *myClick* Term + Critical Illness
- Takaful *myTenang* Care



## General Takaful Products

- Takaful *myMotor*
- Takaful *myFire*
- Takaful *myHouseowners* & *Householders*
- Takaful *myHome* Content
- Takaful *myPA* Care
- Takaful *mySME*
- Boilers & Pressure Vessel
- Contractor's All Risks
- Electronic Equipment
- Erection All Risks
- Machinery Breakdown
- Foreign Workers Takaful Guarantee
- Foreign Worker Hospitalisation & Surgical Scheme (SKHPPA)
- Employer's Liability
- Public Liability
- Workmen's Compensation
- Marine Cargo
- All Risks
- Burglary
- Fidelity Guarantee
- Group Personal Accident
- Money
- Plate Glass
- Takaful *myTravel* PA
- Takaful *myTravel* Umrah



# OUR DEFINING MOMENTS

- Maintained as the top two leading takaful operators in the family takaful business with 20% market share.
- Captured 24% market share in the general takaful business to remain the second largest general takaful operator.
- Market leader in the bancatakaful and treasury business of the takaful industry.
- Most trusted takaful provider in 2021 based on Ipsos Trust Track (2022).

- Selected for the fourth year in a row as one of the award recipients of the HR Asia Best Companies to Work for in Asia 2021.
- Won the Graduate's Choice Award 2021/2022 for being selected among the most attractive graduate employers to work for in the insurance category.
- Voted once again by Malaysians as the Best Motor Takaful Company in Malaysia for 2021/2022.

## AWARDS & ACCOLADES

### 2021

- Best Motor Takaful Company in Malaysia 2021/2022 Award by iBandung.com
- HR Asia Best Companies To Work For In Asia 2021 Award
- Graduate's Choice Award 2021/2022 - Most Attractive Graduate Employers To Work For in 2022 in the insurance category

### 2020

- Highest Returns to Shareholders Over Three Years Award under the financial services sector at The Edge Billion Ringgit Club Corporate Awards 2020
- Highest Return on Equity Over Three Years Award under the financial services sector at The Edge Billion Ringgit Club Corporate Awards 2020

### 2019

- Highest Return on Equity Over Three Years Award under the financial services sector at The Edge Billion Ringgit Club Corporate Awards 2019
- Highest Growth in Profit After Tax Over Three Years Award under the financial services sector at The Edge Billion Ringgit Club Corporate Awards 2019
- Innovation Award under the Special Awards Category at the Malaysian Takaful Association's Takaful StarNite Awards 2019
- Race for Cover Award at the Malaysian Takaful Association's Takaful StarNite Awards 2019



# MANAGEMENT DISCUSSION & ANALYSIS



## Dear Valued Shareholders,

I am pleased to present the Annual Report of Syarikat Takaful Malaysia Keluarga Berhad (“STMKB” or “the Company”) and its subsidiary companies (“the Group”) for the financial year ended 31 December 2021, and share with our shareholders and other stakeholders our journey and progress during the year under review. Steering through the volatile business landscape while adapting to the challenging times of COVID-19, we remain focused on maintaining strong revenue, commendable returns, and sound financial performance to deliver sustainable shareholder value.

## Navigating Challenges and Realising Opportunities in Creating Value for Our Stakeholders

**NOR AZMAN ZAINAL**  
Group Chief Executive Officer

### Global Economic Outlook and Prospects

2021 was another challenging year that saw several highs and lows with mixed results in almost every industry around the world. The unequal impact of the COVID-19 pandemic has affected every possible area of development and calls for enhanced action to reduce health and economic concerns, protect vulnerable populations, and set the stage for lasting recovery. Amid high vaccination rates and the spread of new variants, several progressive developments have been witnessed – gradual growth of the global economy, rebound in goods trade, remittances, and food commodity prices as some countries began to chart recovery through economic growth, digital revolution, and sustainable development.

According to the International Monetary Fund (“IMF”), global growth is anticipated to moderate from 5.9% in 2021 to 4.4% in 2022. Growth in the advanced economies is expected to drop from 5% in 2021 to 3.8% in 2022, while growth in the emerging and developing economies is estimated to decline from 6.3% in 2021 to 4.6% in 2022. Rising energy prices and supply disruptions are anticipated to lead to higher-than-expected inflation. As a result, monetary policy in many countries will need to continue tightening measures to curb inflationary pressures. Slow-moving progress on COVID-19 vaccination has hampered economic recovery in undervaccinated countries, and a slower-than-expected recovery in private consumption is expected to limit growth projections as the ongoing pandemic is weighing on recovery plans and economic growth.

### Domestic Economic Development

In the face of economic headwinds, Malaysia's Gross Domestic Product (“GDP”) performance indicated improvement in 2021, with an increase of 3.1% compared to a contraction of 5.6% in 2020. Consistent with the IMF and World Bank projections of 5.7% and 5.8%, respectively, the country's economic growth projection in 2022 is expected to grow in the range of 5.5% and 6.5%. With the recovery momentum rebounding in the third and fourth quarters of 2021, the country's growth will be driven primarily by the Budget 2022 expansion, normalization in economic and social activities following high vaccination rates, continuation of projects with high multiplier effects, and high external demand from major trading partners.

Corresponding to the recommencement of all economic activities as the National COVID-19 Immunisation Programme gains momentum, the Government will continue to ensure that the country's long-term economic growth prospects remain resilient while working towards curbing the economic impact of the pandemic. The Malaysian economy in 2022 is projected to remain on its path to recovery, and the Government will continue to launch initiatives to safeguard lives and livelihoods from the COVID-19 threat.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## Global Takaful Market

Owing to the large Muslim population, takaful is swiftly gaining momentum, particularly in the Asia Pacific and the Gulf Cooperation Council ("GCC") region. Various international studies have projected an encouraging growth of the takaful market, which is expected to record an increase in revenue starting 2021. Projected to reach US\$27.6 billion in 2021, the global takaful market is estimated to reach US\$49.8 billion by 2027, even though still subject to COVID-19 uncertainties.

Catalysed by key factors such as ethical investment policies, strong growth prospects, and price competitiveness, takaful represents a strong business proposition. The adoption of takaful in non-Muslim countries and the advantages of takaful over conventional insurance will further drive the growth of the takaful market apart from product innovation, advances in technology, and the growing demand for takaful solutions will continue to provide opportunities for the takaful market to achieve sustainable growth.

## Takaful Industry in Malaysia

The Malaysian takaful industry recorded strong growth in the family takaful and general takaful businesses for the full year of 2021 compared to the same period in the previous year despite the challenges posed by the COVID-19 pandemic. The total contributions of the family takaful business increased 29.1% in 2021 to RM8.5 billion from RM6.59 billion in 2020. The total contributions of general takaful business also increased 10.7% in 2021 to RM3.8 billion, while the motor takaful business maintained the largest market share of 66.4% in 2021.

The growing demand for shariah-compliant services will continue to drive the performance and growth of the takaful industry. In addition, the penetration rate in the takaful industry is expected to upsurge as awareness of the importance of takaful and insurance protection increases. This is evidenced by the ratio of the number of family takaful certificates in force to the total population of Malaysia, increasing to 18.6% in 2021 from 16.9% in 2020.

## Market Share Overview

Our business retention and expansion strategy, strong financial performance along with operational efficiency, and a successful digital transformation journey have enabled us to remain one of the leading takaful operators in the industry. Our leading market share of 20% was mainly attributable to our partnerships with leading Islamic financial institutions for credit-related services and cross-selling of tailored takaful products to bank customers, our well-established treasury business network with civil servants for mortgage takaful, and our employee benefits ("EB") business portfolio.

With a market share of 24%, the Group maintained its position in the general takaful business as the second largest takaful provider. We continued to reinforce our general takaful segment through customer retention and acquisition in our motor portfolio, in addition to aggressively marketing our online motor takaful plan through digital and social media platforms that have been effective in driving sales to record double-digit growth of 11%.



## MANAGEMENT DISCUSSION & ANALYSIS

### Group Performance

The Group's operating revenue for the year under review was recorded at RM3.18 billion, higher by 7% as compared to RM2.96 billion in 2020. The profit before zakat and taxation ("PBZT") increased by 3% to RM438.7 million from RM426.8 million in 2020, whilst the profit after zakat and taxation ("PAZT") was RM412.2 million, higher by 13% as compared to PAZT of RM363.6 million in the previous financial year correspondingly.

During the financial year, the higher revenue was mainly attributable to improved sales by both family and general takaful businesses. Amid the COVID-19 pandemic, the Group recorded a higher PBZT result, which was mainly attributable to the higher net wakalah fee income.

Amid the uncertainties in the current economic environment, the Group will continue its strategic initiatives to support business expansion and growth as part of the economic recovery while strengthening its business resilience to respond to the dynamic developments of the COVID-19 pandemic situation. The Group will focus on identifying areas of opportunity, particularly in the individual and retail markets, and remain vigilant and prudent in managing operating costs, business growth, and the risk profile of our business portfolio.

### Company Performance

The Company's operating revenue increased by 7% from RM1.96 billion to RM2.09 billion in 2021. The total gross contribution registered at RM1.77 billion, which was higher by 8% as compared to RM1.65 billion in the previous financial year. The increase was mainly due to higher sales from credit-related products during the year under review.

The Company recorded PBZT of RM343.5 million, increased by 4% as compared to RM330.6 million in the same period of the previous financial year. The Company recorded PAZT of RM347.4 million, 14% higher as compared to RM305.7 million in the previous financial year. The increase in PAZT was mainly attributable to the higher net wakalah fee income and additional deferred tax assets recognised in relation to the imposition of "Cukai Makmur" and change in tax act on adjusted income for the family takaful business.



# 13%

**RM412.2 million**  
**Profit After Zakat and Taxation**  
 (Group Performance)



# 14%

**RM347.4 million**  
**Profit After Zakat and Taxation**  
 (Company Performance)

### 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 RM962.4 million, improved by 10% as compared to RM874.2 million in the same period last year. The Company recorded PBZT of RM151.7 million, almost at par as compared to the same period last year of RM151.6 million. The Company recorded a higher PAZT of RM121.7 million for the financial period ended 31 December 2021 posted as compared to RM113.3 million in the same period last year. The increase in PAZT was mainly attributable to the additional deferred tax assets recognised in relation to the imposition of "Cukai Makmur".

For the Indonesian takaful market, we remain optimistic about the growth potential of our Indonesian subsidiaries, namely PT Asuransi Takaful Keluarga ("ATK") and PT Syarikat Takaful Indonesia ("STI"), despite the impact of the COVID-19 pandemic over the past two years. The growth prospects of the takaful sector in Indonesia are expected to remain bright in line with growing awareness and demand for Shariah-compliant protection products, ongoing support from the Financial Services Authority ("Otoritas Jasa Keuangan"), easing of COVID-19 movement restrictions, and economic recovery.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**Review of the Statement of Financial Position**

- **Shareholders' Equity**

The shareholders' equity increased by 20% from RM1.5 billion to RM1.8 billion as at 31 December 2021. The increase was mainly attributable to the net profit attributable to owners of the Company during the financial year of RM411.4 million, partially offset by the dividend to owners of the Company of RM100.3 million.

- **Total Assets and Total Liabilities**

As at 31 December 2021, total assets recorded an increase of 8% to RM12.7 billion compared to RM11.8 billion in 2020, particularly driven by the growth in the other investments, retakaful assets and cash and cash equivalents, but partially offset by the decrease in loans and receivables, excluding takaful receivables.

Other investments increased from RM6.6 billion to RM7.5 billion as at 31 December 2021, mainly attributable to the higher investment in Islamic debts securities, Malaysian Government Islamic Papers, and unit trusts. The increase was mainly attributable to new purchases.

Retakaful assets increased from RM978.2 million to RM1,156.0 million as at 31 December 2021, mainly attributable to the increase in retakaful claims recovery provision.

Cash and cash equivalents increased from RM712.6 million to RM846.9 million, mainly due to higher placement in fixed and call deposits at licensed institutions with maturity less than 3 months.

As compared to 31 December 2020, loans and receivables, excluding takaful receivables dropped from RM2.5 billion to RM2.3 billion as at 31 December 2021, mainly attributable to lower placement in fixed and call deposits at licensed institutions with maturity more than 3 months.

The Group witnessed higher total liabilities of RM10.9 billion for the financial year as compared to RM10.3 billion as at 31 December 2020, mainly contributed by the increase of 6% in takaful contract liabilities. The increase in takaful contract liabilities from RM9.2 billion as at 31 December 2020 to RM9.8 billion as at 31 December 2021 was in line with the business growth.

- **Capital Expenditures**

As at 31 December 2021, we incurred RM12.1 million of capital expenditures as compared to RM13.5 million in the previous financial year. The capital expenditures incurred were mainly for the enhancement of our core systems, including the purchase of software and computer equipment as part of the Group's ongoing initiative in driving its digital agenda and in preparation for the implementation of MFRS17.

**Dividend**

Managing shareholder value remains a key interest of the Group to drive positive indicators and evidence of resilience to investors on the financial health, growth potential, and return on capital of Takaful Malaysia. In respect of the financial year ended 31 December 2021, the Company declared on 14 December 2021 an interim single tier dividend of 12.00 sen per ordinary share amounting to RM100,274,679.96, which was paid on 17 January 2022. This translated into a dividend yield of 3.24% based on the closing market price of the Company's share of RM3.70 as at 31 December 2021. The declared interim dividend represents a payout ratio of approximately 24.3% of the net profit generated for the year under review.

**Investment Portfolio**

The Company's investment income in 2021 remained resilient and provided a fair return on investment. In line with our investment strategy, our equity exposure maintained low throughout the year under review, limiting the effects of equity market volatility. Our asset allocation is focused on asset classes that provide stable and predictable recurring income, particularly sukuk, in addition to holding onto more cash.

We tilted our overall strategy by maintaining low exposure in equity investment compared to other asset classes such as sukuk and other money market placements to withstand any significant downturn in the equity market while remaining disciplined and focused on our long-term investment goals. We allocated exposures primarily to the technology, industrial products, consumer, and healthcare sectors in the equity investment to benefit from the shift in sector priorities.

Takaful Malaysia has established a policy on responsible investment and integrated environmental, social, and governance ("ESG") and sustainability considerations into our investment strategy and portfolio building by allocating higher priority to the constituents of the FTSE4Good Bursa Malaysia Shariah Index ("F4GBMS") and Sukuk issued under the Sustainable and Responsible Investment ("SRI") framework. To remain resilient, we identified and evaluated investment opportunities with specific social or environmental impacts in generating financial returns commensurate with risk.

## MANAGEMENT DISCUSSION & ANALYSIS

### Product and Service Innovation

- Collaborated with Lembaga Pembiayaan Perumahan Sektor Awam (“LPPSA”) to introduce **Takaful myProtect PA**, an affordable personal accident plan for LPPSA customers. This product is offered via the LPPSA’s i-Prihatin programme and provides comprehensive personal accident coverage in the event of accidental death, total and permanent or partial disability up to RM100,000.
- Launched **Takaful myClick Motor FlexiSaver**, the nation’s first flexi motor takaful plan with Pay As You Drive (“PAYD”) daily cover. This online motor product provides one-year coverage for loss or damage to a vehicle due to fire or theft, as well as third party bodily injury, death, or property damage.
- Enhanced our existing **Takaful myMotor** as part of our marketing initiative to provide innovative takaful solutions with greater benefits to customers and business partners by offering new plan options and add-on benefits for private cars (comprehensive and third party, fire, and theft), and motorcycles (comprehensive and third party).
- Introduced **Takaful myGrowth Plus**, a limited pay takaful endowment plan that provides protection as well as potential investment returns. This plan pays an annual cash payment starting from the end of the second certificate year, as well as a compassionate allowance upon death and a life event allowance upon marriage or child birth.
- Introduced two optional COVID-19 coverage plans under group hospitalisation cover to provide extended group hospitalisation coverage for claims due to category 3 to category 5 COVID-19 infection.
- Enhanced our Click for Cover mobile application, which is featured with a new look and feel, as well as more functionalities to provide a better user experience. The key features of the Click for Cover app include improved app performance with faster response times and increased security using biometric authentication.
- Launched the Tele Bantuan mobile application for the motor takaful clientele of our bank partners and corporate agents. Customers can submit requests for nationwide roadside assistance and real-time tow truck assistance tracking, and locate the nearest panel workshop via the Tele Bantuan app.

### Operational Performance

In driving operational efficiency through innovation to create value and achieve higher productivity amid the ongoing impact of the pandemic on business operations, we have strategically adopted the following initiatives to operate efficiently and improve our operational agility to serve customers and business partners as well as meet market demand.

- Encryption of selected customer documents to protect customer data and comply with the Personal Data Protection Act.
- Additional self-service functionality to our bancatakaful portal for bank partners to easily retrieve endorsement and transaction records for faster and better service to customers.
- Enhancement of the bancatakaful’s mortgage and business term takaful e-Submission system with a smart underwriting engine to facilitate instant underwriting approvals. Customers can now complete the online underwriting questionnaire anytime and anywhere at their convenience.
- Full automation with straight-through processing to handle online customer service requests as part of our digital ecosystem to enhance the overall customer experience.
- Introduction of online nomination facility as an additional avenue for beneficiary nomination to expedite future takaful benefit payments.
- Implementation of Robotic Process Automation (“RPA”) for selected operational processes to reduce manual interruptions and improve turnaround time and cost efficiency.
- Improvement to claims management and process flow for employee benefits (“EB”) business operations for accurate and efficient claims review to enable prompt claims settlement.
- Introduction of e-Claim submission facility for EB clients to submit non-cashless outpatient claims.



## MANAGEMENT DISCUSSION &amp; ANALYSIS



### Impact of COVID-19 on Business

The impact of COVID-19 on business is unprecedented, resulting in weak economic and financial results, declining demand, supply chain disruptions, and triggering an employment crisis. During the year under review, the Group's key business channels faced several key challenges but competently alleviated the impact of COVID-19 on the business by applying strategic, tactical, and operational planning to remain resilient in the competitive takaful industry.

| Business Channels            | Key Challenges  | Initiatives and Solutions   |
|------------------------------|---|---|
| <b>Corporate Business</b>    | <ul style="list-style-type: none"> <li>Concerns over costs and contribution rates among corporate clients.</li> <li>Extreme competitive pricing in an effort to secure business among takaful operators.</li> <li>Increase in demand for COVID-19 coverage.</li> </ul>  | <ul style="list-style-type: none"> <li>Offered an instalment option for selected clients to make contribution payments to facilitate their cash flow.</li> <li>Provided value-added services to reinvent product offerings and meet changing customer needs.</li> <li>Introduced COVID-19 coverage extension for selected corporate clients.</li> </ul>   |
| <b>Treasury Business</b>     | <ul style="list-style-type: none"> <li>Slowing property market, cautious property purchases among civil servants, and consumer sentiment.</li> <li>Temporary closure of LPPSA administration offices and related organizations due to the alarming situation of the pandemic hindered face-to-face sales activities.</li> </ul>                       | <ul style="list-style-type: none"> <li>Maintained business relationships with LPPSA and property developers through virtual platforms.</li> <li>Promoted our products and services to LPPSA customers through social media.</li> <li>Ensured uninterrupted access to the LPPSA loan management system and our IT system.</li> </ul>   |
| <b>Bancatakaful business</b> | <ul style="list-style-type: none"> <li>Volatile market conditions affected the financial services industry.</li> <li>Intense competition in the bancatakaful business.</li> <li>Consumer sentiment among bank customers.</li> <li>Challenges to establish new partnerships and maintain existing business partnerships with bank partners.</li> </ul> | <ul style="list-style-type: none"> <li>Offered regular contribution takaful plans to bank customers through telemarketing business.</li> <li>Implemented digital-assist point of sales system for bank partners to conduct paperless enrolment transactions.</li> <li>Provided support for bank partners to provide product consulting services, generate quotations, and issue certificates to their customers.</li> </ul> |

## MANAGEMENT DISCUSSION & ANALYSIS

### Value-based Intermediation

The adoption of Value-based Intermediation (“VBI”) by Takaful Malaysia in line with sustainable returns and long-term interests of our shareholders is expected to generate a positive impact on the economy, community, and the environment through our products and services, practices, processes, and business conduct. To achieve sustainable financial practices in 2021, we strategically focused on the following key VBI initiatives.



### Material Issues and Mitigation Measures

| Material Issues  | Mitigation Measures  |
|--|--|
| <p><b>Business disruption due to the prolonged COVID-19 Pandemic</b></p> <p>The ongoing pandemic has put pressure on the Group’s business growth against the backdrop of a sluggish economy and generally more prudent spending.</p>   | <ul style="list-style-type: none"> <li>Integration of digital technology into all aspects of business and operations.</li> <li>Implementation of work-from-home arrangements and provided secure access points for employees to access designated data and selected systems remotely.</li> <li>Expansion of the digital footprint across all distribution channels to offer a seamless service experience to customers and business partners.</li> </ul> |
| <p><b>Maintain a market-leading position in the takaful industry</b></p> <p>The Group maintained its leading position in the credit-related and treasury business in the face of intense competition, compounded by the slowing economy due to the pandemic situation.</p>   | <ul style="list-style-type: none"> <li>Adoption of the digital transformation strategy to offer innovative and comprehensive takaful solutions.</li> <li>Implementation of enhanced business processes to maintain business relationships with existing business partners.</li> <li>Embarked on advisory business as part of the Group’s strategy to expand business portfolio beyond credit-related.</li> </ul>   |
| <p><b>Preparation for the implementation of the new accounting standard, Malaysian Financial Reporting Standard 17 (“MFRS17”)</b></p> <p>Preparatory work has been carried out intensively in the takaful industry to improve financial reporting by providing meaningful and comparable information among takaful operators and insurers.</p> | <ul style="list-style-type: none"> <li>Development of internal system, capacity, and resources to prepare for implementation of the new financial reporting.</li> <li>Engagement with external consultants to manage the implementation of MFRS17.</li> <li>Regular engagement with industry associations and regulatory authorities for implementation direction and updates.</li> </ul>  |
| <p><b>Growing concerns about cybersecurity risks</b></p> <p>Exposure of business enterprises to heightened concerns about the risk of cyberattacks, disrupting business systems and networks, and potential data breaches.</p>   | <ul style="list-style-type: none"> <li>Enforcement of a cybersecurity strategy as part of the operational risk management to safeguard the Company’s assets including computers, networks, and data.</li> <li>Implementation of mitigation measures to strengthen end-to-end management of potential IT risk exposure areas, including access control, monitoring and detection, and defense systems.</li> </ul>   |

## MANAGEMENT DISCUSSION & ANALYSIS

### Human Capital Development

Corresponding to our continued efforts in recognizing employees as our most valuable asset, we have emphasized human capital development to enhance the performance, capabilities, and resources of our employees as well as achieve productivity gains in line with our long-term business growth. We streamlined our human resource strategy by implementing the following initiatives in fulfilling the Group's vision and mission while meeting the diverse needs of our stakeholders.

| Key Action Plans   | Initiatives   |
|--|---|
| <b>Enhancement of talent management strategy and framework</b>   | <ul style="list-style-type: none"> <li>• Focused on the three core elements of the talent management strategy, namely talent attraction, talent retention, and talent growth.</li> <li>• Identified all key positions and functions as part of our succession planning program.</li> </ul>  |
| <b>Cultivate a high-performance culture</b>                      | <ul style="list-style-type: none"> <li>• Exposed employees to new skills and competencies to prepare them for higher responsibilities.</li> <li>• Focused on employee development and encouraged employees to learn and innovate.</li> </ul>  |
| <b>Upskilling and reskilling for internal talent development</b> | <ul style="list-style-type: none"> <li>• Invested in leadership development programs to explore various skills beyond standard roles and specializations.</li> <li>• Focused on achieving higher levels of productivity and better overall performance among staff.</li> </ul>  |
| <b>Strategic partnerships with higher learning institutions</b>  | <ul style="list-style-type: none"> <li>• Engaged graduates virtually through career talks, career fairs, and knowledge sharing sessions to attract young talent.</li> <li>• Participated in programs with graduates to build professional relationships and discuss potential employment and internship opportunities.</li> </ul> |
| <b>Employee engagement and knowledge sharing</b>                 | <ul style="list-style-type: none"> <li>• Conducted employee engagement sessions virtually to collaborate and build collective knowledge as well as a learning culture.</li> <li>• Organized online training covering various topics for employees.</li> </ul>   |
| <b>Work-from-home arrangements and flexible working hours</b>    | <ul style="list-style-type: none"> <li>• Adoption of work-from-home arrangements to cope with ongoing COVID-19 situations.</li> <li>• Introduced flexible working hours to ensure uninterrupted operations and business continuity.</li> </ul>  |

### Prospects and Outlook

The Malaysian economy is expected to recover moderately, supported by the acceleration of the National COVID-19 Immunisation Programme ("PICK"), adequate capacity in the healthcare system, reopening of various economic sectors, continued expansion in global demand and higher private sector spending, and proactive fiscal stimulus measures by the Government. However, economic activities are expected to take some time to recover as concerns over the new variant of COVID-19 and job security continue to rise, and consumers are becoming more cautious in their spending.

On the industry prospects, takaful and insurance industry players are cautiously assessing the potential impact of COVID-19 on their short-term and long-term financial outlook. Despite lingering concerns about the COVID-19 variant, most industry players expect a rapid economic recovery and additional digital technology investments in 2022. The long-term outlook for the takaful sector remains positive, taking into account the low penetration rate, improved living standards, rising medical costs, an ageing population, and strong growth in the Islamic banking and finance sector.

The development of the takaful industry is expected to remain at a positive level in line with the Government's ongoing initiatives to stimulate demand for protection among Malaysians. Further liberalization will strengthen the efficiency of the takaful industry as more affordable and competitive personalized protection plans will be introduced to meet the needs of consumers. Digital transformation is expected to accelerate as industry players adapt to post-pandemic growth, and takaful operators will continue to incorporate digital capabilities into their business models and marketing approaches to stay relevant in the competitive market.

The Malaysian takaful industry will work towards achieving a penetration rate of 75% of the Malaysian population as demand for takaful and insurance is expected to continue to amplify due to the increased awareness of takaful and insurance among consumers following the pandemic. The regulatory development landscape will see continued enforcement of shariah governance and strengthening of compliance frameworks, including takaful operational framework, anti-corruption framework, whistleblowing policy, anti-money laundering and counter financing of terrorism policy, and risk management for customer data breaches.

## MANAGEMENT DISCUSSION & ANALYSIS

Bank Negara Malaysia (“BNM”) has issued a discussion paper on Climate Change & Principle-based Taxonomy (“CCPT”) to facilitate financial institutions, including takaful and insurance industry players, to assess and categorize economic activities that have achieved climate objectives and further stimulate the transition to a low-carbon economy. BNM has also issued a discussion paper on the Risk-Based Capital Framework for insurers and takaful operators as part of BNM’s multi-phased review of the capital adequacy framework for licensed insurers and takaful operators.

Takaful operators are also preparing for the implementation of the new MFRS17 accounting standard. From 2023 onwards, the way we present our financial statements will change due to the adoption of the new accounting standard MFRS 17 – Insurance Contracts. MFRS 17 will reflect a new approach to profit recognition of insurance/takaful contracts to increase consistency, comparability, and transparency in financial reporting across the insurance and takaful industry. MFRS 17 introduced a fundamental concept known as contractual service margin (“CSM”), representing the future profits that an insurer/takaful operator expects to earn as it provides services under the contracts. However, an immediate loss will be recognized if the takaful contracts are or become loss-making (onerous). CSM will be classified as takaful contract liabilities on the balance sheet and will be released in the profit or loss account over the lifetime of the contracts (when the takaful services are delivered). The profitability of takaful contracts remains the same under MFRS 4 and MFRS 17.

Amid the uncertainties in the current economic environment to support business expansion, Takaful Malaysia remains vigilant and prudent in maintaining our market share and managing business growth in 2022. We expect our credit-related, treasury business, employee benefits (“EB”), and general takaful businesses to continue to generate business growth. We will maintain our leadership in the bancatakaful business through the introduction and implementation of digitally-assisted marketing initiatives to further penetrate the retail consumer market.

Takaful Malaysia will continue to leverage its market-leading position in single contribution products while focusing on retail regular contribution products channeled through bancatakaful and other distribution channels to diversify its business portfolio. We will focus on our strategic bancatakaful partnerships with leading Islamic financial institutions and introduce new savings and investment-linked advisory products, and promote innovative online takaful solutions through our Click for Cover Online Sales Portal (“OSP”) to bank clientele. The Group will also adopt a multi-channel strategy to penetrate the retail segment as we anticipate the potential and opportunities to drive new demand for our products and services, help build brand awareness, diversify our business portfolio, and strengthen our foothold in the takaful industry.

For the treasury business portfolio, we will refine the administration of our distribution network for the Public Sector Housing Financing Board (“Lembaga Pembiayaan Perumahan Sektor Awam” or “LPPSA”) and actively reach out to civil servants to maintain our market-leading position. In strengthening our market reach in the EB segment, we will continue to embark on digital solutions to offer a differentiated experience of customized services for corporate clients. We will constantly improve our client engagement through service propositions to retain and generate profitable business on the back of the competitive

business landscape. We will also explore and strengthen our marketing partnerships to cross-sell our family takaful products to business partners with a larger customer base.

Our general takaful business will continue to be an imperative growth area, reinforced by our multi-distribution strategy, a new breed of conventional corporate agents for quantum leap business expansion, and greater demand for online motor takaful business. In addition, we will strike a balance between our underwriting margins and business growth to increase market share, achieve strong brand loyalty, retain existing customers, and attract new ones.

On the motor takaful business, we will strengthen our corporate agency force by retaining and recruiting high-potential corporate agents while implementing a price segmentation strategy for different target markets with better claims experience to accelerate the growth of our motor takaful business. We will also continue to build our online motor customer base and penetrate other segments to grow our general takaful business.

As part of our customer engagement and digital distribution strategy, we will intensify our brand presence through digital and social media platforms to be recognized as a household brand for protection solutions. On the investment portfolio, we will continue to evaluate our investment strategy in achieving stable and adequate investment yield while focusing on disciplined expense management to achieve operational excellence and to integrate environmental, social, and governance (“ESG”) and sustainability considerations into our investment strategy and portfolio construction with specific minimum ESG asset allocation rates for various asset classes.

Going forward, we are committed to adopting sustainable practices as part of our business strategy to operate our business efficiently and competitively and further enhance the Group’s growth curve. Staying true to the fundamental principles that have shaped our success, we will focus on creating value for all stakeholders through diverse distribution channels, operational excellence, technology-driven capabilities, product innovation, and a performance-oriented culture while delivering superior shareholder value.

### Acknowledgements

On behalf of the Management, I would like to express our gratitude to the Board of Directors and Shariah Advisory Body for their valuable guidance and counsel. My sincere appreciation to our valued shareholders for their loyal support over the years. I would also like to thank all the staff for their commitment to excellence and dedication that has been the driving force behind our success and value creation.

I am honored to be appointed as the Group Chief Executive Officer of Takaful Malaysia, and I could not be more excited to be a part of Takaful Malaysia and to serve this great company of ours, the FIRST takaful operator in Malaysia. Let’s stay focused on our goals and build on our achievements as we begin a new phase of our journey together. In pursuing our path to a sustainable future, let us face challenges with determination, and fulfill our responsibilities to our valued customers, shareholders, the economy, and society.

**Nor Azman Zainal**  
Group Chief Executive Officer

# SUSTAINABILITY STATEMENT

## SCOPE

This Statement illustrates the sustainable development and performance of Syarikat Takaful Malaysia Keluarga Berhad ("STMKB" or "the Company") and its subsidiaries ("the Group" or "Takaful Malaysia"), incorporating our corporate business functions and operations, initiatives, strategies, measures, and accomplishments. The scope of this Statement encompasses the management and performance of Takaful Malaysia, covering the five themes of Responsible Finance, Inclusive Growth, Talent Development, Ethical Practice, and Corporate Sustainability. We focus on crafting lasting stakeholder value through the implementation of our business strategies that emphasize the ethical, social, environmental, and economic dimensions of conducting our business.

## REPORTING PERIOD

Takaful Malaysia has been consistently reporting on its sustainability development annually since 2016. This Statement covers the period from 1 January 2021 to 31 December 2021, unless stated otherwise.

## REFERENCES AND GUIDELINES

This Sustainability Statement was developed with reference to the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Sustainability Reporting Guide, FTSE4Good Bursa Malaysia ("F4GBM") Index, the United Nations Sustainable Development Goals ("SDGs"), the Global Reporting Initiative's ("GRI") Sustainability Reporting Standards, and Takaful Malaysia's Sustainability Report.



Bursa Malaysia



FTSE4Good

FTSE4Good  
Bursa Malaysia



United Nations  
Sustainable  
Development Goals

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 HIGHLIGHTS

### Economic

More than  
**3 million** customers

Over **2,700**  
corporate agents

**RM12 million**  
invested in  
IT infrastructure

**36** new employment  
opportunities created

Shareholders' equity  
increased by **20%** to  
**RM1.8 billion**

**RM2.8 billion**  
total gross contributions

**RM3.1 billion**  
Market capitalisation

**3.24%**  
Dividend yield

### Social

**53** community-based  
initiatives and  
CSR activities

**RM1.45 million**  
Zakat and charity provision

More than **490 man-hours**  
spent for CSR activities

**Laptop & Tablet  
Assistance Program**  
for students

Recognized for the fourth  
time in a row as one of the  
award recipients of the  
**HR Asia Best Companies  
To Work For In Asia 2021**

Voted among the Most  
Attractive Graduate  
Employers To Work For  
in 2022 in the insurance  
category and won the  
**Graduate's Choice Award  
2021/2022**

### Environment

**5,617,718 kWh**  
Energy consumption

**12,729 m³**  
Water consumption

**3,118 reams**  
Paper consumption

Energy saving measures  
& paperless initiative

### Governance

**RM2.4 million**  
invested in learning  
and development

**4,530** training hours  
for employees

**57%** of women  
in the workforce

**93.1%** employee  
retention rate

Entrenched  
**risk management and  
compliance culture**

Revised the **Whistleblowing  
Policy & Notice**

## SUSTAINABILITY STATEMENT

### SUSTAINABILITY STRATEGY



At Takaful Malaysia, we constantly cultivate a sustainability strategy in our business operations by adopting a sustainable business model to deliver value to all our stakeholders. The Group is committed to realizing and applying forward-looking practices and actions to strengthen our sustainability efforts to operate in an economically, environmentally, and socially sustainable manner.

Our sustainability strategy encompasses five themes of Responsible Finance, Inclusive Growth, Talent Development, Ethical Practice, and Corporate Sustainability. Our sustainability strategy gives us a fundamental framework to evaluate, enhance, and highlight our unique propositions that differentiate us from our industry peers while providing space for economic value creation in line with our goals and values.

By implementing our sustainability strategy, we are able to continuously review and evaluate our progress, taking into account the risks and opportunities facing our business from a variety of perspectives and directions. As part of our sustainability considerations, we continue to enrich our perceptions and understanding of the risks and opportunities associated with our business and operations to meet customer demands and changing market conditions.

In our ongoing efforts to create value for all our stakeholders and shape a sustainable future, we are constantly improving the quality and transparency of our sustainability development to conduct and grow our business in ways that contribute positively to society and the environment.

### SUSTAINABILITY BLUEPRINT

| SDG   |   | Material Matters  | SDG  |  | Material Matters  |
|---|---|---|--|--|---|
| <b>3</b> GOOD HEALTH AND WELL-BEING             | 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>• Technical Excellence</li> </ul>                                      | <b>10</b> REDUCED INEQUALITIES                   | Adopt fair business and employment practices   | <ul style="list-style-type: none"> <li>• Talent Management</li> </ul>   |
| <b>4</b> QUALITY EDUCATION                      | Promote lifelong learning opportunities for all   | <ul style="list-style-type: none"> <li>• Talent Management</li> <li>• Community Empowerment</li> </ul>                                      | <b>11</b> SUSTAINABLE CITIES AND COMMUNITIES     | 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> |
| <b>8</b> DECENT WORK AND ECONOMIC GROWTH        | 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>       | <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION | Ensure sustainable consumption and production patterns   | <ul style="list-style-type: none"> <li>• Integrating Sustainability</li> </ul>  |
| <b>9</b> INDUSTRY INNOVATION AND INFRASTRUCTURE | 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> | <b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS | Promote inclusive societies for sustainable development  | <ul style="list-style-type: none"> <li>• Ethics &amp; Compliance</li> <li>• Regulatory Changes</li> </ul>                                       |

## SUSTAINABILITY STATEMENT

## SUSTAINABILITY FRAMEWORK

## Strategy

RESPONSIBLE  
FINANCECORPORATE  
SUSTAINABILITYINCLUSIVE  
GROWTHETHICAL  
PRACTICETALENT  
DEVELOPMENT

## Our Commitment

**Creating sustainable value for all stakeholders through our business portfolio that contributes positively to society and the environment**

## Key Values Created

- Delivering value to shareholders
- Offering innovative takaful solutions
- Streamlining business operations
- Implementing impact investment approach
- Managing environmental impact
- Uplifting the community
- Becoming the preferred choice for takaful solutions
- Cultivating customer value
- Embracing regulatory compliance
- Nurturing a compliance culture
- Strengthening the implementation of Shariah governance
- Building a high performance culture
- Focusing on talent management and development
- Sustaining employee engagement
- Implementing succession planning

## Material Matters

- Digital Transformation
- Technical Excellence
- Operational Efficiency
- Sustainable Growth
- Risk Management
- Integrating Sustainability
- Community Empowerment
- Customer Centricity
- Ethics & Compliance
- Regulatory Changes
- Talent Management

## Impact on SDG



## SUSTAINABILITY STATEMENT

### SUSTAINABILITY APPROACH



### 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 STMKB 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 to the Shariah Guidelines and Principles. Our Group’s operations, affairs and activities are carried out in line with our Shariah Governance Policy as part of our ongoing sustainability initiative to comply with the Shariah requirements.

The detailed information of our Corporate Governance is set out in the Corporate Governance Overview Statement section of Takaful Malaysia’s Annual Report 2021. Please refer to page 61 for more details.

## SUSTAINABILITY STATEMENT

**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 business 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 firmly believe it is paramount to adopt an effective risk management system involving our stakeholders at all stages. In managing risks, we embrace the following concept of three levels of defence.

- a) The first level of defence is the operational level whereby risk is first identified. Head of Divisions/ Departments, with the support of respective risk coordinators, are required to assume the responsibility of identifying and managing risks in their respective functions, including escalating significant potential concerns to Management Risk Committee (“MRC”) and Board Risk Committee (“BRC”).
- b) The second level of defence consists of Risk Management Division (“RMD”) and MRC (comprises of Senior Management). MRC ensures the alignment of the Group’s business practices to the risk management policy, whilst the RMD assists MRC and BRC in discharging its responsibilities by providing oversight on the effectiveness of risk management.
- c) The third level of defence is performed by the internal audit function. It provides the Audit Committee, and the Board with an independent assurance on the effectiveness of risk management controls and functions.

**MATERIAL MATTERS**

In our continuous endeavor to create and preserve the economic, environmental, and social values for all our stakeholders, we strategically identify, prioritize, and manage material matters that are not only important to the Group, but also to our diverse group of stakeholders. The Group tactically analyses and prioritizes economic, environmental, and social issues that pose potential sources of risk and opportunities in our business activities as well as our group of stakeholders.

**Identification Process of Material Matters**

## SUSTAINABILITY STATEMENT

| Strategy                             |  | RESPONSIBLE FINANCE   |
|--------------------------------------|--|---|
| Material Matters                     | Importance to the Group  | Importance to the Stakeholder Groups  |
| <p><b>DIGITAL TRANSFORMATION</b></p> | <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>   |
| <p><b>TECHNICAL EXCELLENCE</b></p>   | <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> |
| <p><b>OPERATIONAL EFFICIENCY</b></p> | <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>   |
| <p><b>SUSTAINABLE GROWTH</b></p>     | <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>   |
| <p><b>RISK MANAGEMENT</b></p>        | <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>  |

## SUSTAINABILITY STATEMENT

## Strategy



## INCLUSIVE GROWTH

| Material Matters                  | Importance to the Group  | Importance to the Stakeholder Groups   |
|-----------------------------------|--|--|
| <p><b>CUSTOMER CENTRICITY</b></p> | <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> |

## Strategy



## TALENT DEVELOPMENT

| Material Matters                | Importance to the Group   | Importance to the Stakeholder Groups   |
|---------------------------------|---|--|
| <p><b>TALENT MANAGEMENT</b></p> | <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> |

## Strategy



## ETHICAL PRACTICE

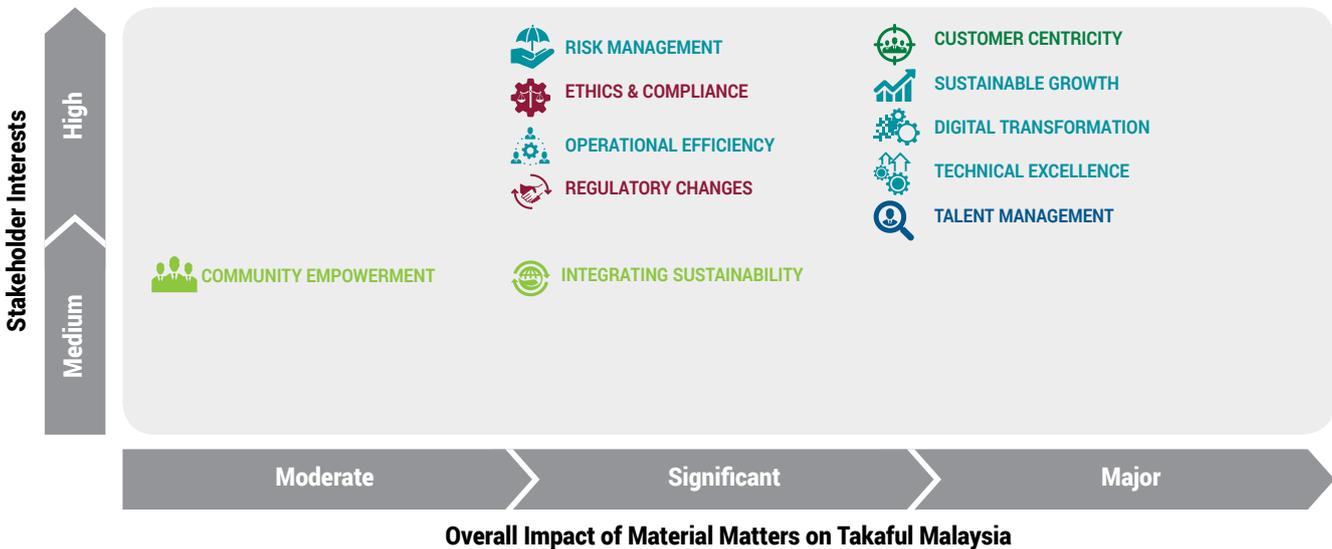
| Material Matters                      | Importance to the Group   | Importance to the Stakeholder Groups  |
|---------------------------------------|---|---|
| <p><b>REGULATORY CHANGES</b></p>      | <ul style="list-style-type: none"> <li>Comply with regulatory, guideline, policy and procedural changes 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> |
| <p><b>ETHICS &amp; COMPLIANCE</b></p> | <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>   |

SUSTAINABILITY STATEMENT

| Strategy   |   |   |
|--|---|---|
| Material Matters   | Importance to the Group   | Importance to the Stakeholder Groups  |
|  <p><b>INTEGRATING SUSTAINABILITY</b></p> | <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</li> </ul>  |
|  <p><b>COMMUNITY EMPOWERMENT</b></p>      | <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> </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 as a whole</li> </ul> |

**MATERIALITY MATRIX**

The materiality matrix describes the material matters that are considered important to our stakeholders and also the overall impact on our business after assessing the material matters that are significant to the Group as well as our stakeholders. Each material matter identified is evaluated on a scale as outlined below, based on our internal discussions and ongoing engagement as well as feedback received from our stakeholders through various communication platforms. This materiality matrix guides us in developing and initiating appropriate actions and plans to the risks and opportunities that the material matters present.



## SUSTAINABILITY STATEMENT

## STAKEHOLDER ENGAGEMENT

Takaful Malaysia consistently interacts with different stakeholder groups through various engagement platforms and communication channels as part of our stakeholder engagement initiative to achieve a sustainable business performance, and ensure that our business operations and product offerings meet the ever-changing needs of our stakeholders. We identify our key stakeholder groups through a stakeholder prioritization exercise, which determines their level of involvement and influence on Takaful Malaysia, and we gather the key areas of concern to our stakeholders from regular interactions through various engagement platforms.

Customers

Industry Peers/  
Value Chain Partners

Employees

Government/  
RegulatorsInvestors/  
Shareholders

Community

Agents/  
Business Partners

Media

## STAKEHOLDER GROUP

## CUSTOMERS

| Key Areas of Concern   | Engagement Platforms  | Our Response/Actions   |
|--|---|--|
|  <b>CUSTOMER CENTRICITY</b><br> <b>OPERATIONAL EFFICIENCY</b><br> <b>DIGITAL TRANSFORMATION</b> | <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>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> |

## STAKEHOLDER GROUP

## EMPLOYEES

| Key Areas of Concern  | Engagement Platforms   | Our Response/Actions   |
|---|--|--|
|  <b>TALENT MANAGEMENT</b><br> <b>TECHNICAL EXCELLENCE</b><br> <b>ETHICS &amp; COMPLIANCE</b> | <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 email</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 73 for more details.)</li> </ul> |

## SUSTAINABILITY STATEMENT

**STAKEHOLDER GROUP**

### AGENTS/BUSINESS PARTNERS

| Key Areas of Concern  | Engagement Platforms   | Our Response/Actions   |
|---|--|--|
|  <b>CUSTOMER CENTRICITY</b><br> <b>SUSTAINABLE GROWTH</b><br> <b>DIGITAL TRANSFORMATION</b><br> <b>TECHNICAL EXCELLENCE</b><br> <b>OPERATIONAL EFFICIENCY</b><br> <b>ETHICS &amp; COMPLIANCE</b><br> <b>REGULATORY CHANGES</b> | <ul style="list-style-type: none"> <li>Virtual agency training sessions</li> <li>Online meetings</li> <li>Corporate agency portal</li> <li>Bancatakaful portal</li> <li>Online portal for Employee Benefits Scheme</li> <li>Online helpdesk</li> </ul> | <ul style="list-style-type: none"> <li>System enhancement</li> <li>Systematic turnaround time and operating procedures</li> <li>Provide online trainings</li> <li>Offer business development support</li> <li>Provide value-added services</li> <li>Introduce online/digital platforms such as portals, mobile app, and online helpdesk</li> <li>Provide e-Submission facility</li> <li>Implement fair business practices</li> </ul> |

**STAKEHOLDER GROUP**

### INVESTORS/SHAREHOLDERS

| Key Areas of Concern  | Engagement Platforms   | Our Response/Actions   |
|---|--|--|
|  <b>SUSTAINABLE GROWTH</b><br> <b>DIGITAL TRANSFORMATION</b><br> <b>INTEGRATING SUSTAINABILITY</b><br> <b>ETHICS &amp; COMPLIANCE</b><br> <b>REGULATORY CHANGES</b><br> <b>TALENT MANAGEMENT</b><br> <b>CUSTOMER CENTRICITY</b><br> <b>TECHNICAL EXCELLENCE</b> | <ul style="list-style-type: none"> <li>Virtual Annual General Meeting</li> <li>Annual reports</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>Deliver superior shareholder value</li> <li>Register growth with commendable profit</li> <li>Maintain sterling performance and financial results</li> <li>Increase market share and penetration rate</li> <li>Implement fair business practices</li> <li>Integrate ESG and sustainability consideration into investment asset mix and strategy</li> </ul> |

**STAKEHOLDER GROUP**

### INDUSTRY PEERS & VALUE CHAIN PARTNERS

| Key Areas of Concern  | Engagement Platforms  | Our Response/Actions  |
|---|---|---|
|  <b>REGULATORY CHANGES</b><br> <b>ETHICS &amp; COMPLIANCE</b><br> <b>RISK MANAGEMENT</b><br> <b>SUSTAINABLE GROWTH</b><br> <b>TECHNICAL EXCELLENCE</b> | <ul style="list-style-type: none"> <li>Online conferences</li> <li>Virtual meetings</li> <li>Virtual industry workshops</li> <li>Business partnerships</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> |

## SUSTAINABILITY STATEMENT

## STAKEHOLDER GROUP

## GOVERNMENT &amp; REGULATORS

| Key Areas of Concern  | Engagement Platforms  | Our Response/Actions   |
|---|---|--|
|  <b>REGULATORY CHANGES</b><br> <b>ETHICS &amp; COMPLIANCE</b><br> <b>RISK MANAGEMENT</b><br> <b>SUSTAINABLE GROWTH</b><br> <b>TECHNICAL EXCELLENCE</b> | <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>• Provide regulatory reports</li> <li>• Conduct independent compliance review and assessment</li> <li>• Attend periodic virtual briefings and trainings</li> <li>• Adopt policies and frameworks in line with regulatory guidelines</li> <li>• Business best practices according to industry standards</li> </ul> |

## STAKEHOLDER GROUP

## COMMUNITY

| Key Areas of Concern   | Engagement Platforms   | Our Response/Actions  |
|--|--|---|
|  <b>COMMUNITY EMPOWERMENT</b><br> <b>INTEGRATING SUSTAINABILITY</b> | <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>• Organize community-based activities and programs</li> <li>• Take part in philanthropic causes and provide positive social value</li> <li>• Make monetary and in-kind contributions to various beneficiaries</li> </ul> |

## STAKEHOLDER GROUP

## MEDIA

| Key Areas of Concern  | Engagement Platforms   | Our Response/Actions   |
|---|--|--|
|  <b>SUSTAINABLE GROWTH</b><br> <b>REGULATORY CHANGES</b><br> <b>DIGITAL TRANSFORMATION</b><br> <b>COMMUNITY EMPOWERMENT</b> | <ul style="list-style-type: none"> <li>• Press releases</li> <li>• Email interviews</li> </ul> | <ul style="list-style-type: none"> <li>• Circulate press releases</li> <li>• Provide feedback on media interviews</li> </ul> |

## SUSTAINABILITY STATEMENT

| SUSTAINABILITY PERFORMANCE   |  |   |  |   |  |   |
|--|--|---|--|---|--|---|
| Theme  | Objectives   | Material Matters  | Scope of Material Matters  | Indicators  | Progress in 2021   |   |
| <br>Responsible Finance | 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 21% in the online takaful business  |   |
|  |  |   |  | Technological innovation                            | <ul style="list-style-type: none"> <li>Launched the new Tele Bantuan mobile app for motor takaful customers of our bank partners and corporate agents</li> <li>Enhanced the Click for Cover mobile app with more functionality to provide a better user experience</li> <li>Offered promotional codes for selected online takaful plans to drive sales</li> <li>Provided a secure access point for employees to access designated data and selected systems remotely</li> <li>Utilized webinar software platforms to 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                        | Launched Takaful myProtect PA for LPPSA customers  | <ul style="list-style-type: none"> <li>Offered new plan options and add-on benefits for private cars and motorcycles</li> <li>Launched Takaful myClick Motor FlexiSaver</li> <li>Introduced Takaful myGrowth Plus</li> <li>Introduced 2 optional COVID-19 coverage plans under group hospitalisation cover</li> </ul> |
|  |  |   |  |   | Integrated digital transformation  |   |
|  | 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   | System enhancement                                  | Improved the claims management and process flow for employee benefits ("EB") business operations   | <ul style="list-style-type: none"> <li>Enhanced the Takaful Integrated System ("TIS") core application and infrastructure to adopt new technologies and gain better business value</li> </ul>   |
|  |  |   |  |   | System enhancement   |   |

## SUSTAINABILITY STATEMENT

| Theme   | Objectives   | Material Matters  | Scope of Material Matters   | Indicators   | Progress in 2021   |
|---|--|---|---|--|--|
| <br><b>Responsible Finance (continued)</b> | 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  | RM3.18 billion   |
|   |  |   |   | Profit after zakat and taxation  | RM412.2 million  |
|   |  |   |   | Total assets   | RM12.7 billion   |
|   |  |   |   | Net assets per share   | RM2.16   |
|   |  |   |   | Return on equity   | 24.8%  |
|   |  |   |   | Family Takaful market share  | 20%  |
|   |  |   |   | General Takaful market share   | 24%  |
|   | To mitigate and manage risks   | <br>Risk Management    | Maintain business growth and market-leading position in the takaful industry, preparation for the implementation of MFRS17, and exposure of business enterprises to the risk of cyberattacks, disrupting business systems and networks, and potential data breaches | Business disruption due to the prolonged COVID-19 Pandemic   | <ul style="list-style-type: none"> <li>Integrated digital technology into all aspects of business and operations</li> <li>Implemented work-from-home arrangements</li> <li>Provided secure access points for employees to access designated data and selected systems remotely</li> <li>Expanded the digital footprint across all distribution channels</li> </ul> |
|   |  |   |   | Maintain a market-leading position in the takaful industry   | <ul style="list-style-type: none"> <li>Adopted digital transformation strategy to offer innovative and comprehensive takaful solutions</li> <li>Implemented enhanced business processes to maintain business relationships with existing business partners</li> </ul>  |
|   |  |   |   | Preparation for the implementation of the new accounting standard  | <ul style="list-style-type: none"> <li>Developed internal system, capacity, and resources in preparation for the implementation of the new financial reporting</li> <li>Engaged with external consultants</li> <li>Engaged with industry associations and regulatory authorities for implementation direction and updates</li> </ul>                               |
| Growing concerns about cybersecurity risks  |  |   |   | <ul style="list-style-type: none"> <li>Enforced a cybersecurity strategy as part of the operational risk management to safeguard the Company's assets including computers, networks, and data</li> <li>Implemented mitigation measures to strengthen end-to-end management of potential IT risk exposure areas, including access control, monitoring and detection, and defense systems</li> </ul> |  |

## SUSTAINABILITY STATEMENT

### RESPONSIBLE FINANCE

We focus on providing a wider portfolio of innovative product mix that meets the diverse needs of consumers in driving technical excellence through product development, pricing, and underwriting. We incorporate digital capabilities into our business model to provide comprehensive and innovative takaful solutions as well as services to the consumers, corresponding to 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 embraces green technologies.

### DIGITAL TRANSFORMATION

#### Investment in IT Infrastructure

In 2021, we made a significant investment in our IT infrastructure to integrate information and operational technologies in optimizing performance, driving efficiency, enhancing IT security, and improving the quality of our products and services.

| 2019          | 2020          | 2021           |
|---------------|---------------|----------------|
| RM3.4 million | RM5.0 million | RM12.0 million |

#### Launch of Enhanced Click For Cover Application

The key features of our enhanced Click for Cover mobile application include, improved app performance with faster response times, increased security using biometric authentication, and an easier way for customers to manage certificates, and convenient access to medical care.

#### Introduction of a New Tele Bantuan Application

We launched the Tele Bantuan mobile application for motor takaful customers of our bank partners and corporate agents. Customers can submit requests for nationwide roadside assistance and real-time tow truck assistance tracking, and locate the nearest panel workshop through the Tele Bantuan app.

### TECHNICAL EXCELLENCE

#### Technical Capabilities

- We have made significant investments to enhance our technical efficiency and capabilities, and the Group will continue to do so in the future more intensively as part of its strategic expansion plan.
- To unleash the potential and reap the benefits of the Group's IT infrastructure, we have conducted various internal training sessions to equip employees with the knowledge and competencies needed in addition to strengthening governance controls as a form of risk mitigation initiative.

| Training/Workshop                  | Objectives   |
|------------------------------------|--|
| SAS Enterprise Guide               | <ul style="list-style-type: none"> <li>• To introduce the SAS solution for the regulatory content for MFRS17, and provide an overview of the topics and components used in the regulatory process.</li> <li>• To comply with the MFRS17 requirements, and meet the Group's financial strategy and business objectives.</li> </ul>                              |
| Prophet Enterprise ("PE") Workshop | <ul style="list-style-type: none"> <li>• To increase employee knowledge in the field of Prophet modeling (Actuarial financial modeling software) as the PE is an enhanced version of the existing Prophet Professional ("PP") version.</li> <li>• To cope with the upcoming MFRS17 requirements and to complement the existing SAS system solution.</li> </ul> |

## SUSTAINABILITY STATEMENT

**Introduction of Innovative Takaful Solutions**

- Collaborated with Lembaga Pembiayaan Perumahan Sektor Awam ("LPPSA") to introduce Takaful *myProtect* PA, an affordable personal accident plan for LPPSA customers.
- Launched Takaful *myClick* Motor FlexiSaver, the nation's first flexi motor takaful plan with Pay As You Drive ("PAYD") daily cover.
- Introduced Takaful *myBiz* Financing Plan for customers of our bank partners to protect their business from unforeseen circumstances.
- Enhanced our existing Takaful *myMotor* with greater benefits to customers and business partners by offering new plan options and add-on benefits for private cars and motorcycles.
- Introduced two optional COVID-19 coverage plans under group hospitalisation cover to provide extended group hospitalisation coverage for claims due to category 3 to category 5 COVID-19 infection.

**OPERATIONAL EFFICIENCY****Enhanced Business Operations**

- Encryption of selected customer documents to protect customer data and comply with the Personal Data Protection Act.
- Additional self-service functionality to our bancatakaful portal for bank partners to easily retrieve endorsement and transaction records for faster and better service to customers.
- Enhancement of the bancatakaful's mortgage and business term takaful e-Submission system with a smart underwriting engine to facilitate instant underwriting approvals. Customers can now complete the online underwriting questionnaire anytime and anywhere at their convenience.
- Full automation with straight-through processing to handle online customer service requests as part of our digital ecosystem to enhance the overall customer experience.
- Introduction of online nomination facility as an additional avenue for beneficiary nomination to expedite future takaful benefit payments.
- Implementation of Robotic Process Automation ("RPA") for selected operational processes to reduce manual interruptions and improve turnaround time and cost efficiency.
- Improvement to claims management and process flow for employee benefits ("EB") business operations for accurate and efficient claims review to enable prompt claims settlement.
- Introduction of e-Claim submission facility for EB clients to submit non-cashless outpatient claims.

**SUSTAINABLE GROWTH****Financial Performance****Market Capitalisation**

| 2019          | 2020          | 2021          |
|---------------|---------------|---------------|
| RM4.7 billion | RM4.0 billion | RM3.1 billion |

**Profit After Zakat & Taxation**

| 2019            | 2020            | 2021            |
|-----------------|-----------------|-----------------|
| RM366.3 million | RM363.6 million | RM412.2 million |

**Return On Equity**

| 2019  | 2020  | 2021  |
|-------|-------|-------|
| 33.1% | 26.5% | 24.8% |

**Earnings Per Share**

| 2019      | 2020      | 2021      |
|-----------|-----------|-----------|
| 44.16 sen | 43.76 sen | 49.43 sen |

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

## SUSTAINABILITY STATEMENT

### Market Share

#### Family Takaful Business

| 2019 | 2020 | 2021 |
|------|------|------|
| 30%  | 23%  | 20%  |

#### General Takaful Business

| 2019 | 2020 | 2021 |
|------|------|------|
| 22%  | 24%  | 24%  |

### Responsible Investment

Shariah-compliant investing and Environmental, Social, and Governance (“ESG”) are complementary investment approaches with many shared principles, which have been integrated into our considerations in asset allocation and portfolio construction. We focus on adopting responsible investment into our investment strategy as part of our efforts to positively impact society as a whole and enhance brand value towards ensuring social and environmental sustainability as well as to better mitigate risks and increase long-term returns. The ESG criteria are applied through our investment selection and screening process across all asset classes, where we allocate higher preference to constituents of the FTSE4Good Bursa Malaysia Shariah Index (“F4GBMS”) and sukuk issued based on the Securities Commission’s Sustainable and Responsible Investment (“SRI”) Framework or sukuk issued under the ASEAN Green, Social, and Sustainability Bond Standards. With a responsible investment policy now in place, our strategy on responsible investing involves, but is not limited to streamlining our ESG and sustainability considerations in investment analysis for both equity and sukuk. We have prudently restructured and rebalanced our portfolios to increase exposure in ESG-compliant stocks and sukuk, and monitor our existing holdings on a regular basis in relation to ESG factors.



### RISK MANAGEMENT

During the year under review, we conducted a survey to measure the level of awareness and understanding among employees about risk and risk management. The survey is important to assist us in identifying areas for improvement that we need to work on, in addition to increasing employee awareness and understanding of risk management. The ongoing COVID-19 pandemic situation necessitated continued efforts by the Group to communicate and remind employees of safety precautions and diligent practice of health SOPs to minimize the risk of viral infection. We also conducted periodic monitoring and reporting of infection incidents within the Group for appropriate actions to be taken.

Several learning initiatives were rolled out as part of our ongoing efforts to strengthen staff awareness and understanding of the risks posed by business operations and their responsibilities to manage the identified risks. Due to the physical limitations imposed by the pandemic, the training sessions were conducted online covering various areas including enterprise-wide risk, operational risk, and business continuity management. A survey was also conducted to gauge key concerns among management about emerging operational risks, particularly given the growing digital adoption and changing consumer behaviour proliferated by the pandemic and climate risk. The Group also conducted a business continuity test exercise to examine the Group’s preparedness in response to a crisis situation scenario and the communication connectivity in a pandemic environment.

### 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 16 for more details.

## SUSTAINABILITY STATEMENT

| Theme  | Objectives  | Material Matters   | Scope of Material Matters   | Indicators   | Progress in 2021       |
|--|---|--|---|--|------------------------|
| <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 call centres   | 96,442 enquiries       |
|  |   |  |   | Number of customer enquiries attended via email          | 59,072 email enquiries |
|  |   |  |   | Number of customer complaints resolved                   | 60 cases               |
|  |   |  |   | Number of customer enquiries attended at service centres | 86,301 enquiries       |
|  |   |  |   | Acknowledgement of query processing time                 | 1 working day          |



## INCLUSIVE GROWTH

As part of our digital strategy to facilitate customers with seamless access to our extensive range of takaful solutions and services, we continue to promote financial inclusion by providing the right digital platforms and facilities to create value for our customers in achieving the agility and flexibility needed to stay relevant in the ongoing digital revolution whilst meeting consumer expectations. As a takaful operator, we understand that continued progress towards the greater digitalization of financial services, including the takaful industry benefits the economy and society as a whole, ensuring customers have access to a wide range of financial services provided through various platforms.



## CUSTOMER CENTRICITY

### Customer Value

We provided eligible customers a deferment period to pay their family takaful regular contributions through the COVID-19 Relief Programme, an industry-wide initiative joined by all industry players. The COVID-19 Relief Program was initially effective from 1 April 2020 to 31 December 2020, and Takaful Malaysia subsequently extended the period until 31 December 2021 to assist certificate holders affected by the COVID-19.

### Customer Experience

In addressing the challenges of the COVID-19 pandemic on the operations of our service centres nationwide, we have made some adjustments and steps to continue building trust and care for customers. Reorienting customer service efforts to meet diverse customer needs while keeping in touch with them during these challenging times, our service centres have implemented various initiatives and arrangements to provide a seamless, convenient, and engaging customer experience as follows.

- Making renewal and endorsement arrangements via email and phone calls.
- Utilizing Electronic Direct Mail to stay in touch with our online sales portal customers.
- Cross-selling of online takaful products to existing and potential customers.
- Providing customer service via digital and social media platforms.
- Promoting online takaful plans offered through the Click for Cover online sales portal.
- Sending certificates and other supporting documents to customers through email.
- Marketing SME and medical products to SMEs and clinics respectively for new businesses.

## SUSTAINABILITY STATEMENT

### Customer Engagement

We provide multiple channels for customers to interact and get in touch with us or submit their feedback, enquiries, or complaints as listed in the table below.

#### 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   |



Details of customer feedback, enquiries, responses, and complaints we received from various customer engagement channels during the year under review are illustrated in the following tables.

#### Detailed Customer Feedback in 2021

| Responses | Enquiries | Complaints |
|-----------|-----------|------------|
| 54        | 241,815   | 60         |

#### 3-Year Customer Feedback

| 2019    | 2020    | 2021    |
|---------|---------|---------|
| 166,777 | 158,415 | 241,929 |

## SUSTAINABILITY STATEMENT

| Theme   | Objectives   | Material Matters   | Scope of Material Matters   | Indicators   | Progress in 2021   |
|---|--|--|---|--|--|
| <br>Talent Development | 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                                    | 931 employees  |
|   |  |  |   | Total investment in employee learning and development        | RM2.4 million  |
|   |  |  |   | Succession planning  | 4 succession planning programmes                           |
|   |  |  |   | Workforce composition  | Please refer to the workforce composition table on page 38 |
|   |  |  |   | Employee retention rate                                      | 93.1%  |
|   |  |  |   | Average employee tenure                                      | 11.7 years   |
|   |  |  |   | Total number of employees promoted                           | 34 employees   |
|   |  |  |   | Total number of employees obtained professional certificates | 28 employees   |
| Total number of new employment opportunities created  | 36   |  |   |  |  |



## TALENT DEVELOPMENT

We value and retain a skilled and efficient workforce to provide long-term benefits to Takaful Malaysia, as part of the Group's human capital strategy to achieve our priorities in the four core areas of financial, customer, business process as well as learning and growth. We continue to equip our employees with the right skills and competencies to achieve our objectives by offering a healthy work culture where employees feel valued, safe, and full of opportunities for growth, and a conducive working environment that promotes employee safety, growth and goal achievement.



## TALENT MANAGEMENT

### Human Resource Management

- Adopted a comprehensive staffing blueprint by identifying the various competencies required such as skills, abilities, and knowledge that are essential to perform various tasks effectively.
- Digitized some of our human resource functions to increase employee productivity, optimize workforce planning, and explore new ways of handling work assignments in the wake of the COVID-19 pandemic.
- Implemented four succession planning programs under the Group's talent management framework which involve the top management to junior level employees, namely, Leadership Development Program, Leadership Development Program for High Potentials, Staff Talent Awareness & Retention Program, and Leadership Intensive Talent Enrichment Program.
- Enforced work-from-home arrangements and flexible working hours to better manage our people while ensuring uninterrupted operational services and business continuity in response to the COVID-19 situation.

### Total number of employees

| 2019          | 2020          | 2021          |
|---------------|---------------|---------------|
| 943 employees | 917 employees | 931 employees |

### Total number of new employment opportunities created

| 2019 | 2020 | 2021 |
|------|------|------|
| 12   | 30   | 36   |

## SUSTAINABILITY STATEMENT

### Workforce composition

| DESCRIPTION                | STMKB  | STMAB  | GROUP  |
|----------------------------|--|--|--|
| Total Employees            | 691  | 240  | 931  |
| Average Length of Service  | 11.4 years   | 12.3 years   | 11.7 years   |
| Employee Turnover Rate     | 6.6%   | 7.6%   | 6.9%   |
| Employee Retention Rate    | 93.4%  | 92.4%  | 93.1%  |
| Gender Diversity (%)       | Male : 40.23%<br>Female : 59.77%   | Male : 51.67%<br>Female : 48.33%   | Male : 43.18%<br>Female : 56.82%   |
| Age Diversity (%)          | Below 35 years: 19.97%<br>35 to 44 years : 48.48%<br>45 to 54 years : 29.09%<br>55 to 60 years : 2.46%<br>Above 60 years: 0% | Below 35 years: 15.00%<br>35 to 44 years : 39.17%<br>45 to 54 years : 39.17%<br>55 to 60 years : 6.66%<br>Above 60 years: 0% | Below 35 years: 18.69%<br>35 to 44 years : 46.08%<br>45 to 54 years : 31.69%<br>55 to 60 years : 3.54%<br>Above 60 years: 0% |
| Ethnicity Diversity (%)    | Malay : 80.46%<br>Chinese : 15.64%<br>Indian : 2.60%<br>Others : 1.30%   | Malay : 83.33%<br>Chinese : 12.92%<br>Indian : 2.92%<br>Others : 0.83%   | Malay : 81.20%<br>Chinese : 14.93%<br>Indian : 2.69%<br>Others : 1.18%   |
| Employment Arrangement (%) | Local : 99.90%<br>Foreign : 0.10%  | Local : 99.60%<br>Foreign : 0.40%  | Local : 99.80%<br>Foreign : 0.20%  |

### Learning and Development

- 53 webinars covering a wide range of topics were conducted for STMKB employees during the year under review as part of our employee learning and development initiatives.
- 37 webinars were organized for STMAB employees with an average of up to two learning hours for each webinar.
- The webinars conducted provide an effective platform to share knowledge, resources, and information with our employees while increasing employee engagement and productivity.

### High-Performance Culture

- Developed and implemented well-defined performance metrics, regular performance evaluations, and schemes to reward high-performing employees 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 73 to page 74 for more details.

## SUSTAINABILITY STATEMENT

**Employee Engagement**

- Organized virtual knowledge sharing sessions with employees to stimulate cultural change and innovation as well as foster productivity and empower employees to perform their tasks efficiently while working remotely.
- Conducted a virtual knowledge sharing session with employees on the topic of "How to Remain Relevant in an Organization" to provide some useful tips and the importance of staying relevant in the workplace.
- Organized a virtual town hall to provide information on the Group's priorities and areas of focus in addition to fostering employee engagement with top management.
- Engaged management trainees through a series of virtual engagement sessions as part of the Group's knowledge sharing initiatives.

**Employer of Choice**

- We are honored to be recognized for the fourth time in a row as one of the award recipients of the HR Asia Best Companies To Work For In Asia 2021. This award is a testament to our outstanding performance with the best HR practices in creating a conducive workplace and promoting employee engagement with excellent workplace culture.
- Takaful Malaysia has been voted among the Most Attractive Graduate Employers To Work For in 2022 in the insurance category, and clinched the Graduate's Choice Award 2021/2022. This recognition echoes our recruitment and talent acquisition strategy beyond the boundaries amidst the COVID-19 pandemic.



## SUSTAINABILITY STATEMENT

| Theme  | Objectives   | Material Matters  | Scope of Material Matters  | Indicators                               | Progress in 2021  |
|--|--|---|--|--|---|
| <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 training 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") e-Learning</li> <li>• BNM quarterly updates and news on terrorism financing</li> </ul>   |
|  |  |   |  | Compliance-related initiatives           | <ul style="list-style-type: none"> <li>• Periodic engagement sessions with the Department/Divisional Compliance Coordinators</li> <li>• Discussions with business owners on Customer Due Diligence ("CDD") procedures</li> <li>• Discussions with business owners on the Risk-Based Approach ("RBA")</li> <li>• Attended the Compliance Conference 2021 organized by BNM</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                    | Complied with the following policies: <ul style="list-style-type: none"> <li>• Revised Management of Customer Information and Permitted Disclosures</li> <li>• Specifications pursuant to sections 47 and 123 of the Financial Services Act 2013 (FSA) and sections 57 and 135 of the Islamic Financial Services Act 2013 (IFSA) in respect of the Phased Liberalisation of Motor and Fire Tariffs</li> <li>• Code of Conduct for Malaysia Wholesale Financial Markets</li> <li>• Notice Pursuant to Section 83 of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001</li> <li>• Expectations on the Review of Private Car Policy/ Certificate ("PCP") and Product Disclosure Sheet ("PDS")</li> <li>• Supervisory expectations to manage risk of customer data breaches</li> </ul> |

## SUSTAINABILITY STATEMENT



## ETHICAL PRACTICE

We always stay 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. Complying with evolving laws and regulations by keeping track of regulatory changes and developments ensures that we are steered clear of any adverse impact in conducting our business in a responsible manner.



## ETHICS & COMPLIANCE

### Culture of Compliance

- It is part of our ongoing initiative to nurture an appropriate compliance culture 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.
- The Group has engaged the employees to inculcate a culture of compliance through various e-Learning modules, engagement sessions, and revision of the Group's Shariah policies as listed below.

| Initiatives  | Objectives   |
|--|--|
| Anti-Money Laundering and Countering Financing of Terrorism ("AML/CFT") e-Learning | <ul style="list-style-type: none"> <li>• To create awareness in preventing our business from being misused as a medium for suspicious activities and transactions.</li> <li>• To guide employees in performing their daily business functions by applying consistent customer due diligence procedures, risk classification of customers, monitoring customer data, transactions and accounts, and suspicious activity reporting.</li> </ul> |
| Personal Information Record Management Framework ("PIRMF") Awareness e-Learning    | <ul style="list-style-type: none"> <li>• To increase awareness in the handling and management of customers' information and permitted disclosures.</li> <li>• To guide employees in performing their daily business functions by implementing utmost security and privacy standards when handling personal information.</li> </ul>   |
| Anti-Corruption Framework ("ACF") e-Learning                                       | <ul style="list-style-type: none"> <li>• To create and facilitate continuous awareness in combating bribery and corruption in line with our commitment to lawful, ethical, and honest behaviour at all times.</li> <li>• To guide employees in performing their daily business functions by combating and reporting situations related to bribery and corruption activities.</li> </ul>  |
| Compliance Awareness and Engagement Session with Compliance Coordinators           | <ul style="list-style-type: none"> <li>• To educate and reiterate the roles of compliance coordinators as an ambassador of the respective business functions for compliance-related matters.</li> <li>• To discuss compliance-related topics including Anti-Money Laundering, Personal Information, and Anti-Bribery and Corruption.</li> </ul>  |
| Revision of Charity Fund Management and Distribution Policy                        | <ul style="list-style-type: none"> <li>• To ensure accurate and timely disbursement of donations to beneficiaries.</li> <li>• To safeguard the management of the Group's charity fund and distribution of donations.</li> <li>• To ensure all beneficiaries receiving donations are qualified as stipulated in the policy.</li> </ul>  |
| Revision of Shariah Governance Policy  | <ul style="list-style-type: none"> <li>• To set out strengthened oversight accountabilities on the Board, the Shariah Advisory Body, and other key organs involved in the implementation of Shariah governance.</li> <li>• To ensure that the arrangements of Shariah governance of the Group are operating effectively and appropriate to the size, nature of business, complexity of activities, and structure.</li> </ul>                 |

## SUSTAINABILITY STATEMENT



### REGULATORY CHANGES

Keeping up with regulatory changes is important to the Group to demonstrate a higher level of responsiveness, accuracy, and monitoring of our data, transactions, governance, and policies while ensuring that we steer clear of any adverse impact in the conduct of our business. As the regulatory environment continues to evolve, we constantly ensure that we keep abreast of regulatory changes and establish the necessary internal procedures to implement and comply with the evolving regulations.

#### **Incorporation of the Integrity Clauses in Existing Agreements pursuant to the Anti-Corruption (“ACF”) Framework of Takaful Malaysia**

- The framework provides a comprehensive set of standards in relation to addressing improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business to prevent acts of bribery and corruption. This includes the incorporation of standard integrity clauses in all agreements with third parties to ensure that Takaful Malaysia deals only with third parties who subscribe to acceptable standards of integrity in their business practices.

#### **Implementation of Malaysian Financial Reporting Standard 17 (“MFRS17”)**

- Technical issues related to MFRS17 were deliberated and various industrial sessions were also conducted to prepare industry players for the implementation of the new accounting standard. Guidance notes and illustrative financial statements are also issued, which serve as best practices and guidelines for the reference of the takaful operators. Bank Negara Malaysia (“BNM”) has also introduced an exposure draft on the valuation of insurance and takaful liabilities, as well as undertaking a review of the overall solvency framework as part of its holistic review of the overall capital adequacy framework.

#### **The Exposure Draft (“ED”) on Financial Reporting for Takaful Operators**

- The Exposure Draft (“ED”) sets out the proposed revisions to the current Policy Document on Financial Reporting for Takaful Operators issued by BNM. The ED is intended to ensure compliance with Shariah requirements and the latest MFRS requirements applicable to takaful business. This is consistent with the latest ruling by the Shariah Advisory Council of BNM and the recommendations by the Malaysian Accounting Standards Board (“MASB”) relating to the application of MFRS17 and MFRS9 to takaful businesses.

#### **Discussion Paper on Risk-Based Capital Framework for Insurers and Takaful Operators**

- The Discussion Paper explores proposed enhancements to the design of the capital adequacy framework for licensed insurers and licensed takaful operators as part of the BNM’s multi-phased review of the overall solvency framework.

#### **BNM Notification on Supervisory Expectations to Manage Risk of Customer Data Breaches**

- The notification emphasizes the need for financial institutions (“FIs”) to constantly assess data breaches, and implement control measures to strengthen current controls. Companies are expected to ensure an ongoing assessment of emerging risks and implement appropriate actions to strengthen current controls.

#### **Exposure Draft on Climate Risk Management and Scenario Analysis**

- This exposure draft sets out the proposed requirements and guidance on climate risk management and scenario analysis to ensure that financial institutions strengthen the management of financial risks stemming from climate change, enhance the resilience of the financial sector against climate-related risks, and facilitate an orderly transition to a low-carbon economy.

## SUSTAINABILITY STATEMENT

| Theme   | Objectives  | Material Matters  | Scope of Material Matters  | Indicators   | Progress in 2021  |
|---|---|---|--|--|---|
| <br>Corporate Sustainability | 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                      | 5,617,718 kWh   |
|   |   |   |  | Total water consumption                                      | 12,729 m <sup>3</sup>   |
|   |   |   |  | Total amount of paper consumption                            | 3,118 reams   |
|   |   |   |  | Environmental sustainability initiatives                     | <ul style="list-style-type: none"> <li>• Energy saving measures</li> <li>• Paperless initiative</li> <li>• Centralized air conditioning system</li> <li>• Switching to energy efficient LED light bulbs and appliances</li> <li>• Water conservation drive</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 <i>myJalanan</i> Kasih to provide monetary and in-kind contributions to the underprivileged</li> <li>• Takaful <i>myJalanan</i> Ilmu to provide monetary and in-kind contributions to deserving students</li> </ul>  |
|   |   |   |  | Total amount of contributions made via charity fund          | RM1,100,274   |
|   |   |   |  | Total number of CSR and community-based activities conducted | 53 CSR and community-based activities   |
|   |   |   | Total hours allocated for CSR activities   | 496 hours  |   |


**CORPORATE SUSTAINABILITY**

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 our strategy to generate long-lasting benefits and ensure the continuity of our business in a competitive and challenging market environment. 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 business.


**INTEGRATING SUSTAINABILITY**
**Managing Our Environmental Impact**

Our actions in favor of valuing the environment are a key aspect of our vision of sustainable growth as we are actively involved in identifying and preventing potential environmental impacts caused by our business operations. We encourage respect for the environmental context in which we operate, and adopt responsible environmental protections, to better manage the footprint of our operations and reduce the impact on the environment. By embracing 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.

## SUSTAINABILITY STATEMENT

### Energy

Takaful Malaysia is taking proactive measures to minimize the use of energy at work in our continued efforts to better manage our energy consumption for energy conservation. In addition to periodic maintenance and replacement of IT equipment, we also identified energy-saving solutions to better manage our office energy usage, including a centralized air conditioning system and switching to energy-efficient light bulbs and appliances. All employees are constantly prompted 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.

| 2019                 | 2020                 | 2021                 |
|----------------------|----------------------|----------------------|
| <b>6,576,329 kWh</b> | <b>5,785,190 kWh</b> | <b>5,617,718 kWh</b> |

### Water

The total volume of water consumption across Takaful Malaysia in 2021 was 12,729 cubic metres ("m<sup>3</sup>"), comprising 9,399 cubic metres of water consumption on headquarters and 3,330 cubic metres across our service centres nationwide. We perform leak detection in pipes on a regular basis and monitor water use across our business operations and premises to conserve water resources. 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.

| 2019                        | 2020                        | 2021                        |
|-----------------------------|-----------------------------|-----------------------------|
| <b>30,223 m<sup>3</sup></b> | <b>12,785 m<sup>3</sup></b> | <b>12,729 m<sup>3</sup></b> |

### Paper

In 2021, the Group recorded an increase in its paper consumption following the reopening and full operations of its service centres after months of restricted business operations due to the pandemic. As part of our ongoing paper saving initiatives, we are embracing technology by implementing the e-Document module and engaging our employees to reduce paper usage at work. 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.

| 2019               | 2020               | 2021               |
|--------------------|--------------------|--------------------|
| <b>5,114 reams</b> | <b>2,271 reams</b> | <b>3,118 reams</b> |



### COMMUNITY EMPOWERMENT

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*. Various beneficiaries from different backgrounds including, families and individuals in need, the community as well as students have benefited from our contributions.

#### Corporate Social Responsibility Initiatives

- In support of the Pahang Flood Relief, a program organized by the Yayasan Al-Sultan Abdullah ("YASA") to raise funds in facilitating aid to flood victims, Takaful Malaysia contributed a sum of RM100,000 to supplement the resources needed for the ongoing disaster relief operations in the severely affected districts in Pahang.

## SUSTAINABILITY STATEMENT

- The Group collaborated with Pertubuhan Kesihatan Dan Kebajikan Umum Malaysia ("PKKUM") and donated RM22,000 to organize a food distribution program called the Food for All Project involving the Chow Kit community to help those in need access and consume nutritious food.
- We have stepped up to the plate and initiated a Laptop Assistance Program to distribute laptops to underprivileged students at selected higher education institutions nationwide at a total cost of RM55,000, in line with our brand promise to create and implement solutions to social challenges in response to our stakeholder demands and expectations.
- Recognizing the importance of mobile devices such as tablets as essential learning tools, especially due to the implementation of Teaching and Learning from Home, the Group donated a total of 26 tablets worth RM19,500 to underprivileged students in selected schools in Perak and Kelantan.
- Takaful Malaysia donated intensive care unit ("ICU") equipment worth approximately RM75,000 to Hospital Tengku Ampuan Rahimah ("HTAR") in Klang as part of the Group's corporate social responsibility ("CSR") initiative in fighting against the COVID-19 pandemic.
- In the face of the increasing number of patients seeking treatment at the community dialysis centre of Masjid At-Taqwa, we donated a dialysis machine to Masjid At-Taqwa Haemodialysis Centre ("MAHC") in Kepala Batas, Pulau Pinang, and contributed RM5,000 to Masjid At-Taqwa in providing financial support and helping to supplement the resources needed for the overall operations of the mosque.
- The Group donated intensive care unit ("ICU") equipment worth RM94,000 to the Penang General Hospital ("PGH") to assist PGH in providing medical treatment and ensure patients have timely access to medical treatment and services.
- Takaful Malaysia has taken the initiative to make financial contributions to selected individuals and families affected by the COVID-19 pandemic amounting to RM68,000 in the hope that monetary assistance will ease the burden of the beneficiaries.
- We donated RM50,000 towards the Vivekananda Ashrama Kuala Lumpur in support of its Viveka Academic Program ("VAP") to create better educational opportunities for the four schools under the care of the Vivekananda Ashrama Kuala Lumpur ("VAKL").
- Following the landslide disaster which affected the residents of Taman Gambang Damai, Kuantan, the Ministry of Finance along with LPPSA, and the panel takaful operators, including Takaful Malaysia, have stepped up to the plate by providing financial assistance to the affected residents so that they can recuperate in the wake of the unprecedented disaster.
- In conjunction with the month of Ramadan 1442H, Takaful Malaysia reached out to 150 underprivileged families from various backgrounds nationwide to lend a helping hand and ease their financial burden by donating food supplies and financial assistance amounting to RM85,000.
- Takaful Malaysia contributed a total of RM100,000 to the Musa'adah COVID-19 Fund, an initiative organized by the Department of Islamic Development Malaysia ("JAKIM") to help ease the burden of those severely affected by the outbreak including, Tahfiz schools, orphanages, and non-Muslim shelters nationwide.
- We contributed RM10,000 to Majlis Kanser Nasional ("MAKNA") in support of its ongoing initiatives to raise awareness of breast cancer among the public and reach out to the community through various awareness activities.
- We partnered with the Green Ribbon Group to publish a booklet to foster awareness and mobilize social support for mental health and well-being in the workplace. In this booklet, we have assembled an assortment of topics encompassing a wide range of subject matters related to mental health and well-being in the workplace. This special partnership is our CSR initiative to help our employees and others enjoy the benefits of good mental health and well-being in the workplace.



## SUSTAINABILITY STATEMENT

### Responsible Corporate Citizen

We conducted corporate social responsibility (“CSR”) activities and programs to provide assistance in the form of monetary and in-kind contributions to various recipients, including individuals, education centres, charitable organizations, and communities through our charity fund. Recognizing the importance of fulfilling our responsibilities as a takaful operator by providing assistance to those in need, the Group distributed zakat contributions to the respective zakat offices throughout the country during the year under review.

#### Distribution of Zakat and Charity Fund

| 2019               | 2020             | 2021               |
|--------------------|------------------|--------------------|
| <b>RM1,048,189</b> | <b>RM839,253</b> | <b>RM1,450,274</b> |

### Knowledge Sharing

- We collaborated with one of our bank partners to organize a sales webinar attended by more than 250 customers to position our products and services in the minds of the bank’s customers and drive leads into our sales pipeline apart from building personal relationships and conducting real-time conversations with the participants.
- Understanding the importance of webinars from a business standpoint, we conducted webinars covering wellness-related topics and business performance matters to create ongoing engagement with our corporate agents and clients.
- As part of our business agenda to encourage corporate agents to outperform their previous achievements and strive to be the best, our general takaful arm, STMAB conducted various online programs to support and provide its corporate agents with the necessary skills and related training to help them excel and achieve business targets.
- The Group conducted a webinar to provide information on Takaful *mySME* Partner, an ideal employee benefits plan with comprehensive coverage specially designed for Small and Medium Enterprises, and also provided an overview of the value propositions of our Third Party Administrators (“TPA”).
- A wellness webinar discussing back pain with a live demo by a physiotherapist on back pain assessment was jointly organized with KPJ Healthcare for our corporate clients to share useful information on back pain, including common issues that cause significant pain and distress, as well as tips for reducing the risk of developing back pain.
- We organized a series of webinars to increase the level of knowledge on Shariah-related topics and raise awareness of the takaful business among employees and corporate clients.
- Focusing on nutrition and sleep that play an important role in our health, which can directly affect sleep quality, we organized a webinar for our corporate clients and invited the Head of Dietetics and Food Service from Columbia Asia Hospital as the guest speaker to discuss the relationship between nutrition and sleep that is often overlooked, and to create opportunities by optimizing both to lead a balanced and healthy lifestyle.

# OUR RESPONSE TO COVID-19

The COVID-19 pandemic has rapidly affected our way of life and impacted businesses in various sectors and supply chains. As we continue to address the unprecedented impact of COVID-19, Takaful Malaysia is committed to playing our role through various initiatives to ensure the health and well-being of our employees, customers, business partners, and other stakeholders. We always take precautions and remain dedicated to providing essential services to our stakeholders and maintaining a high level of support during these difficult times, including supporting local relief efforts in the communities where we operate.

## EMPLOYEES

- Enforce safety protocols and measures in our offices and service centres as well as the necessary precautionary SOPs to curb the exposure and spread of the virus.
- Implement work-from-home arrangements and staggered working hours and lunch breaks to help limit the spread of COVID-19.
- Communicate with employees on a regular basis on the latest updates and developments related to COVID-19.
- Practice virtual meetings and restrict business travel, physical meetings, and discussions.
- Offer sick leave arrangements and reimbursement of the PCR test for employees infected with the virus.
- Provide hand sanitizers in our offices and service centres as part of our hygiene initiative to reduce COVID-19 transmission.
- Ensure our premises are cleaned regularly with appropriate hygiene measures and cleaning procedures.

## CUSTOMERS

- All customers are required to use the MySejahtera app before entering our premises as part of the SOP to manage and mitigate the COVID-19 outbreak.
- Provide hand sanitizers for the convenience of our customers to curb the spread of the virus at our service centres.
- Notices and announcements relating to our operations are available at all our service centres and premises as well as on our corporate website, and social media accounts.
- Customers continue to enjoy uninterrupted access to essential services through our Online Sales Portal, customer portal, hotline and email.
- Offered eligible customers a deferment period of three months to pay their family takaful regular contributions through the COVID-19 Relief Programme.
- Provided alternatives for customers to reduce their sum covered or withdraw some add-on riders or benefits to reduce their regular contribution amount.
- Offered instalment plans to selected General Takaful corporate clients to ease their financial burden.

## SOCIETY

- Provided financial assistance, food supplies, and in-kind donations to selected individuals and families nationwide affected by the COVID-19 pandemic to ease their burden and achieve a better quality of life.
- Donated intensive care unit ("ICU") equipment worth approximately RM75,000 for COVID-19 patients receiving treatment at Hospital Tengku Ampuan Rahimah ("HTAR") in Klang.
- Donated 26 tablets to selected students in need through our Tablet Assistance Program to provide them with learning tools in line with the implementation of Teaching and Learning from Home.
- Initiated the Laptop Assistance Program to distribute laptops at a total cost of RM55,000 to underprivileged students from selected public universities nationwide.
- Collaborated with Pertubuhan Kesihatan Dan Kebajikan Umum Malaysia ("PKKUM") to organize the Food for All Project, a food distribution program involving the Chow Kit community to help those in need access and consume nutritious food.
- Donated intensive care unit ("ICU") equipment worth RM94,000 to Penang General Hospital ("PGH") to assist PGH in providing medical treatment and ensure patients have timely access to medical treatment and services.
- Contributed RM100,000 to the Musa'adah COVID-19 Fund, an initiative organized by the Department of Islamic Development Malaysia ("JAKIM") to help ease the burden of those severely affected by the outbreak.

# PROFILE OF BOARD OF DIRECTORS



## DATO' MOHAMMED HUSSEIN

**Chairman/  
Independent Non-Executive Director**

Nationality **Malaysian**

Age / Gender **71 / 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)

### 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 Berhad (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 2021.

Board Meeting Attendance during the Financial Year :



## PROFILE OF BOARD OF DIRECTORS



## MOHD AZMAN SULAIMAN

Independent Non-Executive Director

Nationality **Malaysian**

Age / Gender **58 / 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)

### 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 apart from his independent non-executive directorship on the Board of Syarikat Takaful Malaysia Keluarga Berhad. 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 is an ICF professional certified business & leadership coach, where today he leads his private executive coaching practice, iCoachKL.

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, Australia. 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 corporate leadership positions both locally and internationally. His experience includes appointments 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 UK 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 talent management 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 2021.

Board Meeting Attendance during the Financial Year :



## PROFILE OF BOARD OF DIRECTORS



### SURAYA HASSAN Independent Non-Executive Director

|                     |                      |
|---------------------|----------------------|
| Nationality         | <b>Malaysian</b>     |
| Age / Gender        | <b>58 / Female</b>   |
| Date of Appointment | <b>1 August 2019</b> |

**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)

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

Listed entity: NIL

**Other Public Companies:** NIL

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

**Background, Expertise and Experience:**

Suraya Hassan has more than 28 years of successful working experience in the Financial Institutions (Banking and Insurance Industries for both Conventional and Islamic products) in Malaysia, Singapore and Thailand. Her stint in Singapore Citibank Regional Office, exposed her to Operational and Leadership oversight, for Citibank entities across Asia Pacific, at a very senior level. Her expertise covers a broad range of functions, from Sales & Distribution, Wealth Management, Customer Experience, Marketing, Credit Management, Remedial Management inclusive of Collections & Recoveries, Risk Management, Branch and Back end Operations, Audit & Compliance, Expense Control, Training, Talent Management and Development, Change Management, Digital Transformation and Innovation as well as Bancassurance business for both Conventional Insurance and Islamic Takaful. She is a qualified certified Global Trainer for Credit & Risk Management modules.

She has held very successful senior roles in Retail Banking and Insurance Company at a very early stage of her career starting with Citibank Berhad in Malaysia, (VP) Citibank Singapore, (SVP) Citibank Thailand, (Director) CIMB, (EVP), Ambank (EVP) and Prudential Assurance Malaysia Berhad (Chief Partnership Distribution and Bancassurance). She started many

first initiatives, implemented many cost savings projects, improved bottom lines as well as better workflows through aggressive change management for profitability and sustainability in the long run.

Her proven track record with exemplary work ethics, is not only recognised in Malaysia, but in Singapore and Thailand as well. The countries under her supervision in the Asia Pacific, include Malaysia, Thailand, Indonesia, Australia, Korea, Philippines, Singapore, India and Taiwan. A strategic thinker with focus on process improvements and involvement 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 skills.

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 postings, 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.

After 17 years in Citibank, she moved to 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 Partnership Distribution and Bancassurance, reporting to the CEO.

She is a member of Lead Women, an Organization who champions issues on Women and placement of Women Directors at Board levels. At the same time, she is actively involved in Charity and Volunteer works across Asia. She assisted in the set up of food banks during the last two years due to Covid Pandemic, in Johor and Langkawi. She champions the course for Orphans and Underprivileged children for better education and future, with various NGOs.

**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 2021.

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



## PROFILE OF BOARD OF DIRECTORS



## DATO' MUSTAFFA AHMAD

Independent Non-Executive Director

Nationality **Malaysian**

Age / Gender **66 / 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)

### 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' Mustaffa 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 2021.

Board Meeting Attendance during the Financial Year :



## PROFILE OF BOARD OF DIRECTORS



## MOHAMAD SALIHUDDIN AHMAD

Non-Independent Non-Executive Director

|                     |                |
|---------------------|----------------|
| Nationality         | Malaysian      |
| Age / Gender        | 59 / 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)

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

Listed entity: NIL

Other Public Companies: NIL

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

- Director, Syarikat Takaful Malaysia Am Berhad (2019 - 12 November 2021)

**Background, Expertise and Experience:**

Mohamad Salihuddin Ahmad has held various key positions in the General and Life Insurance as well as Takaful industry over the past 30 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, later promoted as 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 Assurance Bhd, promoted as Assistant General Manager from 1998 to September 2000, General Manager at MCIS Zurich Insurance Berhad from October 2000 to October 2002, Senior Vice President, Corporate Insurance Business Division of Malaysia National Insurance Berhad from November 2002 to September 2004, Executive Vice President, Retail Marketing & Sales Support Division at Mayban Fortis Holdings Berhad from September 2004 to December 2005, after the merger between Mayban Fortis, MNI & Takaful Nasional was appointed as Chief Executive Officer (CEO) at Malaysia National Insurance Berhad from December 2005 to May 2006, CEO of Prudential BSN Takaful Berhad from June 2006 to August 2009 and as an Executive Director & CEO of Great Eastern Takaful Sdn Bhd from September 2009 to December 2012. He was also the CEO of AmMetLife Takaful Berhad from May 2015 to May 2017.

He was also appointed as 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 2021.

Board Meeting Attendance during the Financial Year :



## PROFILE OF BOARD OF DIRECTORS



## DATUK BAZLAN OSMAN

Independent Non-Executive Director

Nationality **Malaysian**

Age / Gender **58 / 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)

### Present Directorship(s) in other Companies: Listed entity:

- Independent Non-Executive Director, Bank Islam Malaysia Berhad
- Senior Independent Non-Executive Director, Bursa Malaysia Berhad
- Independent Non-Executive Director, Glomac Berhad
- Chairman/Independent Non-Executive Director, FIMA Corporation Berhad

**Other Public Companies:** NIL

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

- Chairman of GITN Sdn Bhd (a wholly owned subsidiary of TM) (8 May 2017 – 27 February 2022)
- Citibank Berhad (1 July 2019 – 3 January 2022)
- 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 Vice President/Council member of MIA, 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 1989 to 1993.

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 was subsequently appointed as the Chief Financial Officer (CFO) prior to his appointment as Telekom Malaysia Berhad (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 2021.

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





## DATIN PADUKA KARTINI HAJI ABDUL MANAF

Non-Independent Non-Executive Director

Nationality **Malaysian**

Age / Gender **60 / Female**

Date of Appointment **1 April 2022**

**Position on the Board Committees:** NIL

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

- Master in Business Administration, Ohio University, United States of America ("USA") (1995)
- Bachelor in Business Administration, Ohio University, USA (1990)
- Diploma in Banking Studies, Universiti Teknologi MARA (1982)

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

#### Listed entity:

- UMW Holdings Berhad (June 2017)

#### Other Public Companies:

- Perumahan Kinrara Berhad (October 2021)

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

- Unilever (M) Holdings Sdn Bhd (December 2017 to April 2020)
- Sapura Energy Berhad (April 2019 to December 2019)
- Projek Lintasan Kota Holdings Sdn Bhd (April 2019 to December 2019)
- Chemical Company of Malaysia Berhad (January 2011 to May 2019)
- Sime Darby Berhad (December 2017 to November 2018)
- See Sen Chemical Berhad (August 1992 to November 2017)

### Background, Expertise and Experience:

Datin Paduka Kartini started her career with Permodalan Nasional Berhad ("PNB") in March 1983 as a Management Trainee. She had risen through the ranks to become PNB's Deputy President, Strategic Investments prior to her retirement in December 2019. Throughout her corporate career spanning 36 years, she served in various capacities across areas of investment management, corporate finance, mergers and acquisition, corporate restructuring, portfolio management, property investment as well as strategy and business development.

### 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 except by virtue of being a nominee director of Lembaga Tabung Haji. 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 since her appointment.

**Board Meeting Attendance during the Financial Year :** Not applicable

# PROFILE OF SHARIAH ADVISORY BODY



## PROFESSOR DR. MUHAMAD RAHIMI OSMAN

Chairman

Nationality **Malaysian**

Age / Gender **61 / Male**

Date of Appointment **12 January 2010**

SAB Meeting Attendance during the Financial Year:

■■■■■■ = 6/6

### 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)

### 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, Universiti Teknologi MARA (UiTM)
- Adjunct Professor, School of Arts, Humanities & Social Science, Asia e University (AeU)
- 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)
- 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)
- Associate Fellow, Malaysia Transport Institute (MITRANS), UiTM

### 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 2021.

## PROFILE OF SHARIAH ADVISORY BODY


**DR. AHMAD SUFIAN CHE  
ABDULLAH**
**Member**

 Nationality **Malaysian**

 Age / Gender **43 / Male**

 Date of Appointment **1 July 2015**
**SAB Meeting Attendance during the Financial Year:**
 = 6/6

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

- Doctor of Philosophy (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)

**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, University Board of Director (LPU), Kolej Universiti Islam Perlis (KUIPs)
- Member, Shariah Advisor Committee, Sabnuha Jewellery Sdn Bhd
- Shariah Advisor, Infaqpay Digital Sdn Bhd
- Shariah Advisor, KAB Goldynamics Sdn Bhd
- 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)
- Curriculum and Academic Advisor in Islamic Finance, Kolej Yayasan Pahang (2019-2021)
- Curriculum Advisor for Uniti College Kota Bharu (2019-2021)
- 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 2021.


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

 Nationality **Malaysian**

 Age / Gender **40 / Female**

 Date of Appointment **1 February 2016**
**SAB Meeting Attendance during the Financial Year:**
 = 6/6

**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)

**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):**

- Shariah Advisor, UOB Islamic Bank (2015-2019)
- Academic Trainee, 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 Kulliyah 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 of 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 2021.

## PROFILE OF SHARIAH ADVISORY BODY

**MEGAT HIZAINI HASSAN**

Member

Nationality **Malaysian**Age / Gender **55 / Male**Date of Appointment **1 April 2017****SAB Meeting Attendance during the Financial Year:**

= 6/6

**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)

**Areas of Expertise:**

- Legal

**Background and Working Experience****Present:**

- Partner, Lee Hishammuddin Allen & Gledhill
- Member, Shariah Committee, Mizuho Bank (Malaysia) Berhad
- Member, Shariah Advisory Body, Mizuho Bank, Ltd. Labuan Branch

**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, Kulliyah 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 Kulliyah 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 2021.

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

Member

Nationality **Malaysian**Age / Gender **43 / Male**Date of Appointment **1 April 2019****SAB Meeting Attendance during the Financial Year:**

= 6/6

**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)

**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 Intiaz 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 2021.

# PROFILE OF SENIOR MANAGEMENT



**NOR AZMAN ZAINAL**  
Group Chief Executive Officer

Nationality **Malaysian**

Age / Gender **50 / Male**

Nor Azman Zainal, aged 50, male, is a Malaysian citizen with 25 years of experience in the insurance industry. He was appointed as the Group Chief Executive Officer on 1 January 2022. He holds a Bachelor Science (Honors) in Actuarial Science. 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 2021. 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



**LEEM WHY CHONG**  
Deputy Chief Executive Officer

Nationality **Malaysian**

Age / Gender **50 / Male**

Leem Why Chong, aged 50, male, is a Malaysian citizen and he has been in the insurance & takaful industry for more than 27 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 2021. 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

Nationality **Malaysian**

Age / Gender **52 / Male**

Mohamed Sabri Ramli, aged 52, male, is a Malaysian citizen and he has been in the insurance and takaful industry for more than 27 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 2021. He has no family relationship with any Directors and major shareholders of STMKB, and has no conflict of interest with STMKB.



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

Nationality **Malaysian**

Age / Gender **51 / Female**

Juliana Lo Beng Liew, aged 51, female, is a Malaysian citizen with 30 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 2021. 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



**SIA MENG HUI**  
Chief Financial Officer

Nationality **Malaysian**

Age / Gender **38 / Female**

Sia Meng Hui, aged 38, female, is a Malaysian citizen with 14 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 2021. She has no family relationship with any Directors and major shareholders of STMKB, and has no conflict of interest with STMKB.



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

Nationality **Malaysian**

Age / Gender **54 / Female**

Shuhaibahtulaslamiah Hurmuzan, aged 54, female, is a Malaysian citizen and she has 28 years of experience in managing a total spectrum of Human Resource, Property 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 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 2021. She 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

Nationality **Malaysian**

Age / Gender **49 / Male**

Mohammad Fadhlee Awaludin, aged 49, is a Malaysian citizen and he has more than 26 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 2021. 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") continues to subscribe and support the Malaysian Code on Corporate Governance 2021 ("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 other 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 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 20 September 2021. 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 affirmed objectives of the Company. Consequently, it has the power to decide on all matters pertaining to the Company's business as empowered and guided 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. The following are the main roles and responsibilities of the Board in accordance to the Charter:-

- (i) Business Direction/Operations/Finance;
- (ii) Requirement under Authorities/Statutes;
- (iii) Management/Human Resource;
- (iv) Board/Shariah Membership and Board Committees;
- (v) Administrative;
- (vi) Principal Responsibilities under Corporate Governance (including Risk Management and Compliance);
- (vii) Internal Audit Function; and
- (viii) Principal Responsibilities under Shariah Governance.

Details of the above roles and responsibilities are embedded in the Board Charter of the Company which is published on STMKB's website at [www.takaful-malaysia.com.my](http://www.takaful-malaysia.com.my)

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

To operate effectively in a dynamic and challenging environment, the Board's responsibilities are delegated to and executed by Management of the Company headed by the Group Chief Executive Officer ("GCEO"). GCEO is responsible for broad aspects of 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. This includes, amongst others, implementation of policies and strategies as approved by the Board, which are always in line with Shariah principles and guided by regulatory requirements 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. Fourteen (14) 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 Hussein<br><i>Chairman/Independent Non-Executive Director</i> | 14/14      | 100            |
| Mohd Azman Sulaiman<br><i>Independent Non-Executive Director</i>             | 14/14      | 100            |
| Suraya Hassan<br><i>Independent Non-Executive Director</i>                   | 14/14      | 100            |
| Dato' Mustaffa Ahmad<br><i>Independent Non-Executive Director</i>            | 14/14      | 100            |
| Mohamad Salihuddin Ahmad<br><i>Non-Independent Non-Executive Director</i>    | 14/14      | 100            |
| Datuk Bazlan Osman<br><i>Independent Non-Executive Director</i>              | 14/14      | 100            |

The Board is satisfied with the level of time commitment given by each Director towards fulfilling their roles and responsibilities as Directors of STMKB as evidenced by their attendance record 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.

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 Board Committees' meetings, Annual General Meeting ("AGM"), Extraordinary General Meeting ("EGM"), 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 (5) Public Listed Companies ("PLC"). None of the Directors of STMKB exceeded these limits during the financial year under review. Directors are required to declare their directorships and/or interests in other public and private companies on a monthly basis. Such information is also used to monitor the number of directorships held by Directors, particularly those on PLC and to notify 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 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 consists 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 comprised the following:-

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

The Board of STMKB agreed during their meeting held on 25 August 2021 to have a majority of independent directors at all time.

The tenure of all five (5) Independent Non-Executive Directors does not exceed a cumulative term of nine (9) years as recommended by MCGG and as set out in the Board Charter. They continue to fulfill the definition of independence as set out in the Listing Requirements. Therefore, the Board recommends and supports the proposed re-election of the Independent Non-Executive Directors and Non-Independent Non-Executive Director who are retiring by rotation in accordance with Rule 74 and Rule 83 of the Company's Constitution at the forthcoming 37th AGM.

The Board acknowledges gender diversity in its composition and strongly supports the Government's target of having 30% women's participation on boards of PLC in Malaysia. For the period under review, the Board comprises five (5) men Directors and one (1) woman Director, resulting into a percentage of 16.7%. Notwithstanding, the Board remained cognisant of the importance of boardroom gender diversity and always mindful that any gender representation should be in the best interest of the Company. The Board will continue to encourage and support more women participation on the Board including whenever a vacancy arises. Applications were made with BNM on appointment of two (2) women Directors in February 2022 and upon approval, will increase the percentage to 37.5%. On 18 March 2022, BNM approved the appointment of Datin Paduka Kartini Haji Abdul Manaf as Non-Independent Non-Executive Director of STMKB for a 3-year term from her date of appointment to the Board. Datin Paduka Kartini Haji Abdul Manaf's appointment as a representative of Lembaga Tabung Haji was formalised with effect from 1 April 2022.

The Board recognises that diversity is one (1) 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 of mind and fairness/opinion and perspectives, ethnicity, age and gender when appointing new Directors, SAB members and Senior Management as outlined in MCGG. The profiles of the current Senior Management are set out on pages 58 to 60 of the Annual Report.

With a diversified background and specialisation, the Board collectively brings with them a wide range of experience and expertise in areas such as finance, insurance, takaful, accounting, investment, company secretarial, management and banking. The profiles of Directors are provided on pages 48 to 54 of the Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

There is a clear division of responsibilities between the Chairman and 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 practices. The Chairman primarily presides over meetings of Directors and is responsible for instilling good corporate governance practices, leadership and the effectiveness of the Board. GCEO is responsible for 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) Board Committees, namely: -

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

The Chairman of the Board is not Chairman of any of the abovementioned Board Committees in line with the recommendation of MCCG under Practice 1.4.

### Audit Committee ("AC")

AC currently comprises three (3) members, all of whom are Non-Executive Directors, i.e. two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. STMKB will strive to adopt Practice 9.4 of the MCCG in future, i.e. AC should comprise solely of independent directors by reviewing the composition of AC pursuant to the incoming new Board members. The details of AC members and meetings held during the financial year ended 31 December 2021 are as follows:-

| Name  | Attendance | Percentage (%) |
|---|------------|----------------|
| Datuk Bazlan Osman<br>Chairman<br><i>(Independent Non-Executive Director)</i> | 8/8        | 100            |
| Suraya Hassan<br><i>(Independent Non-Executive Director)</i>                  | 8/8        | 100            |
| Mohamad Salihuddin Ahmad<br><i>(Non-Independent Non-Executive Director)</i>   | 8/8        | 100            |

The current Chairman of AC, Datuk Bazlan Osman, is an Independent Non-Executive Director who is not the Chairman of the Board in line with the Practice 9.1 of the MCCG. The AC Report during the financial year under review is disclosed under pages 78 to 80 in the Annual Report.

On top of AC's primary objective to provide an independent oversight on the financial reporting process and internal control system and ensuring checks and balances within the Group, AC shall, whenever necessary and reasonable for the performance of its duties, in accordance with a procedure to be determined by the Board and at the expense of the Company:-

- (i) Have authority to investigate any other matter within its terms of reference;
- (ii) Have the resources as well as full and unrestricted access to all information which is required to perform its duties;
- (iii) Have direct communication channels and be able to convene meetings with the Internal Auditors, External Auditors or both of STMKB Group without the attendance of the GCEO, Management and staff whenever deemed necessary; and
- (iv) Obtain, if it is deemed necessary, independent professional advice on any matter within its terms of reference.

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Nomination and Remuneration Committee (“NRC”)**

As at the end of the financial year under review, NRC consisted of three (3) Non-Executive Directors, two (2) of whom are Independent Directors. The current Chairman of NRC is Mohd Azman Sulaiman, an Independent Non-Executive Director is in line with Practice 5.8 of MCGG. NRC met thirteen (13) times during the financial year under review with details of meetings' attendance of each member as follows:-

| Name  | Attendance | Percentage (%) |
|---|------------|----------------|
| Mohd Azman Sulaiman<br>Chairman<br>(Independent Non-Executive Director) | 13/13      | 100            |
| Dato' Mustaffa Ahmad<br>(Independent Non-Executive Director)            | 13/13      | 100            |
| Mohamad Salihuddin Ahmad<br>(Non-Independent Non-Executive Director)    | 13/13      | 100            |

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.

NRC also discussed the succession plan of 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.

NRC is also empowered to assess effectiveness of the Board, its Committees including AC, contribution of each individual Director and performance of SAB. Directors' Performance Evaluation, Assessment of Independence of Independent Directors and Performance Evaluation for AC are carried out annually by way of questionnaires which were issued/distributed to the Board and AC members for completion as required under 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 three (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 four (4) criteria, i.e. contribution to interaction, quality of input, understanding of role and the 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 three (3) sections, i.e. quality and composition, skills and competencies, and meeting administration and conduct.<br><br>Section 2 comprises AC members' peer evaluation.   |

The results of evaluation for the financial year ended 31 December 2021 were tabled to NRC and the Board meetings held on 19 January 2022 and 25 January 2022 respectively, for the Board's notification and deliberation. The Board has taken note of the identified areas for improvement and would address them in the appropriate manner. Moving forward, NRC and the Board will also be assessing effectiveness of the other Board Committees.

Based on year 2021 assessment, the Board was satisfied that the Board and Board 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 year 2021 was carried out using the

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

criteria prescribed under the Listing Requirements of Bursa Securities. All Independent Directors assessed declared adherence to all relevant regulatory stipulations in accordance with the Listing Requirements of Bursa Securities.

NRC reviews eligibility and worthiness of directors for re-election either when directors are seeking re-election subject to Rule 74, 76 and 77 of the Company's Constitution or upon expiry of term and seeking re-election under Rule 82. NRC makes the necessary recommendations to the Board for consideration and approval.

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

- GCEO Scorecard year-end review;
- Proposed salary increment and performance bonus budget for executives and above;
- Succession planning for GCEO, Board and Senior Management;
- SAB fee review;
- Performance evaluation of Directors and Audit Committee;
- Proposed re-election of Directors;
- Token of appreciation to Board members of STMKB and STMAB;
- Performance assessment and rewards for staff reporting to the Board, Board Committees and SAB for STMKB;
- Performance Bonus Quantum for GCEO for FY2020;
- Proposed review of Terms of Reference;
- Proposed appointment and reappointment of Directors;
- Proposed reappointment of SAB members;
- Revised articles for new collective agreement between STMKB and National Union of Commercial Workers for the period 2020 to 2022;
- Proposed appointment, reappointment, confirmation and remuneration package of Senior Management; and
- Identification, shortlisting, interviewing and appointment of new GCEO

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")

BRC currently consists of three (3) Non-Executive Directors, two (2) of whom are Independent Directors. The current Chairperson of BRC is Suraya Hassan, an Independent Non-Executive Director. BRC met four (4) times during the financial year under review with details of meetings' attendance of each member as follows:-

| Name   | Attendance | Percentage (%) |
|--|------------|----------------|
| Suraya Hassan<br>Chairperson<br>(Independent Non-Executive Director) | 4/4        | 100            |
| Dato' Mustaffa Ahmad<br>(Independent Non-Executive Director)         | 4/4        | 100            |
| Mohamad Salihuddin Ahmad<br>(Non-Independent Non-Executive Director) | 4/4        | 100            |

The following are some of the main duties and responsibilities of BRC:-

- (i) To support the Board in meeting the expectations on risk management as set out in BNM's policy document on Risk Governance.
- (ii) To assist the Remuneration Committee on the implementation of a sound remuneration system, to examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings.
- (iii) To review and recommend risk management strategies, policies and risk appetite and tolerance levels for the Board's approval.
- (iv) To review and assess the adequacy of the risk management policies and framework for identifying, measuring, monitoring and controlling risks as well the extent to which these are operating effectively.
- (v) To ensure that adequate infrastructure, resources and systems are in place for effective risk management, e.g. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk-taking activities.
- (vi) To support the Board in providing oversight over technology-related matters.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Investment Committee (“IC”)**

IC currently consists of three (3) members, two (2) of whom are Non-Executive Directors and one (1) Management member. The current Chairman of IC is Dato' Mustaffa Ahmad, an Independent Non-Executive Director. IC met four (4) times during the financial year under review with details of meetings' attendance of each member is as follows:

| Name   | Attendance | Percentage (%) |
|--|------------|----------------|
| Dato' Mustaffa Ahmad<br>Chairman<br>(Independent Non-Executive Director)   | 4/4        | 100            |
| Datuk Bazlan Osman<br>(Independent Non-Executive Director)   | 4/4        | 100            |
| Dato' Sri Mohamed Hassan Kamil<br>(Group Chief Executive Officer)<br>[Resigned as IC member on 23 November 2021] | 3/3        | 100            |
| Nor Azman Zainal<br>(Group Chief Executive Officer)<br>[Appointed as IC member on 1 January 2022]                | N/A        | N/A            |

The main duties and responsibilities of IC are as follows:-

- (i) To approve the investment strategies, investment risk appetite and assets allocation of all asset classes after having considered proposal and recommendation by Management and all aspects of regulatory requirements as stipulated in various policy documents and guidelines in respect of investment management, governance frameworks as well as risk management.
- (ii) To approve investment risk management framework (e.g. investment authority/transaction limits) is in place in identifying, monitoring, controlling and mitigating the various risks arising from investment activities.
- (iii) To monitor and review the investment activities and investment performance of all asset classes under management.
- (iv) To evaluate, approve and negotiate terms and conditions, on the selection and appointment of external fund managers, custodians, banks and other financial intermediaries.

**Long Term Incentive Plan Committee (“LTIP”)**

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

| Name   | Attendance | Percentage (%) |
|--|------------|----------------|
| Datuk Bazlan Osman<br>Chairman<br>(Independent Non-Executive Director) | 4/4        | 100            |
| Mohd Azman Sulaiman<br>(Independent Non-Executive Director)            | 4/4        | 100            |
| Dato' Mustaffa Ahmad<br>(Independent Non-Executive Director)           | 4/4        | 100            |
| Mohamad Salihuddin Ahmad<br>(Non-Independent Non-Executive Director)   | 4/4        | 100            |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

LTIP Committee was reconstituted in July 2020 to facilitate implementation and administration of the Share Grant Plan under LTIP of STMKB and its subsidiary companies.

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

### Shariah Advisory Body ("SAB")

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

SAB currently consists of five (5) members, all of whom possess the necessary experiences and expertise in their respective fields. The profiles of SAB are provided on pages 55 to 57 of the Annual Report. The current Chairman of 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 Policy Document on Shariah Governance. 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 its 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-blowers to raise concerns and define a way to handle any concerns of integrity and misconduct.
- To ensure the Board is kept informed at an early stage about acts of misconduct or improprieties.
- To reassure whistle-blowers 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 STMKB Group.

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 Chairman of the Board of Directors or Chairman of the Audit Committee if its relating to any of the Directors or members of Shariah Advisory Body;
- Email to Chairman of the Audit Committee and Chief Internal Auditor via a designated email address namely WB-STM@takaful-malaysia.com.my for misconduct of its Chief Officers;

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

- (c) Via e-form: <https://www.takaful-malaysia.com.my/contactus/Pages/wbeform.aspx> to Chairman of the Audit Committee and Chief Internal Auditor for misconduct of its Senior Management or Employees up to General Manager level or in writing to Chief Internal Auditor to the mailing address below:

Chief Internal Auditor, 15th 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 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 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 strives to be a responsible corporate citizen. STMKB is committed to upholding Shariah principles in relation to its business and social responsibilities.

The Board underwent briefings on Climate Change/Climate Quantified/ESG by Willis Re as well as Introduction to Recommendation by Task Force on Climate Related Financial Disclosure in collaboration with KPMG and IBFM during the Financial Year 2021.

The Board promotes good corporate governance in the adoption of sustainability practices, particularly through the corporate social responsibility initiatives/programmes conducted by the Company throughout the year. The Sustainability Statement is set out on pages 19 to 46 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 Directors to obtain further explanation, where necessary, in order to be properly briefed before meeting. The Board papers include minutes of the previous Board meeting, minutes of meetings of all Board Committees of the Board, minutes of SAB and reports relevant to issues of the meetings covering areas such as financial, risk management, investment, information technology, operational, human resource and regulatory compliance matters. GCEO keeps the Board informed, on timely basis, of all material matters affecting the Group's performance and major developments within the Group.

Senior Management are invited to attend 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 meeting dates including dateline for meeting materials to be submitted is sent out to Management a few weeks prior to the meeting date.

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 relevant members of Management the Board's decisions for appropriate actions to be taken. The Company Secretary will also follow up with Management on status of actions taken with reference to previous minutes of meetings for updating the Board. Action items would stay as matters arising in minutes of meetings until they are resolved.

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 STMKB is qualified to act pursuant to Section 235(2) of 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 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, 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 Directors are in possession of price-sensitive information relating to such listed issuers. During the financial year under review, there was no transaction by any Director in the shares of the Company. 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 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 NRC in a formal and transparent process and NRC would recommend appointments to the Board for approval. In line with IFSA2013 and BNM's requirements, appointment of Directors is subject to BNM's approval. The Company Secretary will ensure that all appointments are properly made, with all necessary information obtained, as well as all legal and regulatory requirements duly met.

The Board, with assistance of NRC, also considers the following criteria 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, knowledge, experience, ability and commitment to carry out the role; and
- Financial integrity: the person must manage his/her debts or financial affairs prudently.

NRC and the Board will also consider diversity in terms of, among others, skills, background, knowledge, industry experience, culture, independence of opinion and perspectives, ethnicity, age and gender when appointing new Directors.

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

- Identification of candidate;
- Evaluation of suitability of candidate;
- Meeting with candidate;
- Deliberation by NRC; and
- Recommendation to the Board.

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

In identifying candidates for appointment of Directors, NRC does not solely rely on recommendations from the 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 reviewed a talent pool, a database of potential candidates collated from talent resourcing, the existing Board members, Management and major shareholders as a tool to facilitate new appointments and recruitments. NRC/Board will screen through the talent pool during selection process in identifying best suited candidate for a particular position.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

During the financial year, the Board entrusted NRC to compile a list of prospective candidates as potential board members, recognising the need to succeed and add to the members of the Board. NRC compiled a list of names and profiles of potential candidates recommended by members of the board as well as engaged FIDE Forum and ICDM to help expand the search. NRC then assessed and interviewed potential candidates before recommending a suitable candidate for a particular position to be considered by the Board. The Chairman and other Board members then interviewed the candidate before arriving at a final decision.

NRC was also entrusted by the Board to conduct an Executive Search Process engaging a professional executive search firm to identify and hire a new GCEO.

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 internal training programmes/forums/seminars and external programmes facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors pertaining to the laws and regulations which may affect the Company. The Board will continue to evaluate and determine training needs of Directors to enhance their skills and knowledge. The Company Secretary keeps a complete record of the trainings received or attended by the Directors.

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

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

The training programmes, conferences and seminars attended by Directors during the financial year under review are within the categories of Takaful/Insurance, Digital & Cybersecurity, Risk Management, Finance including Malaysian Financial Reporting Standards (MFRS) 17, Sustainability and Governance & Compliance (including Shariah related).

### Re-election During AGM

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

To assist shareholders in their decision on the relevant AGM resolutions, 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

NRC is responsible in recommending the remuneration framework for Directors as well as 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 Key Performance Indicators ("KPI") as approved by the Board. It is the ultimate responsibility of the Board to approve the remuneration of GCEO. GCEO does not participate in any way in determining his own 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 experience, level of expertise and responsibilities undertaken by 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 shareholders at AGM.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Disclosure

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

#### Company

| Name   | Fees (RM'000) | Allowance (RM'000) | Salary (RM'000) | Bonus (RM'000) | Benefits-in-kind (RM'000) | Other emoluments (RM'000) | Total (RM'000) |
|--|---------------|--------------------|-----------------|----------------|---------------------------|---------------------------|----------------|
| Dato' Mohammed Hussein<br>Independent Non-Executive Director       | 144           | 120                | -               | -              | 10                        | 101                       | 375            |
| Mohd Azman Sulaiman<br>Independent Non-Executive Director          | 120           | -                  | -               | -              | 23                        | 152                       | 295            |
| Suraya Hassan<br>Independent Non-Executive Director                | 156           | -                  | -               | -              | 31                        | 119                       | 306            |
| Dato' Mustaffa Ahmad<br>Independent Non-Executive Director         | 144           | -                  | -               | -              | 22                        | 141                       | 307            |
| Mohamad Salihuddin Ahmad<br>Non-Independent Non-Executive Director | 180           | -                  | -               | -              | 7                         | 132                       | 319            |
| Datuk Bazlan Osman<br>Independent Non-Executive Director           | 120           | -                  | -               | -              | 22                        | 130                       | 272            |

#### Group

| Name   | Fees (RM'000) | Allowance (RM'000) | Salary (RM'000) | Bonus (RM'000) | Benefits-in-kind (RM'000) | Other emoluments (RM'000) | Total (RM'000) |
|--|---------------|--------------------|-----------------|----------------|---------------------------|---------------------------|----------------|
| Dato' Mohammed Hussein<br>Independent Non-Executive Director       | 144           | 120                | -               | -              | 10                        | 101                       | 375            |
| Mohd Azman Sulaiman<br>Independent Non-Executive Director          | 120           | -                  | -               | -              | 23                        | 152                       | 295            |
| Suraya Hassan<br>Independent Non-Executive Director                | 156           | -                  | -               | -              | 31                        | 119                       | 306            |
| Dato' Mustaffa Ahmad<br>Independent Non-Executive Director         | 144           | -                  | -               | -              | 22                        | 141                       | 307            |
| Mohamad Salihuddin Ahmad<br>Non-Independent Non-Executive Director | 258           | -                  | -               | -              | 23                        | 174                       | 455            |
| Datuk Bazlan Osman<br>Independent Non-Executive Director           | 120           | -                  | -               | -              | 22                        | 130                       | 272            |

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

## Group

| Name   | Salary (RM'000) | Allowance (RM'000) | Bonus (RM'000) | Benefits (RM'000) | Other emoluments (RM'000) | Total (RM'000) |
|--|-----------------|--------------------|----------------|-------------------|---------------------------|----------------|
| Dato' Sri Mohamed Hassan Kamil<br>(former Group Chief Executive Officer) | 5,667           | 225                | 350            | 425               | 6,350*                    | 13,017         |
| Mohamed Sabri Ramli<br>(Chief Executive Officer, STMAB)                  | 714             | 24                 | 312            | 4                 | 164                       | 1,218          |
| Leem Why Chong<br>(Deputy Chief Executive Officer, STMKB)                | 901             | 45                 | 150            | 25                | 1,745                     | 2,866          |
| Juliana Lo Beng Liew<br>(General Manager Corporate Finance & Strategy)   | 504             | 45                 | 126            | -                 | 1,028                     | 1,703          |
| Firozdin Abdul Wahab<br>(Chief Bancatakal Officer)                       | 494             | 45                 | 70             | 10                | 940                       | 1,559          |

Note:

\* Emoluments paid due to early release of Dato' Sri Mohamed Hassan Kamil as GCEO of STMKB by 31 December 2021.

## 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 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 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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; and
- Set a market benchmark of the remuneration against the standard approved by the Board;
- 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;
- 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              |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### SHAREHOLDERS

#### Dialogue between the Company and Investors

STMKB recognises the importance to keep 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 AGM. Additionally, various disclosures and announcements made to Bursa Securities including quarterly and annual results facilitate the dissemination of information to shareholders. All these announcements and other information about the Company is available on STMKB's website, [www.takaful-malaysia.com.my](http://www.takaful-malaysia.com.my) which shareholders, investors and public may access.

#### AGM

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 36th AGM which was held fully virtual on 1 June 2021. 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 Securities Commission Malaysia, where listed issuers are encouraged to conduct fully virtual general meetings during the RMCO period. Apart from Directors, Senior Management and the external auditors of the Company also attended the said AGM.

Besides the normal agenda for AGM, GCEO presented the progress and performance of the business as contained in the Annual Report and provided opportunities for shareholders to raise questions pertaining to business activities of the Group. Board members, Senior Management and the Company's external auditors were available to respond to shareholders' enquiries during AGM.

GCEO also shared with shareholders, the Company's responses to questions submitted in advance of the AGM by the Minority Shareholders Watch Group ("MSWG"). Notice of the 36th AGM was dispatched to shareholders at least of 28 days prior to the meeting pursuant to Practice 13.1 of the MCCG to enable shareholders to make the necessary arrangement to attend and participate in person or through corporate representatives or proxies. It also enabled shareholders to read the Annual Report, consider the resolutions and make an informed decision in exercising their voting rights at the AGM. STMKB will continue to adopt Practice 13.1 of the MCCG and the Notice of the 37th 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 resolutions set out in the notice of general meeting instead of by a show of hands at the 36th AGM of the Company held on 1 June 2021. 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 were explained during general meetings and were 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. A 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. AC assists

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 12.2 of MCGG.

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

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.

Directors consider that, in preparing the financial statements for the year ended 31 December 2021, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. Directors have also considered that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on going concern basis.

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.

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.

### 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.

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. 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 81 to 86 in the Annual Report of the Group for the year ended 31 December 2021, 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Relationships with the Auditors

The Role of AC is as stated on pages 78 to 80. Through 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 AC and has unrestricted access to AC. Its function is independent of activities or operations of other operating units. Internal Auditors periodically evaluates effectiveness of risk management process, reviews operating effectiveness of internal controls system and compliance control within the Group. The Head of Internal Audit is invited to attend AC meetings to facilitate deliberation of audit reports. The minutes of 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

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. AC undertakes the independent assessment on the external auditors annually.

To ensure full disclosure of matters, the Company's auditors are invited to attend AC meetings as and when necessary as well as during AGM. During the financial year under review, AC 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 11 March 2022.

# AUDIT COMMITTEE REPORT

The Board of Directors (“the Board”) of Syarikat Takaful Malaysia Keluarga Berhad (“STMKB” or the “Company”) is pleased to present the Audit Committee Report for the financial year ended 31 December 2021.

The primary objective of Audit Committee (“AC”) is to provide an independent oversight on the financial reporting process and internal control system and to ensure checks and balances within the Company and its subsidiaries (“STMKB Group”).

## MEMBERSHIP AND MEETINGS

AC 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 of AC held during the financial year ended 31 December 2021 are as follows:-

| Name of Audit Committee Members  | No. of Meetings |              |
|--|-----------------|--------------|
|  | Held            | Attended (%) |
| Datuk Bazlan Osman<br>Chairman<br>(Independent Non-Executive Director) | 8/8             | 100          |
| Suraya Hassan<br>(Independent Non-Executive Director)                  | 8/8             | 100          |
| Mohamad Salihuddin Ahmad<br>(Non-Independent Non-Executive Director)   | 8/8             | 100          |

AC’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 AC 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 1.4 of the Malaysian Code on Corporate Governance 2021 (“MCCG”).

AC met eight (8) times during the financial year. The meetings were held on 26 January 2021, 19 February 2021, 22 April 2021, 24 May 2021, 22 July 2021, 23 August 2021, 22 October 2021 and 19 November 2021. The meetings were appropriately structured and conducted through the use of agenda which were distributed to members in accordance with AC’s Terms of Reference. The Group Chief Executive Officer, Chief Financial Officer, General Manager of Corporate Finance & Strategy and Chief Internal Auditor attended all the meetings held during the financial year ended 31 December 2021. Representatives of the external auditors were present during deliberations which require their input and advice. AC had met twice on 19 February 2021 and 22 October 2021 with the external auditors to discuss any matter without the presence of the CEO, Management and the Chief Internal Auditor.

## TERMS OF REFERENCE

The Terms of Reference (“TOR”) of AC are available on the Company’s website at [www.takaful-malaysia.com.my](http://www.takaful-malaysia.com.my).

The TOR of AC has been revised and approved by the Board in July 2021.

## DUTIES AND RESPONSIBILITIES OF AC

In fulfilling its primary objectives, AC shall undertake the duties and responsibilities as stated in paragraph 3.0 of TOR.

In carrying out its duties, AC reported and updated the Board on significant issues and concerns discussed during AC’s meetings and where appropriate, made necessary recommendations to the Board. The minutes of each AC meeting are noted by the Board via distribution to Board members prior to their meetings.

## AUDIT COMMITTEE REPORT

The following is the summary of the works carried out by AC for the financial year ended 31 December 2021 which was tabled to the Board:-

### A. SUMMARY OF WORK OF AC

- Reviewed, deliberated and recommended the quarterly financial statements for the fourth quarter of 2020 as well as the first, second and third quarters of 2021.
- Deliberated on Key Audit Matters, which relate to matters that, in the external auditors' professional judgement, were most significant to the audit of the financial statements. The AC also received reports and updates from the external auditors. The AC 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 2021.
- 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 into the 2021 Annual Report.
- Discussed the reappointment of the external auditors for the financial year ending 31 December 2022, 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 2021. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.
- Discussed the audit and non-audit fees payable to the external auditors.
- Discussed with the external auditors any matters that warrant the Board and shareholders' attention without the presence of the GCEO, Management and the Chief Internal Auditor during its meetings held on 19 February 2021 and 22 October 2021.
- Reviewed the Internal Audit Strategic Plans for 2021 and 2022 and Status of 2020 and 2021 Annual Audit Plans.
- Reviewed the internal audit reports and special audit reports, i.e. on Finance, Operations, IT, Investment, Crisis Simulation Exercise, Outsourcing Activities, System Disaster Recovery Testings, Anti Money Laundering & Counter Financing of Terrorism Activities, etc. which highlighted 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 status of actions taken by Management on recommendations suggested in the audit reports.
- Discussed Bank Negara Malaysia ("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 Management on issues raised by BNM.
- Reviewed follow-up reports by the internal auditors on the external auditors' findings as set out in the Management letter and status of actions taken by Management on issues raised by the external auditors.
- 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 provisions of the Companies Act 2016 and 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.

## AUDIT COMMITTEE REPORT

### B. SUMMARY OF THE WORK RELATED TO INTERNAL AUDIT FUNCTION OF THE COMPANY

The Internal Audit Division ("IAD") is independent of the activities or operations of other operating units and reports directly to AC. The principal role of IAD 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 IAD practices a risk-based approach in its audit plan and examination.

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

A summary of works of IAD during the financial year under review are as follows:-

- Executed independent assurance role by performing scheduled reviews on efficiency and effectiveness of control mechanisms to address risks and concerns in 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 2021).
- Provided reasonable assurance on extent of compliance with established policies and procedures as well as BNM statutory requirements and other regulatory bodies.
- Rendered advisory services to Management and the Company's subsidiaries.
- Recommended improvements to the Company/Group's business processes and enhancement to the existing system of risk management and internal controls.
- Conducted follow-up audit on status of actions taken by Management on recommendations suggested in audit reports of the internal auditors, external auditors, BNM examiners, etc.
- Carried out special reviews and investigations as requested by Senior Management and endorsement from AC's Chairman.
- Conducted audit on system security, computer hardware, operating and application systems as well as the Information Technology (IT) network of STMKB Group.
- Conducted Family Takaful and General Takaful audit relating to Underwriting, Certificates Servicing, Claims, Retakaful, Investment, Payments, Actuarial, Sales, Property, Outsourcing and Takaful myCare Centres (TMCC).
- Participated in tender and selection process and other committees in the capacity of an observer.
- Conducted independent evaluation of the adequacy and effectiveness of Business Continuity Management (BCM) policy, strategies, procedures and testing of the Disaster Recovery Plan (DRP).
- Re-calibrated Internal Audit Strategic Plan 2021 and established Internal Audit Plan 2022 covering high-risk audit universe and reviewed the Internal Audit Charter and Standard Operating Procedures to align with latest changes in 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 disclosures in the Annual Report.

Reports from the audit assignments are forwarded to Management for attention and necessary corrective actions as recommended. 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 RM2.1 million for the Group in 2021 as compared to RM1.7 million in 2020 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 ("CFO") 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 Framework ("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.

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 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.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 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 PRF surplus position. The PRF Surplus Management Governance 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 (“PT ATK”) and P.T. Syarikat Takaful Indonesia (“PT STI”).

P.T. ATK has its own internal audit department carrying out internal audit function and report to the Board of Commissioners (Board) of the company. The internal audit department of the Indonesian subsidiary submit the audit reports to their Audit Committee and subsequently to their Board, where STMKB is represented by Dato’ Sri Hassan Kamil as the Chairman. All audit reports are reviewed by the Board of the P.T. ATK 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 matters are discussed in the Board of Commissioners and material issue shall be reported to STMKB’s Audit Committee.

### Compliance Function

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 BNM and other regulators.

The Compliance Framework defines the responsibilities and provides clear mandate to Compliance Department 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. With effect from 2022, Compliance Framework will expand to include Shariah compliance review function. To ensure effective oversight and implementation, the Compliance Framework is supported by a network of compliance officers who oversee compliance programs in anti-money laundering and anti-terrorist financing, anti- corruption as well as 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.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 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 reviewed and updated in September 2021 to ensure relevance to the day-to-day operations.

- **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 "ACF Framework")**

The ACF Framework was formulated in accordance to the Malaysian Anti-Corruption Commission Act 2009 (the "MACC Act"), the Guidelines on Adequate Procedures pursuant to Section 17A of the MACC Act issued by the Prime Minister's Department and the relevant sections of the Malaysian Penal Code (Act 574).

The ACF Framework sets out STMKB and STMAB (hereinafter collectively referred to as "Takaful Malaysia") and its group of companies' policy statements and provides a comprehensive set of standards in relation to the manners in dealing 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 (the "WB Policy")**

The WB Policy was established in response to the Whistleblower Protection Act, 2010 and the MACC Act. The objective of this WB Policy is to establish corporate values and culture that support ethical behaviour and to assure confidentiality and non-retaliation to whistleblowers. Under this WB Policy, every employee has the obligation to report unethical behaviour or suspected violations of law or company policy connected with business activities of STMKB Group.

The revised Policy brings changes to the following areas:

- (a) Clear definitions for CEO, Chief Officers, DCEO, Employees, GCEO, and Senior Management;
- (b) Define roles & responsibilities of the Board Risk Committee (BRC), ownership of the Policy to Chief Compliance Officer (CCO) and Internal Audit who manage the end to end investigation process; and
- (c) Changes on reporting channel at each level of disclosure.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Fraud Management Policy**

The revised Fraud Management Policy was 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.

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

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 AML/CFT 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 AML/CFT Policy advocates risk-based approach on the implementation of appropriate control measures to mitigate the identified Money Laundering/Terrorism Financing (ML/TF) risk. The 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 “PIRMF Framework”)**

Compliance has developed the PIRMF 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 PIRMF 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 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. SGP supersedes the Syarikat Takaful Malaysia Berhad (STMB) Shariah Governance Framework which was approved in 2011.

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.

The revision to SGP was then made in 2021 whereby the changes amongst others include the applicability of SGP which covers STMAB as subsidiary and the new clauses on SAB meeting arrangement. All the amendments were approved by the SAB and the Board on 2 August 2021 and 26 October 2021 respectively.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Shariah Compliance Manual (the “SCM”)**

The 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 the Islamic Financial Services Act 2013 (“IFSA”) and the latest Bank Negara Malaysia Shariah Advisory Council resolutions.

The SCM is designed to meet the following objectives:-

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

The SCM has been approved by the SAB and the Board of Directors on 23 April 2015 and 25 May 2015 respectively.

- **Shariah Risk Management Policy (the “SRM Policy”)**

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

The SRM Policy is designed to meet the following objectives:

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

- **Asset and Liability Management Framework (the “ALM Framework”)**

The objective of the ALM Framework 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 8 April 2021. In addition, a separate Investment Policy has been established for STMAB and was approved by STMAB’s Board on 21 October 2021.

- **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 (the “SMD Policy”)**

In managing the takaful funds, takaful operators are expected to manage the interest of various stakeholders without compromising prudence. This SMD 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 SAB and Board of Directors.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

- **Financial Reporting**

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

### 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 Data Governance 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 the 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 IT Security and System 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 adequate and sufficient to safeguard shareholders' investments and the Group's assets.

This statement is made in accordance with the Board of Directors resolution dated 24 February 2022.

# 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 | 1,035               | 131                      |
| Group   | 1,936               | 210                      |

\* Non-audit fees were mainly in respect of the review of interim financial information for the period ended 31 August 2021

## 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 2021 or entered into since the end of the previous financial year ended 31 December 2020 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 2021 to 31 December 2021 (RM'000) |
|---|---|---|---|
| Rental of office premises payable to STMKB by Bank Islam Malaysia Berhad (BIMB) | Lembaga Tabung Haji and its Group of Subsidiaries | <p>As at 26 January 2022, LTH has 48.28% shareholding in BIMB and as at 31 December 2021, LTH has 28.26% shareholding in STMKB.</p> <p>LTH is a major shareholder of both STMKB and BIMB. Therefore, rental of STMKB's properties to BIMB is a related party transaction.</p> <p>Datuk Bazlan Osman, a Director of STMKB is also a Director of BIMB. Datuk Bazlan Osman does not have direct or indirect interest in STMKB and/or BIMB.</p> <p>Datin Paduka Kartini Haji Abdul Manaf is a Director of STMKB nominated by LTH and she is deemed to have an indirect interest of 28.26% in STMKB.</p> | 3,080   |

# DIRECTORS' REPORT

for the year ended 31 December 2021

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 2021.

## 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.

## Results

|                                      | Group<br>RM'000 | Company<br>RM'000 |
|--------------------------------------|-----------------|-------------------|
| Profit for the year attributable to: |                 |                   |
| Owners of the Company                | 411,423         | 347,413           |
| Non-controlling interests            | 777             | -                 |
|                                      | 412,200         | 347,413           |

## 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:

- i) paid 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 29 January 2021; and
- ii) declared an interim single tier dividend of 12.00 sen per ordinary share totaling RM100,274,679.96 in respect of the financial year ended 31 December 2021 on 14 December 2021 which was paid on 17 January 2022.

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:

Dato' Mohammed Hussein  
 Mohd Azman Sulaiman  
 Suraya Hassan  
 Dato' Mustaffa Ahmad  
 Mohamad Salihuddin Ahmad  
 Datuk Bazlan Osman

In accordance with Rule 74 of the Company's Constitution, Dato' Mohammed Hussein and Suraya Hassan will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## 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  
 Ismail Mahbob  
 Dato' Che Pee Samsudin  
 Datin Dr. Nik Sarina Lugman Hashim  
 Abdul Rahman Talib  
 Mohamad Salihuddin Ahmad (Resigned on 12 November 2021)

## DIRECTORS' REPORT

for the year ended 31 December 2021

### P.T. Syarikat Takaful Indonesia

Dato' Mohammed Hussein (President Commissioner - Appointed on 23 September 2021)

Ahmed Gora Arbee (Appointed on 15 October 2021)

Ibrahim Ali Shoukry (Resigned on 15 October 2021)

Dato' Sri Mohamed Hassan Kamil (Resigned on 15 October 2021)

### P.T. Asuransi Takaful Keluarga

Tri Djoko Santoso

Imran Nahar

Dato' Sri Mohamed Hassan Kamil (President Commissioner - Resigned on 1 January 2022)

### 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 5,189,211 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 2021 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>2021 |
|------------------------|---------------------------|-----------|-------------|-----------|---------------------------|
|                        | At<br>1 January<br>2021   | Granted   | Vested      | Forfeited |                           |
| Performance Share Plan | 4,973,606                 | 2,593,300 | (2,594,606) | (743,400) | 4,228,900                 |

### 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.

## DIRECTORS' REPORT

for the year ended 31 December 2021

### Indemnity and takaful coverage costs

A Director and Officer's liability takaful coverage has been entered into by the Company on behalf of all the Directors and officers of the Group and the Company for the financial year ended 31 December 2021 pursuant to Section 289 of the Companies Act 2016. The cost of takaful coverage effected for the Directors and officers of the Group and the Company amounted to RM60,000.

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 presented 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.

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 Policy are in place to provide basic structure and further strengthen the existing control mechanism underlying the business activities.

## DIRECTORS' REPORT

for the year ended 31 December 2021

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

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

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 has approved the remuneration policy at the recommendation of the Nomination and 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
- 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.

## DIRECTORS' REPORT

for the year ended 31 December 2021

### Other statutory information (continued)

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 2021 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.

### Significant event

The significant event during the financial year is disclosed in Note 41 to the financial statements.

### 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 24 February 2022. Signed on behalf of the Board of Directors:

.....  
**Dato' Mohammed Hussein**

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

Kuala Lumpur

Date: 24 February 2022

# 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 2021. 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 2021 that have been 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 2021 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-compliance.

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: 24 February 2022

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2021

| ----- Group ----->   |                               |                             |                              |                  |                               |                             |                              |                  |                   |
|--|-------------------------------|-----------------------------|------------------------------|------------------|-------------------------------|-----------------------------|------------------------------|------------------|-------------------|
| Note   | 2021                          |                             |                              |                  | 2020                          |                             |                              |                  |                   |
|  | 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>ASSETS</b>  |                               |                             |                              |                  |                               |                             |                              |                  |                   |
| Property and equipment                                     | 3                             | 21,103                      | -                            | -                | 227,473                       | 23,614                      | -                            | -                | 224,924           |
| Right-of-use assets  | 4                             | 17,724                      | -                            | -                | 54,485                        | 17,515                      | -                            | -                | 53,698            |
| Investment properties                                      | 5                             | 11,870                      | 258,176                      | 10,710           | 37,625                        | 11,745                      | 252,455                      | 10,640           | 37,347            |
| Intangible assets  | 6                             | 154,695                     | -                            | -                | 154,695                       | 191,187                     | -                            | -                | 191,187           |
| Other investments  | 8                             | 1,248,204                   | 5,927,090                    | 403,187          | 7,536,341                     | 902,420                     | 5,424,197                    | 346,576          | 6,631,485         |
| Retakaful assets   | 9                             | -                           | 446,539                      | 709,472          | 1,156,011                     | -                           | 407,653                      | 570,549          | 978,202           |
| Deferred tax assets  | 10                            | 82,066                      | -                            | -                | 82,066                        | 40,526                      | -                            | -                | 40,526            |
| Current tax assets   |                               | 14,714                      | -                            | -                | 14,714                        | 70,269                      | -                            | -                | 70,269            |
| Loans and receivables,<br>excluding takaful<br>receivables | 11                            | 669,592                     | 1,074,881                    | 592,292          | 2,262,580                     | 784,889                     | 1,315,187                    | 512,279          | 2,549,920         |
| Takaful receivables  | 12                            | -                           | 195,152                      | 140,772          | 335,924                       | -                           | 177,648                      | 125,323          | 302,971           |
| Cash and cash equivalents                                  | 13                            | 270,056                     | 530,413                      | 46,451           | 846,920                       | 136,744                     | 519,276                      | 56,589           | 712,609           |
| <b>TOTAL ASSETS</b>  |                               | <b>2,490,024</b>            | <b>8,432,251</b>             | <b>1,902,884</b> | <b>12,708,834</b>             | <b>2,178,909</b>            | <b>8,096,416</b>             | <b>1,621,956</b> | <b>11,793,138</b> |
| <b>EQUITY AND LIABILITIES</b>                              |                               |                             |                              |                  |                               |                             |                              |                  |                   |
| Share capital  | 14                            | 230,547                     | -                            | -                | 230,547                       | 211,893                     | -                            | -                | 211,893           |
| Reserves   | 14                            | 1,578,043                   | -                            | -                | 1,578,043                     | 1,297,513                   | -                            | -                | 1,297,513         |
| Total equity attributable to<br>owners of the Company      |                               | 1,808,590                   | -                            | -                | 1,808,590                     | 1,509,406                   | -                            | -                | 1,509,406         |
| Non-controlling interests                                  |                               | 33,793                      | -                            | -                | 33,793                        | 32,397                      | -                            | -                | 32,397            |
| <b>TOTAL EQUITY</b>  |                               | <b>1,842,383</b>            | <b>-</b>                     | <b>-</b>         | <b>1,842,383</b>              | <b>1,541,803</b>            | <b>-</b>                     | <b>-</b>         | <b>1,541,803</b>  |
| <b>LIABILITIES</b>   |                               |                             |                              |                  |                               |                             |                              |                  |                   |
| Takaful contract liabilities                               | 16                            | -                           | 8,234,199                    | 1,594,267        | 9,786,326                     | -                           | 7,870,798                    | 1,394,517        | 9,223,607         |
| Expense reserves   | 17                            | 313,133                     | -                            | -                | 313,133                       | 316,729                     | -                            | -                | 316,729           |
| Deferred tax liabilities                                   | 10                            | -                           | -                            | -                | -                             | 11,751                      | -                            | -                | 11,751            |
| Lease liabilities  |                               | 493                         | -                            | -                | 493                           | 807                         | -                            | -                | 807               |
| Takaful payables   | 18                            | 28,673                      | 65,906                       | 219,737          | 314,316                       | 32,847                      | 62,884                       | 136,798          | 232,529           |
| Other payables   | 19                            | 305,342                     | 122,923                      | 88,084           | 442,164                       | 274,972                     | 145,584                      | 80,690           | 438,811           |
| Current tax liabilities                                    |                               | -                           | 9,223                        | 796              | 10,019                        | -                           | 17,150                       | 9,951            | 27,101            |
| <b>TOTAL LIABILITIES</b>                                   |                               | <b>647,641</b>              | <b>8,432,251</b>             | <b>1,902,884</b> | <b>10,866,451</b>             | <b>637,106</b>              | <b>8,096,416</b>             | <b>1,621,956</b> | <b>10,251,335</b> |
| <b>TOTAL EQUITY<br/>AND LIABILITIES</b>                    |                               | <b>2,490,024</b>            | <b>8,432,251</b>             | <b>1,902,884</b> | <b>12,708,834</b>             | <b>2,178,909</b>            | <b>8,096,416</b>             | <b>1,621,956</b> | <b>11,793,138</b> |

The notes on pages 107 to 294 are an integral part of these financial statements.

## STATEMENTS OF FINANCIAL POSITION

as at 31 December 2021

|   | Note | ----- Company ----->          |                                     |                   |                               |                                     |                   |
|---|------|-------------------------------|-------------------------------------|-------------------|-------------------------------|-------------------------------------|-------------------|
|   |      | Takaful<br>Operator<br>RM'000 | 2021<br>Family<br>Takaful<br>RM'000 | Company<br>RM'000 | Takaful<br>Operator<br>RM'000 | 2020<br>Family<br>Takaful<br>RM'000 | Company<br>RM'000 |
| <b>ASSETS</b>   |      |                               |                                     |                   |                               |                                     |                   |
| Property and equipment                                    | 3    | 17,657                        | -                                   | 222,507           | 17,821                        | -                                   | 217,651           |
| Right-of-use assets                                       | 4    | 430                           | -                                   | 13,855            | 765                           | -                                   | 14,180            |
| Investment properties                                     | 5    | 11,870                        | 241,335                             | 34,930            | 11,745                        | 236,175                             | 34,675            |
| Intangible assets   | 6    | 149,452                       | -                                   | 149,452           | 185,056                       | -                                   | 185,056           |
| Investments in subsidiaries                               | 7    | 136,393                       | -                                   | 136,393           | 136,393                       | -                                   | 136,393           |
| Other investments   | 8    | 966,462                       | 5,708,462                           | 6,632,784         | 709,358                       | 5,205,421                           | 5,873,071         |
| Retakaful assets  | 9    | -                             | 401,556                             | 401,556           | -                             | 367,685                             | 367,685           |
| Deferred tax assets                                       | 10   | 32,554                        | -                                   | 32,554            | -                             | -                                   | -                 |
| Current tax assets  |      | 18,410                        | -                                   | 18,410            | 57,591                        | -                                   | 57,591            |
| Loans and receivables, excluding takaful receivables      | 11   | 416,855                       | 1,065,364                           | 1,438,905         | 506,467                       | 1,310,648                           | 1,776,775         |
| Takaful receivables                                       | 12   | -                             | 177,268                             | 177,268           | -                             | 167,492                             | 167,492           |
| Cash and cash equivalents                                 | 13   | 202,651                       | 409,816                             | 612,467           | 83,203                        | 373,635                             | 456,838           |
| <b>TOTAL ASSETS</b>                                       |      | <b>1,952,734</b>              | <b>8,003,801</b>                    | <b>9,871,081</b>  | <b>1,708,399</b>              | <b>7,661,056</b>                    | <b>9,287,407</b>  |
| <b>EQUITY AND LIABILITIES</b>                             |      |                               |                                     |                   |                               |                                     |                   |
| Share capital   | 14   | 230,547                       | -                                   | 230,547           | 211,893                       | -                                   | 211,893           |
| Reserves  | 14   | 1,308,942                     | -                                   | 1,308,942         | 1,088,085                     | -                                   | 1,088,085         |
| <b>Total equity attributable to owners of the Company</b> |      | <b>1,539,489</b>              | <b>-</b>                            | <b>1,539,489</b>  | <b>1,299,978</b>              | <b>-</b>                            | <b>1,299,978</b>  |
| <b>LIABILITIES</b>  |      |                               |                                     |                   |                               |                                     |                   |
| Takaful contract liabilities                              | 16   | -                             | 7,820,759                           | 7,778,619         | -                             | 7,449,456                           | 7,407,748         |
| Expense reserves  | 17   | 135,409                       | -                                   | 135,409           | 140,449                       | -                                   | 140,449           |
| Deferred tax liabilities                                  | 10   | -                             | -                                   | -                 | 11,751                        | -                                   | 11,751            |
| Lease liabilities   |      | 493                           | -                                   | 493               | 807                           | -                                   | 807               |
| Takaful payables  | 18   | 16,231                        | 61,146                              | 77,377            | 19,972                        | 58,452                              | 78,424            |
| Other payables  | 19   | 261,112                       | 112,673                             | 330,471           | 235,442                       | 135,998                             | 331,100           |
| Current tax liabilities                                   |      | -                             | 9,223                               | 9,223             | -                             | 17,150                              | 17,150            |
| <b>TOTAL LIABILITIES</b>                                  |      | <b>413,245</b>                | <b>8,003,801</b>                    | <b>8,331,592</b>  | <b>408,421</b>                | <b>7,661,056</b>                    | <b>7,987,429</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                       |      | <b>1,952,734</b>              | <b>8,003,801</b>                    | <b>9,871,081</b>  | <b>1,708,399</b>              | <b>7,661,056</b>                    | <b>9,287,407</b>  |

The notes on pages 107 to 294 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

|      |   | ----- Group ----->            |                             |                              |                 |                               |                             |                              |                 |             |
|------|---|-------------------------------|-----------------------------|------------------------------|-----------------|-------------------------------|-----------------------------|------------------------------|-----------------|-------------|
|      |   | 2021                          |                             |                              |                 | 2020                          |                             |                              |                 |             |
| 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>Operating revenue</b>  | 20                            | 64,092                      | 2,168,120                    | 947,383         | 3,179,010                     | 59,817                      | 2,038,960                    | 858,609         | 2,957,180   |
|      | <b>Takaful operator income</b>  |                               | 1,046,582                   | -                            | -               | -                             | 979,309                     | -                            | -               | -           |
|      | Gross earned contributions  | 21(i)                         | -                           | 1,887,429                    | 878,668         | 2,766,398                     | -                           | 1,756,863                    | 756,544         | 2,514,080   |
|      | Contributions ceded to retakaful  | 21(ii)                        | -                           | (132,107)                    | (391,222)       | (523,329)                     | -                           | (121,798)                    | (319,313)       | (441,111)   |
|      | <b>Net earned contributions</b>   | 21(iii)                       | -                           | 1,755,322                    | 487,446         | 2,243,069                     | -                           | 1,635,065                    | 437,231         | 2,072,969   |
|      | Administrative income   |                               | -                           | 100                          | 98,318          | 98,418                        | -                           | 40                           | 81,593          | 81,633      |
|      | Investment income on financial assets not measured at fair value through profit or loss | 22                            | 59,806                      | 257,915                      | 29,500          | 347,221                       | 55,367                      | 252,996                      | 30,215          | 338,578     |
|      | Investment income - others  | 23                            | 4,286                       | 30,564                       | 78              | 34,042                        | 4,450                       | 33,028                       | 456             | 37,055      |
|      | Realised gains and losses   | 24                            | 4,051                       | 24,964                       | 387             | 29,402                        | 3,349                       | 27,843                       | 2,486           | 33,678      |
|      | Fair value gains and losses   | 25                            | 884                         | 17,792                       | 70              | 12,898                        | 5,763                       | 17,156                       | (151)           | 16,419      |
|      | Other operating income  | 26                            | 23,210                      | 203                          | 41              | 2,936                         | 21,290                      | 265                          | 253             | 2,031       |
|      | <b>Other income</b>   |                               | 92,237                      | 331,538                      | 128,394         | 524,917                       | 90,219                      | 331,328                      | 114,852         | 509,394     |
|      | Gross benefits and claims paid  | 27                            | -                           | (908,364)                    | (304,099)       | (1,196,083)                   | -                           | (805,230)                    | (254,159)       | (1,043,282) |
|      | Claims ceded to retakaful   | 27                            | -                           | 134,955                      | 146,410         | 281,365                       | -                           | 92,338                       | 108,762         | 201,100     |
|      | Gross change to contract liabilities  | 27                            | -                           | (328)                        | (165,821)       | (166,149)                     | -                           | (46,685)                     | (168,886)       | (215,571)   |
|      | Change to contract liabilities ceded to retakaful                                       | 27                            | -                           | 21,522                       | 110,812         | 132,334                       | -                           | 7,661                        | 161,127         | 168,788     |
|      | <b>Net benefits and claims</b>  | 27                            | -                           | (752,215)                    | (212,698)       | (948,533)                     | -                           | (751,916)                    | (153,156)       | (888,965)   |
|      | Wakalah fee expense   |                               | -                           | (612,640)                    | (338,933)       | -                             | -                           | (571,679)                    | (318,808)       | -           |
|      | Administrative fees   |                               | (212,725)                   | (171)                        | -               | (212,896)                     | (192,339)                   | (156)                        | -               | (192,495)   |
|      | Expense reserves  | 17                            | 3,806                       | -                            | -               | 3,806                         | (5,275)                     | -                            | -               | (5,275)     |
|      | Management expenses   | 28                            | (474,118)                   | -                            | -               | (475,004)                     | (386,903)                   | -                            | -               | (387,933)   |
|      | Impairment losses on financial instruments  |                               | (950)                       | (7,422)                      | (3,726)         | (12,098)                      | (13)                        | (2,747)                      | 202             | (2,558)     |
|      | Other operating expenses  | 30                            | (16,132)                    | (2,706)                      | (653)           | (17,973)                      | (58,177)                    | (3,751)                      | (690)           | (61,619)    |
|      | <b>Other expenses</b>   |                               | (700,119)                   | (622,939)                    | (343,312)       | (714,165)                     | (642,707)                   | (578,333)                    | (319,296)       | (649,880)   |
|      | <b>Total profit for the year</b>  |                               | 438,700                     | 711,706                      | 59,830          | 1,105,288                     | 426,821                     | 636,144                      | 79,631          | 1,043,518   |
|      | Profit attributable to the Takaful Operator / participants                              |                               | -                           | (711,706)                    | (59,830)        | (666,588)                     | -                           | (636,144)                    | (79,631)        | (616,697)   |
|      | <b>Profit before zakat and taxation</b>   |                               | 438,700                     | -                            | -               | 438,700                       | 426,821                     | -                            | -               | 426,821     |
|      | Zakat   |                               | (1,316)                     | -                            | -               | (1,316)                       | (1,281)                     | -                            | -               | (1,281)     |
|      | Tax expense   | 31                            | (25,184)                    | -                            | -               | (25,184)                      | (61,963)                    | -                            | -               | (61,963)    |
|      | <b>Profit for the year</b>  |                               | 412,200                     | -                            | -               | 412,200                       | 363,577                     | -                            | -               | 363,577     |

The notes on pages 107 to 294 are an integral part of these financial statements.

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

| Note   | ←----- Group ----->           |                             |                              |                 |                               |                             |                              |                 |
|--|-------------------------------|-----------------------------|------------------------------|-----------------|-------------------------------|-----------------------------|------------------------------|-----------------|
|  | 2021                          |                             |                              |                 | 2020                          |                             |                              |                 |
|  | 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>   | 412,200                       | -                           | -                            | 412,200         | 363,577                       | -                           | -                            | 363,577         |
| <b>Other comprehensive income, net of tax</b>  |                               |                             |                              |                 |                               |                             |                              |                 |
| <b>Items that will not be reclassified subsequently to profit or loss</b>            |                               |                             |                              |                 |                               |                             |                              |                 |
| Remeasurement of defined benefit liability   | (21)                          | -                           | -                            | (21)            | (424)                         | -                           | -                            | (424)           |
| Revaluation of property and equipment  | 1,214                         | -                           | -                            | 10,721          | 803                           | -                           | -                            | 6,818           |
| Other comprehensive income attributable to participants                              | -                             | -                           | -                            | (9,507)         | -                             | -                           | -                            | (6,015)         |
|  | 1,193                         | -                           | -                            | 1,193           | 379                           | -                           | -                            | 379             |
| <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   | (23,608)                      | (244,834)                   | (16,518)                     | (284,960)       | 10,350                        | 96,773                      | 6,553                        | 113,676         |
| - reclassified to profit or loss   | (3,005)                       | (24,964)                    | (387)                        | (28,356)        | (2,534)                       | (27,843)                    | (2,486)                      | (32,863)        |
| Foreign currency translation differences for foreign operations                      | 1,058                         | -                           | -                            | 1,058           | (1,409)                       | -                           | -                            | (1,409)         |
| Other comprehensive income attributable to participants                              | -                             | 269,798                     | 16,905                       | 286,703         | -                             | (68,930)                    | (4,067)                      | (72,997)        |
|  | (25,555)                      | -                           | -                            | (25,555)        | 6,407                         | -                           | -                            | 6,407           |
| Total other comprehensive income for the year  | 32 (24,362)                   | -                           | -                            | (24,362)        | 6,786                         | -                           | -                            | 6,786           |
| <b>Total comprehensive income for the year</b>                                       | 387,838                       | -                           | -                            | 387,838         | 370,363                       | -                           | -                            | 370,363         |

The notes on pages 107 to 294 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

| ←----- Group ----->   |                            |                          |                           |                 |                            |                          |                           |                 |
|---|----------------------------|--------------------------|---------------------------|-----------------|----------------------------|--------------------------|---------------------------|-----------------|
| Note  | 2021                       |                          |                           |                 | 2020                       |                          |                           |                 |
|   | Takaful Operator<br>RM'000 | Family Takaful<br>RM'000 | General Takaful<br>RM'000 | Group<br>RM'000 | Takaful Operator<br>RM'000 | Family Takaful<br>RM'000 | General Takaful<br>RM'000 | Group<br>RM'000 |
| <b>Profit for the year attributable to:</b>                     |                            |                          |                           |                 |                            |                          |                           |                 |
| Owners of the Company   | 411,423                    | -                        | -                         | 411,423         | 362,420                    | -                        | -                         | 362,420         |
| Non-controlling interests                                       | 777                        | -                        | -                         | 777             | 1,157                      | -                        | -                         | 1,157           |
|   | 412,200                    | -                        | -                         | 412,200         | 363,577                    | -                        | -                         | 363,577         |
| <b>Total comprehensive income for the year attributable to:</b> |                            |                          |                           |                 |                            |                          |                           |                 |
| Owners of the Company   | 386,442                    | -                        | -                         | 386,442         | 369,538                    | -                        | -                         | 369,538         |
| Non-controlling interests                                       | 1,396                      | -                        | -                         | 1,396           | 825                        | -                        | -                         | 825             |
|   | 387,838                    | -                        | -                         | 387,838         | 370,363                    | -                        | -                         | 370,363         |
| <b>Basic earnings per ordinary share (sen)</b>                  | 33                         |                          |                           | 49.43           |                            |                          |                           | 43.76           |
| <b>Diluted earnings per ordinary share (sen)</b>                | 33                         |                          |                           | 49.27           |                            |                          |                           | 43.57           |

The notes on pages 107 to 294 are an integral part of these financial statements.

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

|   |         | <----- Company ----->         |                             |                   |                               |                             |                   |
|---|---------|-------------------------------|-----------------------------|-------------------|-------------------------------|-----------------------------|-------------------|
|   |         | 2021                          |                             |                   | 2020                          |                             |                   |
|   | Note    | Takaful<br>Operator<br>RM'000 | Family<br>Takaful<br>RM'000 | Company<br>RM'000 | Takaful<br>Operator<br>RM'000 | Family<br>Takaful<br>RM'000 | Company<br>RM'000 |
| <b>Operating revenue</b>  | 20      | 45,873                        | 2,047,446                   | 2,092,188         | 40,925                        | 1,918,246                   | 1,958,025         |
| <b>Takaful operator income</b>  |         | 642,918                       | -                           | -                 | 597,152                       | -                           | -                 |
| Gross earned contributions  | 21(i)   | -                             | 1,779,535                   | 1,779,228         | -                             | 1,651,309                   | 1,650,980         |
| Contributions ceded to retakaful  | 21(ii)  | -                             | (116,310)                   | (116,310)         | -                             | (106,620)                   | (106,620)         |
| <b>Net earned contributions</b>   | 21(iii) | -                             | 1,663,225                   | 1,662,918         | -                             | 1,544,689                   | 1,544,360         |
| Investment income on financial assets not measured at fair value through profit or loss | 22      | 44,017                        | 252,879                     | 296,896           | 38,680                        | 245,898                     | 284,578           |
| Investment income - others  | 23      | 1,856                         | 22,821                      | 23,853            | 2,245                         | 24,737                      | 26,165            |
| Realised gains and losses   | 24      | 3,362                         | 24,964                      | 28,326            | 3,349                         | 27,843                      | 31,192            |
| Fair value gains and losses   | 25      | 1,348                         | 19,685                      | 15,571            | 5,303                         | 15,353                      | 14,380            |
| Other operating income  | 26      | 83,033                        | -                           | 64,777            | 80,845                        | -                           | 64,008            |
| <b>Other income</b>   |         | 133,616                       | 320,349                     | 429,423           | 130,422                       | 313,831                     | 420,323           |
| Gross benefits and claims paid  | 27      | -                             | (789,308)                   | (774,375)         | -                             | (715,101)                   | (700,887)         |
| Claims ceded to retakaful   | 27      | -                             | 104,142                     | 104,142           | -                             | 75,566                      | 75,566            |
| Gross change to contract liabilities  | 27      | -                             | 2,648                       | 2,648             | -                             | (44,645)                    | (44,645)          |
| Change to contract liabilities ceded to retakaful                                       | 27      | -                             | 20,119                      | 20,119            | -                             | 6,831                       | 6,831             |
| <b>Net benefits and claims</b>  | 27      | -                             | (662,399)                   | (647,466)         | -                             | (677,349)                   | (663,135)         |
| Wakalah fee expense   |         | -                             | (585,053)                   | -                 | -                             | (547,052)                   | -                 |
| Administrative fees   |         | (116,599)                     | (171)                       | (116,770)         | (101,939)                     | (156)                       | (102,095)         |
| Expense reserves  | 17      | 5,040                         | -                           | 5,040             | 1,963                         | -                           | 1,963             |
| Management expenses   | 28      | (318,074)                     | -                           | (317,719)         | (252,938)                     | -                           | (252,882)         |
| Impairment losses on financial instruments  |         | (944)                         | (8,724)                     | (9,668)           | (12)                          | (1,572)                     | (1,584)           |
| Other operating expenses  | 30      | (2,455)                       | (2,082)                     | (3,019)           | (44,063)                      | (1,789)                     | (44,852)          |
| <b>Other expenses</b>   |         | (433,032)                     | (596,030)                   | (442,136)         | (396,989)                     | (550,569)                   | (399,450)         |
| <b>Total profit for the year</b>  |         | 343,502                       | 725,145                     | 1,002,739         | 330,585                       | 630,602                     | 902,098           |
| Profit attributable to the Takaful Operator / participants                              |         | -                             | (725,145)                   | (659,237)         | -                             | (630,602)                   | (571,513)         |
| <b>Profit before zakat and taxation</b>   |         | 343,502                       | -                           | 343,502           | 330,585                       | -                           | 330,585           |
| Zakat   |         | (600)                         | -                           | (600)             | (600)                         | -                           | (600)             |
| Tax expense   | 31      | 4,511                         | -                           | 4,511             | (24,271)                      | -                           | (24,271)          |
| <b>Profit for the year</b>  |         | 347,413                       | -                           | 347,413           | 305,714                       | -                           | 305,714           |

The notes on pages 107 to 294 are an integral part of these financial statements.

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

|  | <----- Company -----> |                               |                                     |                   |                               |                                     |                   |
|--|-----------------------|-------------------------------|-------------------------------------|-------------------|-------------------------------|-------------------------------------|-------------------|
|  | Note                  | Takaful<br>Operator<br>RM'000 | 2021<br>Family<br>Takaful<br>RM'000 | Company<br>RM'000 | Takaful<br>Operator<br>RM'000 | 2020<br>Family<br>Takaful<br>RM'000 | Company<br>RM'000 |
| <b>Profit for the year</b>   |                       | 347,413                       | -                                   | 347,413           | 305,714                       | -                                   | 305,714           |
| <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                    |                               | -                                   | 7,622             | 10                            | -                                   | 4,760             |
| Other comprehensive income attributable to participants                              |                       | -                             | -                                   | (7,612)           | -                             | -                                   | (4,750)           |
|  | 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   |                       | (18,201)                      | (244,654)                           | (262,855)         | 8,290                         | 96,593                              | 104,883           |
| - reclassified to profit or loss   |                       | (2,453)                       | (24,964)                            | (27,417)          | (2,534)                       | (27,843)                            | (30,377)          |
| Other comprehensive income attributable to participants                              |                       | -                             | 269,618                             | 269,618           | -                             | (68,750)                            | (68,750)          |
|  |                       | (20,654)                      | -                                   | (20,654)          | 5,756                         | -                                   | 5,756             |
| Total other comprehensive income for the year  | 32                    | (20,644)                      | -                                   | (20,644)          | 5,766                         | -                                   | 5,766             |
| <b>Total comprehensive income for the year</b>                                       |                       | 326,769                       | -                                   | 326,769           | 311,480                       | -                                   | 311,480           |
| <b>Profit for the year attributable to:</b>  |                       |                               |                                     |                   |                               |                                     |                   |
| Owners of the Company  |                       | 347,413                       | -                                   | 347,413           | 305,714                       | -                                   | 305,714           |
| <b>Total comprehensive income for the year attributable to:</b>                      |                       |                               |                                     |                   |                               |                                     |                   |
| Owners of the Company  |                       | 326,769                       | -                                   | 326,769           | 311,480                       | -                                   | 311,480           |

The notes on pages 107 to 294 are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2021

| Group  | Note | Attributable to owners of the Company |                               |                               |                              |                        |                             |                 |                                     | Total equity<br>RM'000 |
|--|------|---------------------------------------|-------------------------------|-------------------------------|------------------------------|------------------------|-----------------------------|-----------------|-------------------------------------|------------------------|
|  |      | Non-distributable                     |                               |                               |                              | Distributable          |                             |                 | Non-controlling interests<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 |                                     |                        |
| <b>At 1 January 2020</b>   |      | 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 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                |
| <b>Total comprehensive income for the year</b>                     |      | -                                     | (984)                         | 603                           | 7,816                        | -                      | 362,103                     | 369,538         | 825                                 | 370,363                |
| <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          | -                                   | 16,572                 |
| - Dividends to owners of the Company                               | 34   | -                                     | -                             | -                             | -                            | -                      | (99,652)                    | (99,652)        | -                                   | (99,652)               |
| <b>Total transactions with owners of the Company</b>               |      | 15,140                                | -                             | -                             | -                            | 1,432                  | (99,652)                    | (83,080)        | -                                   | (83,080)               |
| <b>At 31 December 2020</b>   | 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 107 to 294 are an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2021

| Group  | Note | Attributable to owners of the Company |                               |                               |                              |                        |                             |                 |                                     | Total equity<br>RM'000 |
|--|------|---------------------------------------|-------------------------------|-------------------------------|------------------------------|------------------------|-----------------------------|-----------------|-------------------------------------|------------------------|
|  |      | Non-distributable                     |                               |                               |                              | Distributable          |                             |                 |                                     |                        |
|  |      | 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 2021</b>   |      | 211,893                               | (6,983)                       | 18,972                        | 30,916                       | 24,557                 | 1,230,051                   | 1,509,406       | 32,397                              | 1,541,803              |
| Remeasurement of defined benefit liability                         | 32   | -                                     | -                             | -                             | -                            | -                      | (16)                        | (16)            | (5)                                 | (21)                   |
| Revaluation of property and equipment                              | 32   | -                                     | -                             | 910                           | -                            | -                      | -                           | 910             | 304                                 | 1,214                  |
| Fair value of debt investments measured at FVOCI                   | 32   | -                                     | -                             | -                             | (26,613)                     | -                      | -                           | (26,613)        | -                                   | (26,613)               |
| Foreign currency translation differences for foreign operations    | 32   | -                                     | 738                           | -                             | -                            | -                      | -                           | 738             | 320                                 | 1,058                  |
| Other comprehensive income for the year                            |      | -                                     | 738                           | 910                           | (26,613)                     | -                      | (16)                        | (24,981)        | 619                                 | (24,362)               |
| Profit for the year  |      | -                                     | -                             | -                             | -                            | -                      | 411,423                     | 411,423         | 777                                 | 412,200                |
| <b>Total comprehensive income for the year</b>                     |      | -                                     | 738                           | 910                           | (26,613)                     | -                      | 411,407                     | 386,442         | 1,396                               | 387,838                |
| <b>Contributions by and distributions to owners of the Company</b> |      |                                       |                               |                               |                              |                        |                             |                 |                                     |                        |
| - LTIP vested  |      | 18,654                                | -                             | -                             | -                            | (18,654)               | -                           | -               | -                                   | -                      |
| - Share-based payment transactions                                 | 15   | -                                     | -                             | -                             | -                            | 13,017                 | -                           | 13,017          | -                                   | 13,017                 |
| - Transfer to retained earnings                                    |      | -                                     | -                             | -                             | -                            | (3,580)                | 3,580                       | -               | -                                   | -                      |
| - Dividends to owners of the Company                               | 34   | -                                     | -                             | -                             | -                            | -                      | (100,275)                   | (100,275)       | -                                   | (100,275)              |
| <b>Total transactions with owners of the Company</b>               |      | 18,654                                | -                             | -                             | -                            | (9,217)                | (96,695)                    | (87,258)        | -                                   | (87,258)               |
| <b>At 31 December 2021</b>   | 14   | 230,547                               | (6,245)                       | 19,882                        | 4,303                        | 15,340                 | 1,544,763                   | 1,808,590       | 33,793                              | 1,842,383              |

The notes on pages 107 to 294 are an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2021

| 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 2020</b>   |      | 196,753   | 3,074                         | 17,555                       | 23,125                 | 831,071                     | 1,071,578              |
| Revaluation of property and equipment                              | 32   | -   | 10                            | -                            | -                      | -                           | 10                     |
| Fair value 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              |
| <b>At 1 January 2021</b>   |      | 211,893   | 3,084                         | 23,311                       | 24,557                 | 1,037,133                   | 1,299,978              |
| Revaluation of property and equipment                              | 32   | -   | 10                            | -                            | -                      | -                           | 10                     |
| Fair value of debt investments measured at FVOCI                   | 32   | -   | -                             | (20,654)                     | -                      | -                           | (20,654)               |
| Other comprehensive income for the year                            | 32   | -   | 10                            | (20,654)                     | -                      | -                           | (20,644)               |
| Profit for the year  |      | -   | -                             | -                            | -                      | 347,413                     | 347,413                |
| <b>Total comprehensive income for the year</b>                     |      | -   | 10                            | (20,654)                     | -                      | 347,413                     | 326,769                |
| <i>Contributions by and distributions to owners of the Company</i> |      |   |                               |                              |                        |                             |                        |
| - LTIP vested  |      | 18,654  | -                             | -                            | (18,654)               | -                           | -                      |
| - Share-based payment transactions                                 | 15   | -   | -                             | -                            | 13,017                 | -                           | 13,017                 |
| - Transfer to retained earnings                                    |      | -   | -                             | -                            | (3,580)                | 3,580                       | -                      |
| - Dividends to owners of the Company                               | 34   | -   | -                             | -                            | -                      | (100,275)                   | (100,275)              |
| <b>Total transactions with owners of the Company</b>               |      | 18,654  | -                             | -                            | (9,217)                | (96,695)                    | (87,258)               |
| <b>At 31 December 2021</b>   | 14   | 230,547   | 3,094                         | 2,657                        | 15,340                 | 1,287,851                   | 1,539,489              |

The notes on pages 107 to 294 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2021

|   | Note  | Group          |                | Company        |                |
|---|-------|----------------|----------------|----------------|----------------|
|   |       | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Cash flows from operating activities</b>   |       |                |                |                |                |
| Profit before zakat and taxation  |       | 438,700        | 426,821        | 343,502        | 330,585        |
| Adjustments for:  |       |                |                |                |                |
| Amortisation of intangible assets   | 28    | 42,124         | 33,977         | 40,945         | 33,519         |
| Depreciation of property and equipment  | 3     | 11,332         | 10,962         | 8,510          | 8,292          |
| Depreciation of right-of-use assets   | 4     | 3,313          | 2,759          | 1,324          | 1,256          |
| Equity settled share-based payment  |       | 13,017         | 16,572         | 13,017         | 16,572         |
| Fair value change of investment properties  | 25    | (272)          | (891)          | (255)          | (877)          |
| Fair value change of fair value through profit or loss financial assets                                   | 8     | 16,702         | (36,496)       | 12,993         | (32,976)       |
| Profit from financing receivables   |       | (2)            | (1,506)        | -              | (1,404)        |
| Profit from Islamic debt securities and investment accounts   | 22,23 | (353,551)      | (348,941)      | (293,184)      | (284,748)      |
| Profit from Malaysian Government Islamic papers   | 22    | (25,710)       | (22,296)       | (24,533)       | (21,586)       |
| Dividend income from equity securities and unit trusts  | 23    | (7,251)        | (7,264)        | (7,175)        | (6,813)        |
| Gains from disposal of debt investments measured at fair value through other comprehensive income         | 24    | (29,305)       | (33,664)       | (28,192)       | (31,178)       |
| Gains on disposal of property and equipment   | 24    | (97)           | (14)           | (134)          | (14)           |
| Write-off of bad debt   | 30    | 17             | 820            | -              | -              |
| Amortisation of premiums, net of accretion of discounts   | 22,23 | 9,520          | 8,761          | 8,332          | 8,118          |
| Impairment losses on financial instruments  |       | 12,098         | 2,558          | 9,668          | 1,584          |
| Profit expenses on lease liabilities  | 28    | 60             | 92             | 60             | 92             |
| Operating profit before changes in working capital  |       | 130,695        | 52,250         | 84,878         | 20,422         |
| Profit received from Islamic debt securities, investment accounts and Malaysian Government Islamic papers |       | 349,238        | 342,928        | 291,268        | 281,635        |
| Dividend income from equity securities and unit trusts  | 23    | 7,251          | 7,264          | 7,175          | 6,813          |
| Purchase of investments   | 8 (c) | (1,985,287)    | (1,612,290)    | (1,756,218)    | (1,470,346)    |
| Proceeds from sale of investments   |       | 627,307        | 616,501        | 586,347        | 541,198        |
| Maturity of other investments   | 8 (c) | 163,161        | 193,165        | 142,415        | 124,145        |
| Increase in retakaful assets  |       | (178,032)      | (223,138)      | (33,871)       | (34,651)       |
| Decrease / (Increase) in receivables  |       | 260,929        | (18,416)       | 329,823        | 194,453        |
| Increase in Takaful contract liabilities  |       | 817,034        | 899,513        | 625,560        | 620,646        |
| Increase in payables  |       | 114,409        | 98,186         | 3,704          | 43,716         |
| Zakat paid  |       | 306,705        | 355,963        | 281,081        | 328,031        |
| Income taxes paid   |       | (350)          | (450)          | (280)          | (434)          |
|   |       | (54,162)       | (77,250)       | (13,602)       | (38,250)       |
| <b>Net cash generated from operating activities</b>   |       | <b>252,193</b> | <b>278,263</b> | <b>267,199</b> | <b>289,347</b> |

The notes on pages 107 to 294 are an integral part of these financial statements.

## STATEMENTS OF CASH FLOWS

for the year ended 31 December 2021

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Cash flows from investing activities</b>       |      |                |                |                |                |
| Acquisition of intangible assets                  | 6    | (5,632)        | (156,676)      | (5,341)        | (150,132)      |
| Purchase of property and equipment                | 3    | (6,481)        | (7,846)        | (5,995)        | (5,696)        |
| Proceeds from sale of property and equipment      |      | 141            | 142            | 134            | 57             |
| <b>Net cash used in investing activities</b>      |      | (11,972)       | (164,380)      | (11,202)       | (155,771)      |
| <b>Cash flows from financing activities</b>       |      |                |                |                |                |
| Dividends paid to owners of the Company           | 34   | (99,652)       | -              | (99,652)       | -              |
| Payment of lease liabilities                      | (i)  | (716)          | (714)          | (716)          | (714)          |
| <b>Net cash used in financing activities</b>      |      | (100,368)      | (714)          | (100,368)      | (714)          |
| <b>Net increase in cash and cash equivalents</b>  |      | 139,853        | 113,169        | 155,629        | 132,862        |
| Effect of exchange rate fluctuations on cash held |      | (5,542)        | (3,760)        | -              | -              |
| <b>Cash and cash equivalents at 1 January</b>     |      | 712,609        | 603,200        | 456,838        | 323,976        |
| <b>Cash and cash equivalents at 31 December</b>   | 13   | 846,920        | 712,609        | 612,467        | 456,838        |

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

|                                       | Group and Company |                |
|---------------------------------------|-------------------|----------------|
|                                       | 2021<br>RM'000    | 2020<br>RM'000 |
| At 1 January                          | 807               | 988            |
| Net changes from financing cash flows | (716)             | (714)          |
| Acquisition of new leases             | 342               | 441            |
| Profit expense paid                   | 60                | 92             |
| At 31 December                        | 493               | 807            |

The notes on pages 107 to 294 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 2021 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 2021 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 financial statements were authorised for issue by the Board of Directors on 24 February 2022.

## 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 continues to be consolidated until the date such control ceases which occurs 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 2021:

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

The adoption of 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 2022. 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 properties
- 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
- Note 2(u), Note 10 and Note 31 - Deferred tax assets / (liabilities) and tax expense

### 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>Amortisation 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").

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. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts are procured from the publicly available economic databases published such as Department of Statistics Malaysia ("DOSM"), BNM and other government agencies.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components of LGD and EAD. The methodology and assumptions including any forecasts of future economic conditions are reviewed at each reporting date.

###### *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 Advisory Body 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       |                     | Motor vehicles<br>RM'000 | Office equipment, furniture, fixtures and fittings<br>RM'000 | Total<br>RM'000 |
|--------------------------------------|------|----------------|---------------------|--------------------------|--|-----------------|
|                                      |      | Land<br>RM'000 | Buildings<br>RM'000 |                          |  |                 |
| At 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 January 2021 |      | 1,010          | 520                 | 970                      | 158,947  | 161,447         |
| Additions                            |      | -              | -                   | 76                       | 6,405  | 6,481           |
| Disposals                            |      | -              | -                   | (131)                    | (3,138)  | (3,269)         |
| Write-offs                           |      | -              | -                   | -                        | (736)  | (736)           |
| Effect of movement in exchange rates |      | -              | -                   | 9                        | 76   | 85              |
| At 31 December 2021                  |      | 1,010          | 520                 | 924                      | 161,554  | 164,008         |
| <b>Accumulated depreciation</b>      |      |                |                     |                          |  |                 |
| At 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 / 1 January 2021 |      | -              | -                   | 473                      | 137,360  | 137,833         |
| Depreciation for the year            | 28   | -              | 10                  | 111                      | 8,860  | 8,981           |
| Disposals                            |      | -              | -                   | (89)                     | (3,136)  | (3,225)         |
| Write-offs                           |      | -              | -                   | -                        | (736)  | (736)           |
| Adjustment for revaluation           |      | -              | (10)                | -                        | -  | (10)            |
| Effect of movement in exchange rates |      | -              | -                   | 2                        | 60   | 62              |
| At 31 December 2021                  |      | -              | -                   | 497                      | 142,408  | 142,905         |
| <b>Carrying amounts</b>              |      |                |                     |                          |  |                 |
| At 1 January 2020                    |      | 1,010          | 520                 | 456                      | 22,412   | 24,398          |
| At 31 December 2020                  |      | 1,010          | 520                 | 497                      | 21,587   | 23,614          |
| At 31 December 2021                  |      | 1,010          | 520                 | 427                      | 19,146   | 21,103          |

## NOTES TO THE FINANCIAL STATEMENTS

**3. Property and equipment (continued)**
**Group**

| Cost / Valuation                                    | Note | Freehold       |                     | Motor vehicles<br>RM'000 | Office equipment, furniture, fixtures and fittings<br>RM'000 | Total<br>RM'000 |
|---|------|----------------|---------------------|--------------------------|--|-----------------|
|   |      | Land<br>RM'000 | Buildings<br>RM'000 |                          |  |                 |
| At 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 / 1 January 2021                |      | 84,949         | 118,118             | 970                      | 158,947  | 362,984         |
| Additions   |      | -              | -                   | 76                       | 6,405  | 6,481           |
| Disposals   |      | -              | -                   | (131)                    | (3,138)  | (3,269)         |
| Write-offs  |      | -              | -                   | -                        | (736)  | (736)           |
| Revaluation   |      | 5,060          | -                   | -                        | -  | 5,060           |
| Effect of movement in exchange rates                |      | -              | -                   | 9                        | 76   | 85              |
| At 31 December 2021                                 |      | 90,009         | 118,118             | 924                      | 161,554  | 370,605         |
| <b>Accumulated depreciation and impairment loss</b> |      |                |                     |                          |  |                 |
| At 1 January 2020                                   |      |                |                     |                          |  |                 |
| Accumulated depreciation                            |      | -              | -                   | 529                      | 130,421  | 130,950         |
| Accumulated impairment loss                         |      | 199            | 28                  | -                        | -  | 227             |
| Depreciation for the year                           | 28   | 199            | 28                  | 529                      | 130,421  | 131,177         |
| Disposals   |      | -              | 2,498               | 140                      | 8,324  | 10,962          |
| Adjustment for revaluation                          |      | -              | -                   | (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         |

## NOTES TO THE FINANCIAL STATEMENTS

## 3. Property and equipment (continued)

## Group

| Accumulated depreciation and impairment loss | Note | Freehold       |                     | Motor vehicles<br>RM'000 | Office equipment, furniture, fixtures and fittings<br>RM'000 | Total<br>RM'000 |
|--|------|----------------|---------------------|--------------------------|--|-----------------|
|  |      | Land<br>RM'000 | Buildings<br>RM'000 |                          |  |                 |
| At 1 January 2021                            |      |                |                     |                          |  |                 |
| Accumulated depreciation                     |      | -              | -                   | 473                      | 137,360  | 137,833         |
| Accumulated impairment loss                  |      | 199            | 28                  | -                        | -  | 227             |
|  |      | 199            | 28                  | 473                      | 137,360  | 138,060         |
| Depreciation for the year                    | 28   | -              | 2,361               | 111                      | 8,860  | 11,332          |
| Disposals                                    |      | -              | -                   | (89)                     | (3,136)  | (3,225)         |
| Write-offs                                   |      | -              | -                   | -                        | (736)  | (736)           |
| Adjustment for revaluation                   |      | -              | (2,361)             | -                        | -  | (2,361)         |
| Effect of movement in exchange rates         |      | -              | -                   | 2                        | 60   | 62              |
| At 31 December 2021                          |      |                |                     |                          |  |                 |
| Accumulated depreciation                     |      | -              | -                   | 497                      | 142,408  | 142,905         |
| Accumulated impairment loss                  |      | 199            | 28                  | -                        | -  | 227             |
|  |      | 199            | 28                  | 497                      | 142,408  | 143,132         |
| <b>Carrying amounts</b>                      |      |                |                     |                          |  |                 |
| At 1 January 2020                            |      | 75,710         | 124,920             | 456                      | 22,412   | 223,498         |
| At 31 December 2020                          |      | 84,750         | 118,090             | 497                      | 21,587   | 224,924         |
| At 31 December 2021                          |      | 89,810         | 118,090             | 427                      | 19,146   | 227,473         |

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Property and equipment (continued)

#### Company Takaful Operator

| Cost / Valuation                        | Note | Freehold       |                     | Motor<br>vehicles<br>RM'000 | Office<br>equipment,<br>furniture,<br>fixtures<br>and fittings<br>RM'000 | Total<br>RM'000 |
|---|------|----------------|---------------------|-----------------------------|--|-----------------|
|   |      | Land<br>RM'000 | Buildings<br>RM'000 |                             |  |                 |
| 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 / At 1 January 2021 |      | 1,010          | 520                 | 196                         | 136,364  | 138,090         |
| Additions                               |      | -              | -                   | -                           | 5,995  | 5,995           |
| Disposals                               |      | -              | -                   | -                           | (3,130)  | (3,130)         |
| At 31 December 2021                     |      | 1,010          | 520                 | 196                         | 139,229  | 140,955         |
| <b>Accumulated depreciation</b>         |      |                |                     |                             |  |                 |
| 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 / At 1 January 2021 |      | -              | -                   | 192                         | 120,077  | 120,269         |
| Depreciation for the year               | 28   | -              | 10                  | 4                           | 6,155  | 6,169           |
| Disposals                               |      | -              | -                   | -                           | (3,130)  | (3,130)         |
| Adjustment for revaluation              |      | -              | (10)                | -                           | -  | (10)            |
| At 31 December 2021                     |      | -              | -                   | 196                         | 123,102  | 123,298         |
| <b>Carrying amounts</b>                 |      |                |                     |                             |  |                 |
| At 1 January 2020                       |      | 1,010          | 520                 | 28                          | 16,362   | 17,920          |
| At 31 December 2020                     |      | 1,010          | 520                 | 4                           | 16,287   | 17,821          |
| At 31 December 2021                     |      | 1,010          | 520                 | -                           | 16,127   | 17,657          |

## NOTES TO THE FINANCIAL STATEMENTS

## 3. Property and equipment (continued)

## Company

| Cost / Valuation                                    | Note | Freehold       |                     | Motor vehicles<br>RM'000 | Office equipment, furniture, fixtures and fittings<br>RM'000 | Total<br>RM'000 |
|---|------|----------------|---------------------|--------------------------|--|-----------------|
|   |      | Land<br>RM'000 | Buildings<br>RM'000 |                          |  |                 |
| At 1 January 2021                                   |      | 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 / At 1 January 2021             |      | 84,209         | 117,378             | 196                      | 136,364  | 338,147         |
| Additions   |      | -              | -                   | -                        | 5,995  | 5,995           |
| Disposals   |      | -              | -                   | -                        | (3,130)  | (3,130)         |
| Revaluation   |      | 5,020          | -                   | -                        | -  | 5,020           |
| At 31 December 2021                                 |      | 89,229         | 117,378             | 196                      | 139,229  | 346,032         |
| <b>Accumulated depreciation and impairment loss</b> |      |                |                     |                          |  |                 |
| At 1 January 2020                                   |      |                |                     |                          |  |                 |
| Accumulated depreciation                            |      | -              | -                   | 168                      | 115,588  | 115,756         |
| Accumulated impairment loss                         |      | 199            | 28                  | -                        | -  | 227             |
| Depreciation for the year                           | 28   | 199            | 28                  | 168                      | 115,588  | 115,983         |
| Disposals   |      | -              | 2,498               | 24                       | 5,770  | 8,292           |
| Adjustment for revaluation                          |      | -              | -                   | -                        | (1,281)  | (1,281)         |
|   |      | -              | (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         |

## NOTES TO THE FINANCIAL STATEMENTS

**3. Property and equipment (continued)**
**Company**

| Accumulated depreciation and impairment loss | Note | Freehold       |                     | Motor vehicles<br>RM'000 | Office equipment, furniture, fixtures and fittings<br>RM'000 | Total<br>RM'000 |
|--|------|----------------|---------------------|--------------------------|--|-----------------|
|  |      | Land<br>RM'000 | Buildings<br>RM'000 |                          |  |                 |
| At 1 January 2021                            |      |                |                     |                          |  |                 |
| Accumulated depreciation                     |      | -              | -                   | 192                      | 120,077  | 120,269         |
| Accumulated impairment loss                  |      | 199            | 28                  | -                        | -  | 227             |
|  |      | 199            | 28                  | 192                      | 120,077  | 120,496         |
| Depreciation for the year                    | 28   | -              | 2,351               | 4                        | 6,155  | 8,510           |
| Disposals                                    |      | -              | -                   | -                        | (3,130)  | (3,130)         |
| Adjustment for revaluation                   |      | -              | (2,351)             | -                        | -  | (2,351)         |
| At 31 December 2021                          |      |                |                     |                          |  |                 |
| Accumulated depreciation                     |      | -              | -                   | 196                      | 123,102  | 123,298         |
| Accumulated impairment loss                  |      | 199            | 28                  | -                        | -  | 227             |
|  |      | 199            | 28                  | 196                      | 123,102  | 123,525         |
| <b>Carrying amounts</b>                      |      |                |                     |                          |  |                 |
| At 1 January 2020                            |      | 74,990         | 124,180             | 28                       | 16,362   | 215,560         |
| At 31 December 2020                          |      | 84,010         | 117,350             | 4                        | 16,287   | 217,651         |
| At 31 December 2021                          |      | 89,030         | 117,350             | -                        | 16,127   | 222,507         |

## 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        |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b> |                |                |                |                |
| Freehold land           | 487            | 487            | 487            | 487            |
| Freehold buildings      | 97             | 102            | 97             | 102            |
|                         | 584            | 589            | 584            | 589            |
| <b>Group / Company</b>  |                |                |                |                |
| Freehold land           | 43,601         | 43,601         | 43,003         | 43,003         |
| Freehold buildings      | 75,697         | 78,101         | 75,335         | 77,725         |
|                         | 119,298        | 121,702        | 118,338        | 120,728        |

**3.2 Fair value information**

Fair value of the land and buildings are categorised as follows:

|                             | Level 1<br>RM'000 | Group             |                   | Total<br>RM'000 |
|-----------------------------|-------------------|-------------------|-------------------|-----------------|
|                             |                   | Level 2<br>RM'000 | Level 3<br>RM'000 |                 |
| <b>2021</b>                 |                   |                   |                   |                 |
| <b>Takaful Operator</b>     |                   |                   |                   |                 |
| Freehold land and buildings | -                 | -                 | 1,530             | 1,530           |
| <b>Group</b>                |                   |                   |                   |                 |
| Freehold land and buildings | -                 | -                 | 207,900           | 207,900         |
| <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         |

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Property and equipment (continued)

#### 3.2 Fair value information (continued)

|                             | Company           |                   |                   | Total<br>RM'000 |
|-----------------------------|-------------------|-------------------|-------------------|-----------------|
|                             | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 |                 |
| <b>2021</b>                 |                   |                   |                   |                 |
| <b>Takaful Operator</b>     |                   |                   |                   |                 |
| Freehold land and buildings | -                 | -                 | 1,530             | 1,530           |
| <b>Company</b>              |                   |                   |                   |                 |
| Freehold land and buildings | -                 | -                 | 206,380           | 206,380         |
| <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         |

#### 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 (2020: 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

|                                      |      | Group          |                     |                               |                 |
|--------------------------------------|------|----------------|---------------------|-------------------------------|-----------------|
|                                      | Note | Land<br>RM'000 | Buildings<br>RM'000 | Office<br>equipment<br>RM'000 | Total<br>RM'000 |
| <b>Takaful Operator</b>              |      |                |                     |                               |                 |
| At 1 January 2020                    |      | 14,253         | 2,752               | 959                           | 17,964          |
| Additions                            |      | -              | -                   | 441                           | 441             |
| Depreciation for the year            | 28   | (579)          | (124)               | (635)                         | (1,338)         |
| Revaluation                          |      | 802            | (9)                 | -                             | 793             |
| Effect of movement in exchange rates |      | (289)          | (56)                | -                             | (345)           |
| At 31 December 2020 / 1 January 2021 |      | 14,187         | 2,563               | 765                           | 17,515          |
| Additions                            |      | -              | -                   | 342                           | 342             |
| Depreciation for the year            | 28   | (741)          | (153)               | (677)                         | (1,571)         |
| Revaluation                          |      | 783            | 421                 | -                             | 1,204           |
| Effect of movement in exchange rates |      | 197            | 37                  | -                             | 234             |
| At 31 December 2021                  |      | 14,426         | 2,868               | 430                           | 17,724          |
| <b>Group</b>                         |      |                |                     |                               |                 |
| At 1 January 2020                    |      | 38,224         | 15,395              | 959                           | 54,578          |
| Additions                            |      | -              | -                   | 441                           | 441             |
| Depreciation for the year            | 28   | (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 / 1 January 2021 |      | 38,123         | 14,810              | 765                           | 53,698          |
| Additions                            |      | -              | -                   | 342                           | 342             |
| Depreciation for the year            | 28   | (1,828)        | (808)               | (677)                         | (3,313)         |
| Revaluation                          |      | 1,963          | 1,337               | -                             | 3,300           |
| Effect of movement in exchange rates |      | 386            | 72                  | -                             | 458             |
| At 31 December 2021                  |      | 38,644         | 15,411              | 430                           | 54,485          |

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Right-of-use assets (continued)

|                                      |      | Company        |                     |                               |                 |
|--------------------------------------|------|----------------|---------------------|-------------------------------|-----------------|
|                                      | Note | Land<br>RM'000 | Buildings<br>RM'000 | Office<br>equipment<br>RM'000 | Total<br>RM'000 |
| <b>Takaful Operator</b>              |      |                |                     |                               |                 |
| At 1 January 2020                    |      | -              | -                   | 959                           | 959             |
| Additions                            |      | -              | -                   | 441                           | 441             |
| Depreciation for the year            | 28   | -              | -                   | (635)                         | (635)           |
| At 31 December 2020 / 1 January 2021 |      | -              | -                   | 765                           | 765             |
| Additions                            |      | -              | -                   | 342                           | 342             |
| Depreciation for the year            | 28   | -              | -                   | (677)                         | (677)           |
| At 31 December 2021                  |      | -              | -                   | 430                           | 430             |
| <b>Company</b>                       |      |                |                     |                               |                 |
| At 1 January 2020                    |      | 8,621          | 4,949               | 959                           | 14,529          |
| Additions                            |      | -              | -                   | 441                           | 441             |
| Depreciation for the year            | 28   | (239)          | (382)               | (635)                         | (1,256)         |
| Revaluation                          |      | 279            | 187                 | -                             | 466             |
| At 31 December 2020 / 1 January 2021 |      | 8,661          | 4,754               | 765                           | 14,180          |
| Additions                            |      | -              | -                   | 342                           | 342             |
| Depreciation for the year            | 28   | (254)          | (393)               | (677)                         | (1,324)         |
| Revaluation                          |      | 264            | 393                 | -                             | 657             |
| At 31 December 2021                  |      | 8,671          | 4,754               | 430                           | 13,855          |

#### 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<br>RM'000 |
|------------------------------|-------------------|-------------------|-------------------|-----------------|
|                              | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 |                 |
| <b>2021</b>                  |                   |                   |                   |                 |
| <b>Takaful Operator</b>      |                   |                   |                   |                 |
| Leasehold land and buildings | -                 | -                 | 17,294            | 17,294          |
| <b>Group</b>                 |                   |                   |                   |                 |
| Leasehold land and buildings | -                 | -                 | 54,055            | 54,055          |
| <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          |
|                              | Company           |                   |                   | Total<br>RM'000 |
|                              | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 |                 |
| <b>2021</b>                  |                   |                   |                   |                 |
| <b>Company</b>               |                   |                   |                   |                 |
| Leasehold land and buildings | -                 | -                 | 13,425            | 13,425          |
| <b>2020</b>                  |                   |                   |                   |                 |
| <b>Company</b>               |                   |                   |                   |                 |
| Leasehold land and buildings | -                 | -                 | 13,415            | 13,415          |

**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 (2020: 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

|                                      | Note | Group          |                | Company        |                |
|--------------------------------------|------|----------------|----------------|----------------|----------------|
|                                      |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>              |      |                |                |                |                |
| At 1 January                         |      | 11,745         | 11,295         | 11,745         | 11,295         |
| Fair value gains for the year - net  | 25   | 125            | 450            | 125            | 450            |
| At 31 December                       |      | 11,870         | 11,745         | 11,870         | 11,745         |
| <b>Family Takaful</b>                |      |                |                |                |                |
| At 1 January                         |      | 252,455        | 250,264        | 236,175        | 233,713        |
| Fair value gains for the year - net  | 25   | 5,492          | 2,527          | 5,160          | 2,462          |
| Effect of movement in exchange rates |      | 229            | (336)          | -              | -              |
| At 31 December                       |      | 258,176        | 252,455        | 241,335        | 236,175        |
| <b>General Takaful</b>               |      |                |                |                |                |
| At 1 January                         |      | 10,640         | 10,620         | -              | -              |
| Fair value gains for the year - net  | 25   | 70             | 20             | -              | -              |
| At 31 December                       |      | 10,710         | 10,640         | -              | -              |
| <b>Group / Company</b>               |      |                |                |                |                |
| At 1 January                         |      | 37,347         | 36,465         | 34,675         | 33,798         |
| Fair value gains for the year - net  | 25   | 272            | 891            | 255            | 877            |
| Effect of movement in exchange rates |      | 6              | (9)            | -              | -              |
| At 31 December                       |      | 37,625         | 37,347         | 34,930         | 34,675         |

## 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.

|                         | Note | Group          |                | Company        |                |
|-------------------------|------|----------------|----------------|----------------|----------------|
|                         |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b> |      |                |                |                |                |
| Rental income           | 23   | 813            | 893            | 813            | 893            |
| <b>Family Takaful</b>   |      |                |                |                |                |
| Rental income           | 23   | 6,698          | 6,830          | 6,632          | 6,697          |
| <b>General Takaful</b>  |      |                |                |                |                |
| Rental income           | 23   | 173            | 161            | -              | -              |
| <b>Group / Company</b>  |      |                |                |                |                |
| Rental income           | 23   | 4,992          | 5,382          | 4,815          | 5,149          |

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:

| 2021                         | Group             |                   |                   | 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 | -                 | -                 | 7,820             | 7,820           |
|                              | -                 | -                 | 11,870            | 11,870          |
| <b>Family Takaful</b>        |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 210,650           | 210,650         |
| Leasehold land and buildings | -                 | -                 | 47,526            | 47,526          |
|                              | -                 | -                 | 258,176           | 258,176         |

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Investment properties (continued)

#### Fair value information (continued)

| 2021                         | Group             |                   |                   | Total<br>RM'000 |
|------------------------------|-------------------|-------------------|-------------------|-----------------|
|                              | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 |                 |
| <b>General Takaful</b>       |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 1,520             | 1,520           |
| Leasehold land and buildings | -                 | -                 | 9,190             | 9,190           |
|                              | -                 | -                 | 10,710            | 10,710          |
| <b>Group</b>                 |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 9,850             | 9,850           |
| Leasehold land and buildings | -                 | -                 | 27,775            | 27,775          |
|                              | -                 | -                 | 37,625            | 37,625          |
| 2020                         | Group             |                   |                   | 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 | -                 | -                 | 46,825            | 46,825          |
|                              | -                 | -                 | 252,455           | 252,455         |
| <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          |

## NOTES TO THE FINANCIAL STATEMENTS

## 5. Investment properties (continued)

## Fair value information (continued)

| 2021                         | 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 | -                 | -                 | 7,820             | 7,820           |
|                              | -                 | -                 | 11,870            | 11,870          |
| <b>Family Takaful</b>        |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 210,650           | 210,650         |
| Leasehold land and buildings | -                 | -                 | 30,685            | 30,685          |
|                              | -                 | -                 | 241,335           | 241,335         |
| <b>Company</b>               |                   |                   |                   |                 |
| Freehold land and buildings  | -                 | -                 | 9,850             | 9,850           |
| Leasehold land and buildings | -                 | -                 | 25,080            | 25,080          |
|                              | -                 | -                 | 34,930            | 34,930          |

## 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 |                 |
| 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          |

#### 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 (2020: no transfer in either direction).

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

## 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:

| <b>Group</b>                                  | <b>Note</b> | <b>Takaful Operator<br/>RM'000</b> | <b>Family Takaful<br/>RM'000</b> | <b>General Takaful<br/>RM'000</b> | <b>Group<br/>RM'000</b> |
|---|-------------|------------------------------------|----------------------------------|-----------------------------------|-------------------------|
| At 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 / 1 January 2021          |             | 11,745                             | 252,455                          | 10,640                            | 37,347                  |
| Gains and losses recognised in profit or loss |             |                                    |                                  |                                   |                         |
| - Change in fair value - unrealised           | 25          | 125                                | 5,492                            | 70                                | 272                     |
| Effect of movement in exchange rates          |             | -                                  | 229                              | -                                 | 6                       |
| At 31 December 2021                           |             | 11,870                             | 258,176                          | 10,710                            | 37,625                  |

| <b>Company</b>                                | <b>Note</b> | <b>Takaful Operator<br/>RM'000</b> | <b>Family Takaful<br/>RM'000</b> | <b>Company<br/>RM'000</b> |
|---|-------------|------------------------------------|----------------------------------|---------------------------|
| At 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 / 1 January 2021          |             | 11,745                             | 236,175                          | 34,675                    |
| Gains and losses recognised in profit or loss |             |                                    |                                  |                           |
| - Change in fair value - unrealised           | 25          | 125                                | 5,160                            | 255                       |
| At 31 December 2021                           |             | 11,870                             | 241,335                          | 34,930                    |

## 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: <ul style="list-style-type: none"> <li>- the rate were higher or lower</li> <li>- the historical sales transaction value were higher or lower</li> </ul> |
| Investment method: The valuation method involves estimating the current rental income that can accrue to the subject properties.  | <ul style="list-style-type: none"> <li>- Term yield</li> <li>- Reversionary yield</li> </ul>   | 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:

- i) Cost of replacement of the building in accordance with current trend of market prices for materials, labour, contractor's overhead, profit and fees;
- ii) Accrued depreciation as evidenced by the observed condition and present and prospective serviceability in comparison with new units of like kind; and
- iii) 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 (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 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)        |
| 31 December 2020 / 1 January 2021        |      | 7,274              | 232,500   | 239,774         |
| Additions                                |      | 5,341              | -   | 5,341           |
| At 31 December 2021                      |      | 12,615             | 232,500   | 245,115         |
| <b>Amortisation</b>                      |      |                    |   |                 |
| At 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 / 1 January 2021     |      | (351)              | (54,367)  | (54,718)        |
| Amortisation during the year             | 28   | (857)              | (40,088)  | (40,945)        |
| At 31 December 2021                      |      | (1,208)            | (94,455)  | (95,663)        |
| <b>Carrying amounts</b>                  |      |                    |   |                 |
| At 1 January 2020                        |      | 2,047              | 66,396  | 68,443          |
| At 31 December 2020 / 1 January 2021     |      | 6,923              | 178,133   | 185,056         |
| At 31 December 2021                      |      | 11,407             | 138,045   | 149,452         |

## 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**

|                         | 2021 | 2020 |
|-------------------------|------|------|
| 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

|                                     | Takaful Operator /<br>Company |                |
|-------------------------------------|-------------------------------|----------------|
|                                     | 2021<br>RM'000                | 2020<br>RM'000 |
| <b>At cost</b>                      |                               |                |
| Unquoted shares                     | 149,376                       | 149,376        |
| Less: Accumulated impairment losses | (12,983)                      | (12,983)       |
|                                     | 136,393                       | 136,393        |

Details of the subsidiaries are as follows:

| Name of subsidiaries                | Principal activities     | Country of incorporation | Effective ownership interest |         |
|-------------------------------------|--------------------------|--------------------------|------------------------------|---------|
|                                     |                          |                          | 2021                         | 2020    |
| Syarikat Takaful Malaysia Am Berhad | General Takaful business | Malaysia                 | 100.00%                      | 100.00% |
| P.T. Syarikat Takaful Indonesia*    | Investment holding       | Indonesia                | 56.00%                       | 56.00%  |
| P.T. Asuransi Takaful Keluarga*     | Family Takaful 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

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>                                 |      |                |                |                |                |
| Fair value through profit or loss ("FVTPL")             | (a)  | 113,380        | 110,469        | 67,484         | 68,807         |
| Fair value through other comprehensive income ("FVOCI") | (b)  | 1,134,824      | 791,951        | 898,978        | 640,551        |
|   |      | 1,248,204      | 902,420        | 966,462        | 709,358        |
| <b>Family Takaful</b>                                   |      |                |                |                |                |
| Fair value through profit or loss ("FVTPL")             | (a)  | 729,149        | 724,763        | 510,521        | 505,987        |
| Fair value through other comprehensive income ("FVOCI") | (b)  | 5,197,941      | 4,699,434      | 5,197,941      | 4,699,434      |
|   |      | 5,927,090      | 5,424,197      | 5,708,462      | 5,205,421      |
| <b>General Takaful</b>                                  |      |                |                |                |                |
| Fair value through other comprehensive income ("FVOCI") | (b)  | 403,187        | 346,576        | -              | -              |
|   |      | 403,187        | 346,576        | -              | -              |
| <b>Group / Company</b>                                  |      |                |                |                |                |
| Fair value through profit or loss ("FVTPL")             | (a)  | 800,389        | 793,524        | 535,865        | 533,086        |
| Fair value through other comprehensive income ("FVOCI") | (b)  | 6,735,952      | 5,837,961      | 6,096,919      | 5,339,985      |
|   |      | 7,536,341      | 6,631,485      | 6,632,784      | 5,873,071      |

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Other investments (continued)

#### (a) FVTPL financial assets

| At fair value              | Group          |                | Company        |                |
|----------------------------|----------------|----------------|----------------|----------------|
|                            | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>    |                |                |                |                |
| Equity securities          |                |                |                |                |
| - Quoted in Malaysia       | 7,921          | 9,137          | 7,921          | 9,137          |
| - Quoted outside Malaysia  | 125            | 297            | -              | -              |
| - Unquoted in Malaysia     | 380            | 380            | 380            | 380            |
|                            | 8,426          | 9,814          | 8,301          | 9,517          |
| Unit trusts                |                |                |                |                |
| - Quoted in Malaysia       | 507            | 538            | 507            | 538            |
| - Quoted outside Malaysia  | 4,862          | 2,849          | -              | -              |
|                            | 5,369          | 3,387          | 507            | 538            |
| Islamic debt securities    |                |                |                |                |
| - Unquoted in Malaysia     | 33,072         | 34,088         | 16,536         | 17,044         |
| - Quoted outside Malaysia  | 24,373         | 21,472         | -              | -              |
|                            | 57,445         | 55,560         | 16,536         | 17,044         |
| Investment in linked funds | 42,140         | 41,708         | 42,140         | 41,708         |
|                            | 113,380        | 110,469        | 67,484         | 68,807         |

## NOTES TO THE FINANCIAL STATEMENTS

## 8. Other investments (continued)

## (a) FVTPL financial assets (continued)

| At fair value             | Group          |                | Company        |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Family Takaful</b>     |                |                |                |                |
| Equity securities         |                |                |                |                |
| - Quoted in Malaysia      | 244,809        | 272,890        | 244,809        | 272,890        |
| - Quoted outside Malaysia | 50,897         | 60,850         | -              | -              |
|                           | 295,706        | 333,740        | 244,809        | 272,890        |
| Unit trusts               |                |                |                |                |
| - Quoted in Malaysia      | 115,694        | 27,088         | 115,694        | 27,088         |
| - Quoted outside Malaysia | 33,530         | 18,842         | -              | -              |
|                           | 149,224        | 45,930         | 115,694        | 27,088         |
| Islamic debt securities   |                |                |                |                |
| - Unquoted in Malaysia    | 150,018        | 206,009        | 150,018        | 206,009        |
| - Quoted outside Malaysia | 134,201        | 139,084        | -              | -              |
|                           | 284,219        | 345,093        | 150,018        | 206,009        |
|                           | 729,149        | 724,763        | 510,521        | 505,987        |

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Other investments (continued)

#### (a) FVTPL financial assets (continued)

| At fair value             | Group          |                | Company        |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Group / Company</b>    |                |                |                |                |
| Equity securities         |                |                |                |                |
| - Quoted in Malaysia      | 252,730        | 282,027        | 252,730        | 282,027        |
| - Quoted outside Malaysia | 51,022         | 61,147         | -              | -              |
| - Unquoted in Malaysia    | 380            | 380            | 380            | 380            |
|                           | 304,132        | 343,554        | 253,110        | 282,407        |
| Unit trusts               |                |                |                |                |
| - Quoted in Malaysia      | 116,201        | 27,626         | 116,201        | 27,626         |
| - Quoted outside Malaysia | 38,392         | 21,691         | -              | -              |
|                           | 154,593        | 49,317         | 116,201        | 27,626         |
| Islamic debt securities   |                |                |                |                |
| - Unquoted in Malaysia    | 183,090        | 240,097        | 166,554        | 223,053        |
| - Quoted outside Malaysia | 158,574        | 160,556        | -              | -              |
|                           | 341,664        | 400,653        | 166,554        | 223,053        |
|                           | 800,389        | 793,524        | 535,865        | 533,086        |

#### (b) FVOCI financial assets

| At fair value                       | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>             |                |                |                |                |
| Islamic debt securities             |                |                |                |                |
| - Unquoted in Malaysia              | 974,275        | 650,625        | 772,243        | 533,824        |
| Institutional Trust Account         | 86,977         | 107,046        | 63,055         | 83,877         |
| Malaysian Government Islamic papers | 73,572         | 34,280         | 63,680         | 22,850         |
|                                     | 1,134,824      | 791,951        | 898,978        | 640,551        |

## NOTES TO THE FINANCIAL STATEMENTS

## 8. Other investments (continued)

## (b) FVOCI financial assets (continued)

| At fair value                       | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Family Takaful</b>               |                |                |                |                |
| Islamic debt securities             |                |                |                |                |
| - Unquoted in Malaysia              | 4,334,621      | 3,718,196      | 4,334,621      | 3,718,196      |
| Institutional Trust Account         | 471,247        | 487,171        | 471,247        | 487,171        |
| Malaysian Government Islamic papers | 392,073        | 494,067        | 392,073        | 494,067        |
|                                     | 5,197,941      | 4,699,434      | 5,197,941      | 4,699,434      |
| <b>General Takaful</b>              |                |                |                |                |
| Islamic debt securities             |                |                |                |                |
| - Unquoted in Malaysia              | 333,745        | 282,590        | -              | -              |
| Institutional Trust Account         | 59,550         | 58,269         | -              | -              |
| Malaysian Government Islamic papers | 9,892          | 5,717          | -              | -              |
|                                     | 403,187        | 346,576        | -              | -              |
| <b>Group / Company</b>              |                |                |                |                |
| Islamic debt securities             |                |                |                |                |
| - Unquoted in Malaysia              | 5,642,641      | 4,651,411      | 5,106,864      | 4,252,020      |
| Institutional Trust Account         | 617,774        | 652,486        | 534,302        | 571,048        |
| Malaysian Government Islamic papers | 475,537        | 534,064        | 455,753        | 516,917        |
|                                     | 6,735,952      | 5,837,961      | 6,096,919      | 5,339,985      |

## 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

|   | Note | FVTPL<br>RM'000 | Group<br>FVOCI<br>RM'000 | Group<br>RM'000 |
|---|------|-----------------|--------------------------|-----------------|
| At 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 | 23   | 182             | (8,943)                  | (8,761)         |
| Effect of movement in exchange rates                    |      | (4,738)         | -                        | (4,738)         |
| At 31 December 2020 / 1 January 2021                    |      | 793,524         | 5,837,961                | 6,631,485       |
| Purchases   |      | 294,467         | 1,690,820                | 1,985,287       |
| Maturities  |      | (61,521)        | (101,640)                | (163,161)       |
| Disposals   |      | (212,960)       | (385,042)                | (598,002)       |
| Profit capitalised                                      |      | 247             | 29,776                   | 30,023          |
| Fair value gains recorded in:                           |      |                 |                          |                 |
| Profit or loss  |      | (16,702)        | -                        | (16,702)        |
| Other comprehensive income                              |      | -               | (34,956)                 | (34,956)        |
| Participants' fund                                      |      | -               | (291,433)                | (291,433)       |
| Amortisation of premiums, net of accretion of discounts | 23   | 14              | (9,534)                  | (9,520)         |
| Effect of movement in exchange rates                    |      | 3,320           | -                        | 3,320           |
| At 31 December 2021                                     |      | 800,389         | 6,735,952                | 7,536,341       |

## NOTES TO THE FINANCIAL STATEMENTS

**8. Other investments (continued)****(c) Carrying values of financial instruments (continued)**

|   | Note | FVTPL<br>RM'000 | Company<br>FVOCI<br>RM'000 | Company<br>RM'000 |
|---|------|-----------------|----------------------------|-------------------|
| At 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 | 23   | (134)           | (7,984)                    | (8,118)           |
| At 31 December 2020 / 1 January 2021                    |      | 533,086         | 5,339,985                  | 5,873,071         |
| Purchases   |      | 254,345         | 1,501,873                  | 1,756,218         |
| Maturities  |      | (50,775)        | (91,640)                   | (142,415)         |
| Disposals   |      | (188,045)       | (370,110)                  | (558,155)         |
| Profit capitalised                                      |      | 247             | 26,202                     | 26,449            |
| Fair value gains recorded in:                           |      |                 |                            |                   |
| Profit or loss  |      | (12,993)        | -                          | (12,993)          |
| Other comprehensive income                              |      | -               | (27,106)                   | (27,106)          |
| Participants' fund                                      |      | -               | (273,953)                  | (273,953)         |
| Amortisation of premiums, net of accretion of discounts | 23   | -               | (8,332)                    | (8,332)           |
| At 31 December 2021                                     |      | 535,865         | 6,096,919                  | 6,632,784         |

**(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        |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b> |                |                |                |                |
| FVTPL financial assets  | 107,069        | 104,836        | 67,484         | 68,807         |
| FVOCI financial assets  | 1,077,897      | 761,964        | 847,272        | 610,564        |
| <b>Family Takaful</b>   |                |                |                |                |
| FVTPL financial assets  | 626,591        | 630,923        | 510,010        | 505,987        |
| FVOCI financial assets  | 4,908,571      | 4,629,514      | 4,908,571      | 4,629,514      |
| <b>General Takaful</b>  |                |                |                |                |
| FVOCI financial assets  | 362,470        | 330,159        | -              | -              |
| <b>Group / Company</b>  |                |                |                |                |
| FVTPL financial assets  | 691,519        | 735,759        | 535,354        | 574,794        |
| FVOCI financial assets  | 6,348,938      | 5,721,637      | 5,755,843      | 5,240,078      |

### 9. Retakaful assets

|                          | Note  | Group          |                | Company        |                |
|--------------------------|-------|----------------|----------------|----------------|----------------|
|                          |       | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Family Takaful</b>    |       |                |                |                |                |
| Claims liabilities       | 16(a) | 83,110         | 61,533         | 78,886         | 58,767         |
| Actuarial liabilities    | 16(c) | 363,429        | 346,120        | 322,670        | 308,918        |
|                          |       | 446,539        | 407,653        | 401,556        | 367,685        |
| <b>General Takaful</b>   |       |                |                |                |                |
| Claims liabilities       | 16(a) | 567,577        | 456,765        | -              | -              |
| Contribution liabilities | 16(b) | 141,895        | 113,784        | -              | -              |
|                          |       | 709,472        | 570,549        | -              | -              |
| <b>Group / Company</b>   |       |                |                |                |                |
| Claims liabilities       | 16(a) | 650,687        | 518,298        | 78,886         | 58,767         |
| Contribution liabilities | 16(b) | 141,895        | 113,784        | -              | -              |
| Actuarial liabilities    | 16(c) | 363,429        | 346,120        | 322,670        | 308,918        |
|                          |       | 1,156,011      | 978,202        | 401,556        | 367,685        |

## NOTES TO THE FINANCIAL STATEMENTS

## 10. Deferred tax assets / (liabilities)

|   | ----- Group -----> |                |                |                |                |                |
|---|--------------------|----------------|----------------|----------------|----------------|----------------|
|   | Assets             |                | Liabilities    |                | Net            |                |
|   | 2021<br>RM'000     | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>                                 |                    |                |                |                |                |                |
| Property and equipment                                  | -                  | -              | (1,023)        | (1,007)        | (1,023)        | (1,007)        |
| Investment properties                                   | -                  | -              | (1,735)        | (1,539)        | (1,735)        | (1,539)        |
| Other investments                                       | -                  | -              | (3,353)        | (12,843)       | (3,353)        | (12,843)       |
| Loans and receivables, excluding<br>takaful receivables | 47                 | 47             | -              | -              | 47             | 47             |
| Other payables  | 7,387              | 3,501          | -              | -              | 7,387          | 3,501          |
| Expense reserves  | 79,480             | 39,400         | -              | -              | 79,480         | 39,400         |
| Unabsorbed tax losses                                   | 1,263              | 1,216          | -              | -              | 1,263          | 1,216          |
| Tax assets / (liabilities)                              | 88,177             | 44,164         | (6,111)        | (15,389)       | 82,066         | 28,775         |
| Set off of tax  | (5,088)            | (3,638)        | 5,088          | 3,638          | -              | -              |
| Net tax assets / (liabilities)                          | 83,089             | 40,526         | (1,023)        | (11,751)       | 82,066         | 28,775         |
| <b>Group</b>  |                    |                |                |                |                |                |
| Property and equipment                                  | -                  | -              | (1,560)        | (1,544)        | (1,560)        | (1,544)        |
| Right-of-use assets                                     | -                  | -              | (157)          | (157)          | (157)          | (157)          |
| Investment properties                                   | -                  | -              | (1,041)        | (845)          | (1,041)        | (845)          |
| Other investments                                       | -                  | -              | (3,353)        | (12,843)       | (3,353)        | (12,843)       |
| Loans and receivables, excluding<br>takaful receivables | 47                 | 47             | -              | -              | 47             | 47             |
| Other payables  | 7,387              | 3,501          | -              | -              | 7,387          | 3,501          |
| Expense reserves  | 79,480             | 39,400         | -              | -              | 79,480         | 39,400         |
| Unabsorbed tax losses                                   | 1,263              | 1,216          | -              | -              | 1,263          | 1,216          |
| Tax assets / (liabilities)                              | 88,177             | 44,164         | (6,111)        | (15,389)       | 82,066         | 28,775         |
| Set off of tax  | (5,088)            | (3,638)        | 5,088          | 3,638          | -              | -              |
| Net tax assets / (liabilities)                          | 83,089             | 40,526         | (1,023)        | (11,751)       | 82,066         | 28,775         |

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Deferred tax assets / (liabilities) (continued)

|   | ----- Company -----> |                |                |                |                |                |
|---|----------------------|----------------|----------------|----------------|----------------|----------------|
|   | Assets               |                | Liabilities    |                | Net            |                |
|   | 2021<br>RM'000       | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>                                 |                      |                |                |                |                |                |
| Investment properties                                   | -                    | -              | (1,735)        | (1,539)        | (1,735)        | (1,539)        |
| Other investments                                       | -                    | -              | (2,836)        | (10,226)       | (2,836)        | (10,226)       |
| Loans and receivables, excluding<br>takaful receivables | 14                   | 14             | -              | -              | 14             | 14             |
| Other payables  | 3,062                | -              | -              | -              | 3,062          | -              |
| Expense reserves  | 34,049               | -              | -              | -              | 34,049         | -              |
| Tax assets / (liabilities)                              | 37,125               | 14             | (4,571)        | (11,765)       | 32,554         | (11,751)       |
| Set off of tax  | (4,571)              | (14)           | 4,571          | 14             | -              | -              |
| Net tax assets / (liabilities)                          | 32,554               | -              | -              | (11,751)       | 32,554         | (11,751)       |
| <b>Company</b>  |                      |                |                |                |                |                |
| Property and equipment                                  | -                    | -              | (537)          | (537)          | (537)          | (537)          |
| Right-of-use assets                                     | -                    | -              | (157)          | (157)          | (157)          | (157)          |
| Investment properties                                   | -                    | -              | (1,041)        | (845)          | (1,041)        | (845)          |
| Other investments                                       | -                    | -              | (2,836)        | (10,226)       | (2,836)        | (10,226)       |
| Loans and receivables, excluding<br>takaful receivables | 14                   | 14             | -              | -              | 14             | 14             |
| Other payables  | 3,062                | -              | -              | -              | 3,062          | -              |
| Expense reserves  | 34,049               | -              | -              | -              | 34,049         | -              |
| Tax assets / (liabilities)                              | 37,125               | 14             | (4,571)        | (11,765)       | 32,554         | (11,751)       |
| Set off of tax  | (4,571)              | (14)           | 4,571          | 14             | -              | -              |
| Net tax assets / (liabilities)                          | 32,554               | -              | -              | (11,751)       | 32,554         | (11,751)       |

## NOTES TO THE FINANCIAL STATEMENTS

## 10. Deferred tax assets / (liabilities) (continued)

|  | As at<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>1.1.2021<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>31.12.2021<br>RM'000 |
|--|-----------------------------|---|--|--|-----------------------------|---|--|--|-------------------------------|
| <b>Group Takaful Operator</b>                              |                             |   |  |  |                             |   |  |  |                               |
| Property and equipment                                     | (1,019)                     | 13  | -  | (1)  | (1,007)                     | (17)  | -  | 1  | (1,023)                       |
| Investment properties                                      | (1,718)                     | 179   | -  | -  | (1,539)                     | (196)   | -  | -  | (1,735)                       |
| Other investments  | (7,807)                     | (2,566)   | (2,467)  | (3)  | (12,843)                    | 1,086   | 8,404  | -  | (3,353)                       |
| Loans and receivables,<br>excluding<br>takaful receivables | 60                          | (12)  | -  | (1)  | 47                          | -   | -  | -  | 47                            |
| Other payables   | 4,541                       | (1,125)   | 134  | (49)   | 3,501                       | 3,866   | 6  | 14   | 7,387                         |
| Expense reserves   | 37,702                      | 1,698   | -  | -  | 39,400                      | 40,080  | -  | -  | 79,480                        |
| Unabsorbed tax losses                                      | 863                         | 369   | -  | (16)   | 1,216                       | 30  | -  | 17   | 1,263                         |
|  | 32,622                      | (1,444)   | (2,333)  | (70)   | 28,775                      | 44,849  | 8,410  | 32   | 82,066                        |
| <b>Group</b>   |                             |   |  |  |                             |   |  |  |                               |
| Property and equipment                                     | (1,556)                     | 13  | -  | (1)  | (1,544)                     | (17)  | -  | 1  | (1,560)                       |
| Right-of-use assets  | (157)                       | -   | -  | -  | (157)                       | -   | -  | -  | (157)                         |
| Investment properties                                      | (1,024)                     | 179   | -  | -  | (845)                       | (196)   | -  | -  | (1,041)                       |
| Other investments  | (7,807)                     | (2,566)   | (2,467)  | (3)  | (12,843)                    | 1,086   | 8,404  | -  | (3,353)                       |
| Loans and receivables,<br>excluding<br>takaful receivables | 60                          | (12)  | -  | (1)  | 47                          | -   | -  | -  | 47                            |
| Other payables   | 4,541                       | (1,125)   | 134  | (49)   | 3,501                       | 3,866   | 6  | 14   | 7,387                         |
| Expense reserves   | 37,702                      | 1,698   | -  | -  | 39,400                      | 40,080  | -  | -  | 79,480                        |
| Unabsorbed tax losses                                      | 863                         | 369   | -  | (16)   | 1,216                       | 30  | -  | 17   | 1,263                         |
|  | 32,622                      | (1,444)   | (2,333)  | (70)   | 28,775                      | 44,849  | 8,410  | 32   | 82,066                        |

## NOTES TO THE FINANCIAL STATEMENTS

**10. Deferred tax assets / (liabilities) (continued)**

|  | As at<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 | As at<br>1.1.2021<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>31.12.2021<br>RM'000 |
|--|-----------------------------|---|--|-----------------------------|---|--|-------------------------------|
| <b>Company Takaful Operator</b>                      |                             |   |  |                             |   |  |                               |
| Investment properties                                | (1,718)                     | 179   | -  | (1,539)                     | (196)   | -  | (1,735)                       |
| Other investments                                    | (6,190)                     | (2,219)   | (1,817)  | (10,226)                    | 869   | 6,521  | (2,836)                       |
| Loans and receivables, excluding takaful receivables | 18                          | (4)   | -  | 14                          | -   | -  | 14                            |
| Other payables                                       | -                           | -   | -  | -                           | 3,062   | -  | 3,062                         |
| Expense reserves                                     | -                           | -   | -  | -                           | 34,049  | -  | 34,049                        |
| <b>Tax assets / (liabilities)</b>                    | <b>(7,890)</b>              | <b>(2,044)</b>  | <b>(1,817)</b>   | <b>(11,751)</b>             | <b>37,784</b>   | <b>6,521</b>   | <b>32,554</b>                 |
| <b>Company</b>                                       |                             |   |  |                             |   |  |                               |
| Property and equipment                               | (537)                       | -   | -  | (537)                       | -   | -  | (537)                         |
| Right-of-use assets                                  | (157)                       | -   | -  | (157)                       | -   | -  | (157)                         |
| Investment properties                                | (1,024)                     | 179   | -  | (845)                       | (196)   | -  | (1,041)                       |
| Other investments                                    | (6,190)                     | (2,219)   | (1,817)  | (10,226)                    | 869   | 6,521  | (2,836)                       |
| Loans and receivables, excluding takaful receivables | 18                          | (4)   | -  | 14                          | -   | -  | 14                            |
| Other payables                                       | -                           | -   | -  | -                           | 3,062   | -  | 3,062                         |
| Expense reserves                                     | -                           | -   | -  | -                           | 34,049  | -  | 34,049                        |
| <b>Tax assets / (liabilities)</b>                    | <b>(7,890)</b>              | <b>(2,044)</b>  | <b>(1,817)</b>   | <b>(11,751)</b>             | <b>37,784</b>   | <b>6,521</b>   | <b>32,554</b>                 |

## NOTES TO THE FINANCIAL STATEMENTS

## 11. Loans and receivables, excluding takaful receivables

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>  |      |                |                |                |                |
| Financing receivables  |      |                |                |                |                |
| Unsecured financing  |      | 25             | 26             | 25             | 26             |
| Staff financing  |      | 1,768          | 1,729          | 1,258          | 1,435          |
| Allowance for impairment   | 38.4 | (166)          | (164)          | (15)           | (15)           |
|  |      | 1,627          | 1,591          | 1,268          | 1,446          |
| Fixed and call deposits with licensed financial institutions<br>with maturity more than three months |      |                |                |                |                |
| Licensed banks in Malaysia   |      | 558,888        | 683,065        | 344,798        | 435,804        |
| Banks outside Malaysia   |      | 5,157          | 3,049          | -              | -              |
|  |      | 564,045        | 686,114        | 344,798        | 435,804        |
| Other receivables  |      |                |                |                |                |
| Investment receivable  |      | 18,811         | 21,563         | 14,187         | 16,009         |
| Due from Family Takaful  | 19   | 43,375         | 40,376         | 43,313         | 40,340         |
| Due from General Takaful   | 19   | 30,703         | 21,754         | -              | -              |
| Due from a subsidiary  |      | -              | -              | 6,468          | 6,368          |
| Prepayment   |      | 6,587          | 6,663          | 5,318          | 5,635          |
| Sundry deposits  |      | 1,451          | 294            | 672            | 294            |
| Sundry receivables   |      | 2,993          | 6,534          | 831            | 571            |
|  |      | 103,920        | 97,184         | 70,789         | 69,217         |
|  |      | 669,592        | 784,889        | 416,855        | 506,467        |
| <b>Family Takaful</b>  |      |                |                |                |                |
| Fixed and call deposits with licensed financial institutions<br>with maturity more than three months |      |                |                |                |                |
| Licensed banks in Malaysia   |      | 979,732        | 1,227,671      | 979,732        | 1,227,671      |
| Banks outside Malaysia   |      | 8,351          | 3,294          | -              | -              |
|  |      | 988,083        | 1,230,965      | 979,732        | 1,227,671      |
| Other receivables  |      |                |                |                |                |
| Investment receivable  |      | 75,703         | 79,026         | 74,537         | 77,806         |
| Due from General Takaful   | 19   | 106            | 302            | 106            | -              |
| Due from a subsidiary  |      | -              | -              | -              | 302            |
| Prepayment   |      | -              | 1              | -              | 1              |
| Sundry deposits  |      | 88             | 1,650          | 88             | 1,650          |
| Sundry receivables   |      | 10,901         | 3,243          | 10,901         | 3,218          |
|  |      | 86,798         | 84,222         | 85,632         | 82,977         |
|  |      | 1,074,881      | 1,315,187      | 1,065,364      | 1,310,648      |

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Loans and receivables, excluding takaful receivables (continued)

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>General Takaful</b>   |      |                |                |                |                |
| Fixed and call deposits with licenced financial institutions<br>with maturity more than three months |      |                |                |                |                |
| Licenced banks in Malaysia   |      | 579,413        | 497,923        | -              | -              |
|  |      | 579,413        | 497,923        | -              | -              |
| Other receivables  |      |                |                |                |                |
| Investment receivable  |      | 12,737         | 12,963         | -              | -              |
| Sundry deposits  |      | 57             | 1,333          | -              | -              |
| Sundry receivables   |      | 85             | 60             | -              | -              |
|  |      | 12,879         | 14,356         | -              | -              |
|  |      | 592,292        | 512,279        | -              | -              |
| <b>Group / Company</b>   |      |                |                |                |                |
| Financing receivables  |      |                |                |                |                |
| Unsecured financing  |      | 25             | 26             | 25             | 26             |
| Staff financing  |      | 1,768          | 1,729          | 1,258          | 1,435          |
| Allowance for impairment   | 38.4 | (166)          | (164)          | (15)           | (15)           |
|  |      | 1,627          | 1,591          | 1,268          | 1,446          |
| Fixed and call deposits with licenced financial institutions<br>with maturity more than three months |      |                |                |                |                |
| Licenced banks in Malaysia   |      | 2,118,033      | 2,408,659      | 1,324,530      | 1,663,475      |
| Banks outside Malaysia   |      | 13,508         | 6,343          | -              | -              |
|  |      | 2,131,541      | 2,415,002      | 1,324,530      | 1,663,475      |
| Other receivables  |      |                |                |                |                |
| Investment receivable  |      | 107,251        | 113,552        | 88,724         | 93,815         |
| Due from General Takaful   |      | -              | -              | 106            | -              |
| Due from a subsidiary  |      | -              | -              | 6,468          | 6,670          |
| Prepayment   |      | 6,587          | 6,664          | 5,318          | 5,636          |
| Sundry deposits  |      | 1,596          | 3,277          | 760            | 1,944          |
| Sundry receivables   |      | 13,978         | 9,834          | 11,731         | 3,789          |
|  |      | 129,412        | 133,327        | 113,107        | 111,854        |
|  |      | 2,262,580      | 2,549,920      | 1,438,905      | 1,776,775      |

## 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:

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>                                      |                |                |                |                |
| Financing receivables  | 1,071          | 1,146          | 791            | 1,146          |
| Fixed and call deposits with licensed financial institutions | -              | 62,942         | -              | 62,633         |
| Other receivables  | 503            | 294            | 125            | 294            |
|  | 1,574          | 64,382         | 916            | 64,073         |
| <b>Family Takaful</b>  |                |                |                |                |
| Fixed and call deposits with licensed financial institutions | -              | 3,551          | -              | 3,551          |
| Other receivables  | 88             | 1,650          | 88             | 1,650          |
|  | 88             | 5,201          | 88             | 5,201          |
| <b>General Takaful</b>                                       |                |                |                |                |
| Fixed and call deposits with licensed financial institutions | -              | 56,221         | -              | -              |
| Other receivables  | 57             | 1,333          | -              | -              |
|  | 57             | 57,554         | -              | -              |
| <b>Group / Company</b>                                       |                |                |                |                |
| Financing receivables  | 1,071          | 1,146          | 791            | 1,146          |
| Fixed and call deposits with licensed financial institutions | -              | 122,714        | -              | 66,184         |
| Other receivables  | 1,596          | 3,277          | 760            | 1,944          |
|  | 2,667          | 127,137        | 1,551          | 69,274         |

**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

|                                    | Note | Group          |                | Company        |                |
|------------------------------------|------|----------------|----------------|----------------|----------------|
|                                    |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Family Takaful</b>              |      |                |                |                |                |
| Due contributions                  |      | 117,839        | 136,453        | 114,869        | 131,362        |
| Due from retakaful / co-takaful    |      | 78,560         | 45,345         | 63,646         | 39,105         |
|                                    |      | 196,399        | 181,798        | 178,515        | 170,467        |
| Less: Allowance for impaired debts | 38.4 | (1,247)        | (4,150)        | (1,247)        | (2,975)        |
|                                    |      | 195,152        | 177,648        | 177,268        | 167,492        |
| <b>General Takaful</b>             |      |                |                |                |                |
| Due contributions                  |      | 140,542        | 124,047        | -              | -              |
| Due from retakaful / co-takaful    |      | 4,255          | 3,601          | -              | -              |
|                                    |      | 144,797        | 127,648        | -              | -              |
| Less: Allowance for impaired debts | 38.4 | (4,025)        | (2,325)        | -              | -              |
|                                    |      | 140,772        | 125,323        | -              | -              |
| <b>Group / Company</b>             |      |                |                |                |                |
| Due contributions                  |      | 258,381        | 260,500        | 114,869        | 131,362        |
| Due from retakaful / co-takaful    |      | 82,815         | 48,946         | 63,646         | 39,105         |
|                                    |      | 341,196        | 309,446        | 178,515        | 170,467        |
| Less: Allowance for impaired debts | 38.4 | (5,272)        | (6,475)        | (1,247)        | (2,975)        |
|                                    |      | 335,924        | 302,971        | 177,268        | 167,492        |

#### 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

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>   |                |                |                |                |
| Cash and bank balances  | 9,515          | 11,728         | 5,903          | 3,502          |
| Fixed and call deposits with licensed financial institutions with maturity less than three months |                |                |                |                |
| Licensed banks in Malaysia  | 216,884        | 88,934         | 196,748        | 79,701         |
| Banks outside Malaysia  | 43,657         | 36,082         | -              | -              |
|   | 270,056        | 136,744        | 202,651        | 83,203         |
| <b>Family Takaful</b>   |                |                |                |                |
| Cash and bank balances  | 88,865         | 75,597         | 83,945         | 73,679         |
| Fixed and call deposits with licensed financial institutions with maturity less than three months |                |                |                |                |
| Licensed banks in Malaysia  | 325,871        | 299,956        | 325,871        | 299,956        |
| Banks outside Malaysia  | 115,677        | 143,723        | -              | -              |
|   | 530,413        | 519,276        | 409,816        | 373,635        |
| <b>General Takaful</b>  |                |                |                |                |
| Cash and bank balances  | 20,700         | 29,560         | -              | -              |
| Fixed and call deposits with licensed financial institutions with maturity less than three months |                |                |                |                |
| Licensed banks in Malaysia  | 25,751         | 27,029         | -              | -              |
|   | 46,451         | 56,589         | -              | -              |
| <b>Group / Company</b>  |                |                |                |                |
| Cash and bank balances  | 119,080        | 116,885        | 89,848         | 77,181         |
| Fixed and call deposits with licensed financial institutions with maturity less than three months |                |                |                |                |
| Licensed banks in Malaysia  | 568,506        | 415,919        | 522,619        | 379,657        |
| Banks outside Malaysia  | 159,334        | 179,805        | -              | -              |
|   | 846,920        | 712,609        | 612,467        | 456,838        |

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Share capital and reserves

|  | Takaful Operator / Group / Company |                                     |                          |                                     |
|--|------------------------------------|-------------------------------------|--------------------------|-------------------------------------|
|  | Amount<br>2021<br>RM'000           | Number<br>of shares<br>2021<br>'000 | Amount<br>2020<br>RM'000 | Number<br>of shares<br>2020<br>'000 |
| <b>Ordinary shares, issued and fully paid:</b> |                                    |                                     |                          |                                     |
| At 1 January                                   | 211,893                            | 830,434                             | 196,753                  | 826,793                             |
| Issued under LTIP                              | 18,654                             | 5,189                               | 15,140                   | 3,641                               |
| At 31 December                                 | 230,547                            | 835,623                             | 211,893                  | 830,434                             |

#### 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:

| <b>Performance shares</b>  | <b>Number of ordinary shares</b> |                        |
|----------------------------|----------------------------------|------------------------|
|                            | <b>2021<br/>(‘000)</b>           | <b>2020<br/>(‘000)</b> |
| Outstanding at 1 January   | 4,973                            | 7,323                  |
| Granted during the year    | 2,593                            | 1,820                  |
| Vested during the year     | (2,594)                          | (3,641)                |
| Forfeited during the year  | (743)                            | (529)                  |
| Outstanding at 31 December | 4,229                            | 4,973                  |

During the financial year, 2,594,606 shares (2020: 3,640,789 shares) were vested.

## NOTES TO THE FINANCIAL STATEMENTS

**15. Employee benefits (continued)****Share-based payments arrangement (continued)**

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:

| Fair value and assumption                                     | Performance<br>shares<br>2021 |
|---|-------------------------------|
| Fair value at grant date                                      | 4.35                          |
| Weighted average share price                                  | 4.35                          |
| Share price at grant date                                     | 4.9591                        |
| Expected volatility (weighted average volatility)             | 30.98%                        |
| Option life (expected weighted average life)                  | 2                             |
| Expected dividends  | 0.0243                        |
| Risk-free interest rate (based on Malaysian government bonds) | 2.05%                         |

**Value of employee services received for issue of shares**

|                          | Group and Company |        |
|--------------------------|-------------------|--------|
|                          | 2021              | 2020   |
|                          | RM'000            | RM'000 |
| Performance shares       |                   |        |
| - Shares granted in 2017 | -                 | 3,512  |
| - Shares granted in 2018 | 3,212             | 8,125  |
| - Shares granted in 2019 | 6,376             | 4,935  |
| - Shares granted in 2021 | 3,429             | -      |
|                          | 13,017            | 16,572 |

**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:

|                                      | Note | Group          |                | Company        |                |
|--------------------------------------|------|----------------|----------------|----------------|----------------|
|                                      |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Family Takaful</b>                |      |                |                |                |                |
| Provision for outstanding claims     | (a)  | 219,931        | 219,481        | 210,837        | 213,485        |
| Participants' fund                   | (c)  | 8,014,268      | 7,651,317      | 7,609,922      | 7,235,971      |
|                                      |      | 8,234,199      | 7,870,798      | 7,820,759      | 7,449,456      |
| <b>General Takaful</b>               |      |                |                |                |                |
| Provision for outstanding claims     | (a)  | 865,431        | 699,610        | -              | -              |
| Provision for unearned contributions | (b)  | 504,871        | 465,734        | -              | -              |
| Participants' fund                   | (c)  | 223,965        | 229,173        | -              | -              |
|                                      |      | 1,594,267      | 1,394,517      | -              | -              |
| <b>Group / Company</b>               |      |                |                |                |                |
| Provision for outstanding claims     | (a)  | 1,085,362      | 919,091        | 210,837        | 213,485        |
| Provision for unearned contributions | (b)  | 504,871        | 465,734        | -              | -              |
| Participants' fund                   | (c)  | 8,196,093      | 7,838,782      | 7,567,782      | 7,194,263      |
|                                      |      | 9,786,326      | 9,223,607      | 7,778,619      | 7,407,748      |

## NOTES TO THE FINANCIAL STATEMENTS

## 16. Takaful contract liabilities (continued)

## (a) Provision for outstanding claims

The provision for outstanding claims and its movements are further analysed as follows:

|   | ----- Group -----> |                             |               |                 |                             |               |
|---|--------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|   | Gross<br>RM'000    | 2021<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful</b>                         |                    |                             |               |                 |                             |               |
| Provision for claims reported by participants | 75,152             | (25,074)                    | 50,078        | 45,886          | (10,103)                    | 35,783        |
| Provision for IBNR                            | 144,779            | (58,036)                    | 86,743        | 173,595         | (51,430)                    | 122,165       |
| Provision for outstanding claims              | 219,931            | (83,110)                    | 136,821       | 219,481         | (61,533)                    | 157,948       |
| <b>General Takaful</b>                        |                    |                             |               |                 |                             |               |
| Provision for claims reported by participants | 544,467            | (400,969)                   | 143,498       | 434,985         | (313,047)                   | 121,938       |
| Provision for IBNR                            | 320,964            | (166,608)                   | 154,356       | 264,625         | (143,718)                   | 120,907       |
| Provision for outstanding claims              | 865,431            | (567,577)                   | 297,854       | 699,610         | (456,765)                   | 242,845       |
| <b>Group</b>                                  |                    |                             |               |                 |                             |               |
| Provision for claims reported by participants | 619,619            | (426,043)                   | 193,576       | 480,871         | (323,150)                   | 157,721       |
| Provision for IBNR                            | 465,743            | (224,644)                   | 241,099       | 438,220         | (195,148)                   | 243,072       |
| Provision for outstanding claims              | 1,085,362          | (650,687)                   | 434,675       | 919,091         | (518,298)                   | 400,793       |
| ----- Company ----->                          |                    |                             |               |                 |                             |               |
|   | Gross<br>RM'000    | 2021<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful / Company</b>               |                    |                             |               |                 |                             |               |
| Provision for claims reported by participants | 70,540             | (23,033)                    | 47,507        | 43,880          | (9,318)                     | 34,562        |
| Provision for IBNR                            | 140,297            | (55,853)                    | 84,444        | 169,605         | (49,449)                    | 120,156       |
| Provision for outstanding claims              | 210,837            | (78,886)                    | 131,951       | 213,485         | (58,767)                    | 154,718       |

## 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 | 2021<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 |           |
| <b>Family Takaful</b>                                    |                 |                             |               |                 |                             |               |           |
| At 1 January   | 27              | 219,481                     | (61,533)      | 157,948         | 172,874                     | (53,910)      | 118,964   |
| Claims incurred during the year                          |                 | 937,569                     | (149,900)     | 787,669         | 811,965                     | (93,962)      | 718,003   |
| Claims paid during the year                              | 27              | (908,364)                   | 134,955       | (773,409)       | (805,230)                   | 92,338        | (712,892) |
| Movement in IBNR   |                 | (28,877)                    | (6,577)       | (35,454)        | 39,950                      | (6,037)       | 33,913    |
| Effect of movement in<br>exchange rates                  |                 | 122                         | (55)          | 67              | (78)                        | 38            | (40)      |
| At 31 December   | 27              | 219,931                     | (83,110)      | 136,821         | 219,481                     | (61,533)      | 157,948   |
| <b>General Takaful</b>                                   |                 |                             |               |                 |                             |               |           |
| At 1 January   | 27              | 699,610                     | (456,765)     | 242,845         | 530,724                     | (295,638)     | 235,086   |
| Claims incurred during the year                          |                 | 399,094                     | (232,522)     | 166,572         | 398,810                     | (241,568)     | 157,242   |
| Adjustment to claims incurred<br>in prior accident years |                 | 14,487                      | (1,810)       | 12,677          | (11,733)                    | 9,941         | (1,792)   |
| Claims paid during the year                              | 27              | (304,099)                   | 146,410       | (157,689)       | (254,159)                   | 108,762       | (145,397) |
| Movement in IBNR   |                 | 56,339                      | (22,890)      | 33,449          | 35,968                      | (38,262)      | (2,294)   |
| At 31 December   | 27              | 865,431                     | (567,577)     | 297,854         | 699,610                     | (456,765)     | 242,845   |
| <b>Group</b>   |                 |                             |               |                 |                             |               |           |
| At 1 January   | 27              | 919,091                     | (518,298)     | 400,793         | 703,598                     | (349,548)     | 354,050   |
| Claims incurred during the year                          |                 | 1,320,283                   | (382,422)     | 937,861         | 1,194,668                   | (335,530)     | 859,138   |
| Adjustment to claims incurred<br>in prior accident years |                 | 14,487                      | (1,810)       | 12,677          | (11,733)                    | 9,941         | (1,792)   |
| Claims paid during the year                              | 27              | (1,196,083)                 | 281,365       | (914,718)       | (1,043,282)                 | 201,100       | (842,182) |
| Movement in IBNR   |                 | 27,462                      | (29,467)      | (2,005)         | 75,918                      | (44,299)      | 31,619    |
| Effect of movement in<br>exchange rates                  |                 | 122                         | (55)          | 67              | (78)                        | 38            | (40)      |
| At 31 December   | 27              | 1,085,362                   | (650,687)     | 434,675         | 919,091                     | (518,298)     | 400,793   |

## NOTES TO THE FINANCIAL STATEMENTS

## 16. Takaful contract liabilities (continued)

## (a) Provision for outstanding claims (continued)

Movement of provision for outstanding claims (continued):

|                                 | Note | ----- Company -----> |                     |               |                 |                     |               |
|---------------------------------|------|----------------------|---------------------|---------------|-----------------|---------------------|---------------|
|                                 |      | 2021                 |                     |               | 2020            |                     |               |
|                                 |      | 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   | 213,485              | (58,767)            | 154,718       | 168,840         | (51,936)            | 116,904       |
| Claims incurred during the year |      | 815,968              | (117,857)           | 698,111       | 721,362         | (77,130)            | 644,232       |
| Claims paid during the year     | 27   | (789,308)            | 104,142             | (685,166)     | (715,101)       | 75,566              | (639,535)     |
| Movement in IBNR                |      | (29,308)             | (6,404)             | (35,712)      | 38,384          | (5,267)             | 33,117        |
| At 31 December                  | 27   | 210,837              | (78,886)            | 131,951       | 213,485         | (58,767)            | 154,718       |
| <b>Company</b>                  |      |                      |                     |               |                 |                     |               |
| At 1 January                    | 27   | 213,485              | (58,767)            | 154,718       | 168,840         | (51,936)            | 116,904       |
| Claims incurred during the year |      | 801,035              | (117,857)           | 683,178       | 707,148         | (77,130)            | 630,018       |
| Claims paid during the year     | 27   | (774,375)            | 104,142             | (670,233)     | (700,887)       | 75,566              | (625,321)     |
| Movement in IBNR                |      | (29,308)             | (6,404)             | (35,712)      | 38,384          | (5,267)             | 33,117        |
| At 31 December                  | 27   | 210,837              | (78,886)            | 131,951       | 213,485         | (58,767)            | 154,718       |

## 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 -----> |                     |         |                 |                     |         |
|--------------------------------------|--------------------|---------------------|---------|-----------------|---------------------|---------|
|                                      | 2021               | 2021                | Net     | 2020            | 2020                | Net     |
|                                      | Gross<br>RM'000    | Retakaful<br>RM'000 | RM'000  | Gross<br>RM'000 | Retakaful<br>RM'000 | RM'000  |
| <b>General Takaful / Group</b>       |                    |                     |         |                 |                     |         |
| Provision for unearned contributions | 504,871            | (141,895)           | 362,976 | 465,734         | (113,784)           | 351,950 |

Movement of provision for unearned contributions:

|                                       | Note | ----- Group -----> |                     |           |                 |                     |           |
|---------------------------------------|------|--------------------|---------------------|-----------|-----------------|---------------------|-----------|
|                                       |      | 2021               | 2021                | Net       | 2020            | 2020                | Net       |
|                                       |      | Gross<br>RM'000    | Retakaful<br>RM'000 | RM'000    | Gross<br>RM'000 | Retakaful<br>RM'000 | RM'000    |
| <b>General Takaful</b>                |      |                    |                     |           |                 |                     |           |
| At 1 January                          |      | 465,734            | (113,784)           | 351,950   | 394,340         | (90,634)            | 303,706   |
| Contributions written during the year | 21   | 917,805            | (419,333)           | 498,472   | 827,938         | (342,463)           | 485,475   |
| Contributions earned during the year  | 21   | (878,668)          | 391,222             | (487,446) | (756,544)       | 319,313             | (437,231) |
| At 31 December                        |      | 504,871            | (141,895)           | 362,976   | 465,734         | (113,784)           | 351,950   |
| <b>Group</b>                          |      |                    |                     |           |                 |                     |           |
| At 1 January                          |      | 465,734            | (113,784)           | 351,950   | 394,340         | (90,634)            | 303,706   |
| Contributions written during the year |      | 918,107            | (419,333)           | 498,774   | 827,892         | (342,463)           | 485,429   |
| Contributions earned during the year  |      | (878,970)          | 391,222             | (487,748) | (756,498)       | 319,313             | (437,185) |
| At 31 December                        |      | 504,871            | (141,895)           | 362,976   | 465,734         | (113,784)           | 351,950   |

## 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    | 2021<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful</b>                           |                    |                             |               |                 |                             |               |
| Participants' account                           | 4,587,267          | -                           | 4,587,267     | 4,090,835       | -                           | 4,090,835     |
| Actuarial liabilities                           | 1,852,988          | (363,429)                   | 1,489,559     | 1,880,726       | (346,120)                   | 1,534,606     |
| Unallocated surplus /<br>accumulated surplus    | 1,297,390          | -                           | 1,297,390     | 1,099,833       | -                           | 1,099,833     |
| Fair value reserves                             | 56,374             | -                           | 56,374        | 326,172         | -                           | 326,172       |
| Net assets value attributable<br>to unitholders | 220,249            | -                           | 220,249       | 253,751         | -                           | 253,751       |
|   | 8,014,268          | (363,429)                   | 7,650,839     | 7,651,317       | (346,120)                   | 7,305,197     |
| <b>General Takaful</b>                          |                    |                             |               |                 |                             |               |
| Unallocated surplus /<br>accumulated surplus    | 220,714            | -                           | 220,714       | 209,017         | -                           | 209,017       |
| Fair value reserves                             | 3,251              | -                           | 3,251         | 20,156          | -                           | 20,156        |
|   | 223,965            | -                           | 223,965       | 229,173         | -                           | 229,173       |
| <b>Group</b>                                    |                    |                             |               |                 |                             |               |
| Participants' account                           | 4,587,267          | -                           | 4,587,267     | 4,090,835       | -                           | 4,090,835     |
| Actuarial liabilities                           | 1,852,988          | (363,429)                   | 1,489,559     | 1,880,726       | (346,120)                   | 1,534,606     |
| Unallocated surplus /<br>accumulated surplus    | 16.1 1,518,104     | -                           | 1,518,104     | 1,308,850       | -                           | 1,308,850     |
| Fair value reserves                             | 59,625             | -                           | 59,625        | 346,328         | -                           | 346,328       |
| Net assets value attributable<br>to unitholders | 178,109            | -                           | 178,109       | 212,043         | -                           | 212,043       |
|   | 8,196,093          | (363,429)                   | 7,832,664     | 7,838,782       | (346,120)                   | 7,492,662     |

## 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     | 2021<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful</b>                           |                     |                             |               |                 |                             |               |
| Participants' account                           | 4,408,474           | -                           | 4,408,474     | 3,912,043       | -                           | 3,912,043     |
| Actuarial liabilities                           | 1,751,931           | (322,670)                   | 1,429,261     | 1,790,441       | (308,918)                   | 1,481,523     |
| Unallocated surplus /<br>accumulated surplus    | 1,257,491           | -                           | 1,257,491     | 1,047,245       | -                           | 1,047,245     |
| Fair value reserves                             | 56,374              | -                           | 56,374        | 325,992         | -                           | 325,992       |
| Net assets value attributable<br>to unitholders | 135,652             | -                           | 135,652       | 160,250         | -                           | 160,250       |
|   | 7,609,922           | (322,670)                   | 7,287,252     | 7,235,971       | (308,918)                   | 6,927,053     |
| <b>Company</b>                                  |                     |                             |               |                 |                             |               |
| Participants' account                           | 4,408,474           | -                           | 4,408,474     | 3,912,043       | -                           | 3,912,043     |
| Actuarial liabilities                           | 1,751,931           | (322,670)                   | 1,429,261     | 1,790,441       | (308,918)                   | 1,481,523     |
| Unallocated surplus /<br>accumulated surplus    | 16.1 1,257,491      | -                           | 1,257,491     | 1,047,245       | -                           | 1,047,245     |
| Fair value reserves                             | 56,374              | -                           | 56,374        | 325,992         | -                           | 325,992       |
| Net assets value attributable<br>to unitholders | 93,512              | -                           | 93,512        | 118,542         | -                           | 118,542       |
|   | 7,567,782           | (322,670)                   | 7,245,112     | 7,194,263       | (308,918)                   | 6,885,345     |

16.1 The special reserves of RM35,257,581 (2020: 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    | 2021<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful</b>  |                    |                             |               |                 |                             |               |
| At 1 January   | 7,651,317          | (346,120)                   | 7,305,197     | 7,007,658       | (315,614)                   | 6,692,044     |
| Net earned contributions                                       | 1,887,429          | (132,107)                   | 1,755,322     | 1,756,863       | (121,798)                   | 1,635,065     |
| Investment income on financial<br>assets not measured at FVTPL | 257,915            | -                           | 257,915       | 252,996         | -                           | 252,996       |
| Investment income - others                                     | 30,564             | -                           | 30,564        | 33,028          | -                           | 33,028        |
| Realised gains and losses                                      | 24,964             | -                           | 24,964        | 27,843          | -                           | 27,843        |
| Fair value gains and losses                                    | 17,792             | -                           | 17,792        | 17,156          | -                           | 17,156        |
| Other operating income   | 203                | -                           | 203           | 265             | -                           | 265           |
| Net benefits and claims  | (908,692)          | 156,477                     | (752,215)     | (851,915)       | 99,999                      | (751,916)     |
| Fees deducted (net)  | (612,711)          | -                           | (612,711)     | (571,795)       | -                           | (571,795)     |
| Impairment losses on financial<br>instruments                  | (7,422)            | -                           | (7,422)       | (2,747)         | -                           | (2,747)       |
| Other operating expenses                                       | (2,706)            | -                           | (2,706)       | (3,751)         | -                           | (3,751)       |
| Profit paid to participants                                    | (8,471)            | -                           | (8,471)       | (4,591)         | -                           | (4,591)       |
| Movement in actuarial liabilities                              | 7,393              | (16,755)                    | (9,362)       | 26,064          | (31,201)                    | (5,137)       |
| Profit attributable to the Takaful<br>Operator                 | (39,049)           | (24,370)                    | (63,419)      | (79,866)        | 21,797                      | (58,069)      |
| Excess payment transferred to<br>participants                  | (57)               | -                           | (57)          | (70)            | -                           | (70)          |
| Net change in fair value on debt<br>investments at FVOCI       | (269,798)          | -                           | (269,798)     | 68,752          | -                           | 68,752        |
| Tax expense  | (11,516)           | -                           | (11,516)      | (9,986)         | -                           | (9,986)       |
| Withholding tax paid   | (8,552)            | -                           | (8,552)       | (5,959)         | -                           | (5,959)       |
| Effect of movement in exchange rates                           | 5,665              | (554)                       | 5,111         | (8,628)         | 697                         | (7,931)       |
| At 31 December   | 8,014,268          | (363,429)                   | 7,650,839     | 7,651,317       | (346,120)                   | 7,305,197     |

## NOTES TO THE FINANCIAL STATEMENTS

### 16. Takaful contract liabilities (continued)

#### (c) Participants' fund (continued)

The participants' fund movements are analysed as follows: (continued)

|  | ----- Group -----> |                             |               |                 |                             |               |
|--|--------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|  | Gross<br>RM'000    | 2021<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>General Takaful</b>   |                    |                             |               |                 |                             |               |
| At 1 January   | 229,173            | -                           | 229,173       | 190,051         | -                           | 190,051       |
| Net earned contributions   | 487,446            | -                           | 487,446       | 437,231         | -                           | 437,231       |
| Investment income on financial<br>assets not measured at FVTPL                     | 29,500             | -                           | 29,500        | 30,215          | -                           | 30,215        |
| Investment income - others   | 78                 | -                           | 78            | 456             | -                           | 456           |
| Realised gains and losses  | 387                | -                           | 387           | 2,486           | -                           | 2,486         |
| Fair value gains and losses  | 70                 | -                           | 70            | (151)           | -                           | (151)         |
| Other operating income   | 41                 | -                           | 41            | 253             | -                           | 253           |
| Net benefits and claims  | (212,698)          | -                           | (212,698)     | (153,156)       | -                           | (153,156)     |
| Fees deducted (net)  | (240,615)          | -                           | (240,615)     | (237,215)       | -                           | (237,215)     |
| (Impairment losses) / Reversal of<br>impairment losses on financial<br>instruments | (3,726)            | -                           | (3,726)       | 202             | -                           | 202           |
| Other operating expenses   | (653)              | -                           | (653)         | (690)           | -                           | (690)         |
| Profit paid to participants  | (9,954)            | -                           | (9,954)       | (8,838)         | -                           | (8,838)       |
| Profit attributable to the Takaful<br>Operator                                     | (31,589)           | -                           | (31,589)      | (30,756)        | -                           | (30,756)      |
| Net change in fair value on debt<br>investments at FVOCI                           | (16,905)           | -                           | (16,905)      | 4,067           | -                           | 4,067         |
| Tax expense  | (5,938)            | -                           | (5,938)       | (4,440)         | -                           | (4,440)       |
| Withholding tax paid   | (652)              | -                           | (652)         | (542)           | -                           | (542)         |
| At 31 December   | 223,965            | -                           | 223,965       | 229,173         | -                           | 229,173       |

## NOTES TO THE FINANCIAL STATEMENTS

## 16. Takaful contract liabilities (continued)

## (c) Participants' fund (continued)

The participants' fund movements are analysed as follows: (continued)

|   | ----- Group -----> |                             |               |                 |                             |               |
|---|--------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
|   | Gross<br>RM'000    | 2021<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Group</b>  |                    |                             |               |                 |                             |               |
| At 1 January  | 7,838,782          | (346,120)                   | 7,492,662     | 7,160,242       | (315,614)                   | 6,844,628     |
| Net earned contributions                                    | 2,374,875          | (132,107)                   | 2,242,768     | 2,194,094       | (121,798)                   | 2,072,296     |
| Investment income on financial assets not measured at FVTPL | 287,415            | -                           | 287,415       | 283,211         | -                           | 283,211       |
| Investment income - others                                  | 30,642             | -                           | 30,642        | 33,484          | -                           | 33,484        |
| Realised gains and losses                                   | 25,351             | -                           | 25,351        | 30,329          | -                           | 30,329        |
| Fair value gains and losses                                 | 17,862             | -                           | 17,862        | 17,005          | -                           | 17,005        |
| Other operating income                                      | 244                | -                           | 244           | 518             | -                           | 518           |
| Net benefits and claims                                     | (1,121,390)        | 156,477                     | (964,913)     | (1,005,071)     | 99,999                      | (905,072)     |
| Fees deducted (net)   | (853,326)          | -                           | (853,326)     | (809,010)       | -                           | (809,010)     |
| Impairment losses on financial instruments                  | (11,148)           | -                           | (11,148)      | (2,545)         | -                           | (2,545)       |
| Other operating expenses                                    | (3,359)            | -                           | (3,359)       | (4,441)         | -                           | (4,441)       |
| Profit paid to participants                                 | (18,425)           | -                           | (18,425)      | (13,429)        | -                           | (13,429)      |
| Movement in actuarial liabilities                           | 7,393              | (16,755)                    | (9,362)       | 26,064          | (31,201)                    | (5,137)       |
| Profit attributable to the Takaful Operator                 | (71,070)           | (24,370)                    | (95,440)      | (114,863)       | 21,797                      | (93,066)      |
| Excess payment transferred to participants                  | (57)               | -                           | (57)          | (70)            | -                           | (70)          |
| Net change in fair value on debt investments at FVOCI       | (286,703)          | -                           | (286,703)     | 72,819          | -                           | 72,819        |
| Tax expense   | (17,454)           | -                           | (17,454)      | (14,426)        | -                           | (14,426)      |
| Withholding tax paid  | (9,204)            | -                           | (9,204)       | (6,501)         | -                           | (6,501)       |
| Effect of movement in exchange rates                        | 5,665              | (554)                       | 5,111         | (8,628)         | 697                         | (7,931)       |
| At 31 December  | 8,196,093          | (363,429)                   | 7,832,664     | 7,838,782       | (346,120)                   | 7,492,662     |

## 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      | 2021<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Family Takaful</b>                                       |                      |                             |               |                 |                             |               |
| At 1 January  | 7,235,971            | (308,918)                   | 6,927,053     | 6,581,828       | (281,098)                   | 6,300,730     |
| Net earned contributions                                    | 1,779,535            | (116,310)                   | 1,663,225     | 1,651,309       | (106,620)                   | 1,544,689     |
| Investment income on financial assets not measured at FVTPL | 252,879              | -                           | 252,879       | 245,898         | -                           | 245,898       |
| Investment income - others                                  | 22,821               | -                           | 22,821        | 24,737          | -                           | 24,737        |
| Realised gains and losses                                   | 24,964               | -                           | 24,964        | 27,843          | -                           | 27,843        |
| Fair value gains and losses                                 | 19,685               | -                           | 19,685        | 15,353          | -                           | 15,353        |
| Net benefits and claims                                     | (786,660)            | 124,261                     | (662,399)     | (759,746)       | 82,397                      | (677,349)     |
| Fees deducted (net)   | (585,224)            | -                           | (585,224)     | (547,208)       | -                           | (547,208)     |
| Impairment losses on financial instruments                  | (8,724)              | -                           | (8,724)       | (1,572)         | -                           | (1,572)       |
| Other operating expenses                                    | (2,082)              | -                           | (2,082)       | (1,789)         | -                           | (1,789)       |
| Profit paid to participants                                 | (9,548)              | -                           | (9,548)       | (3,217)         | -                           | (3,217)       |
| Movement in actuarial liabilities                           | 5,963                | (13,752)                    | (7,789)       | 24,122          | (27,820)                    | (3,698)       |
| Profit attributable to the Takaful Operator                 | (49,915)             | (7,951)                     | (57,866)      | (74,324)        | 24,223                      | (50,101)      |
| Excess payment transferred to participants                  | (57)                 | -                           | (57)          | (70)            | -                           | (70)          |
| Net change in fair value on debt investments at FVOCI       | (269,618)            | -                           | (269,618)     | 68,752          | -                           | 68,752        |
| Tax expense   | (11,516)             | -                           | (11,516)      | (9,986)         | -                           | (9,986)       |
| Withholding tax paid  | (8,552)              | -                           | (8,552)       | (5,959)         | -                           | (5,959)       |
| At 31 December  | 7,609,922            | (322,670)                   | 7,287,252     | 7,235,971       | (308,918)                   | 6,927,053     |

## 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      | 2021<br>Retakaful<br>RM'000 | Net<br>RM'000 | Gross<br>RM'000 | 2020<br>Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>Company</b>  |                      |                             |               |                 |                             |               |
| At 1 January  | 7,194,263            | (308,918)                   | 6,885,345     | 6,544,361       | (281,098)                   | 6,263,263     |
| Net earned contributions                                    | 1,779,535            | (116,310)                   | 1,663,225     | 1,651,309       | (106,620)                   | 1,544,689     |
| Investment income on financial assets not measured at FVTPL | 252,879              | -                           | 252,879       | 245,898         | -                           | 245,898       |
| Investment income - others                                  | 22,821               | -                           | 22,821        | 24,737          | -                           | 24,737        |
| Realised gains and losses                                   | 24,964               | -                           | 24,964        | 27,843          | -                           | 27,843        |
| Fair value gains and losses                                 | 19,685               | -                           | 19,685        | 15,353          | -                           | 15,353        |
| Net benefits and claims                                     | (786,660)            | 124,261                     | (662,399)     | (759,746)       | 82,397                      | (677,349)     |
| Fees deducted (net)   | (585,224)            | -                           | (585,224)     | (547,208)       | -                           | (547,208)     |
| Impairment losses on financial instruments                  | (8,724)              | -                           | (8,724)       | (1,572)         | -                           | (1,572)       |
| Other operating expenses                                    | (2,082)              | -                           | (2,082)       | (1,789)         | -                           | (1,789)       |
| Profit paid to participants                                 | (9,548)              | -                           | (9,548)       | (3,217)         | -                           | (3,217)       |
| Movement in actuarial liabilities                           | 5,963                | (13,752)                    | (7,789)       | 24,122          | (27,820)                    | (3,698)       |
| Profit attributable to the Takaful Operator                 | (50,347)             | (7,951)                     | (58,298)      | (78,565)        | 24,223                      | (54,342)      |
| Excess payment transferred to participants                  | (57)                 | -                           | (57)          | (70)            | -                           | (70)          |
| Net change in fair value on debt investments at FVOCI       | (269,618)            | -                           | (269,618)     | 68,752          | -                           | 68,752        |
| Tax expense   | (11,516)             | -                           | (11,516)      | (9,986)         | -                           | (9,986)       |
| Withholding tax paid  | (8,552)              | -                           | (8,552)       | (5,959)         | -                           | (5,959)       |
| At 31 December  | 7,567,782            | (322,670)                   | 7,245,112     | 7,194,263       | (308,918)                   | 6,885,345     |

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Expense reserves

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator / Group / Company</b> |                |                |                |                |
| At 1 January                              | 316,729        | 311,700        | 140,449        | 142,412        |
| Provision for the year, net               | (3,806)        | 5,275          | (5,040)        | (1,963)        |
| Effect of movement in exchange rates      | 210            | (246)          | -              | -              |
| At 31 December                            | 313,133        | 316,729        | 135,409        | 140,449        |

### 18. Takaful payables

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>                 |                |                |                |                |
| Due to intermediaries                   | 28,673         | 32,847         | 16,231         | 19,972         |
| <b>Family Takaful</b>                   |                |                |                |                |
| Due to retakaful companies              | 64,063         | 60,931         | 59,303         | 56,499         |
| Due to intermediaries                   | 1,843          | 1,953          | 1,843          | 1,953          |
|   | 65,906         | 62,884         | 61,146         | 58,452         |
| <b>General Takaful</b>                  |                |                |                |                |
| Due to retakaful companies / co-takaful | 219,737        | 136,798        | -              | -              |
| <b>Group / Company</b>                  |                |                |                |                |
| Due to retakaful companies              | 283,800        | 197,729        | 59,303         | 56,499         |
| Due to intermediaries                   | 30,516         | 34,800         | 18,074         | 21,925         |
|   | 314,316        | 232,529        | 77,377         | 78,424         |

## NOTES TO THE FINANCIAL STATEMENTS

## 19. Other payables

|                                | Note | Group          |                | Company        |                |
|--------------------------------|------|----------------|----------------|----------------|----------------|
|                                |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>        |      |                |                |                |                |
| Deposit payable                |      | 263            | 263            | 263            | 263            |
| Zakat payable                  |      | 1,319          | 1,351          | 600            | 600            |
| Dividend payable               |      | 100,275        | 99,652         | 100,275        | 99,652         |
| Other payables and accruals    |      | 203,485        | 173,706        | 159,974        | 134,927        |
|                                |      | 305,342        | 274,972        | 261,112        | 235,442        |
| <b>Family Takaful</b>          |      |                |                |                |                |
| Advanced takaful contribution  |      | 7,326          | 28,567         | 7,326          | 28,567         |
| Deposit payable                |      | 3,695          | 4,436          | 1,699          | 1,659          |
| Unclaimed monies               |      | 12,837         | 10,614         | 7,957          | 6,948          |
| Due to Takaful Operator        | 11   | 43,375         | 40,376         | 43,313         | 40,340         |
| Other payables and accruals    |      | 55,690         | 61,591         | 52,378         | 58,484         |
|                                |      | 122,923        | 145,584        | 112,673        | 135,998        |
| <b>General Takaful</b>         |      |                |                |                |                |
| Advanced takaful contribution  |      | 24,194         | 25,314         | -              | -              |
| Deposit payable                |      | 117            | 117            | -              | -              |
| Profit payable to participants |      | 890            | 738            | -              | -              |
| Due to Takaful Operator        | 11   | 30,703         | 21,754         | -              | -              |
| Due to Family Takaful          | 11   | 106            | 302            | -              | -              |
| Other payables and accruals    |      | 32,074         | 32,465         | -              | -              |
|                                |      | 88,084         | 80,690         | -              | -              |
| <b>Group / Company</b>         |      |                |                |                |                |
| Advanced takaful contribution  |      | 31,520         | 53,881         | 7,326          | 28,567         |
| Deposit payable                |      | 4,075          | 4,816          | 1,962          | 1,922          |
| Profit payable to participants |      | 890            | 738            | -              | -              |
| Unclaimed monies               |      | 12,837         | 10,614         | 7,957          | 6,948          |
| Zakat payable                  |      | 1,319          | 1,351          | 600            | 600            |
| Dividend payable               |      | 100,275        | 99,652         | 100,275        | 99,652         |
| Other payables and accruals    |      | 291,248        | 267,759        | 212,351        | 193,411        |
|                                |      | 442,164        | 438,811        | 330,471        | 331,100        |

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Operating revenue

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>                                     |      |                |                |                |                |
| Investment income on financial assets not measured at FVTPL | 22   | 59,806         | 55,367         | 44,017         | 38,680         |
| Investment income - others                                  | 23   | 4,286          | 4,450          | 1,856          | 2,245          |
|   |      | 64,092         | 59,817         | 45,873         | 40,925         |
| <b>Family Takaful</b>                                       |      |                |                |                |                |
| Gross contributions   | 21   | 1,879,641      | 1,752,936      | 1,771,746      | 1,647,611      |
| Investment income on financial assets not measured at FVTPL | 22   | 257,915        | 252,996        | 252,879        | 245,898        |
| Investment income - others                                  | 23   | 30,564         | 33,028         | 22,821         | 24,737         |
|   |      | 2,168,120      | 2,038,960      | 2,047,446      | 1,918,246      |
| <b>General Takaful</b>                                      |      |                |                |                |                |
| Gross contributions   | 21   | 917,805        | 827,938        | -              | -              |
| Investment income on financial assets not measured at FVTPL | 22   | 29,500         | 30,215         | -              | -              |
| Investment income - others                                  | 23   | 78             | 456            | -              | -              |
|   |      | 947,383        | 858,609        | -              | -              |
| <b>Group / Company</b>                                      |      |                |                |                |                |
| Gross contributions   | 21   | 2,797,747      | 2,581,547      | 1,771,439      | 1,647,282      |
| Investment income on financial assets not measured at FVTPL | 22   | 347,221        | 338,578        | 296,896        | 284,578        |
| Investment income - others                                  | 23   | 34,042         | 37,055         | 23,853         | 26,165         |
|   |      | 3,179,010      | 2,957,180      | 2,092,188      | 1,958,025      |

### 21. Net earned contributions

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Family Takaful</b>  |      |                |                |                |                |
| (i) Gross contributions  | 20   | 1,879,641      | 1,752,936      | 1,771,746      | 1,647,611      |
| Change in actuarial reserves / unearned contributions reserves |      | 7,788          | 3,927          | 7,789          | 3,698          |
| Gross earned contributions                                     |      | 1,887,429      | 1,756,863      | 1,779,535      | 1,651,309      |
| (ii) Retakaful   |      | (132,107)      | (121,798)      | (116,310)      | (106,620)      |
| Contributions ceded to retakaful                               |      | (132,107)      | (121,798)      | (116,310)      | (106,620)      |
| (iii) Net earned contributions                                 |      | 1,755,322      | 1,635,065      | 1,663,225      | 1,544,689      |

## NOTES TO THE FINANCIAL STATEMENTS

## 21. Net earned contributions (continued)

|  | Note     | Group          |                | Company        |                |
|--|----------|----------------|----------------|----------------|----------------|
|  |          | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>General Takaful</b>   |          |                |                |                |                |
| (i) Gross contributions  | 16(b),20 | 917,805        | 827,938        | -              | -              |
| Change in actuarial reserves / unearned contributions reserves |          | (39,137)       | (71,394)       | -              | -              |
| Gross earned contributions                                     | 16(b)    | 878,668        | 756,544        | -              | -              |
| (ii) Retakaful   | 16(b)    | (419,333)      | (342,463)      | -              | -              |
| Change in actuarial reserves / unearned contributions reserves |          | 28,111         | 23,150         | -              | -              |
| Contributions ceded to retakaful                               | 16(b)    | (391,222)      | (319,313)      | -              | -              |
| (iii) Net earned contributions                                 |          | 487,446        | 437,231        | -              | -              |
| <b>Group / Company</b>   |          |                |                |                |                |
| (i) Gross contributions  | 20       | 2,797,747      | 2,581,547      | 1,771,439      | 1,647,282      |
| Change in actuarial reserves / unearned contributions reserves |          | (31,349)       | (67,467)       | 7,789          | 3,698          |
| Gross earned contributions                                     |          | 2,766,398      | 2,514,080      | 1,779,228      | 1,650,980      |
| (ii) Retakaful   |          | (551,440)      | (464,261)      | (116,310)      | (106,620)      |
| Change in actuarial reserves / unearned contributions reserves |          | 28,111         | 23,150         | -              | -              |
| Contributions ceded to retakaful                               |          | (523,329)      | (441,111)      | (116,310)      | (106,620)      |
| (iii) Net earned contributions                                 |          | 2,243,069      | 2,072,969      | 1,662,918      | 1,544,360      |

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Investment income on financial assets not measured at FVTPL

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>  |      |                |                |                |                |
| FVOCI financial assets   |      |                |                |                |                |
| Profit income  |      |                |                |                |                |
| - Institutional Trust Account  |      | 5,190          | 5,122          | 4,032          | 4,018          |
| - Islamic debt securities  |      | 36,114         | 21,939         | 29,357         | 17,599         |
| - Malaysian Government Islamic papers                                |      | 3,022          | 1,380          | 2,329          | 906            |
| Amortisation of premiums, net of accretion of discounts              |      | (1,299)        | (977)          | (909)          | (786)          |
| Profit income from cash and cash equivalents and AC financial assets |      | 16,779         | 27,903         | 9,208          | 16,943         |
|  | 20   | 59,806         | 55,367         | 44,017         | 38,680         |
| <b>Family Takaful</b>  |      |                |                |                |                |
| FVOCI financial assets   |      |                |                |                |                |
| Profit income  |      |                |                |                |                |
| - Institutional Trust Account  |      | 22,673         | 22,227         | 22,673         | 22,227         |
| - Islamic debt securities  |      | 187,572        | 154,942        | 187,572        | 154,942        |
| - Malaysian Government Islamic papers                                |      | 22,204         | 20,680         | 22,204         | 20,680         |
| Amortisation of premiums, net of accretion of discounts              |      | (7,423)        | (7,198)        | (7,423)        | (7,198)        |
| Profit income from cash and cash equivalents and AC financial assets |      | 32,889         | 62,345         | 27,853         | 55,247         |
|  | 20   | 257,915        | 252,996        | 252,879        | 245,898        |
| <b>General Takaful</b>   |      |                |                |                |                |
| FVOCI financial assets   |      |                |                |                |                |
| Profit income  |      |                |                |                |                |
| - Institutional Trust Account  |      | 2,525          | 2,664          | -              | -              |
| - Islamic debt securities  |      | 14,304         | 13,939         | -              | -              |
| - Malaysian Government Islamic papers                                |      | 484            | 236            | -              | -              |
| Amortisation of premiums, net of accretion of discounts              |      | (812)          | (768)          | -              | -              |
| Profit income from cash and cash equivalents and AC financial assets |      | 12,999         | 14,144         | -              | -              |
|  | 20   | 29,500         | 30,215         | -              | -              |
| <b>Group / Company</b>   |      |                |                |                |                |
| FVOCI financial assets   |      |                |                |                |                |
| Profit income  |      |                |                |                |                |
| - Institutional Trust Account  |      | 30,388         | 30,013         | 26,705         | 26,245         |
| - Islamic debt securities  |      | 237,990        | 190,820        | 216,929        | 172,541        |
| - Malaysian Government Islamic papers                                |      | 25,710         | 22,296         | 24,533         | 21,586         |
| Amortisation of premiums, net of accretion of discounts              | 8(c) | (9,534)        | (8,943)        | (8,332)        | (7,984)        |
| Profit income from cash and cash equivalents and AC financial assets |      | 62,667         | 104,392        | 37,061         | 72,190         |
|  | 20   | 347,221        | 338,578        | 296,896        | 284,578        |

## NOTES TO THE FINANCIAL STATEMENTS

## 23. Investment income - others

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>                                 |      |                |                |                |                |
| Rental income from investment properties                | 5    | 813            | 893            | 813            | 893            |
| FVTPL financial assets                                  |      |                |                |                |                |
| Dividend income   |      |                |                |                |                |
| - Equity securities                                     |      |                |                |                |                |
| - quoted in Malaysia                                    |      | 181            | 180            | 181            | 180            |
| - quoted outside Malaysia                               |      | 3              | 79             | -              | -              |
| - Unit trusts   |      | 26             | 17             | 26             | 17             |
| FVTPL financial assets                                  |      |                |                |                |                |
| Profit income   |      |                |                |                |                |
| - Islamic debt securities                               |      | 3,375          | 3,447          | 953            | 1,326          |
| Amortisation of premiums, net of accretion of discounts |      | 5              | (31)           | -              | (36)           |
| Investment expenses                                     |      | (117)          | (135)          | (117)          | (135)          |
|   | 20   | 4,286          | 4,450          | 1,856          | 2,245          |
| <b>Family Takaful</b>                                   |      |                |                |                |                |
| Rental income from investment properties                | 5    | 6,698          | 6,830          | 6,632          | 6,697          |
| FVTPL financial assets                                  |      |                |                |                |                |
| Dividend income   |      |                |                |                |                |
| - Equity securities                                     |      |                |                |                |                |
| - quoted in Malaysia                                    |      | 6,392          | 5,885          | 6,392          | 5,885          |
| - quoted outside Malaysia                               |      | 73             | 133            | -              | -              |
| - Unit trusts   |      | 576            | 970            | 576            | 731            |
| FVTPL financial assets                                  |      |                |                |                |                |
| Profit income   |      |                |                |                |                |
| - Islamic debt securities                               |      | 19,133         | 21,296         | 11,536         | 13,850         |
| Amortisation of premiums, net of accretion of discounts |      | 9              | 241            | -              | (98)           |
| Investment expenses                                     |      | (2,317)        | (2,327)        | (2,315)        | (2,328)        |
|   | 20   | 30,564         | 33,028         | 22,821         | 24,737         |

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Investment income - others (continued)

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>General Takaful</b>                                  |      |                |                |                |                |
| Rental income from investment properties                | 5    | 173            | 161            | -              | -              |
| FVTPL financial assets                                  |      |                |                |                |                |
| Profit income   |      |                |                |                |                |
| - Islamic debt securities                               |      | -              | 479            | -              | -              |
| Amortisation of premiums, net of accretion of discounts |      | -              | (28)           | -              | -              |
| Investment expenses                                     |      | (95)           | (156)          | -              | -              |
|   | 20   | 78             | 456            | -              | -              |
| <b>Group / Company</b>                                  |      |                |                |                |                |
| Rental income from investment properties                | 5    | 4,992          | 5,382          | 4,815          | 5,149          |
| FVTPL financial assets                                  |      |                |                |                |                |
| Dividend income   |      |                |                |                |                |
| - Equity securities                                     |      |                |                |                |                |
| - quoted in Malaysia                                    |      | 6,573          | 6,065          | 6,573          | 6,065          |
| - quoted outside Malaysia                               |      | 76             | 212            | -              | -              |
| - Unit trusts   |      | 602            | 987            | 602            | 748            |
| FVTPL financial assets                                  |      |                |                |                |                |
| Profit income   |      |                |                |                |                |
| - Islamic debt securities                               |      | 22,508         | 25,222         | 12,489         | 15,176         |
| Amortisation of premiums, net of accretion of discounts | 8(c) | 14             | 182            | -              | (134)          |
| Investment expenses                                     |      | (723)          | (995)          | (626)          | (839)          |
|   | 20   | 34,042         | 37,055         | 23,853         | 26,165         |

## NOTES TO THE FINANCIAL STATEMENTS

**24. Realised gains and losses**

|                                     | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>             |                |                |                |                |
| Realised gains arising from:        |                |                |                |                |
| Property and equipment              | 97             | 14             | 134            | 14             |
| FVOCI financial assets              |                |                |                |                |
| Islamic debt securities             |                |                |                |                |
| - unquoted in Malaysia              | 2,585          | -              | 2,585          | -              |
| Malaysian Government Islamic papers | 1,369          | 3,335          | 643            | 3,335          |
|                                     | 3,954          | 3,335          | 3,228          | 3,335          |
|                                     | 4,051          | 3,349          | 3,362          | 3,349          |
| <b>Family Takaful</b>               |                |                |                |                |
| Realised gains arising from:        |                |                |                |                |
| FVOCI financial assets              |                |                |                |                |
| Islamic debt securities             |                |                |                |                |
| - unquoted in Malaysia              | 15,541         | 23,827         | 15,541         | 23,827         |
| Malaysian Government Islamic papers | 9,423          | 4,016          | 9,423          | 4,016          |
|                                     | 24,964         | 27,843         | 24,964         | 27,843         |
| <b>General Takaful</b>              |                |                |                |                |
| Realised gains arising from:        |                |                |                |                |
| FVOCI financial assets              |                |                |                |                |
| Islamic debt securities             |                |                |                |                |
| - unquoted in Malaysia              | -              | 2,486          | -              | -              |
| Malaysian Government Islamic papers | 387            | -              | -              | -              |
|                                     | 387            | 2,486          | -              | -              |
| <b>Group / Company</b>              |                |                |                |                |
| Realised gains arising from:        |                |                |                |                |
| Property and equipment              | 97             | 14             | 134            | 14             |
| FVOCI financial assets              |                |                |                |                |
| Islamic debt securities             |                |                |                |                |
| - unquoted in Malaysia              | 18,126         | 26,313         | 18,126         | 23,827         |
| Malaysian Government Islamic papers | 11,179         | 7,351          | 10,066         | 7,351          |
|                                     | 29,305         | 33,664         | 28,192         | 31,178         |
|                                     | 29,402         | 33,678         | 28,326         | 31,192         |

## NOTES TO THE FINANCIAL STATEMENTS

### 25. Fair value gains and losses

|                                | Note | Group          |                | Company        |                |
|--------------------------------|------|----------------|----------------|----------------|----------------|
|                                |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>        |      |                |                |                |                |
| Fair value gains arising from: |      |                |                |                |                |
| Investment properties          | 5    | 125            | 450            | 125            | 450            |
| FVTPL financial assets         |      |                |                |                |                |
| Equity securities              |      |                |                |                |                |
| - quoted in Malaysia           |      | 1,331          | 535            | 1,331          | 535            |
| - quoted outside Malaysia      |      | 246            | (1,368)        | -              | -              |
| Unit trusts                    |      |                |                |                |                |
| - quoted in Malaysia           |      | (31)           | -              | (31)           | -              |
| - quoted outside Malaysia      |      | 25             | 21             | -              | -              |
| Islamic debt securities        |      |                |                |                |                |
| - unquoted in Malaysia         |      | (1,017)        | 265            | (509)          | 77             |
| - quoted outside Malaysia      |      | (227)          | 1,619          | -              | -              |
| Investment in linked funds     |      | 432            | 4,241          | 432            | 4,241          |
|                                |      | 759            | 5,313          | 1,223          | 4,853          |
|                                |      | 884            | 5,763          | 1,348          | 5,303          |
| <b>Family Takaful</b>          |      |                |                |                |                |
| Fair value gains arising from: |      |                |                |                |                |
| Investment properties          | 5    | 5,492          | 2,527          | 5,160          | 2,462          |
| FVTPL financial assets         |      |                |                |                |                |
| Equity securities              |      |                |                |                |                |
| - quoted in Malaysia           |      | 26,691         | 17,348         | 26,691         | 17,348         |
| - quoted outside Malaysia      |      | (10,509)       | (1,426)        | -              | -              |
| Unit trust                     |      |                |                |                |                |
| - quoted in Malaysia           |      | (4,926)        | (5,660)        | (4,926)        | (5,660)        |
| - quoted outside Malaysia      |      | 1,670          | 738            | -              | -              |
| Islamic debt securities        |      |                |                |                |                |
| - unquoted in Malaysia         |      | (7,240)        | 1,203          | (7,240)        | 1,203          |
| - quoted outside Malaysia      |      | 6,614          | 2,426          | -              | -              |
|                                |      | 12,300         | 14,629         | 14,525         | 12,891         |
|                                |      | 17,792         | 17,156         | 19,685         | 15,353         |

## NOTES TO THE FINANCIAL STATEMENTS

## 25. Fair value gains and losses (continued)

|                                | Note | Group          |                | Company        |                |
|--------------------------------|------|----------------|----------------|----------------|----------------|
|                                |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>General Takaful</b>         |      |                |                |                |                |
| Fair value gains arising from: |      |                |                |                |                |
| Investment properties          | 5    | 70             | 20             | -              | -              |
| FVTPL financial assets         |      |                |                |                |                |
| Islamic debt securities        |      |                |                |                |                |
| - unquoted in Malaysia         |      | -              | (171)          | -              | -              |
|                                |      | -              | (171)          | -              | -              |
|                                |      | 70             | (151)          | -              | -              |
| <b>Group / Company</b>         |      |                |                |                |                |
| Fair value gains arising from: |      |                |                |                |                |
| Investment properties          | 5    | 272            | 891            | 255            | 877            |
| FVTPL financial assets         |      |                |                |                |                |
| Equity securities              |      |                |                |                |                |
| - quoted in Malaysia           |      | 28,022         | 17,883         | 28,022         | 17,883         |
| - quoted outside Malaysia      |      | (10,263)       | (2,794)        | -              | -              |
| Unit trusts                    |      |                |                |                |                |
| - quoted in Malaysia           |      | (4,957)        | (5,660)        | (4,957)        | (5,660)        |
| - quoted outside Malaysia      |      | 1,695          | 759            | -              | -              |
| Islamic debt securities        |      |                |                |                |                |
| - unquoted in Malaysia         |      | (8,257)        | 1,297          | (7,749)        | 1,280          |
| - quoted outside Malaysia      |      | 6,386          | 4,043          | -              | -              |
|                                |      | 12,626         | 15,528         | 15,316         | 13,503         |
|                                |      | 12,898         | 16,419         | 15,571         | 14,380         |

## NOTES TO THE FINANCIAL STATEMENTS

### 26. Other operating income

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>   |      |                |                |                |                |
| Income from Family Takaful business, service charge and management fees |      | 20,518         | 19,777         | 18,256         | 16,837         |
| Writeback of:   |      |                |                |                |                |
| - Allowance for impaired financing                                      |      | -              | 137            | -              | 69             |
| Dividend received from a subsidiary                                     |      | -              | -              | 60,000         | 60,000         |
| Miscellaneous income  |      | 2,692          | 1,376          | 4,777          | 3,939          |
|   |      | 23,210         | 21,290         | 83,033         | 80,845         |
| <b>Family Takaful</b>   |      |                |                |                |                |
| Miscellaneous income  |      | 203            | 265            | -              | -              |
| <b>General Takaful</b>  |      |                |                |                |                |
| Miscellaneous income  |      | 41             | 253            | -              | -              |
| <b>Group / Company</b>  |      |                |                |                |                |
| Writeback of:   |      |                |                |                |                |
| - Allowance for impaired financing                                      |      | -              | 137            | -              | 69             |
| Dividend received from a subsidiary                                     |      | -              | -              | 60,000         | 60,000         |
| Miscellaneous income  |      | 2,936          | 1,894          | 4,777          | 3,939          |
|   |      | 2,936          | 2,031          | 64,777         | 64,008         |

## NOTES TO THE FINANCIAL STATEMENTS

## 27. Net benefits and claims

|  | Note  | Group          |                | Company        |                |
|--|-------|----------------|----------------|----------------|----------------|
|  |       | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Family Takaful</b>                              |       |                |                |                |                |
| Gross benefits and claims paid                     | 16(a) | (908,364)      | (805,230)      | (789,308)      | (715,101)      |
| Claims ceded to retakaful                          | 16(a) | 134,955        | 92,338         | 104,142        | 75,566         |
| Net benefits and claims paid                       |       | (773,409)      | (712,892)      | (685,166)      | (639,535)      |
| Gross change to contract liabilities:              |       |                |                |                |                |
| At 31 December                                     | 16(a) | (219,931)      | (219,481)      | (210,837)      | (213,485)      |
| Less:  |       |                |                |                |                |
| At 1 January                                       | 16(a) | (219,481)      | (172,874)      | (213,485)      | (168,840)      |
| Effect of movement in exchange rates               |       | 122            | (78)           | -              | -              |
|  |       | (328)          | (46,685)       | 2,648          | (44,645)       |
| Change to contract liabilities ceded to retakaful: |       |                |                |                |                |
| At 31 December                                     | 16(a) | 83,110         | 61,533         | 78,886         | 58,767         |
| Less:  |       |                |                |                |                |
| At 1 January                                       | 16(a) | 61,533         | 53,910         | 58,767         | 51,936         |
| Effect of movement in exchange rates               |       | (55)           | 38             | -              | -              |
|  |       | 21,522         | 7,661          | 20,119         | 6,831          |
|  |       | (752,215)      | (751,916)      | (662,399)      | (677,349)      |

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Net benefits and claims (continued)

|  | Note  | Group          |                | Company        |                |
|--|-------|----------------|----------------|----------------|----------------|
|  |       | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>General Takaful</b>                             |       |                |                |                |                |
| Gross benefits and claims paid                     | 16(a) | (304,099)      | (254,159)      | -              | -              |
| Claims ceded to retakaful                          | 16(a) | 146,410        | 108,762        | -              | -              |
| Net benefits and claims paid                       |       | (157,689)      | (145,397)      | -              | -              |
| Gross change to contract liabilities:              |       |                |                |                |                |
| At 31 December                                     | 16(a) | (865,431)      | (699,610)      | -              | -              |
| Less:  |       |                |                |                |                |
| At 1 January                                       | 16(a) | (699,610)      | (530,724)      | -              | -              |
|  |       | (165,821)      | (168,886)      | -              | -              |
| Change to contract liabilities ceded to retakaful: |       |                |                |                |                |
| At 31 December                                     | 16(a) | 567,577        | 456,765        | -              | -              |
| Less:  |       |                |                |                |                |
| At 1 January                                       | 16(a) | 456,765        | 295,638        | -              | -              |
|  |       | 110,812        | 161,127        | -              | -              |
|  |       | (212,698)      | (153,156)      | -              | -              |
| <b>Group / Company</b>                             |       |                |                |                |                |
| Gross benefits and claims paid                     | 16(a) | (1,196,083)    | (1,043,282)    | (774,375)      | (700,887)      |
| Claims ceded to retakaful                          | 16(a) | 281,365        | 201,100        | 104,142        | 75,566         |
| Net benefits and claims paid                       |       | (914,718)      | (842,182)      | (670,233)      | (625,321)      |
| Gross change to contract liabilities:              |       |                |                |                |                |
| At 31 December                                     | 16(a) | (1,085,362)    | (919,091)      | (210,837)      | (213,485)      |
| Less:  |       |                |                |                |                |
| At 1 January                                       | 16(a) | (919,091)      | (703,598)      | (213,485)      | (168,840)      |
| Effect of movement in exchange rates               |       | 122            | (78)           | -              | -              |
|  |       | (166,149)      | (215,571)      | 2,648          | (44,645)       |
| Change to contract liabilities ceded to retakaful: |       |                |                |                |                |
| At 31 December                                     | 16(a) | 650,687        | 518,298        | 78,886         | 58,767         |
| Less:  |       |                |                |                |                |
| At 1 January                                       | 16(a) | 518,298        | 349,548        | 58,767         | 51,936         |
| Effect of movement in exchange rates               |       | (55)           | 38             | -              | -              |
|  |       | 132,334        | 168,788        | 20,119         | 6,831          |
|  |       | (948,533)      | (888,965)      | (647,466)      | (663,135)      |

## NOTES TO THE FINANCIAL STATEMENTS

**28. Management expenses**

|   | Note  | Group          |                | Company        |                |
|---|-------|----------------|----------------|----------------|----------------|
|   |       | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>                                 |       |                |                |                |                |
| Personnel expenses (including key management personnel) |       |                |                |                |                |
| Directors' remuneration                                 |       |                |                |                |                |
| - Salaries and other emoluments                         |       | 1,263          | 900            | 895            | 574            |
| - Fees  |       | 1,387          | 1,074          | 864            | 655            |
| Shariah Advisory Body remuneration                      |       |                |                |                |                |
| - Company   | 28(i) | 389            | 289            | 389            | 289            |
| Wages, salaries and others                              |       | 137,264        | 125,972        | 66,273         | 62,576         |
| Contributions to Employees' Provident Fund              |       | 17,168         | 14,477         | 8,417          | 7,386          |
|   |       | 157,471        | 142,712        | 76,838         | 71,480         |
| Depreciation of property and equipment                  | 3     | 8,981          | 8,474          | 6,169          | 5,804          |
| Depreciation of right-of-use assets                     | 4     | 1,571          | 1,338          | 677            | 635            |
| Amortisation of intangible assets                       | 6     | 42,124         | 33,977         | 40,945         | 33,519         |
| Auditors' remuneration                                  |       |                |                |                |                |
| Audit fees  |       |                |                |                |                |
| - Within Malaysia                                       |       | 1,591          | 685            | 1,035          | 405            |
| - Outside Malaysia                                      |       | 345            | 349            | -              | -              |
| Non audit fees  |       |                |                |                |                |
| - Within Malaysia                                       |       | 210            | 760            | 131            | 674            |
| License fees  |       | 188            | 293            | 97             | 154            |
| Legal fees  |       | 189            | 354            | 107            | 136            |
| Professional fees                                       |       | 27,967         | 21,464         | 12,940         | 11,919         |
| Repair and maintenance                                  |       | 21,606         | 19,070         | 9,608          | 7,961          |
| Travelling expenses                                     |       | 830            | 758            | 247            | 122            |
| Utilities   |       | 773            | 936            | 326            | 433            |
| Communication costs                                     |       | 4,027          | 4,533          | 1,633          | 1,389          |
| Advertising   |       | 1,082          | 1,936          | 689            | 1,013          |
| Expenses relating to short-term leases                  |       | 5,235          | 4,950          | 2,782          | 2,734          |
| Expenses relating to leases of low-value assets         |       | 335            | 305            | 165            | 164            |
| Profit expense on lease liabilities                     |       | 60             | 92             | 60             | 92             |
| Other expenses  |       | 199,533        | 143,917        | 163,625        | 114,304        |
|   |       | 316,647        | 244,191        | 241,236        | 181,458        |
| Total management expenses                               |       | 474,118        | 386,903        | 318,074        | 252,938        |

All management expenses are borne by the Takaful Operator.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. Management expenses (continued)

|   | Note  | Group          |                | Company        |                |
|---|-------|----------------|----------------|----------------|----------------|
|   |       | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Group / Company</b>                                  |       |                |                |                |                |
| Personnel expenses (including key management personnel) |       |                |                |                |                |
| Directors' remuneration                                 |       |                |                |                |                |
| - Salaries and other emoluments                         |       | 1,263          | 900            | 895            | 574            |
| - Fees  |       | 1,387          | 1,074          | 864            | 655            |
| Shariah Advisory Body remuneration                      |       |                |                |                |                |
| - Company   | 28(i) | 389            | 289            | 389            | 289            |
| Wages, salaries and others                              |       | 137,264        | 125,972        | 66,273         | 62,576         |
| Contributions to Employees' Provident Fund              |       | 17,168         | 14,477         | 8,417          | 7,386          |
|   |       | 157,471        | 142,712        | 76,838         | 71,480         |
| Depreciation of property and equipment                  | 3     | 11,332         | 10,962         | 8,510          | 8,292          |
| Depreciation of right-of-use assets                     | 4     | 3,313          | 2,759          | 1,324          | 1,256          |
| Amortisation of intangible assets                       | 6     | 42,124         | 33,977         | 40,945         | 33,519         |
| Auditors' remuneration                                  |       |                |                |                |                |
| Audit fees  |       |                |                |                |                |
| - Within Malaysia                                       |       | 1,591          | 685            | 1,035          | 405            |
| - Outside Malaysia                                      |       | 345            | 349            | -              | -              |
| Non audit fees  |       |                |                |                |                |
| - Within Malaysia                                       |       | 210            | 760            | 131            | 674            |
| License fees  |       | 188            | 293            | 97             | 154            |
| Legal fees  |       | 189            | 354            | 107            | 136            |
| Professional fees                                       |       | 27,967         | 21,464         | 12,940         | 11,919         |
| Repair and maintenance                                  |       | 21,606         | 19,070         | 9,608          | 7,961          |
| Travelling expenses                                     |       | 830            | 758            | 247            | 122            |
| Utilities   |       | 773            | 936            | 326            | 433            |
| Communication costs                                     |       | 4,027          | 4,533          | 1,633          | 1,389          |
| Advertising   |       | 1,082          | 1,936          | 689            | 1,013          |
| Expenses relating to short-term leases                  |       | 5,235          | 4,950          | 2,782          | 2,734          |
| Expenses relating to leases of low-value assets         |       | 335            | 305            | 165            | 164            |
| Profit expense on lease liabilities                     |       | 60             | 92             | 60             | 92             |
| Other expenses  |       | 196,326        | 141,038        | 160,282        | 111,139        |
|   |       | 317,533        | 245,221        | 240,881        | 181,402        |
| Total management expenses                               |       | 475,004        | 387,933        | 317,719        | 252,882        |

All management expenses are borne by the Takaful Operator.

(i) The Shariah Advisory Body remuneration is as follows:

|                                    | Group and Company |                |
|------------------------------------|-------------------|----------------|
|                                    | 2021<br>RM'000    | 2020<br>RM'000 |
| <b>Takaful Operator / Company</b>  |                   |                |
| Shariah Advisory Body remuneration |                   |                |
| Fees                               | 264               | 168            |
| Other emoluments                   | 116               | 87             |
| Benefits-in-kind                   | 9                 | 34             |
|                                    | 389               | 289            |

## 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>2021</b>              | <b>2020</b>   |
|   | <b>RM'000</b>            | <b>RM'000</b> |
| <b>Takaful Operator / Group / Company</b> |                          |               |
| Muhamad Rahimi Osman                      |                          |               |
| Fees                                      | 72                       | 48            |
| Other emoluments                          | 28                       | 18            |
| Benefits-in-kind                          | 1                        | 1             |
|   | 101                      | 67            |
| Ahmad Sufian Bin Che Abdullah             |                          |               |
| Fees                                      | 48                       | 30            |
| Other emoluments                          | 22                       | 18            |
| Benefits-in-kind                          | 1                        | 31            |
|   | 71                       | 79            |
| Megat Hizaini Bin Hassan                  |                          |               |
| Fees                                      | 48                       | 30            |
| Other emoluments                          | 22                       | 18            |
| Benefits-in-kind                          | 3                        | -             |
|   | 73                       | 48            |
| Marhanum Che Mohd Salleh                  |                          |               |
| Fees                                      | 48                       | 30            |
| Other emoluments                          | 22                       | 18            |
| Benefits-in-kind                          | 1                        | 1             |
|   | 71                       | 49            |
| Nik Abdul Rahim Nik Abdul Ghani           |                          |               |
| Fees                                      | 48                       | 30            |
| Other emoluments                          | 22                       | 15            |
| Benefits-in-kind                          | 3                        | 1             |
|   | 73                       | 46            |
|   | 389                      | 289           |

## NOTES TO THE FINANCIAL STATEMENTS

### 29. Key management personnel compensation

The key management personnel compensation are as follows:

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator / Group / Company</b> |                |                |                |                |
| Non-executive Directors                   |                |                |                |                |
| Fees                                      | 942            | 758            | 864            | 655            |
| Other emoluments                          | 937            | 644            | 895            | 574            |
| Benefits-in-kind                          | 131            | 131            | 115            | 108            |
|   | 2,010          | 1,533          | 1,874          | 1,337          |
| Subsidiaries' Directors                   |                |                |                |                |
| Fees                                      | 445            | 316            | -              | -              |
| Other emoluments                          | 326            | 256            | -              | -              |
| Benefits-in-kind                          | 85             | 48             | -              | -              |
|   | 856            | 621            | -              | -              |
| Group Chief Executive Officer             |                |                |                |                |
| Salaries and bonus                        | 6,058          | 5,288          | 6,017          | 5,250          |
| Fee                                       | 5              | 5              | -              | -              |
| Long Term Incentive Plan                  | 5,351          | 2,085          | 5,351          | 2,085          |
| Other emoluments                          | 1,224          | 1,049          | 1,224          | 1,049          |
| Benefits-in-kind                          | 436            | 258            | 425            | 249            |
|   | 13,074         | 8,685          | 13,017         | 8,633          |
| Other key management personnel:           |                |                |                |                |
| Salaries and bonus                        | 8,472          | 6,505          | 6,384          | 4,621          |
| Long Term Incentive Plan                  | 7,293          | 3,947          | 7,293          | 3,947          |
| Other emoluments                          | 1,649          | 1,204          | 1,461          | 1,067          |
| Benefits-in-kind                          | 463            | 561            | 66             | 94             |
|   | 17,877         | 12,217         | 15,204         | 9,729          |
| Total                                     | 33,817         | 23,056         | 30,095         | 19,699         |

The estimated monetary value of benefits-in-kind received by the Directors are RM216,000 (2020: RM179,000) and RM115,000 (2020: RM108,000) 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        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator / Group / Company</b> |                |                |                |                |
| Non-executive Directors                   |                |                |                |                |
| Dato' Mohammed Haji Che Hussein           |                |                |                |                |
| Fees                                      | 144            | 89             | 144            | 89             |
| Other emoluments                          | 221            | 125            | 221            | 125            |
| Benefits-in-kind                          | 10             | 22             | 10             | 22             |
|   | 375            | 236            | 375            | 236            |
| Datuk Bazlan Osman                        |                |                |                |                |
| Fees                                      | 120            | 44             | 120            | 44             |
| Other emoluments                          | 130            | 39             | 130            | 39             |
| Benefits-in-kind                          | 22             | -              | 22             | -              |
|   | 272            | 83             | 272            | 83             |
| Dato' Mustaffa Ahmad                      |                |                |                |                |
| Fees                                      | 144            | 52             | 144            | 52             |
| Other emoluments                          | 141            | 34             | 141            | 34             |
| Benefits-in-kind                          | 22             | -              | 22             | -              |
|   | 307            | 86             | 307            | 86             |
| Mohd Azman Sulaiman                       |                |                |                |                |
| Fees                                      | 120            | 84             | 120            | 84             |
| Other emoluments                          | 152            | 62             | 152            | 62             |
| Benefits-in-kind                          | 23             | 22             | 23             | 22             |
|   | 295            | 168            | 295            | 168            |
| Suraya Hassan                             |                |                |                |                |
| Fees                                      | 156            | 135            | 156            | 135            |
| Other emoluments                          | 119            | 79             | 119            | 79             |
| Benefits-in-kind                          | 31             | 25             | 31             | 25             |
|   | 306            | 239            | 306            | 239            |

## 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        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator / Group / Company</b> |                |                |                |                |
| Non-executive Directors                   |                |                |                |                |
| Mohamad Salihuddin Ahmad                  |                |                |                |                |
| Fees                                      | 258            | 138            | 180            | 66             |
| Other emoluments                          | 174            | 68             | 132            | 34             |
| Benefits-in-kind                          | 23             | 16             | 7              | -              |
|   | 455            | 222            | 319            | 100            |
| Datin Sri Azlin Arshad                    |                |                |                |                |
| Fees                                      | -              | 60             | -              | 60             |
| Other emoluments                          | -              | 56             | -              | 56             |
| Benefits-in-kind                          | -              | 17             | -              | 17             |
|   | -              | 133            | -              | 133            |
| Dato' Othman Abdullah                     |                |                |                |                |
| Fees                                      | -              | 29             | -              | 29             |
| Other emoluments                          | -              | 52             | -              | 52             |
| Benefits-in-kind                          | -              | 1              | -              | 1              |
|   | -              | 82             | -              | 82             |
| Mahadzir Azizan                           |                |                |                |                |
| Fees                                      | -              | 91             | -              | 60             |
| Other emoluments                          | -              | 94             | -              | 58             |
| Benefits-in-kind                          | -              | 28             | -              | 21             |
|   | -              | 213            | -              | 139            |
| Damanhuri Mahmod                          |                |                |                |                |
| Fees                                      | -              | 36             | -              | 36             |
| Other emoluments                          | -              | 35             | -              | 35             |
|   | -              | 71             | -              | 71             |
| Total remunerations                       | 2,010          | 1,533          | 1,874          | 1,337          |

## NOTES TO THE FINANCIAL STATEMENTS

## 30. Other operating expenses

|                         | Group          |                | Company        |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b> |                |                |                |                |
| Agency related expenses | 14,824         | 57,568         | 2,455          | 44,063         |
| Miscellaneous expenses  | 1,308          | 609            | -              | -              |
|                         | 16,132         | 58,177         | 2,455          | 44,063         |
| <b>Family Takaful</b>   |                |                |                |                |
| Write-off of bad debts  | 17             | 820            | -              | -              |
| Miscellaneous expenses  | 2,689          | 2,931          | 2,082          | 1,789          |
|                         | 2,706          | 3,751          | 2,082          | 1,789          |
| <b>General Takaful</b>  |                |                |                |                |
| Miscellaneous expenses  | 653            | 690            | -              | -              |
| <b>Group / Company</b>  |                |                |                |                |
| Write-off of bad debts  | 17             | 820            | -              | -              |
| Agency related expenses | 14,824         | 57,568         | 2,455          | 44,063         |
| Miscellaneous expenses  | 3,132          | 3,231          | 564            | 789            |
|                         | 17,973         | 61,619         | 3,019          | 44,852         |

## NOTES TO THE FINANCIAL STATEMENTS

### 31. Tax expense

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>                        |      |                |                |                |                |
| <b>Recognised in profit or loss</b>            |      |                |                |                |                |
| <b>Current tax expense</b>                     |      |                |                |                |                |
| Malaysian - current                            |      | 67,984         | 63,127         | 31,041         | 24,620         |
| - prior years                                  |      | 2,049          | (2,608)        | 2,232          | (2,393)        |
| Total current tax recognised in profit or loss |      | 70,033         | 60,519         | 33,273         | 22,227         |
| <b>Deferred tax benefits</b>                   |      |                |                |                |                |
| Deferred tax recognised in profit or loss      | 10   | (44,849)       | 1,444          | (37,784)       | 2,044          |
| Total tax expense                              |      | 25,184         | 61,963         | (4,511)        | 24,271         |
| <b>Reconciliation of tax expense</b>           |      |                |                |                |                |
| Profit before zakat and taxation               |      | 438,700        | 426,821        | 343,502        | 330,585        |
| Income tax using Malaysian tax rate of 24%     |      | 105,288        | 102,437        | 82,440         | 79,340         |
| Effect of tax rates in foreign jurisdictions   |      | 45             | 38             | -              | -              |
| Effect of changes in taxation                  | 31.2 | (44,123)       | -              | (37,111)       | -              |
| Items not subject to tax                       |      | (114,627)      | (108,976)      | (127,918)      | (121,850)      |
| Non-deductible expenses                        |      | 76,552         | 71,072         | 75,846         | 69,174         |
| Under/(Over) provided in prior years           |      | 2,049          | (2,608)        | 2,232          | (2,393)        |
| Tax expense                                    |      | 25,184         | 61,963         | (4,511)        | 24,271         |
| <b>Recognised directly in equity</b>           |      |                |                |                |                |
| Deferred tax                                   |      |                |                |                |                |
| FVOCI financial assets                         | 10   | (8,404)        | 2,467          | (6,521)        | 1,817          |
| Defined benefits liabilities                   | 10   | (6)            | (134)          | -              | -              |
|  | 10   | (8,410)        | 2,333          | (6,521)        | 1,817          |

## NOTES TO THE FINANCIAL STATEMENTS

## 31. Tax expense (continued)

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Group / Company</b>                         |      |                |                |                |                |
| <b>Recognised in profit or loss</b>            |      |                |                |                |                |
| <b>Current tax expense</b>                     |      |                |                |                |                |
| Malaysian - current                            |      | 67,984         | 63,127         | 31,041         | 24,620         |
| - prior years                                  |      | 2,049          | (2,608)        | 2,232          | (2,393)        |
| Total current tax recognised in profit or loss |      | 70,033         | 60,519         | 33,273         | 22,227         |
| <b>Deferred tax benefits</b>                   |      |                |                |                |                |
| Deferred tax recognised in profit or loss      | 10   | (44,849)       | 1,444          | (37,784)       | 2,044          |
| Total tax expense                              |      | 25,184         | 61,963         | (4,511)        | 24,271         |
| <b>Reconciliation of tax expense</b>           |      |                |                |                |                |
| Profit before zakat and taxation               |      | 438,700        | 426,821        | 343,502        | 330,585        |
| Income tax using Malaysian tax rate of 24%     |      | 105,288        | 102,437        | 82,440         | 79,340         |
| Effect of tax rates in foreign jurisdictions   |      | 45             | 38             | -              | -              |
| Effect of changes in taxation                  | 31.2 | (44,123)       | -              | (37,111)       | -              |
| Items not subject to tax                       |      | (114,627)      | (108,976)      | (127,918)      | (121,850)      |
| Non-deductible expenses                        |      | 76,552         | 71,072         | 75,846         | 69,174         |
| Under/(Over) provided in prior years           |      | 2,049          | (2,608)        | 2,232          | (2,393)        |
| Tax expense                                    |      | 25,184         | 61,963         | (4,511)        | 24,271         |
| <b>Recognised directly in equity</b>           |      |                |                |                |                |
| Deferred tax                                   |      |                |                |                |                |
| FVOCI financial assets                         | 10   | (8,404)        | 2,467          | (6,521)        | 1,817          |
| Defined benefits liabilities                   | 10   | (6)            | (134)          | -              | -              |
|  | 10   | (8,410)        | 2,333          | (6,521)        | 1,817          |

## NOTES TO THE FINANCIAL STATEMENTS

### 31. Tax expense (continued)

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. The hearing was postponed to a later date and the next court mention is fixed on 1st March 2022.

#### 31.2 Changes in taxation

##### (a) Imposition of "Cukai Makmur"

In December 2021, the Government enacted a change in the national income tax rate for year of assessment ("YA") 2022 via the introduction of "Cukai Makmur" - a special one-off tax to be imposed on non-Micro, Small and Medium Enterprises (non-MSMEs) companies which generate high profits during the pandemic.

Accordingly, the applicable tax rates of the Company for YA 2022 are as follows:

- Chargeable income for the first RM100 million: 24%; and
- Portion of chargeable income in excess of RM100 million: 33%.

In measuring deferred tax assets and liabilities (Note 10) as at 31 December 2021, the Group and the Company have estimated an average tax rate based on a range of estimated taxable income for YA 2022 as well as the timing of reversal of deferred tax balances.

##### (b) Changes in tax act on adjusted income for Family Takaful business - Shareholder's fund

Effective from YA 2022, wakalah fees or any other fees received by the Shareholder's fund in relation to Family Takaful fund are taxable similar to the General Takaful fund. Correspondingly, expenses relating to wakalah fees or any other fees incurred in relation to the fees from both Family Takaful fund and General Takaful fund are allowed as deduction under the shareholders' fund. This covers both management expenses and administrative fees.

As at 31 December 2021, the Company has recognised additional deferred tax in the Takaful Operator's fund arising from this change (Note 10).

## NOTES TO THE FINANCIAL STATEMENTS

## 32. Other comprehensive income

|   | ----- Group ----- |            |           |          |            |          |
|---|-------------------|------------|-----------|----------|------------|----------|
|   | 2021              | 2021       | Net       | 2020     | 2020       | Net      |
|   | Before            | Tax        | of tax    | Before   | Tax        | of tax   |
|   | tax               | (expense)/ | benefit   | tax      | (expense)/ | benefit  |
|   | RM'000            | RM'000     | RM'000    | RM'000   | RM'000     | RM'000   |
| <b>Takaful Operator</b>   |                   |            |           |          |            |          |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |                   |            |           |          |            |          |
| Remeasurement of defined benefit liability                                | (27)              | 6          | (21)      | (558)    | 134        | (424)    |
| Revaluation of property and equipment                                     |                   |            |           |          |            |          |
| - Gains arising during the year   | 1,214             | -          | 1,214     | 803      | -          | 803      |
|   | 1,187             | 6          | 1,193     | 245      | 134        | 379      |
| <b>Items that may be reclassified subsequently to profit or loss</b>      |                   |            |           |          |            |          |
| Foreign currency translation differences for foreign operations           | 1,058             | -          | 1,058     | (1,409)  | -          | (1,409)  |
| Debt investments measured at FVOCI  |                   |            |           |          |            |          |
| - net change in fair value  | (31,063)          | 7,455      | (23,608)  | 13,618   | (3,268)    | 10,350   |
| - reclassified to profit or loss  | (3,954)           | 949        | (3,005)   | (3,335)  | 801        | (2,534)  |
|   | (33,959)          | 8,404      | (25,555)  | 8,874    | (2,467)    | 6,407    |
|   | (32,772)          | 8,410      | (24,362)  | 9,119    | (2,333)    | 6,786    |
| <b>Family Takaful</b>   |                   |            |           |          |            |          |
| <b>Items that may be reclassified subsequently to profit or loss</b>      |                   |            |           |          |            |          |
| Debt investments measured at FVOCI  |                   |            |           |          |            |          |
| - net change in fair value  | (244,834)         | -          | (244,834) | 96,773   | -          | 96,773   |
| - reclassified to profit or loss  | (24,964)          | -          | (24,964)  | (27,843) | -          | (27,843) |
| Other comprehensive income attributable to participants                   | 269,798           | -          | 269,798   | (68,930) | -          | (68,930) |
|   | -                 | -          | -         | -        | -          | -        |

## NOTES TO THE FINANCIAL STATEMENTS

**32. Other comprehensive income (continued)**

|   | ----- Group -----> |            |           |          |            |          |
|---|--------------------|------------|-----------|----------|------------|----------|
|   | 2021               | 2021       | Net       | 2020     | 2020       | Net      |
|   | Before             | Tax        | of tax    | Before   | Tax        | of tax   |
|   | tax                | (expense)/ | benefit   | tax      | (expense)/ | benefit  |
|   | RM'000             | RM'000     | RM'000    | RM'000   | RM'000     | RM'000   |
| <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  | (16,518)           | -          | (16,518)  | 6,553    | -          | 6,553    |
| - reclassified to profit or loss  | (387)              | -          | (387)     | (2,486)  | -          | (2,486)  |
| Other comprehensive income attributable to participants                   | 16,905             | -          | 16,905    | (4,067)  | -          | (4,067)  |
|   | -                  | -          | -         | -        | -          | -        |
| <b>Group</b>  |                    |            |           |          |            |          |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |                    |            |           |          |            |          |
| Remeasurement of defined benefit liability                                | (27)               | 6          | (21)      | (558)    | 134        | (424)    |
| Revaluation of property and equipment                                     |                    |            |           |          |            |          |
| - Gains arising during the year   | 10,721             | -          | 10,721    | 6,818    | -          | 6,818    |
| Other comprehensive income attributable to participants                   | (9,507)            | -          | (9,507)   | (6,015)  | -          | (6,015)  |
|   | 1,187              | 6          | 1,193     | 245      | 134        | 379      |
| <b>Items that may be reclassified subsequently to profit or loss</b>      |                    |            |           |          |            |          |
| Foreign currency translation differences for foreign operations           | 1,058              | -          | 1,058     | (1,409)  | -          | (1,409)  |
| Debt investments measured at FVOCI  |                    |            |           |          |            |          |
| - net change in fair value  | (292,415)          | 7,455      | (284,960) | 116,944  | (3,268)    | 113,676  |
| - reclassified to profit or loss  | (29,305)           | 949        | (28,356)  | (33,664) | 801        | (32,863) |
| Other comprehensive income attributable to participants                   | 286,703            | -          | 286,703   | (72,997) | -          | (72,997) |
|   | (33,959)           | 8,404      | (25,555)  | 8,874    | (2,467)    | 6,407    |
|   | (32,772)           | 8,410      | (24,362)  | 9,119    | (2,333)    | 6,786    |

## NOTES TO THE FINANCIAL STATEMENTS

## 32. Other comprehensive income (continued)

|  | ----- Company ----->                           |                         |  |                         |         |          |
|--|--|-------------------------|--|-------------------------|---------|----------|
|  | 2021<br>Tax<br>(expense)/<br>benefit<br>RM'000 | Net<br>of tax<br>RM'000 | 2020<br>Tax<br>(expense)/<br>benefit<br>RM'000 | Net<br>of tax<br>RM'000 |         |          |
| <b>Takaful Operator</b>  |  |                         |  |                         |         |          |
| <b>Item that will not be reclassified 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 subsequently to profit or loss</b>     |  |                         |  |                         |         |          |
| Debt investments measured at FVOCI                                       |  |                         |  |                         |         |          |
| - net change in fair value   | (23,947)                                       | 5,746                   | (18,201)                                       | 10,908                  | (2,618) | 8,290    |
| - reclassified to profit or loss   | (3,228)  | 775                     | (2,453)  | (3,335)                 | 801     | (2,534)  |
|  | (27,175)                                       | 6,521                   | (20,654)                                       | 7,573                   | (1,817) | 5,756    |
|  | (27,165)                                       | 6,521                   | (20,644)                                       | 7,583                   | (1,817) | 5,766    |
| <b>Family Takaful</b>  |  |                         |  |                         |         |          |
| <b>Items that may be reclassified subsequently to profit or loss</b>     |  |                         |  |                         |         |          |
| Debt investments measured at FVOCI                                       |  |                         |  |                         |         |          |
| - net change in fair value   | (244,654)                                      | -                       | (244,654)                                      | 96,593                  | -       | 96,593   |
| - reclassified to profit or loss   | (24,964)                                       | -                       | (24,964)                                       | (27,843)                | -       | (27,843) |
| Other comprehensive income attributable to participants                  | 269,618  | -                       | 269,618  | (68,750)                | -       | (68,750) |
|  | -  | -                       | -  | -                       | -       | -        |

## NOTES TO THE FINANCIAL STATEMENTS

**32. Other comprehensive income (continued)**

|   | ----- Company -----> |            |           |          |            |          |
|---|----------------------|------------|-----------|----------|------------|----------|
|   | 2021                 | 2021       | Net       | 2020     | 2020       | Net      |
|   | Before               | Tax        | of tax    | Before   | Tax        | of tax   |
|   | tax                  | (expense)/ | Net       | tax      | (expense)/ | Net      |
|   | RM'000               | benefit    | of tax    | RM'000   | benefit    | of tax   |
|   | RM'000               | RM'000     | RM'000    | RM'000   | RM'000     | RM'000   |
| <b>Company</b>  |                      |            |           |          |            |          |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |                      |            |           |          |            |          |
| Revaluation of property and equipment                                     |                      |            |           |          |            |          |
| - Gains arising during the year   | 7,622                | -          | 7,622     | 4,760    | -          | 4,760    |
| Other comprehensive income attributable to participants                   | (7,612)              | -          | (7,612)   | (4,750)  | -          | (4,750)  |
|   | 10                   | -          | 10        | 10       | -          | 10       |
| <b>Items that may be reclassified subsequently to profit or loss</b>      |                      |            |           |          |            |          |
| Debt investments measured at FVOCI  |                      |            |           |          |            |          |
| - net change in fair value  | (268,601)            | 5,746      | (262,855) | 107,501  | (2,618)    | 104,883  |
| - reclassified to profit or loss  | (28,192)             | 775        | (27,417)  | (31,178) | 801        | (30,377) |
| Other comprehensive income attributable to participants                   | 269,618              | -          | 269,618   | (68,750) | -          | (68,750) |
|   | (27,175)             | 6,521      | (20,654)  | 7,573    | (1,817)    | 5,756    |
|   | (27,165)             | 6,521      | (20,644)  | 7,583    | (1,817)    | 5,766    |

## 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 2021 was based on the profit attributable to ordinary shareholders of RM411,423,000 (2020: RM362,420,000) and a weighted average number of ordinary shares outstanding, calculated as follows:

|   | Group    |          |
|---|----------|----------|
|   | 2021     | 2020     |
|   | Unit'000 | Unit'000 |
| Issued ordinary shares at beginning of the year (basic) | 830,433  | 826,793  |
| Effect of ordinary shares issued under LTIP             | 1,952    | 1,496    |
| Weighted average number of ordinary shares (basic)      | 832,385  | 828,289  |

***Diluted earnings per ordinary share***

The calculation of diluted earnings per ordinary share at 31 December 2021 was based on the profit attributable to ordinary shareholders of RM411,423,000 (2020: RM362,420,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

|  | Group    |          |
|--|----------|----------|
|  | 2021     | 2020     |
|  | Unit'000 | Unit'000 |
| Weighted average number of ordinary shares (basic)   | 832,385  | 828,289  |
| Effect of Restricted / Performance shares on issue   | 2,721    | 3,442    |
| Weighted average number of ordinary shares (diluted) | 835,106  | 831,731  |

**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>2021</b>  |                                   |                           |                    |
| Interim ordinary dividend per ordinary share for financial year 2021 | 12.00                             | 100,275                   | 17.1.2022          |
| <b>2020</b>  |                                   |                           |                    |
| Interim ordinary dividend per ordinary share for financial year 2020 | 12.00                             | 99,652                    | 29.1.2021          |

## 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>2021</b>  |                            |                             |                                |
| Total external revenue                                     | 3,054,416                  | 124,594                     | 3,179,010                      |
| Inter-segment revenue                                      | -                          | -                           | -                              |
| Total segment revenue                                      | 3,054,416                  | 124,594                     | 3,179,010                      |
| Segment result / Profit before zakat and taxation          | 435,248                    | 3,452                       | 438,700                        |
| Zakat  |                            |                             | (1,316)                        |
| Tax expense  |                            |                             | (25,184)                       |
| Profit for the year  |                            |                             | 412,200                        |
| Segment assets by location of assets                       | 12,177,249                 | 531,585                     | 12,708,834                     |
| Segment liabilities by location of liabilities             | 10,414,205                 | 452,246                     | 10,866,451                     |
| Capital expenditure by location of assets                  | 11,839                     | 274                         | 12,113                         |
| Depreciation and amortisation                              | 54,387                     | 2,382                       | 56,769                         |
| Non-cash expenses other than depreciation and amortisation | 22,336                     | 218                         | 22,554                         |

## NOTES TO THE FINANCIAL STATEMENTS

**35. Operating segments (continued)****Geographical segments (continued)**

|  | <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                         |

**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 Policy 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>2021</b>                               |       |                     |                     |               |
| Term                                      |       | 1,321,479           | (5,968)             | 1,315,511     |
| Endowment                                 |       | 949,605             | (4,427)             | 945,178       |
| Mortgage                                  |       | 3,895,483           | (353,034)           | 3,542,449     |
| Annuity                                   |       | 273,686             | -                   | 273,686       |
| <b>Total Family actuarial liabilities</b> | 16(c) | 6,440,253           | (363,429)           | 6,076,824     |

## NOTES TO THE FINANCIAL STATEMENTS

## 37. Takaful risk management (continued)

## (a) Family Takaful Fund (continued)

|   | 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     |

|   | Note  | ←----- Company -----→ |                     |               |
|---|-------|-----------------------|---------------------|---------------|
|   |       | Gross<br>RM'000       | Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>2021</b>                               |       |                       |                     |               |
| Term                                      |       | 1,320,688             | (5,968)             | 1,314,720     |
| Endowment                                 |       | 743,915               | (1,438)             | 742,477       |
| Mortgage                                  |       | 3,822,116             | (315,264)           | 3,506,852     |
| Annuity                                   |       | 273,686               | -                   | 273,686       |
| <b>Total Family actuarial liabilities</b> | 16(c) | 6,160,405             | (322,670)           | 5,837,735     |

|   |       |           |           |           |
|---|-------|-----------|-----------|-----------|
| <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 |

**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>2021</b>       |                               |               |                |
| Endowment         | +10% <sup>(i)</sup>           | -1%           | -20%           |
| Mortgage          | +10% <sup>(i)</sup>           | -1%           | -20%           |
| Investment-linked | +10% <sup>(i)</sup>           | -1%           | -20%           |
| <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%           |

(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<br>assumptions | Impact on<br>gross<br>liabilities<br>RM'000 | Impact on<br>net<br>liabilities<br>RM'000 | Impact on<br>unallocated<br>surplus<br>RM'000 |
| <b>2021</b>                |                          |   |   |   |
| Mortality / morbidity rate | +10%                     | 302,243                                     | 257,475                                   | (257,475)                                     |
| Discount rate              | -1%                      | 233,267                                     | 193,139                                   | (193,139)                                     |
| Surrender rate             | -20%                     | 93,590                                      | 54,499                                    | (54,499)                                      |
| <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)                                      |
|                            | ----- Company -----      |   |   |   |
|                            | Change in<br>assumptions | Impact on<br>gross<br>liabilities<br>RM'000 | Impact on<br>net<br>liabilities<br>RM'000 | Impact on<br>unallocated<br>surplus<br>RM'000 |
| <b>2021</b>                |                          |   |   |   |
| Mortality / morbidity rate | +10%                     | 207,982                                     | 204,949                                   | (204,949)                                     |
| Discount rate              | -1%                      | 142,869                                     | 142,236                                   | (142,236)                                     |
| Surrender rate             | -20%                     | 5,206                                       | 4,656                                     | (4,656)                                       |
| <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)                                       |

## 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.

|                           | Note | <-----Group-----> |                     |               |
|---------------------------|------|-------------------|---------------------|---------------|
|                           |      | Gross<br>RM'000   | Retakaful<br>RM'000 | Net<br>RM'000 |
| <b>2021</b>               |      |                   |                     |               |
| Fire                      |      | 293,228           | (148,697)           | 144,531       |
| Motor                     |      | 468,086           | (213,299)           | 254,787       |
| Marine                    |      | 3,793             | (970)               | 2,823         |
| Miscellaneous             |      | 152,698           | (56,367)            | 96,331        |
| <b>Gross contribution</b> | 21   | 917,805           | (419,333)           | 498,472       |
| <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       |

#### **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 reporting period***

Reserves are based on assumption that claim reporting period will be stable over years. A change in claim reporting pattern by the participants 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.

|                                  | Change in assumptions | Group                              |                                  |                                    |
|----------------------------------|-----------------------|------------------------------------|----------------------------------|------------------------------------|
|                                  |                       | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on operating surplus RM'000 |
| <b>2021</b>                      |                       |                                    |                                  |                                    |
| Fire loss ratio for AY 2021      | +10%                  | 33,232                             | 18,234                           | (18,234)                           |
| Motor Act loss ratio for AY 2021 | +10%                  | 10,118                             | 5,927                            | (5,927)                            |
| Average claim cost               | +10%                  | 88,270                             | 29,741                           | (29,741)                           |
| Average claim frequency          | +10%                  | 24,206                             | 13,555                           | (13,555)                           |
| Average claim reporting period   | Increase by 6 months  | 136,452                            | 55,998                           | (55,998)                           |
| <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 reporting period   | Increase by 6 months  | 225,703                            | 83,310                           | (83,310)                           |

##### *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 2021 (Group):

| Accident year   | Before         | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | Total          |
|---|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------|
|   | 2014<br>RM'000 | RM'000         |
| At end of accident year   | 262,204        | 221,648   | 223,780   | 295,991   | 375,596   | 444,903   | 391,412   | 526,098   |                |
| One year later  | 251,372        | 208,227   | 203,209   | 267,272   | 344,545   | 396,142   | 332,904   | -         |                |
| Two years later   | 250,924        | 188,734   | 202,810   | 240,429   | 409,748   | 390,826   | -         | -         |                |
| Three years later   | 243,501        | 172,121   | 202,762   | 231,587   | 410,267   | -         | -         | -         |                |
| Four years later  | 235,522        | 165,394   | 201,289   | 232,469   | -         | -         | -         | -         |                |
| Five years later  | 229,543        | 164,371   | 202,836   | -         | -         | -         | -         | -         |                |
| Six years later   | 231,864        | 165,143   | -         | -         | -         | -         | -         | -         |                |
| Seven years later   | 231,105        | -         | -         | -         | -         | -         | -         | -         |                |
| <b>Current estimate of cumulative claims incurred</b>                                 | 231,105        | 165,143   | 202,836   | 232,469   | 410,267   | 390,826   | 332,904   | 526,098   | 2,491,648      |
| At end of accident year   | (58,855)       | (59,362)  | (75,630)  | (99,942)  | (130,992) | (160,378) | (123,221) | (131,643) |                |
| One year later  | (138,390)      | (124,477) | (137,673) | (175,925) | (236,588) | (239,236) | (224,945) | -         |                |
| Two years later   | (180,634)      | (145,455) | (172,581) | (204,497) | (269,543) | (280,814) | -         | -         |                |
| Three years later   | (212,447)      | (156,623) | (189,935) | (211,834) | (289,652) | -         | -         | -         |                |
| Four years later  | (221,968)      | (160,346) | (194,422) | (214,533) | -         | -         | -         | -         |                |
| Five years later  | (223,057)      | (162,956) | (197,389) | -         | -         | -         | -         | -         |                |
| Six years later   | (227,022)      | (164,326) | -         | -         | -         | -         | -         | -         |                |
| Seven years later   | (228,796)      | -         | -         | -         | -         | -         | -         | -         |                |
| <b>Cumulative payments to-date</b>  | (228,796)      | (164,326) | (197,389) | (214,533) | (289,652) | (280,814) | (224,945) | (131,643) | (1,732,098)    |
| <b>Gross General Takaful contract liabilities</b>                                     | 2,309          | 817       | 5,447     | 17,936    | 120,615   | 110,012   | 107,959   | 394,455   | 759,550        |
| Additional risk margin  |                |           |           |           |           |           |           |           | 105,881        |
| <b>Gross General Takaful contract liabilities per financial position (Note 16(a))</b> |                |           |           |           |           |           |           |           | <b>865,431</b> |

## NOTES TO THE FINANCIAL STATEMENTS

## 37. Takaful risk management (continued)

## (b) General Takaful Fund (continued)

## Net General Takaful contract liabilities for 2021 (Group):

| Accident year   | Before         |                |                |                |                |                |                | Total<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 |                 |
| At end of accident year   | 149,409        | 127,623        | 130,234        | 158,981        | 218,797        | 233,783        | 201,454        | 238,767         |
| One year later  | 128,160        | 121,144        | 130,936        | 150,209        | 200,540        | 197,759        | 168,034        | -               |
| Two years later   | 120,438        | 112,551        | 127,663        | 140,847        | 192,251        | 199,556        | -              | -               |
| Three years later   | 114,884        | 105,004        | 124,901        | 138,651        | 189,784        | -              | -              | -               |
| Four years later  | 111,191        | 103,672        | 123,640        | 138,780        | -              | -              | -              | -               |
| Five years later  | 111,283        | 103,724        | 125,467        | -              | -              | -              | -              | -               |
| Six years later   | 110,775        | 103,506        | -              | -              | -              | -              | -              | -               |
| Seven years later   | 111,010        | -              | -              | -              | -              | -              | -              | -               |
| <b>Current estimate of cumulative claims incurred</b>                               | 111,010        | 103,506        | 125,467        | 138,780        | 189,784        | 199,556        | 168,034        | 238,767         |
|   |                |                |                |                |                |                |                | 1,274,904       |
| At end of accident year   | (43,125)       | (42,496)       | (54,552)       | (67,730)       | (90,056)       | (97,579)       | (72,745)       | (78,486)        |
| One year later  | (88,199)       | (84,402)       | (97,117)       | (117,548)      | (149,370)      | (146,663)      | (120,098)      | -               |
| Two years later   | (103,471)      | (96,660)       | (113,364)      | (129,329)      | (166,084)      | (166,935)      | -              | -               |
| Three years later   | (108,312)      | (100,570)      | (119,281)      | (132,997)      | (173,946)      | -              | -              | -               |
| Four years later  | (109,189)      | (101,961)      | (121,171)      | (134,761)      | -              | -              | -              | -               |
| Five years later  | (109,784)      | (102,880)      | (122,524)      | -              | -              | -              | -              | -               |
| Six years later   | (110,020)      | (103,091)      | -              | -              | -              | -              | -              | -               |
| Seven years later   | (110,287)      | -              | -              | -              | -              | -              | -              | -               |
| <b>Cumulative payments to-date</b>  | (110,287)      | (103,091)      | (122,524)      | (134,761)      | (173,946)      | (166,935)      | (120,098)      | (78,486)        |
|   |                |                |                |                |                |                |                | (1,010,128)     |
| <b>Net General Takaful contract liabilities</b>                                     | 723            | 415            | 2,943          | 4,019          | 15,838         | 32,621         | 47,936         | 160,281         |
| Additional risk margin  |                |                |                |                |                |                |                | 33,078          |
| <b>Net General Takaful contract liabilities per financial position (Note 16(a))</b> |                |                |                |                |                |                |                | 297,854         |

## 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    | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020        | Total  |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|--------|
|   | RM'000      | 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         |                |                |                |                |                |                | Total<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 |                 |
| 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         |
| 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)        |
| <b>Net General Takaful contract liabilities</b>                                     | 543            | 755            | 844            | 2,469          | 5,654          | 26,167         | 51,096         | 128,709         |
| 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

**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")

| 2021   | 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    | 1,248,204                    | -            | 89,007                            | 24,373                    | 1,134,824               |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 663,005                      | 663,005      | -                                 | -                         | -                       |
| Cash and cash equivalents  | 13   | 270,056                      | 270,056      | -                                 | -                         | -                       |
|  |      | 2,181,265                    | 933,061      | 89,007                            | 24,373                    | 1,134,824               |
| <b>Family Takaful</b>  |      |                              |              |                                   |                           |                         |
| Other investments  | 8    | 5,927,090                    | -            | 594,948                           | 134,201                   | 5,197,941               |
| Retakaful assets   | 9    | 25,074                       | 25,074       | -                                 | -                         | -                       |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 1,074,881                    | 1,074,881    | -                                 | -                         | -                       |
| Takaful receivables  | 12   | 195,152                      | 195,152      | -                                 | -                         | -                       |
| Cash and cash equivalents  | 13   | 530,413                      | 530,413      | -                                 | -                         | -                       |
|  |      | 7,752,610                    | 1,825,520    | 594,948                           | 134,201                   | 5,197,941               |
| <b>General Takaful</b>   |      |                              |              |                                   |                           |                         |
| Other investments  | 8    | 403,187                      | -            | -                                 | -                         | 403,187                 |
| Retakaful assets   | 9    | 400,969                      | 400,969      | -                                 | -                         | -                       |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 592,292                      | 592,292      | -                                 | -                         | -                       |
| Takaful receivables  | 12   | 140,772                      | 140,772      | -                                 | -                         | -                       |
| Cash and cash equivalents  | 13   | 46,451                       | 46,451       | -                                 | -                         | -                       |
|  |      | 1,583,671                    | 1,180,484    | -                                 | -                         | 403,187                 |
| <b>Group</b>   |      |                              |              |                                   |                           |                         |
| Other investments  | 8    | 7,536,341                    | -            | 641,815                           | 158,574                   | 6,735,952               |
| Retakaful assets   | 9    | 426,043                      | 426,043      | -                                 | -                         | -                       |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 2,255,993                    | 2,255,993    | -                                 | -                         | -                       |
| Takaful receivables  | 12   | 335,924                      | 335,924      | -                                 | -                         | -                       |
| Cash and cash equivalents  | 13   | 846,920                      | 846,920      | -                                 | -                         | -                       |
|  |      | 11,401,221                   | 3,864,880    | 641,815                           | 158,574                   | 6,735,952               |

## 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>- DUJR<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          | -                                 | -                         | -                       |
|  |      | <u>1,817,390</u>             | <u>914,970</u>   | <u>88,997</u>                     | <u>21,472</u>             | <u>791,951</u>          |
| <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          | -                                 | -                         | -                       |
|  |      | <u>7,446,410</u>             | <u>2,022,213</u> | <u>585,679</u>                    | <u>139,084</u>            | <u>4,699,434</u>        |
| <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           | -                                 | -                         | -                       |
|  |      | <u>1,353,814</u>             | <u>1,007,238</u> | <u>-</u>                          | <u>-</u>                  | <u>346,576</u>          |
| <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          | -                                 | -                         | -                       |
|  |      | <u>10,513,471</u>            | <u>3,881,986</u> | <u>632,968</u>                    | <u>160,556</u>            | <u>5,837,961</u>        |

## NOTES TO THE FINANCIAL STATEMENTS

## 38. Financial instruments (continued)

## 38.1 Categories of financial instruments (continued)

| 2021   | Note | Company                   |              |                                   |                           |                         |
|--|------|---------------------------|--------------|-----------------------------------|---------------------------|-------------------------|
|  |      | Carrying 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 assets</b>  |      |                           |              |                                   |                           |                         |
| <b>Takaful Operator</b>  |      |                           |              |                                   |                           |                         |
| Other investments  | 8    | 966,462                   | -            | 67,484                            | -                         | 898,978                 |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 411,537                   | 411,537      | -                                 | -                         | -                       |
| Cash and cash equivalents  | 13   | 202,651                   | 202,651      | -                                 | -                         | -                       |
|  |      | 1,580,650                 | 614,188      | 67,484                            | -                         | 898,978                 |
| <b>Family Takaful</b>  |      |                           |              |                                   |                           |                         |
| Other investments  | 8    | 5,708,462                 | -            | 510,521                           | -                         | 5,197,941               |
| Retakaful assets   | 9    | 23,033                    | 23,033       | -                                 | -                         | -                       |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 1,065,364                 | 1,065,364    | -                                 | -                         | -                       |
| Takaful receivables  | 12   | 177,268                   | 177,268      | -                                 | -                         | -                       |
| Cash and cash equivalents  | 13   | 409,816                   | 409,816      | -                                 | -                         | -                       |
|  |      | 7,383,943                 | 1,675,481    | 510,521                           | -                         | 5,197,941               |
| <b>Company</b>   |      |                           |              |                                   |                           |                         |
| Other investments  | 8    | 6,632,784                 | -            | 535,865                           | -                         | 6,096,919               |
| Retakaful assets   | 9    | 23,033                    | 23,033       | -                                 | -                         | -                       |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 11   | 1,433,587                 | 1,433,587    | -                                 | -                         | -                       |
| Takaful receivables  | 12   | 177,268                   | 177,268      | -                                 | -                         | -                       |
| Cash and cash equivalents  | 13   | 612,467                   | 612,467      | -                                 | -                         | -                       |
|  |      | 8,879,139                 | 2,246,355    | 535,865                           | -                         | 6,096,919               |

## NOTES TO THE FINANCIAL STATEMENTS

### 38. Financial instruments (continued)

#### 38.1 Categories of financial instruments (continued)

| 2020   | Note | Company                   |                  |                                   |                           |                         |
|--|------|---------------------------|------------------|-----------------------------------|---------------------------|-------------------------|
|  |      | Carrying 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 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           | -                                 | -                         | -                       |
|  |      | <u>1,293,393</u>          | <u>584,035</u>   | <u>68,807</u>                     | <u>-</u>                  | <u>640,551</u>          |
| <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          | -                                 | -                         | -                       |
|  |      | <u>7,066,513</u>          | <u>1,861,092</u> | <u>505,987</u>                    | <u>-</u>                  | <u>4,699,434</u>        |
| <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          | -                                 | -                         | -                       |
|  |      | <u>8,277,858</u>          | <u>2,404,787</u> | <u>533,086</u>                    | <u>-</u>                  | <u>5,339,985</u>        |

## NOTES TO THE FINANCIAL STATEMENTS

## 38. Financial instruments (continued)

## 38.1 Categories of financial instruments (continued)

| 2021                             | 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   | (28,673)                     | (28,673)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (305,342)                    | (305,342)    | -                                 | -                         | -                       |
|                                  |      | (334,015)                    | (334,015)    | -                                 | -                         | -                       |
| <b>Family Takaful</b>            |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (75,152)                     | (75,152)     | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (65,906)                     | (65,906)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (122,923)                    | (122,923)    | -                                 | -                         | -                       |
|                                  |      | (263,981)                    | (263,981)    | -                                 | -                         | -                       |
| <b>General Takaful</b>           |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (544,467)                    | (544,467)    | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (219,737)                    | (219,737)    | -                                 | -                         | -                       |
| Other payables                   | 19   | (88,084)                     | (88,084)     | -                                 | -                         | -                       |
|                                  |      | (852,288)                    | (852,288)    | -                                 | -                         | -                       |
| <b>Group</b>                     |      |                              |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (619,619)                    | (619,619)    | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (314,316)                    | (314,316)    | -                                 | -                         | -                       |
| Other payables                   | 19   | (442,164)                    | (442,164)    | -                                 | -                         | -                       |
|                                  |      | (1,376,099)                  | (1,376,099)  | -                                 | -                         | -                       |

## 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)

| 2021                             | Note | Company                   |              |                                   |                           |                         |
|----------------------------------|------|---------------------------|--------------|-----------------------------------|---------------------------|-------------------------|
|                                  |      | Carrying 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   | (16,231)                  | (16,231)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (261,112)                 | (261,112)    | -                                 | -                         | -                       |
|                                  |      | (277,343)                 | (277,343)    | -                                 | -                         | -                       |
| <b>Family Takaful</b>            |      |                           |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (70,540)                  | (70,540)     | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (61,146)                  | (61,146)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (112,673)                 | (112,673)    | -                                 | -                         | -                       |
|                                  |      | (244,359)                 | (244,359)    | -                                 | -                         | -                       |
| <b>Company</b>                   |      |                           |              |                                   |                           |                         |
| Provision for outstanding claims | 16   | (70,540)                  | (70,540)     | -                                 | -                         | -                       |
| Takaful payables                 | 18   | (77,377)                  | (77,377)     | -                                 | -                         | -                       |
| Other payables                   | 19   | (330,471)                 | (330,471)    | -                                 | -                         | -                       |
|                                  |      | (478,388)                 | (478,388)    | -                                 | -                         | -                       |

## 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>- DUJR<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)

## 38.2 Net gains and losses arising from use of financial instruments

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Takaful Operator</b>  |                |                |                |                |
| Net gains / (losses) on:   |                |                |                |                |
| Financial assets at FVTPL  |                |                |                |                |
| - Mandatorily required by MFRS 9                                 | 4,346          | 8,926          | 2,383          | 6,340          |
| - Designated upon initial recognition                            | 3              | 79             | -              | -              |
|  | 4,349          | 9,005          | 2,383          | 6,340          |
| Debt investments measured at FVOCI                               |                |                |                |                |
| - recognised in profit or loss                                   | 42,077         | 27,451         | 33,865         | 21,725         |
| - recognised in other comprehensive income                       | (38,910)       | 6,935          | (30,334)       | 4,225          |
| - reclassified from other comprehensive income to profit or loss | 3,954          | 3,335          | 3,228          | 3,335          |
|  | 7,121          | 37,721         | 6,759          | 29,285         |
| Financial assets at amortised cost                               | 16,779         | 27,903         | 9,208          | 16,943         |
|  | 28,249         | 74,629         | 18,350         | 52,568         |
| <b>Family Takaful</b>  |                |                |                |                |
| Net gains / (losses) on:   |                |                |                |                |
| Financial assets at FVTPL  |                |                |                |                |
| - Mandatorily required by MFRS 9                                 | 40,635         | 41,283         | 33,029         | 33,259         |
| - Designated upon initial recognition                            | (2,152)        | 1,871          | -              | -              |
|  | 38,483         | 43,154         | 33,029         | 33,259         |
| Debt investments measured at FVOCI                               |                |                |                |                |
| - recognised in profit or loss                                   | 214,578        | 188,212        | 214,578        | 188,212        |
| - recognised in participants' fund                               | (269,798)      | 68,930         | (269,618)      | 68,750         |
| - reclassified from participants' fund to profit or loss         | 24,964         | 27,843         | 24,964         | 27,843         |
|  | (30,256)       | 284,985        | (30,076)       | 284,805        |
| Financial assets at amortised cost                               | 35,919         | 62,037         | 29,581         | 56,114         |
|  | 44,146         | 390,176        | 32,534         | 374,178        |

## NOTES TO THE FINANCIAL STATEMENTS

### 38. Financial instruments (continued)

#### 38.2 Net gains and losses arising from use of financial instruments (continued)

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>General Takaful</b>                                   |                |                |                |                |
| Net gains / (losses) arising on:                         |                |                |                |                |
| Financial assets at FVTPL                                |                |                |                |                |
| - Mandatorily required by MFRS 9                         | -              | 280            | -              | -              |
|  | -              | 280            | -              | -              |
| Debt investments measured at FVOCI                       |                |                |                |                |
| - recognised in profit or loss                           | 14,475         | 15,850         | -              | -              |
| - recognised in participants' fund                       | (16,905)       | 4,067          | -              | -              |
| - reclassified from participants' fund to profit or loss | 387            | 2,486          | -              | -              |
|  | (2,043)        | 22,403         | -              | -              |
| Financial assets at amortised cost                       | 11,299         | 14,567         | -              | -              |
|  | 9,256          | 37,250         | -              | -              |
| <b>Group / Company</b>                                   |                |                |                |                |
| Net gains / (losses) on:                                 |                |                |                |                |
| Financial assets at FVTPL                                |                |                |                |                |
| - Mandatorily required by MFRS 9                         | 44,549         | 46,248         | 34,980         | 35,358         |
| - Designated upon initial recognition                    | (2,149)        | 1,950          | -              | -              |
|  | 42,400         | 48,198         | 34,980         | 35,358         |
| Debt investments measured at FVOCI                       |                |                |                |                |
| - recognised in profit or loss                           | 271,130        | 231,513        | 248,443        | 209,937        |
| - recognised in participants' fund                       | (325,613)      | 79,932         | (299,952)      | 72,975         |
| - reclassified from participants' fund to profit or loss | 29,305         | 33,664         | 28,192         | 31,178         |
|  | (25,178)       | 345,109        | (23,317)       | 314,090        |
| Financial assets at amortised cost                       | 63,997         | 104,507        | 38,789         | 73,057         |
|  | 81,219         | 497,814        | 50,452         | 422,505        |

## 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.

|                             | Group          |                | Company        |                |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| Islamic debt securities     | 974,613        | 1,150,976      | 943,479        | 1,038,486      |
| Institutional Trust Account | 617,774        | 652,486        | 534,302        | 571,048        |
|                             | 1,592,387      | 1,803,462      | 1,477,781      | 1,609,534      |

## 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          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2021<br>RM'000   | 2020<br>RM'000   | 2021<br>RM'000   | 2020<br>RM'000   |
| <b>Takaful Operator</b>  |                  |                  |                  |                  |
| FVTPL financial assets   |                  |                  |                  |                  |
| Islamic debt securities  | 57,445           | 55,560           | 16,536           | 17,044           |
| FVOCI financial assets   |                  |                  |                  |                  |
| Islamic debt securities  | 974,275          | 650,625          | 772,243          | 533,824          |
| Institutional Trust Account  | 86,977           | 107,046          | 63,055           | 83,877           |
| Malaysian Government Islamic papers                                    | 73,572           | 34,280           | 63,680           | 22,850           |
| Amortised cost   |                  |                  |                  |                  |
| Loans and receivables, excluding takaful receivables<br>and prepayment | 663,005          | 778,226          | 411,537          | 500,832          |
| Cash and cash equivalents  | 270,056          | 136,744          | 202,651          | 83,203           |
|  | <b>2,125,330</b> | <b>1,762,481</b> | <b>1,529,702</b> | <b>1,241,630</b> |
| <b>Family Takaful</b>  |                  |                  |                  |                  |
| FVTPL financial assets   |                  |                  |                  |                  |
| Islamic debt securities  | 284,219          | 345,093          | 150,018          | 206,009          |
| FVOCI financial assets   |                  |                  |                  |                  |
| Islamic debt securities  | 4,334,621        | 3,718,196        | 4,334,621        | 3,718,196        |
| Institutional Trust Account  | 471,247          | 487,171          | 471,247          | 487,171          |
| Malaysian Government Islamic papers                                    | 392,073          | 494,067          | 392,073          | 494,067          |
| Amortised cost   |                  |                  |                  |                  |
| Retakaful assets   | 25,074           | 10,103           | 23,033           | 9,318            |
| Loans and receivables, excluding takaful receivables<br>and prepayment | 1,074,881        | 1,315,186        | 1,065,364        | 1,310,647        |
| Takaful receivables  | 195,152          | 177,648          | 177,268          | 167,492          |
| Cash and cash equivalents  | 530,413          | 519,276          | 409,816          | 373,635          |
|  | <b>7,307,680</b> | <b>7,066,740</b> | <b>7,023,440</b> | <b>6,766,535</b> |

## NOTES TO THE FINANCIAL STATEMENTS

## 38. Financial instruments (continued)

## 38.4 Credit risk (continued)

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>General Takaful</b>   |                |                |                |                |
| FVOCI financial assets   |                |                |                |                |
| Islamic debt securities  | 333,745        | 282,590        | -              | -              |
| Institutional Trust Account  | 59,550         | 58,269         | -              | -              |
| Malaysian Government Islamic papers                                    | 9,892          | 5,717          | -              | -              |
| Amortised cost   |                |                |                |                |
| Retakaful assets   | 400,969        | 313,047        | -              | -              |
| Loans and receivables, excluding takaful receivables<br>and prepayment | 592,292        | 512,279        | -              | -              |
| Takaful receivables  | 140,772        | 125,323        | -              | -              |
| Cash and cash equivalents  | 46,451         | 56,589         | -              | -              |
|  | 1,583,671      | 1,353,814      | -              | -              |
| <b>Group / Company</b>   |                |                |                |                |
| FVTPL financial assets   |                |                |                |                |
| Islamic debt securities  | 341,664        | 400,653        | 166,554        | 223,053        |
| FVOCI financial assets   |                |                |                |                |
| Islamic debt securities  | 5,642,641      | 4,651,411      | 5,106,864      | 4,252,020      |
| Institutional Trust Account  | 617,774        | 652,486        | 534,302        | 571,048        |
| Malaysian Government Islamic papers                                    | 475,537        | 534,064        | 455,753        | 516,917        |
| Amortised cost   |                |                |                |                |
| Retakaful assets   | 426,043        | 323,150        | 23,033         | 9,318          |
| Loans and receivables, excluding takaful receivables<br>and prepayment | 2,255,993      | 2,543,256      | 1,433,587      | 1,771,139      |
| Takaful receivables  | 335,924        | 302,971        | 177,268        | 167,492        |
| Cash and cash equivalents  | 846,920        | 712,609        | 612,467        | 456,838        |
|  | 10,942,496     | 10,120,600     | 8,509,828      | 7,967,825      |

## 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.

| 2021  | Group         |              |             |               |              |             |                     |                       |   |   | Total<br>RM'000 |           |
|---|---------------|--------------|-------------|---------------|--------------|-------------|---------------------|-----------------------|---|---|-----------------|-----------|
|   | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | BB<br>RM'000 | C<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |   |   |                 |           |
| <b>Takaful Operator</b>   |               |              |             |               |              |             |                     |                       |   |   |                 |           |
| FVTPL   |               |              |             |               |              |             |                     |                       |   |   |                 |           |
| Islamic debt securities   | 6,774         | 33,663       | 3,082       | -             | -            | -           | 13,926              | -                     | - | - | -               | 57,445    |
| FVOCI   |               |              |             |               |              |             |                     |                       |   |   |                 |           |
| Islamic debt securities   | 324,857       | 361,861      | 4,964       | -             | -            | -           | 282,593             | -                     | - | - | -               | 974,275   |
| Institutional Trust Account   | -             | -            | -           | -             | -            | -           | 86,977              | -                     | - | - | -               | 86,977    |
| Malaysian Government Islamic papers                                 | -             | -            | -           | -             | -            | -           | 73,572 *            | -                     | - | - | -               | 73,572    |
| Amortised cost  |               |              |             |               |              |             |                     |                       |   |   |                 |           |
| Loans and receivables, excluding takaful receivables and prepayment | 85,090        | 273,474      | 94,881      | -             | -            | -           | 209,560             | -                     | - | - | -               | 663,005   |
| Cash and cash equivalents   | 152,734       | 72,683       | 274         | -             | -            | -           | 44,365              | -                     | - | - | -               | 270,056   |
|   | 569,455       | 741,681      | 103,201     | -             | -            | -           | 710,993             | -                     | - | - | -               | 2,125,330 |

\* 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)

| 2021  | Group         |              |             |               |              |             |                     |                       |  |  | Total<br>RM'000 |  |
|---|---------------|--------------|-------------|---------------|--------------|-------------|---------------------|-----------------------|--|--|-----------------|--|
|   | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | BB<br>RM'000 | C<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |  |  |                 |  |
| <b>Family Takaful</b>   |               |              |             |               |              |             |                     |                       |  |  |                 |  |
| FVTPL   |               |              |             |               |              |             |                     |                       |  |  |                 |  |
| Islamic debt securities   | 31,414        | 124,607      | 16,467      | -             | -            | -           | 53,443              | 58,288                |  |  | 284,219         |  |
| FVOCI   |               |              |             |               |              |             |                     |                       |  |  |                 |  |
| Islamic debt securities   | 1,583,431     | 1,496,193    | 44,954      | -             | 11,252       | 17,499      | 1,181,292           | -                     |  |  | 4,334,621       |  |
| Institutional Trust Account   | -             | -            | -           | -             | -            | -           | 471,247             | -                     |  |  | 471,247         |  |
| Malaysian Government Islamic papers                                 | -             | -            | -           | -             | -            | -           | 392,073 *           | -                     |  |  | 392,073         |  |
| Amortised cost  |               |              |             |               |              |             |                     |                       |  |  |                 |  |
| Retakaful assets  | -             | 19,640       | 1,875       | -             | -            | -           | 3,559               | -                     |  |  | 25,074          |  |
| Loans and receivables, excluding takaful receivables and prepayment | 234,324       | 408,483      | 181,940     | -             | -            | -           | 231,072             | 19,062                |  |  | 1,074,881       |  |
| Takaful receivables   | -             | -            | -           | -             | -            | -           | 195,152             | -                     |  |  | 195,152         |  |
| Cash and cash equivalents   | 144,021       | 162,630      | 34,190      | -             | -            | -           | 150,963             | 38,609                |  |  | 530,413         |  |
|   | 1,993,190     | 2,211,553    | 279,426     | -             | 11,252       | 17,499      | 2,678,801           | 115,959               |  |  | 7,307,680       |  |

\* 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)

| 2021  | Group         |              |             |               |              |             |                     |                       |   |   | Total<br>RM'000 |  |
|---|---------------|--------------|-------------|---------------|--------------|-------------|---------------------|-----------------------|---|---|-----------------|--|
|   | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | BB<br>RM'000 | C<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |   |   |                 |  |
| <b>General Takaful</b>  |               |              |             |               |              |             |                     |                       |   |   |                 |  |
| FVOCI   |               |              |             |               |              |             |                     |                       |   |   |                 |  |
| Islamic debt securities   | 102,703       | 152,369      | -           | -             | 1,607        | 2,204       | 74,862              | -                     | - | - | 333,745         |  |
| Institutional Trust Account   | -             | -            | -           | -             | -            | -           | 59,550              | -                     | - | - | 59,550          |  |
| Malaysian Government Islamic papers                                 | -             | -            | -           | -             | -            | -           | 9,892 *             | -                     | - | - | 9,892           |  |
| Amortised cost  |               |              |             |               |              |             |                     |                       |   |   |                 |  |
| Retakaful assets  | 285,229       | -            | 10,420      | 95,706        | -            | -           | 9,614               | -                     | - | - | 400,969         |  |
| Loans and receivables, excluding takaful receivables and prepayment | 74,130        | 233,145      | 132,012     | -             | -            | -           | 153,005             | -                     | - | - | 592,292         |  |
| Takaful receivables   | -             | -            | -           | -             | -            | -           | 140,772             | -                     | - | - | 140,772         |  |
| Cash and cash equivalents   | 9,862         | 35,968       | 408         | -             | -            | -           | 213                 | -                     | - | - | 46,451          |  |
|   | 471,924       | 421,482      | 142,840     | 95,706        | 1,607        | 2,204       | 447,908             | -                     | - | - | 1,583,671       |  |

\* 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)

| 2021  | Group         |              |             |               |              |             |                     |                       |  |  | Total<br>RM'000 |            |
|---|---------------|--------------|-------------|---------------|--------------|-------------|---------------------|-----------------------|--|--|-----------------|------------|
|   | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | BB<br>RM'000 | C<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |  |  |                 |            |
| <b>Group</b>  |               |              |             |               |              |             |                     |                       |  |  |                 |            |
| FVTPL   |               |              |             |               |              |             |                     |                       |  |  |                 |            |
| Islamic debt securities   | 38,188        | 158,270      | 19,549      | -             | -            | -           | 67,369              | 58,288                |  |  |                 | 341,664    |
| FVOCI   |               |              |             |               |              |             |                     |                       |  |  |                 |            |
| Islamic debt securities   | 2,010,991     | 2,010,423    | 49,918      | -             | 12,859       | 19,703      | 1,538,747           | -                     |  |  |                 | 5,642,641  |
| Institutional Trust Account   | -             | -            | -           | -             | -            | -           | 617,774             | -                     |  |  |                 | 617,774    |
| Malaysian Government Islamic papers                                 | -             | -            | -           | -             | -            | -           | 475,537 *           | -                     |  |  |                 | 475,537    |
| Amortised cost  |               |              |             |               |              |             |                     |                       |  |  |                 |            |
| Retakaful assets  | 285,229       | 19,640       | 12,295      | 95,706        | -            | -           | 13,173              | -                     |  |  |                 | 426,043    |
| Loans and receivables, excluding takaful receivables and prepayment | 393,544       | 915,102      | 408,833     | -             | -            | -           | 519,452             | 19,062                |  |  |                 | 2,255,993  |
| Takaful receivables   | -             | -            | -           | -             | -            | -           | 335,924             | -                     |  |  |                 | 335,924    |
| Cash and cash equivalents   | 306,617       | 271,281      | 34,872      | -             | -            | -           | 195,541             | 38,609                |  |  |                 | 846,920    |
|   | 3,034,569     | 3,374,716    | 525,467     | 95,706        | 12,859       | 19,703      | 3,763,517           | 115,959               |  |  |                 | 10,942,496 |

\* 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.

| 2020   | Group         |              |             |               |              |                     |                       |   |   |   | Total<br>RM'000 |
|--|---------------|--------------|-------------|---------------|--------------|---------------------|-----------------------|---|---|---|-----------------|
|  | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<br>RM'000 | BB<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>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<br>Amortised cost                  | -             | -            | -           | -             | -            | 34,280 *            | -                     | - | - | - | 34,280          |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 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 -----> |              |             |               |             |                     |                       |                 |  |  |
|--|---------------------|--------------|-------------|---------------|-------------|---------------------|-----------------------|-----------------|--|--|
|  | 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  |                     |              |             |               |             |                     |                       |                 |  |  |
| 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   | -                   | 8,158        | 771         | -             | -           | 1,174               | -                     | 10,103          |  |  |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 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           | 1,982,879    | 477,399     | 60,411        | -           | 2,805,305           | 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<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>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   | 231,302       | -            | 8,371       | 65,826        | -           | 7,548               | -                     | - | - | - | -               | 313,047   |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 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    |
|  | 352,192       | 447,012      | 101,906     | 69,992        | -           | 382,712             | -                     | - | - | - | -               | 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 |  |  |  |                 |  |
| <b>Group</b>   |               |              |             |               |             |                     |                       |  |  |  |                 |  |
| 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   | 231,302       | 8,158        | 9,142       | 65,826        | -           | 8,722               | -                     |  |  |  | 323,150         |  |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 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         |  |
|  | 2,370,451     | 2,977,036    | 770,438     | 130,403       | -           | 3,758,659           | 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 (continued)

| 2021                                | Company       |              |             |              |             |                     |                       |   |   |   | Total<br>RM'000 |
|-------------------------------------|---------------|--------------|-------------|--------------|-------------|---------------------|-----------------------|---|---|---|-----------------|
|                                     | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BB<br>RM'000 | C<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |   |   |   |                 |
| <b>Takaful Operator</b>             |               |              |             |              |             |                     |                       |   |   |   |                 |
| FVTPL                               |               |              |             |              |             |                     |                       |   |   |   |                 |
| Islamic debt securities             | -             | 16,536       | -           | -            | -           | -                   | -                     | - | - | - | 16,536          |
| FVOCI                               |               |              |             |              |             |                     |                       |   |   |   |                 |
| Islamic debt securities             | 263,157       | 269,429      | 4,964       | -            | -           | 234,693             | -                     | - | - | - | 772,243         |
| Institutional Trust Account         | -             | -            | -           | -            | -           | 63,055              | -                     | - | - | - | 63,055          |
| Malaysian Government Islamic papers | -             | -            | -           | -            | -           | 63,680 *            | -                     | - | - | - | 63,680          |
| Amortised cost                      |               |              |             |              |             |                     |                       |   |   |   |                 |
| Loans and receivables, excluding    |               |              |             |              |             |                     |                       |   |   |   |                 |
| takaful receivables and prepayment  | 49,631        | 192,033      | 37,813      | -            | -           | 132,060             | -                     | - | - | - | 411,537         |
| Cash and cash equivalents           | 141,508       | 60,822       | 274         | -            | -           | 47                  | -                     | - | - | - | 202,651         |
|                                     | 454,296       | 538,820      | 43,051      | -            | -           | 493,535             | -                     | - | - | - | 1,529,702       |

\* 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)

| 2021   | Company       |              |             |              |             |                     |                       |   |   |        | Total<br>RM'000 |           |
|--|---------------|--------------|-------------|--------------|-------------|---------------------|-----------------------|---|---|--------|-----------------|-----------|
|  | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BB<br>RM'000 | C<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |   |   |        |                 |           |
| <b>Family Takaful</b>  |               |              |             |              |             |                     |                       |   |   |        |                 |           |
| FVTPL  |               |              |             |              |             |                     |                       |   |   |        |                 |           |
| Islamic debt securities  | -             | 120,777      | -           | -            | -           | -                   | -                     | - | - | 29,241 | -               | 150,018   |
| FVOCI  |               |              |             |              |             |                     |                       |   |   |        |                 |           |
| Islamic debt securities  | 1,583,431     | 1,496,193    | 44,954      | 11,252       | 17,499      | 1,181,292           | -                     | - | - | -      | -               | 4,334,621 |
| Institutional Trust Account  | -             | -            | -           | -            | -           | 471,247             | -                     | - | - | -      | -               | 471,247   |
| Malaysian Government Islamic papers                                    | -             | -            | -           | -            | -           | 392,073 *           | -                     | - | - | -      | -               | 392,073   |
| Amortised cost   |               |              |             |              |             |                     |                       |   |   |        |                 |           |
| Retakaful assets   | -             | 19,473       | -           | -            | -           | 3,560               | -                     | - | - | -      | -               | 23,033    |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 234,324       | 408,483      | 181,940     | -            | -           | 221,555             | -                     | - | - | 19,062 | -               | 1,065,364 |
| Takaful receivables  | -             | -            | -           | -            | -           | 177,268             | -                     | - | - | -      | -               | 177,268   |
| Cash and cash equivalents  | 144,021       | 162,630      | 34,190      | -            | -           | 31,669              | -                     | - | - | 37,306 | -               | 409,816   |
|  | 1,961,776     | 2,207,556    | 261,084     | 11,252       | 17,499      | 2,478,664           | -                     | - | - | 85,609 | -               | 7,023,440 |

\* 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)

| 2021   | Company       |              |             |              |             |                     |                       |        |   |   | Total<br>RM'000 |
|--|---------------|--------------|-------------|--------------|-------------|---------------------|-----------------------|--------|---|---|-----------------|
|  | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BB<br>RM'000 | C<br>RM'000 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |        |   |   |                 |
| <b>Company</b>   |               |              |             |              |             |                     |                       |        |   |   |                 |
| FVTPL  |               |              |             |              |             |                     |                       |        |   |   |                 |
| Islamic debt securities  | -             | 137,313      | -           | -            | -           | -                   | -                     | 29,241 | - | - | 166,554         |
| FVOCI  |               |              |             |              |             |                     |                       |        |   |   |                 |
| Islamic debt securities  | 1,846,588     | 1,765,622    | 49,918      | 11,252       | 17,499      | 1,415,985           | -                     | -      | - | - | 5,106,864       |
| Institutional Trust Account  | -             | -            | -           | -            | -           | 534,302             | -                     | -      | - | - | 534,302         |
| Malaysian Government Islamic papers                                    | -             | -            | -           | -            | -           | 455,753 *           | -                     | -      | - | - | 455,753         |
| Amortised cost   |               |              |             |              |             |                     |                       |        |   |   |                 |
| Retakaful assets   | -             | 19,473       | -           | -            | -           | 3,560               | -                     | -      | - | - | 23,033          |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 283,955       | 600,516      | 219,753     | -            | -           | 310,301             | -                     | 19,062 | - | - | 1,433,587       |
| Takaful receivables  | -             | -            | -           | -            | -           | 177,268             | -                     | -      | - | - | 177,268         |
| Cash and cash equivalents  | 285,529       | 223,452      | 34,464      | -            | -           | 31,716              | -                     | 37,306 | - | - | 612,467         |
|  | 2,416,072     | 2,746,376    | 304,135     | 11,252       | 17,499      | 2,928,885           | -                     | 85,609 | - | - | 8,509,828       |

\* 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 | 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 and prepayment  | 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 | Not-rated<br>RM'000 | Unit-linked<br>RM'000 |           |                 |
| <b>Family Takaful</b>  |               |              |             |               |                     |                       |           |                 |
| FVTPL  |               |              |             |               |                     |                       |           |                 |
| Islamic debt securities  | -             | 46,513       | 78,404      | -             | 62,657              | 18,435                | 206,009   |                 |
| 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   | -             | 8,144        | -           | -             | 1,174               | -                     | 9,318     |                 |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 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     | 1,979,081    | 464,215     | 60,411        | 2,595,477           | 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<br>RM'000 |
|--|---------------|--------------|-------------|---------------|---------------------|-----------------------|-----------|-----------------|
|  | AAA<br>RM'000 | AA<br>RM'000 | A<br>RM'000 | BBB<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   | -             | 8,144        | -           | -             | 1,174               | -                     | 9,318     |                 |
| Loans and receivables, excluding<br>takaful receivables and prepayment | 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     | 2,397,592    | 557,336     | 60,411        | 2,959,198           | 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)**
**Allowance for impairment**

The following tables show reconciliations from the opening balance to the closing balance of the allowance for impairment by class of financial instruments.

|                                      | Group                     |                     |                     |                     |              |                           |                     |                     |                     |              |
|--------------------------------------|---------------------------|---------------------|---------------------|---------------------|--------------|---------------------------|---------------------|---------------------|---------------------|--------------|
|                                      | 2021                      |                     |                     |                     |              | 2020                      |                     |                     |                     |              |
|                                      | Islamic securities RM'000 | 12-month ECL RM'000 | 12-month ECL RM'000 | Lifetime ECL RM'000 | Total RM'000 | Islamic securities RM'000 | 12-month ECL RM'000 | 12-month ECL RM'000 | Lifetime ECL RM'000 | Total RM'000 |
| <b>Takaful Operator</b>              |                           |                     |                     |                     |              |                           |                     |                     |                     |              |
| At 1 January                         | 341                       | -                   | -                   | -                   | 614          | 328                       | 109                 | -                   | -                   | 614          |
| Net remeasurement of allowance       |                           |                     |                     |                     |              |                           |                     |                     |                     |              |
| for impairment                       | 1,129                     | (73)                | -                   | -                   | 1,056        | 13                        | -                   | -                   | -                   | 13           |
| Effect of movement in exchange rates | -                         | -                   | -                   | 2                   | 2            | -                         | -                   | -                   | (3)                 | (3)          |
| As at 31 December                    | 1,470                     | 36                  | -                   | 166                 | 1,672        | 341                       | 109                 | -                   | 164                 | 614          |
| <b>Family Takaful</b>                |                           |                     |                     |                     |              |                           |                     |                     |                     |              |
| At 1 January                         | 2,855                     | 1,770               | 22                  | 4,150               | -            | 806                       | 1,383               | 19                  | 3,842               | 6,351        |
| Net remeasurement of allowance       |                           |                     |                     |                     |              |                           |                     |                     |                     |              |
| for impairment                       | 10,508                    | (34)                | (22)                | (3,030)             | -            | 2,049                     | 387                 | 3                   | 308                 | -            |
| Write back of impairment allowance   | -                         | -                   | -                   | -                   | -            | -                         | -                   | -                   | -                   | (301)        |
| Effect of movement in exchange rates | -                         | -                   | -                   | 127                 | 127          | -                         | -                   | -                   | -                   | -            |
| As at 31 December                    | 13,363                    | 1,736               | -                   | 1,247               | -            | 2,855                     | 1,770               | 22                  | 4,150               | -            |
|                                      |                           |                     |                     |                     | 16,346       |                           |                     |                     |                     | 8,797        |



## NOTES TO THE FINANCIAL STATEMENTS

**38. Financial instruments (continued)**
**38.4 Credit risk (continued)**
**Allowance for impairment (continued)**

|   | Company                   |                     |                       |                            |                     |                           |                     |                       |                            |                     |       |  |
|---|---------------------------|---------------------|-----------------------|----------------------------|---------------------|---------------------------|---------------------|-----------------------|----------------------------|---------------------|-------|--|
|   | 2021                      |                     |                       |                            |                     | 2020                      |                     |                       |                            |                     |       |  |
|   | Islamic securities RM'000 | 12-month ECL RM'000 | Fixed deposits RM'000 | Takaful receivables RM'000 | Lifetime ECL RM'000 | Islamic securities RM'000 | 12-month ECL RM'000 | Fixed deposits RM'000 | Takaful receivables RM'000 | Lifetime ECL RM'000 |       |  |
| <b>Takaful Operator</b>                       |                           |                     |                       |                            |                     |                           |                     |                       |                            |                     |       |  |
| At 1 January                                  | 252                       | 109                 | -                     | -                          | 15                  | 240                       | 109                 | -                     | -                          | 15                  | 364   |  |
| Net remeasurement of allowance for impairment | 1,123                     | (73)                | -                     | -                          | -                   | 12                        | -                   | -                     | -                          | -                   | 12    |  |
| As at 31 December                             | 1,375                     | 36                  | -                     | -                          | 15                  | 252                       | 109                 | -                     | -                          | 15                  | 376   |  |
| <b>Family Takaful</b>                         |                           |                     |                       |                            |                     |                           |                     |                       |                            |                     |       |  |
| At 1 January                                  | 2,855                     | 1,770               | 22                    | 2,975                      | -                   | 806                       | 1,383               | 19                    | 3,842                      | 301                 | 6,351 |  |
| Net remeasurement of allowance for impairment | 10,508                    | (34)                | (22)                  | (1,728)                    | -                   | 2,049                     | 387                 | 3                     | (867)                      | -                   | 1,572 |  |
| Write back of impairment allowance            | -                         | -                   | -                     | -                          | -                   | -                         | -                   | -                     | -                          | (301)               | (301) |  |
| As at 31 December                             | 13,363                    | 1,736               | -                     | 1,247                      | -                   | 2,855                     | 1,770               | 22                    | 2,975                      | -                   | 7,622 |  |

## NOTES TO THE FINANCIAL STATEMENTS

## 38. Financial instruments (continued)

## 38.4 Credit risk (continued)

## Allowance for impairment (continued)

|                                    | Company                        |   |                                |                            |                              |              |                                |   |                                |                            |                              |              |
|------------------------------------|--------------------------------|---|--------------------------------|----------------------------|------------------------------|--------------|--------------------------------|---|--------------------------------|----------------------------|------------------------------|--------------|
|                                    | 2021                           |   |                                |                            |                              | 2020         |                                |   |                                |                            |                              |              |
|                                    | Islamic debt securities RM'000 | 12-month ECL Institutional Account RM'000 | Fixed deposits and call RM'000 | Takaful receivables RM'000 | Financing receivables RM'000 | Total RM'000 | Islamic debt securities RM'000 | 12-month ECL Institutional Account RM'000 | Fixed deposits and call RM'000 | Takaful receivables RM'000 | Financing receivables RM'000 | Total RM'000 |
| <b>Company</b>                     |                                |   |                                |                            |                              |              |                                |   |                                |                            |                              |              |
| At 1 January                       | 3,107                          | 1,879                                     | 22                             | 2,975                      | 15                           | 7,998        | 1,046                          | 1,492                                     | 19                             | 3,842                      | 316                          | 6,715        |
| Net remeasurement of allowance     |                                |   |                                |                            |                              |              |                                |   |                                |                            |                              |              |
| for impairment                     | 11,631                         | (107)                                     | (22)                           | (1,728)                    | -                            | 9,774        | 2,061                          | 387                                       | 3                              | (867)                      | -                            | 1,584        |
| Write back of impairment allowance | -                              | -   | -                              | -                          | -                            | -            | -                              | -   | -                              | -                          | (301)                        | (301)        |
| As at 31 December                  | 14,738                         | 1,772                                     | -                              | 1,247                      | 15                           | 17,772       | 3,107                          | 1,879                                     | 22                             | 2,975                      | 15                           | 7,998        |

## 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 have 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 Negatoove 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, Islamic debt securities at FVOCI and Institutional Trust Account 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.

| 2021                             | ----- Group ----->       |                                |                  |                |               |                   |                                 |
|----------------------------------|--------------------------|--------------------------------|------------------|----------------|---------------|-------------------|---------------------------------|
|                                  | Carrying value<br>RM'000 | Contractual interest rate<br>% | Up to a year*    | 1 - 3 years    | 3 - 5 years   | More than 5 years | Contractual cash flow<br>RM'000 |
| <b>Takaful Operator</b>          |                          |                                |                  |                |               |                   |                                 |
| Lease liabilities                | 493                      | 4% to 6.50%                    | 295              | 246            | -             | -                 | 541                             |
| Takaful payables                 | 28,673                   | -                              | 28,673           | -              | -             | -                 | 28,673                          |
| Other payables                   | 305,342                  | -                              | 305,079          | 263            | -             | -                 | 305,342                         |
|                                  | <u>334,508</u>           |                                | <u>334,047</u>   | <u>509</u>     | <u>-</u>      | <u>-</u>          | <u>334,556</u>                  |
| <b>Family Takaful</b>            |                          |                                |                  |                |               |                   |                                 |
| Provision for outstanding claims | 75,152                   | -                              | 75,152           | -              | -             | -                 | 75,152                          |
| Takaful payables                 | 65,906                   | -                              | 65,906           | -              | -             | -                 | 65,906                          |
| Other payables                   | 122,923                  | -                              | 121,224          | 1,699          | -             | -                 | 122,923                         |
|                                  | <u>263,981</u>           |                                | <u>262,282</u>   | <u>1,699</u>   | <u>-</u>      | <u>-</u>          | <u>263,981</u>                  |
| <b>General Takaful</b>           |                          |                                |                  |                |               |                   |                                 |
| Provision for outstanding claims | 544,467                  | -                              | 242,248          | 180,962        | 94,814        | 26,443            | 544,467                         |
| Takaful payables                 | 219,737                  | -                              | 219,737          | -              | -             | -                 | 219,737                         |
| Other payables                   | 88,084                   | -                              | 87,967           | 117            | -             | -                 | 88,084                          |
|                                  | <u>852,288</u>           |                                | <u>549,952</u>   | <u>181,079</u> | <u>94,814</u> | <u>26,443</u>     | <u>852,288</u>                  |
| <b>Group</b>                     |                          |                                |                  |                |               |                   |                                 |
| Provision for outstanding claims | 619,619                  | -                              | 317,400          | 180,962        | 94,814        | 26,443            | 619,619                         |
| Lease liabilities                | 493                      | 4% to 6.50%                    | 295              | 246            | -             | -                 | 541                             |
| Takaful payables                 | 314,316                  | -                              | 314,316          | -              | -             | -                 | 314,316                         |
| Other payables                   | 442,164                  | -                              | 440,085          | 2,079          | -             | -                 | 442,164                         |
|                                  | <u>1,376,592</u>         |                                | <u>1,072,096</u> | <u>183,287</u> | <u>94,814</u> | <u>26,443</u>     | <u>1,376,640</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                             | ----- Group ----->       |                                |                         |                       |                       |                             | Contractual cash flow<br>RM'000 |
|----------------------------------|--------------------------|--------------------------------|-------------------------|-----------------------|-----------------------|-----------------------------|---------------------------------|
|                                  | 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 |                                 |
| <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)

| 2021                                   | ----- Company ----->        |                                      |                  |                |                |                      |                                       |
|--|-----------------------------|--------------------------------------|------------------|----------------|----------------|----------------------|---------------------------------------|
|  | Carrying<br>value<br>RM'000 | Contractual<br>interest<br>rate<br>% | Up to<br>a year* | 1 - 3<br>years | 3 - 5<br>years | More than<br>5 years | Contractual<br>cash<br>flow<br>RM'000 |
| <b>Takaful Operator</b>                |                             |                                      |                  |                |                |                      |                                       |
| Lease liabilities                      | 493                         | 4% to 6.50%                          | 295              | 246            | -              | -                    | 541                                   |
| Takaful payables                       | 16,231                      | -                                    | 16,231           | -              | -              | -                    | 16,231                                |
| Other payables                         | 261,112                     | -                                    | 260,849          | 263            | -              | -                    | 261,112                               |
|  | 277,836                     |                                      | 277,375          | 509            | -              | -                    | 277,884                               |
| <b>Family Takaful</b>                  |                             |                                      |                  |                |                |                      |                                       |
| Provision for<br>outstanding<br>claims | 70,540                      | -                                    | 70,540           | -              | -              | -                    | 70,540                                |
| Takaful payables                       | 61,146                      | -                                    | 61,146           | -              | -              | -                    | 61,146                                |
| Other payables                         | 112,673                     | -                                    | 110,974          | 1,699          | -              | -                    | 112,673                               |
|  | 244,359                     |                                      | 242,660          | 1,699          | -              | -                    | 244,359                               |
| <b>Company</b>                         |                             |                                      |                  |                |                |                      |                                       |
| Provision for<br>outstanding<br>claims | 70,540                      | -                                    | 70,540           | -              | -              | -                    | 70,540                                |
| Lease liabilities                      | 493                         | 4% to 6.50%                          | 295              | 246            | -              | -                    | 541                                   |
| Takaful payables                       | 77,377                      | -                                    | 77,377           | -              | -              | -                    | 77,377                                |
| Other payables                         | 330,471                     | -                                    | 328,509          | 1,962          | -              | -                    | 330,471                               |
|  | 478,881                     |                                      | 476,721          | 2,208          | -              | -                    | 478,929                               |

\* 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*<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                 | 19,972                   | -                              | 19,972                  | -                     | -                     | -                           | 19,972                          |
| Other payables                   | 235,442                  | -                              | 235,179                 | 263                   | -                     | -                           | 235,442                         |
|                                  | 256,221                  |                                | 255,790                 | 483                   | -                     | -                           | 256,273                         |
| <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                         |
|                                  | 238,330                  |                                | 236,671                 | 1,659                 | -                     | -                           | 238,330                         |
| <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                         |
|                                  | 454,211                  |                                | 452,121                 | 2,142                 | -                     | -                           | 454,263                         |

\* 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:

|                               | Group          |                | Company        |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Fixed rate instruments</b> |                |                |                |                |
| <b>Takaful Operator</b>       |                |                |                |                |
| FVTPL financial assets        | 57,445         | 55,560         | 16,536         | 17,044         |
| FVOCI financial assets        | 1,134,824      | 791,951        | 898,978        | 640,551        |
| Amortised cost                | 824,586        | 811,130        | 541,546        | 515,505        |
|                               | 2,016,855      | 1,658,641      | 1,457,060      | 1,173,100      |
| <b>Family Takaful</b>         |                |                |                |                |
| FVTPL financial assets        | 284,219        | 345,093        | 150,018        | 206,009        |
| FVOCI financial assets        | 5,197,941      | 4,699,434      | 5,197,941      | 4,699,434      |
| Amortised cost                | 1,429,631      | 1,674,644      | 1,305,603      | 1,527,627      |
|                               | 6,911,791      | 6,719,171      | 6,653,562      | 6,433,070      |
| <b>General Takaful</b>        |                |                |                |                |
| FVOCI financial assets        | 403,187        | 346,576        | -              | -              |
| Amortised cost                | 605,164        | 524,952        | -              | -              |
|                               | 1,008,351      | 871,528        | -              | -              |
| <b>Group / Company</b>        |                |                |                |                |
| FVTPL financial assets        | 341,664        | 400,653        | 166,554        | 223,053        |
| FVOCI financial assets        | 6,735,952      | 5,837,961      | 6,096,919      | 5,339,985      |
| Amortised cost                | 2,859,381      | 3,010,726      | 1,847,149      | 2,043,132      |
|                               | 9,936,997      | 9,249,340      | 8,110,622      | 7,606,170      |

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)*

| 2021                    | 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>Takaful Operator</b> |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | (602)                             | (602)                    | -                                  | -                                   |
| FVOCI financial assets  | +50bps              | -                                 | (32,178)                 | -                                  | -                                   |
|                         |                     | (602)                             | (32,780)                 | -                                  | -                                   |
| FVTPL financial assets  | -50bps              | 622                               | 622                      | -                                  | -                                   |
| FVOCI financial assets  | -50bps              | -                                 | 34,347                   | -                                  | -                                   |
|                         |                     | 622                               | 34,969                   | -                                  | -                                   |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | -                                 | -                        | (2,873)                            | (2,873)                             |
| FVOCI financial assets  | +50bps              | -                                 | -                        | -                                  | (203,019)                           |
|                         |                     | -                                 | -                        | (2,873)                            | (205,892)                           |
| FVTPL financial assets  | -50bps              | -                                 | -                        | 3,314                              | 3,314                               |
| FVOCI financial assets  | -50bps              | -                                 | -                        | -                                  | 217,885                             |
|                         |                     | -                                 | -                        | 3,314                              | 221,199                             |
| <b>General Takaful</b>  |                     |                                   |                          |                                    |                                     |
| FVOCI financial assets  | +50bps              | -                                 | -                        | -                                  | (9,108)                             |
| FVOCI financial assets  | -50bps              | -                                 | -                        | -                                  | 9,493                               |
| <b>Group</b>            |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | (602)                             | (602)                    | (2,873)                            | (2,873)                             |
| FVOCI financial assets  | +50bps              | -                                 | (32,178)                 | -                                  | (212,127)                           |
|                         |                     | (602)                             | (32,780)                 | (2,873)                            | (215,000)                           |
| FVTPL financial assets  | -50bps              | 622                               | 622                      | 3,314                              | 3,314                               |
| FVOCI financial assets  | -50bps              | -                                 | 34,347                   | -                                  | 227,378                             |
|                         |                     | 622                               | 34,969                   | 3,314                              | 230,692                             |

\* 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)

| 2020                    | 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>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>  |                     |                                   |                          |                                    |                                     |
| FVOCI financial assets  | +50bps              | -                                 | -                        | -                                  | (7,868)                             |
| FVOCI financial assets  | -50bps              | -                                 | -                        | -                                  | 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)*

| 2021                    | 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              | (324)                             | (324)                    | -                                  | -                                   |
| FVOCI financial assets  | +50bps              | -                                 | (26,487)                 | -                                  | -                                   |
|                         |                     | (324)                             | (26,811)                 | -                                  | -                                   |
| FVTPL financial assets  | -50bps              | 334                               | 334                      | -                                  | -                                   |
| FVOCI financial assets  | -50bps              | -                                 | 28,353                   | -                                  | -                                   |
|                         |                     | 334                               | 28,687                   | -                                  | -                                   |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | -                                 | -                        | (3,363)                            | (3,363)                             |
| FVOCI financial assets  | +50bps              | -                                 | -                        | -                                  | (203,019)                           |
|                         |                     | -                                 | -                        | (3,363)                            | (206,382)                           |
| FVTPL financial assets  | -50bps              | -                                 | -                        | 3,804                              | 3,804                               |
| FVOCI financial assets  | -50bps              | -                                 | -                        | -                                  | 217,885                             |
|                         |                     | -                                 | -                        | 3,804                              | 221,689                             |
| <b>Company</b>          |                     |                                   |                          |                                    |                                     |
| FVTPL financial assets  | +50bps              | (324)                             | (324)                    | (3,363)                            | (3,363)                             |
| FVOCI financial assets  | +50bps              | -                                 | (26,487)                 | -                                  | (203,019)                           |
|                         |                     | (324)                             | (26,811)                 | (3,363)                            | (206,382)                           |
| FVTPL financial assets  | -50bps              | 334                               | 334                      | 3,804                              | 3,804                               |
| FVOCI financial assets  | -50bps              | -                                 | 28,353                   | -                                  | 217,885                             |
|                         |                     | 334                               | 28,687                   | 3,804                              | 221,689                             |

\* 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)

| 2020                    | 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                            | (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)****38.9 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.

| 2021                    | 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>Takaful Operator</b> |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | 5,733                             | 5,733                    | -                                  | -                                   |
| Market price            | -15%                | (5,733)                           | (5,733)                  | -                                  | -                                   |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | -                                 | -                        | 53,459                             | 53,459                              |
| Market price            | -15%                | -                                 | -                        | (53,459)                           | (53,459)                            |
| <b>Group</b>            |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | 5,733                             | 5,733                    | 53,459                             | 53,459                              |
| Market price            | -15%                | (5,733)                           | (5,733)                  | (53,459)                           | (53,459)                            |

\* 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)

| 2020                    | 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>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)                            |
| 2021                    | 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> |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | 5,765                             | 5,765                    | -                                  | -                                   |
| Market price            | -15%                | (5,765)                           | (5,765)                  | -                                  | -                                   |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | -                                 | -                        | 54,075                             | 54,075                              |
| Market price            | -15%                | -                                 | -                        | (54,075)                           | (54,075)                            |
| <b>Company</b>          |                     |                                   |                          |                                    |                                     |
| Market price            | +15%                | 5,765                             | 5,765                    | 54,075                             | 54,075                              |
| Market price            | -15%                | (5,765)                           | (5,765)                  | (54,075)                           | (54,075)                            |

\* 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)*

| 2020                    | 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> |                     |                                   |                          |                                    |                                     |
| 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.

## 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.

| 2021                    | Fair value of financial instruments carried at fair value |                |                |              | Fair value of financial instruments not carried at fair value |                |                |              | Total fair value RM'000 | Carrying amount RM'000 |
|-------------------------|---|----------------|----------------|--------------|---|----------------|----------------|--------------|-------------------------|------------------------|
|                         | Level 1 RM'000  | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000  | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |                         |                        |
| <b>Takaful Operator</b> |   |                |                |              |   |                |                |              |                         |                        |
| <b>Financial assets</b> |   |                |                |              |   |                |                |              |                         |                        |
| Equity securities       | 8,046   | -              | 380            | 8,426        | -   | -              | -              | 8,426        | 8,426                   |                        |
| Unit trusts             | 507   | 4,862          | -              | 5,369        | -   | -              | -              | 5,369        | 5,369                   |                        |
| Institutional Trust     |   |                |                |              |   |                |                |              |                         |                        |
| Account                 | -   | -              | 86,977         | 86,977       | -   | -              | -              | 86,977       | 86,977                  |                        |
| Islamic debt securities | 24,373  | 1,007,347      | -              | 1,031,720    | -   | -              | -              | 1,031,720    | 1,031,720               |                        |
| Malaysian Government    |   |                |                |              |   |                |                |              |                         |                        |
| Islamic papers          | -   | 73,572         | -              | 73,572       | -   | -              | -              | 73,572       | 73,572                  |                        |
| Investment in           |   |                |                |              |   |                |                |              |                         |                        |
| inked funds             | 42,140  | -              | -              | 42,140       | -   | -              | -              | 42,140       | 42,140                  |                        |
|                         | 75,066  | 1,085,781      | 87,357         | 1,248,204    | -   | -              | -              | 1,248,204    | 1,248,204               |                        |
| <b>Family Takaful</b>   |   |                |                |              |   |                |                |              |                         |                        |
| <b>Financial assets</b> |   |                |                |              |   |                |                |              |                         |                        |
| Equity securities       | 295,706   | -              | -              | 295,706      | -   | -              | -              | 295,706      | 295,706                 |                        |
| Unit trusts             | 115,694   | 33,530         | -              | 149,224      | -   | -              | -              | 149,224      | 149,224                 |                        |
| Institutional Trust     |   |                |                |              |   |                |                |              |                         |                        |
| Account                 | -   | -              | 471,247        | 471,247      | -   | -              | -              | 471,247      | 471,247                 |                        |
| Islamic debt securities | 131,291   | 4,487,549      | -              | 4,618,840    | -   | -              | -              | 4,618,840    | 4,618,840               |                        |
| Malaysian Government    |   |                |                |              |   |                |                |              |                         |                        |
| Islamic papers          | -   | 392,073        | -              | 392,073      | -   | -              | -              | 392,073      | 392,073                 |                        |
|                         | 542,691   | 4,913,152      | 471,247        | 5,927,090    | -   | -              | -              | 5,927,090    | 5,927,090               |                        |

## NOTES TO THE FINANCIAL STATEMENTS

## 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 | RM'000           | RM'000 |                 |
| <b>2021</b>                         |   |                   |                   |                 |   |                   |                   |                 |                  |        |                 |
| <b>General Takaful</b>              |   |                   |                   |                 |   |                   |                   |                 |                  |        |                 |
| <b>Financial assets</b>             |   |                   |                   |                 |   |                   |                   |                 |                  |        |                 |
| Institutional Trust                 |   |                   |                   |                 |   |                   |                   |                 |                  |        |                 |
| Account                             | -   | -                 | 59,550            | 59,550          | -   | -                 | -                 | -               | 59,550           | -      | 59,550          |
| Islamic debt securities             | -   | 333,745           | -                 | 333,745         | -   | -                 | -                 | -               | 333,745          | -      | 333,745         |
| Malaysian Government Islamic papers | -   | 9,892             | -                 | 9,892           | -   | -                 | -                 | -               | 9,892            | -      | 9,892           |
|                                     | -   | 343,637           | 59,550            | 403,187         | -   | -                 | -                 | -               | 403,187          | -      | 403,187         |
| <b>Group</b>                        |   |                   |                   |                 |   |                   |                   |                 |                  |        |                 |
| <b>Financial assets</b>             |   |                   |                   |                 |   |                   |                   |                 |                  |        |                 |
| Equity securities                   | 303,752   | -                 | 380               | 304,132         | -   | -                 | -                 | -               | 304,132          | -      | 304,132         |
| Unit trusts                         | 116,201   | 38,392            | -                 | 154,593         | -   | -                 | -                 | -               | 154,593          | -      | 154,593         |
| Institutional Trust                 |   |                   |                   |                 |   |                   |                   |                 |                  |        |                 |
| Account                             | -   | -                 | 617,774           | 617,774         | -   | -                 | -                 | -               | 617,774          | -      | 617,774         |
| Islamic debt securities             | 155,664   | 5,828,641         | -                 | 5,984,305       | -   | -                 | -                 | -               | 5,984,305        | -      | 5,984,305       |
| Malaysian Government Islamic papers | -   | 475,537           | -                 | 475,537         | -   | -                 | -                 | -               | 475,537          | -      | 475,537         |
|                                     | 575,617   | 6,342,570         | 618,154           | 7,536,341       | -   | -                 | -                 | -               | 7,536,341        | -      | 7,536,341       |

## NOTES TO THE FINANCIAL STATEMENTS

## 38. Financial instruments (continued)

## 38.10 Fair value information (continued)

|                         | 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 |           |
|-------------------------|---|-------------------|-------------------|-----------------|-----------------|---|-------------------|-------------------|-----------------|-----------------|----------------------------|---------------------------|-----------|
|                         | ← Company   |                   |                   |                 |                 | →   |                   |                   |                 |                 |                            |                           |           |
|                         | Level 1<br>RM'000   | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<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 | Total<br>RM'000 |                            |                           |           |
| <b>2021</b>             |   |                   |                   |                 |                 |   |                   |                   |                 |                 |                            |                           |           |
| <b>Takaful Operator</b> |   |                   |                   |                 |                 |   |                   |                   |                 |                 |                            |                           |           |
| <b>Financial assets</b> |   |                   |                   |                 |                 |   |                   |                   |                 |                 |                            |                           |           |
| Equity securities       | 7,921   | -                 | 380               | 8,301           | -               | -   | -                 | -                 | -               | 8,301           | 8,301                      | 8,301                     | 8,301     |
| Unit trusts             | 507   | -                 | -                 | 507             | -               | -   | -                 | -                 | -               | 507             | 507                        | 507                       | 507       |
| Institutional Trust     |   |                   |                   |                 |                 |   |                   |                   |                 |                 |                            |                           |           |
| Account                 | -   | -                 | 63,055            | 63,055          | -               | -   | -                 | -                 | -               | 63,055          | 63,055                     | 63,055                    | 63,055    |
| Islamic debt securities | -   | 788,779           | -                 | 788,779         | -               | -   | -                 | -                 | -               | 788,779         | 788,779                    | 788,779                   | 788,779   |
| Malaysian Government    |   |                   |                   |                 |                 |   |                   |                   |                 |                 |                            |                           |           |
| Islamic papers          | -   | 63,680            | -                 | 63,680          | -               | -   | -                 | -                 | -               | 63,680          | 63,680                     | 63,680                    | 63,680    |
| Investment in           |   |                   |                   |                 |                 |   |                   |                   |                 |                 |                            |                           |           |
| linked funds            | 42,140  | -                 | -                 | 42,140          | -               | -   | -                 | -                 | -               | 42,140          | 42,140                     | 42,140                    | 42,140    |
|                         | 50,568  | 852,459           | 63,435            | 966,462         | -               | -   | -                 | -                 | -               | 966,462         | 966,462                    | 966,462                   | 966,462   |
| <b>Family Takaful</b>   |   |                   |                   |                 |                 |   |                   |                   |                 |                 |                            |                           |           |
| <b>Financial assets</b> |   |                   |                   |                 |                 |   |                   |                   |                 |                 |                            |                           |           |
| Equity securities       | 244,809   | -                 | -                 | 244,809         | -               | -   | -                 | -                 | -               | 244,809         | 244,809                    | 244,809                   | 244,809   |
| Unit trusts             | 115,694   | -                 | -                 | 115,694         | -               | -   | -                 | -                 | -               | 115,694         | 115,694                    | 115,694                   | 115,694   |
| Institutional Trust     |   |                   |                   |                 |                 |   |                   |                   |                 |                 |                            |                           |           |
| Account                 | -   | -                 | 471,247           | 471,247         | -               | -   | -                 | -                 | -               | 471,247         | 471,247                    | 471,247                   | 471,247   |
| Islamic debt securities | -   | 4,484,639         | -                 | 4,484,639       | -               | -   | -                 | -                 | -               | 4,484,639       | 4,484,639                  | 4,484,639                 | 4,484,639 |
| Malaysian Government    |   |                   |                   |                 |                 |   |                   |                   |                 |                 |                            |                           |           |
| Islamic papers          | -   | 392,073           | -                 | 392,073         | -               | -   | -                 | -                 | -               | 392,073         | 392,073                    | 392,073                   | 392,073   |
|                         | 360,503   | 4,876,712         | 471,247           | 5,708,462       | -               | -   | -                 | -                 | -               | 5,708,462       | 5,708,462                  | 5,708,462                 | 5,708,462 |

## NOTES TO THE FINANCIAL STATEMENTS

## 38. Financial instruments (continued)

## 38.10 Fair value information (continued)

| 2021                                | 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 |                  |                 |
| <b>Company</b>                      |   |                   |                   |                 |   |                   |                   |                 |                  |                 |
| <b>Financial assets</b>             |   |                   |                   |                 |   |                   |                   |                 |                  |                 |
| Equity securities                   | 252,730   | -                 | 380               | 253,110         | -   | -                 | -                 | 253,110         | 253,110          |                 |
| Unit trusts                         | 116,201   | -                 | -                 | 116,201         | -   | -                 | -                 | 116,201         | 116,201          |                 |
| Institutional Trust                 |   |                   |                   |                 |   |                   |                   |                 |                  |                 |
| Account                             | -   | -                 | 534,302           | 534,302         | -   | -                 | -                 | 534,302         | 534,302          |                 |
| Islamic debt securities             | -   | 5,273,418         | -                 | 5,273,418       | -   | -                 | -                 | 5,273,418       | 5,273,418        |                 |
| Malaysian Government Islamic papers | -   | 455,753           | -                 | 455,753         | -   | -                 | -                 | 455,753         | 455,753          |                 |
|                                     | 368,931   | 5,729,171         | 534,682           | 6,632,784       | -   | -                 | -                 | 6,632,784       | 6,632,784        |                 |

## 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.

|                                     | Fair value of financial instruments carried at fair value |                |                |              | Fair value of financial instruments not carried at fair value |                |                |              | Total fair value RM'000 | Carrying amount RM'000 |
|-------------------------------------|---|----------------|----------------|--------------|---|----------------|----------------|--------------|-------------------------|------------------------|
|                                     | Level 1 RM'000  | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000  | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |                         |                        |
| <b>2020</b>                         |   |                |                |              |   |                |                |              |                         |                        |
| <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               |                        |

## NOTES TO THE FINANCIAL STATEMENTS

## 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 |                  |                 |
| <b>2020</b>                         |   |                   |                   |                 |   |                   |                   |                 |                  |                 |
| <b>General Takaful</b>              |   |                   |                   |                 |   |                   |                   |                 |                  |                 |
| <b>Financial assets</b>             |   |                   |                   |                 |   |                   |                   |                 |                  |                 |
| 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         |
| <b>Group</b>                        |   |                   |                   |                 |   |                   |                   |                 |                  |                 |
| <b>Financial assets</b>             |   |                   |                   |                 |   |                   |                   |                 |                  |                 |
| 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       |

## NOTES TO THE FINANCIAL STATEMENTS

## 38. Financial instruments (continued)

## 38.10 Fair value information (continued)

|                            | Fair value of financial instruments carried at fair value |                |                |              | Fair value of financial instruments not carried at fair value |                |                |              | Total fair value RM'000 | Carrying amount RM'000 |
|----------------------------|---|----------------|----------------|--------------|---|----------------|----------------|--------------|-------------------------|------------------------|
|                            | Level 1 RM'000  | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000  | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |                         |                        |
| <b>2020</b>                |   |                |                |              |   |                |                |              |                         |                        |
| <b>Takaful Operator</b>    |   |                |                |              |   |                |                |              |                         |                        |
| <b>Financial assets</b>    |   |                |                |              |   |                |                |              |                         |                        |
| Equity securities          | 9,137   | -              | 380            | 9,517        | -   | -              | -              | -            | 9,517                   | 9,517                  |
| Unit trusts                | 538   | -              | -              | 538          | -   | -              | -              | -            | 538                     | 538                    |
| 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              |

## NOTES TO THE FINANCIAL STATEMENTS

## 38. Financial instruments (continued)

## 38.10 Fair value information (continued)

| 2020                    | 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 |                  |                 |
| <b>Company</b>          |   |                   |                   |                 |   |                   |                   |                 |                  |                 |
| <b>Financial assets</b> |   |                   |                   |                 |   |                   |                   |                 |                  |                 |
| Equity securities       | 282,027   | -                 | 380               | 282,407         | -   | -                 | -                 | 282,407         | 282,407          |                 |
| Unit trusts             | 27,626  | -                 | -                 | 27,626          | -   | -                 | -                 | 27,626          | 27,626           |                 |
| Institutional Trust     |   |                   |                   |                 |   |                   |                   |                 |                  |                 |
| Account                 | -   | -                 | 571,048           | 571,048         | -   | -                 | -                 | 571,048         | 571,048          |                 |
| Islamic debt securities | -   | 4,475,073         | -                 | 4,475,073       | -   | -                 | -                 | 4,475,073       | 4,475,073        |                 |
| Malaysian Government    |   |                   |                   |                 |   |                   |                   |                 |                  |                 |
| Islamic papers          | -   | 516,917           | -                 | 516,917         | -   | -                 | -                 | 516,917         | 516,917          |                 |
|                         | 309,653   | 4,991,990         | 571,428           | 5,873,071       | -   | -                 | -                 | 5,873,071       | 5,873,071        |                 |

## 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 (2020: 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        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Institutional Trust Account</b>                        |                |                |                |                |
| <b>Takaful Operator</b>                                   |                |                |                |                |
| At 1 January  | 107,046        | 106,038        | 83,877         | 83,948         |
| Maturities  | (23,980)       | (4,111)        | (23,980)       | (4,111)        |
| Investment income - realised                              | 5,223          | 4,985          | 4,075          | 3,890          |
| Gains and losses recognised in other comprehensive income |                |                |                |                |
| Net change in fair value (unrealised)                     | (1,312)        | 134            | (917)          | 150            |
| At 31 December  | 86,977         | 107,046        | 63,055         | 83,877         |
| <b>Family Takaful</b>                                     |                |                |                |                |
| At 1 January  | 487,171        | 367,761        | 487,171        | 367,761        |
| Purchases   | -              | 100,000        | -              | 100,000        |
| Maturities  | (31,407)       | -              | (31,407)       | -              |
| Gains and losses recognised in profit or loss             |                |                |                |                |
| Investment income - realised                              | 22,127         | 20,809         | 22,127         | 20,809         |
| Gains and losses recognised in other comprehensive income |                |                |                |                |
| Net change in fair value (unrealised)                     | (6,644)        | (1,399)        | (6,644)        | (1,399)        |
| At 31 December  | 471,247        | 487,171        | 471,247        | 487,171        |

## 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):

| Institutional Trust Account                               | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>General Takaful</b>                                    |                |                |                |                |
| At 1 January  | 58,269         | 57,053         | -              | -              |
| Gains and losses recognised in profit or loss             |                |                |                |                |
| Investment income - realised                              | 2,426          | 2,515          | -              | -              |
| Gains and losses recognised in other comprehensive income |                |                |                |                |
| Net change in fair value (unrealised)                     | (1,145)        | (1,299)        | -              | -              |
| At 31 December  | 59,550         | 58,269         | -              | -              |
| <b>Group / Company</b>                                    |                |                |                |                |
| At 1 January  | 652,486        | 530,852        | 571,048        | 451,709        |
| Purchases   | -              | 100,000        | -              | 100,000        |
| Maturities  | (55,387)       | (4,111)        | (55,387)       | (4,111)        |
| Gains and losses recognised in profit or loss             |                |                |                |                |
| Investment income - realised                              | 29,776         | 28,309         | 26,202         | 24,699         |
| Gains and losses recognised in other comprehensive income |                |                |                |                |
| Net change in fair value (unrealised)                     | (9,101)        | (2,564)        | (7,561)        | (1,249)        |
| At 31 December  | 617,774        | 652,486        | 534,302        | 571,048        |

## 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 5.145% (2020: 4.58%). | The estimated fair value would increase (decrease) if the discount rate were (lower) higher. |

## Sensitivity analysis for Level 3

| 2021                    | 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>Takaful Operator</b> |                     |                                   |                          |                                    |                                     |
| Discount rate           | +1%                 | -                                 | (1,095)                  | -                                  | -                                   |
| Discount rate           | -1%                 | -                                 | 1,130                    | -                                  | -                                   |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| Discount rate           | +1%                 | -                                 | -                        | -                                  | (9,089)                             |
| Discount rate           | -1%                 | -                                 | -                        | -                                  | 9,419                               |
| <b>General Takaful</b>  |                     |                                   |                          |                                    |                                     |
| Discount rate           | +1%                 | -                                 | -                        | -                                  | (1,510)                             |
| Discount rate           | -1%                 | -                                 | -                        | -                                  | 1,573                               |
| <b>Group</b>            |                     |                                   |                          |                                    |                                     |
| Discount rate           | +1%                 | -                                 | (1,095)                  | -                                  | (10,599)                            |
| Discount rate           | -1%                 | -                                 | 1,130                    | -                                  | 10,992                              |

\* 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)**

| 2020                         | 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>Takaful Operator</b>      |                     |                                   |                          |                                    |                                     |
| Discount rate                | +1%                 | -                                 | (1,812)                  | -                                  | -                                   |
| Discount rate                | -1%                 | -                                 | 1,881                    | -                                  | -                                   |
| <b>Family Takaful</b>        |                     |                                   |                          |                                    |                                     |
| Discount rate                | +1%                 | -                                 | -                        | -                                  | (13,274)                            |
| Discount rate                | -1%                 | -                                 | -                        | -                                  | 13,858                              |
| <b>General Takaful</b>       |                     |                                   |                          |                                    |                                     |
| Discount rate                | +1%                 | -                                 | -                        | -                                  | (1,744)                             |
| Discount rate                | -1%                 | -                                 | -                        | -                                  | 1,827                               |
| <b>Group</b>                 |                     |                                   |                          |                                    |                                     |
| Discount rate                | +1%                 | -                                 | (1,812)                  | -                                  | (15,018)                            |
| Discount rate                | -1%                 | -                                 | 1,881                    | -                                  | 15,685                              |
| <b>-----Company-----&gt;</b> |                     |                                   |                          |                                    |                                     |
| 2021                         | 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>      |                     |                                   |                          |                                    |                                     |
| Discount rate                | +1%                 | -                                 | (721)                    | -                                  | -                                   |
| Discount rate                | -1%                 | -                                 | 744                      | -                                  | -                                   |
| <b>Family Takaful</b>        |                     |                                   |                          |                                    |                                     |
| Discount rate                | +1%                 | -                                 | -                        | -                                  | (9,089)                             |
| Discount rate                | -1%                 | -                                 | -                        | -                                  | 9,419                               |
| <b>Company</b>               |                     |                                   |                          |                                    |                                     |
| Discount rate                | +1%                 | -                                 | (721)                    | -                                  | (9,089)                             |
| Discount rate                | -1%                 | -                                 | 744                      | -                                  | 9,419                               |

\* 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)

| 2020                    | 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> |                     |                                   |                          |                                    |                                     |
| Discount rate           | +1%                 | -                                 | (1,284)                  | -                                  | -                                   |
| Discount rate           | -1%                 | -                                 | 1,331                    | -                                  | -                                   |
| <b>Family Takaful</b>   |                     |                                   |                          |                                    |                                     |
| Discount rate           | +1%                 | -                                 | -                        | -                                  | (13,274)                            |
| Discount rate           | -1%                 | -                                 | -                        | -                                  | 13,858                              |
| <b>Company</b>          |                     |                                   |                          |                                    |                                     |
| Discount rate           | +1%                 | -                                 | (1,284)                  | -                                  | (13,274)                            |
| Discount rate           | -1%                 | -                                 | 1,331                    | -                                  | 13,858                              |

\* 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 |                |
|---------------------------------|-------------------|----------------|
|                                 | 2021<br>RM'000    | 2020<br>RM'000 |
| Contracted but not provided for | 17,787            | 18,204         |

## 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 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        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Ultimate holding company<sup>^</sup></b> |                |                |                |                |
| Claims paid for Family Takaful              | 66             | 745            | 66             | 745            |
| Claims paid for General Takaful             | -              | 292            | -              | -              |
| <b>Holding company<sup>^</sup></b>          |                |                |                |                |
| Dividend paid                               | 58,987         | -              | 58,987         | -              |
| <b>Subsidiary</b>                           |                |                |                |                |
| Outsourcing fee                             | -              | -              | 51,792         | 46,545         |
| Dividend received                           | -              | -              | 60,000         | 60,000         |
| <b>Related companies<sup>*</sup></b>        |                |                |                |                |
| Contribution income for Family Takaful      | 2,472          | 2,302          | 2,472          | 2,302          |
| Contribution income for General Takaful     | 2,477          | 4,653          | -              | -              |
| Claims paid for Family Takaful              | 982            | 635            | 982            | 635            |
| Investment income                           | 7,865          | 20,570         | 3,619          | 14,508         |
| Rental income                               | 2,199          | 2,934          | 2,199          | 2,818          |
| Administrative fee paid                     | 19,379         | 25,551         | 16,819         | 20,133         |
| Bank charges                                | 1,627          | 1,719          | 190            | 101            |
| Refund of cash back                         | 8              | 349            | 8              | 349            |

<sup>^</sup> until the completion date of distribution and capital repayment exercise (Note 41).

<sup>\*</sup> 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        |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>Related companies*</b> |                |                |                |                |
| <b>Takaful Operator</b>   |                |                |                |                |
| Bank balances             | -              | 6,630          | -              | 3,383          |
| Fixed and call deposits   | -              | 188,628        | -              | 139,489        |
|                           | -              | 195,258        | -              | 142,872        |
| <b>Family Takaful</b>     |                |                |                |                |
| Bank balances             | -              | 29,549         | -              | 29,549         |
| Fixed and call deposits   | -              | 149,213        | -              | 149,213        |
|                           | -              | 178,762        | -              | 178,762        |
| <b>General Takaful</b>    |                |                |                |                |
| Bank balances             | -              | 19,516         | -              | -              |
| Fixed and call deposits   | -              | 155,281        | -              | -              |
|                           | -              | 174,797        | -              | -              |
| <b>Group / Company</b>    |                |                |                |                |
| Bank balances             | -              | 55,695         | -              | 32,932         |
| Fixed and call deposits   | -              | 493,122        | -              | 288,702        |
|                           | -              | 548,817        | -              | 321,634        |

\* Related companies are companies within the Tabung Haji group.

**41. Significant event during the year**

The immediate holding, BIMB Holdings Berhad ("BHB") has on 11 November 2019 announced that it proposes to undertake the proposed distribution of the entire shareholdings of BHB in the Syarikat Takaful Malaysia Keluarga Berhad ("STMKB"), by way of distribution-in-specie via a reduction and repayment of the entire share capital of BHB to the shareholders of BHB ("Distribution Entitled Shareholders") in accordance with Section 115 and Section 116 of the Act as well as using the retained earnings of BHB.

Upon completion of the Proposed Distribution and Capital Repayment, the Distribution Entitled Shareholders will directly hold the STMKB Shares, in proportion to their shareholdings in BHB as at the Distribution Entitlement Date and BHB will cease to be a shareholder of STMKB.

On 7 October 2021, BHB announced that the Distribution and Capital Repayment has been completed following the crediting of BHB's entire shareholding in STMKB into the respective accounts of the Distribution Entitled Shareholders held under the Central Depository System. With that, BHB has ceased control in STMKB. Consequently, Lembaga Tabung Haji ceased as the ultimate holding corporation of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 42. 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 2021, as prescribed under the RBCT Framework is provided below:

|                                | <b>Company</b>   |                  |
|--------------------------------|------------------|------------------|
|                                | <b>2021</b>      | <b>2020</b>      |
|                                | <b>RM'000</b>    | <b>RM'000</b>    |
| Tier 1 capital                 | 2,178,326        | 1,742,983        |
| Tier 2 capital                 | 65,017           | 198,670          |
| Amount deducted from capital   | (318,399)        | (321,448)        |
| <b>Total capital available</b> | <b>1,924,944</b> | <b>1,620,205</b> |

# STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Mohammed 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 95 to 294 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 2021 and financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2021 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 24 February 2022:

.....  
**Dato' Mohammed Hussein**

Director

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

Director

Kuala Lumpur

Date: 24 February 2022

# STATUTORY DECLARATION

pursuant to Section 251(1) 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 95 to 294 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 24 February 2022.

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 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2021 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 95 to 294.

### 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 financial 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 2021, the Group's and the Company's family takaful contract liabilities net of retakaful amount to RM7,651 million and RM7,287 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's 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 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's 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 2021 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

|   |   |
|---|---|
| <p><b>Key audit matters</b></p>                             | <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 2021, the Group has provision for outstanding claims for general takaful net of retakaful of RM298 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 2021, the Group has accounted for RM363 million of provision for unearned contribution for general takaful net of retakaful, based on the higher of Unexpired Risk Reserves ("URR") of RM230 million and Unearned Contribution Reserves ("UCR") of RM363 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> |
| <p><b>How our audit addressed the key audit matters</b></p> | <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 recalculations of outstanding claims and unexpired risk reserves ("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>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 2021 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 and Shariah Advisory Body's Report, which we obtained prior to the date of this auditors' report, and Annual Report, which is expected to be made available to us after that date. Other information 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 on the other information that we obtained prior to the date of this auditors' report, 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 financial 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.

### 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.

## INDEPENDENT AUDITORS' REPORT

to the members of Syarikat Takaful Malaysia Keluarga Berhad (continued)  
(Incorporated in Malaysia)  
(Company No. 198401019089 (131646-K))

### 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

24 February 2022

**MANJIT SINGH A/L HAJANDER SINGH**

02954/03/2023 J  
Chartered Accountant

# NOTICE OF 37<sup>TH</sup> ANNUAL GENERAL MEETING

As part of initiatives to curb the spread of COVID-19, SYARIKAT TAKAFUL KELUARGA MALAYSIA BERHAD (“STMKB” or “the Company”) has taken extra precautions to conduct its THIRTY-SEVENTH ANNUAL GENERAL MEETING (AGM) on virtual basis via Remote Participation and Electronic Voting (“RPEV”).

A 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 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-SEVENTH (37th) ANNUAL GENERAL MEETING (AGM)** of **SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD (“STMKB” or “the Company”)** will be conducted virtually through live streaming and online remote voting via RPEV facility from 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, 31 May 2022, at 9:30 a.m. for the following purposes:-

## AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021, together with the reports of the Directors and Auditors thereon. (See Explanatory Note 2[i])
2. To re-elect the following Directors who are retiring by rotation in accordance with Rule 74 of the Company’s Constitution and being eligible, have offered themselves for re-election.
  - (i) Suraya Hassan (Resolution 1)
  - (ii) Dato’ Mohammed Hussein (Resolution 2)
3. To re-elect Datin Paduka Kartini Haji Abdul Manaf who is retiring in accordance with Rule 83 of the Company’s Constitution and being eligible, has offered herself for re-election. (Resolution 3)
4. To approve the payment of Non-Executive Directors’ fees of up to RM3,000,000 for STMKB Group from this AGM of the Company until the next AGM of the Company. (Resolution 4)
5. To approve the payment of Non-Executive Directors’ benefits of up to RM872,000 for STMKB Group from this AGM of the Company until the next AGM of the Company. (Resolution 5)
6. To re-appoint Messrs. PricewaterhouseCoopers PLT as the Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration. (Resolution 6)

## AS SPECIAL BUSINESS

7. Ordinary Resolution - Proposed Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Lembaga Tabung Haji and its subsidiaries (“LTH Group”).

“THAT, subject to compliance with the Main Market 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 LTH Group which are necessary for the day-to-day operations of the STMKB Group as set out in Section 2.3 of the Circular to Shareholders dated 29 April 2022, 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 37<sup>TH</sup> 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 7)

### 8. Ordinary Resolution - Proposed Authority to Issue and Allot Shares.

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 ("Act") and subject to the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental/regulatory authorities, where such approval is required, the Directors be and are hereby empowered to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions, to such persons and for such purposes as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company, AND THAT the Directors be authorised to do all such things as they deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional shares so issued on Bursa Securities pursuant to this resolution." (Resolution 8)

### 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 37th 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 2022. Only a depositor whose name appears on the Record of Depositors as at 24 May 2022 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

#### **SUHLA AL ASRI**

SSM Practicing Certificate No. 201908002158

MAICSA 7025570

Company Secretary

Kuala Lumpur

29 April 2022

# NOTICE OF 37<sup>TH</sup> ANNUAL GENERAL MEETING

## Explanatory Notes:

### 1. Virtual AGM

- (i) As part of initiatives to curb the spread of COVID-19, the 37th AGM of the Company will be conducted virtually through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facility from the broadcast venue at Dewan Ahmad Mohamed Ibrahim, 5th Floor, Annexe Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur. Please follow the procedures provided in the Administrative Details for the 37th AGM in order to register, participate and vote remotely.
- (ii) The broadcast venue of the 37th 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 37th AGM is to organise the 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 37th 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 2022 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 2021  
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 Directors 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.  
Suraya Hassan and Dato' Mohammed Hussein are standing for re-election as a Directors of the Company and being eligible have offered themselves for re-election.
- (iii) Re-election of Director 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.  
Datin Paduka Kartini Haji Abdul Manaf is standing for re-election as Director of the Company and being eligible has offered herself for re-election.
- (iv) To approve the payment of Non-Executive Directors' fees of up to RM3,000,000 for STMKB Group from this AGM of the Company until the next AGM of the Company.
- (v) To approve the payment of Non-Executive Directors' benefits of up to RM872,000 for STMKB Group from this AGM of the Company until the next AGM of the Company.

### 4. Special Business

- (i) Proposed Shareholders' Mandate for Recurrent Related Party Transaction of Revenue or Trading Nature  
The proposed Resolution 7, 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 29 April 2022.
- (ii) Proposed Authority to Issue and Allot Shares  
The proposed Resolution 8, if passed, will give a new mandate to the Directors of the Company, from the date of the forthcoming AGM, to issue and allot shares in the Company from time to time at the aggregate not exceeding ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company pursuant to Section 75 of the Act. This authority, unless revoked or verified at a general meeting will expire at the next AGM of the Company.  
The Board continues to consider to expand the Company's business. In the event of new allotment of shares pursuant to such opportunity, the proceeds shall be utilised as working capital of the Company. The passing of this resolution would avoid any delay and cost involved in convening a general meeting to specifically approve the issuance of the shares.

# STATEMENT ACCOMPANYING NOTICE OF 37<sup>TH</sup> ANNUAL GENERAL MEETING

## **STATEMENT ACCOMPANYING NOTICE OF THIRTY-SEVENTH 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. Suraya Hassan, Dato' Mohammed Hussein and Datin Paduka Kartini Haji Abdul Manaf at this forthcoming Thirty-Seventh Annual General Meeting of the Company).

The profile of the above Directors who are standing for re-election as per Resolutions 1 to 3 as stated in the Notice of Annual General Meeting is set out in the Profile of Directors' section on pages 48 to 54 of the Annual Report 2021.

# SHAREHOLDING STATISTICS

as at 31 March 2022

## SHARE CAPITAL

|                                  |                                       |
|----------------------------------|---------------------------------------|
| Issued and fully paid-up capital | : 835,622,333 ordinary shares         |
| No. of shareholders              | : 19,355                              |
| Class of shares                  | : Ordinary shares                     |
| Voting right                     | : 1 vote per ordinary share on a poll |

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS (5% AND ABOVE)

| Name of Shareholders                    | Number of Shares   | Percentage (%) |
|---|--------------------|----------------|
| Lembaga Tabung Haji                     | 236,109,469        | 28.26          |
| Employees Provident Fund Board          | 85,649,493         | 10.25          |
| Kumpulan Wang Persaraan (Diperbadankan) | 57,213,348         | 6.85           |
| <b>Total</b>                            | <b>378,972,310</b> | <b>45.36</b>   |

## DIRECTORS' SHAREHOLDINGS

| Name of Directors        | Direct Interest  |                | Indirect Interest/Deemed Interest |                |
|--------------------------|------------------|----------------|-----------------------------------|----------------|
|                          | Number of Shares | Percentage (%) | Number of Shares                  | Percentage (%) |
| Dato' Mohammed Hussein   | -                | -              | -                                 | -              |
| Mohd Azman Sulaiman      | -                | -              | -                                 | -              |
| Suraya Hassan            | -                | -              | -                                 | -              |
| Dato' Mustaffa Ahmad     | -                | -              | -                                 | -              |
| Mohamad Salihuddin Ahmad | -                | -              | -                                 | -              |
| Datuk Bazlan Osman       | -                | -              | -                                 | -              |

## GROUP CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS

| Name of Group Chief Executive Officer | Direct Interest  |                | Indirect Interest/Deemed Interest |                |
|---------------------------------------|------------------|----------------|-----------------------------------|----------------|
|                                       | Number of Shares | Percentage (%) | Number of Shares                  | Percentage (%) |
| Nor Azman Zainal                      | -                | -              | -                                 | -              |

## ANALYSIS OF SHAREHOLDINGS BY SIZE

| Size of Shareholdings                                 | Number of Shareholders | Percentage (%) | Total Shareholdings | Percentage (%) |
|---|------------------------|----------------|---------------------|----------------|
| Less than 100   | 1,382                  | 7.14           | 41,097              | 0.00           |
| 100 - 1,000   | 6,433                  | 33.24          | 3,897,432           | 0.47           |
| 1,001 - 10,000  | 9,283                  | 47.96          | 35,838,586          | 4.29           |
| 10,001 - 100,000                                      | 1,934                  | 9.99           | 54,211,688          | 6.49           |
| 100,001 to 41,781,115 (less than 5% of issued shares) | 320                    | 1.65           | 370,244,195         | 44.31          |
| 41,781,116 (5% of issued shares) and above            | 3                      | 0.02           | 371,389,335         | 44.44          |
| <b>Total</b>  | <b>19,355</b>          | <b>100.00</b>  | <b>835,622,333</b>  | <b>100.00</b>  |

## SHAREHOLDING STATISTICS

as at 31 March 2022

**ANALYSIS OF SHAREHOLDINGS BY CATEGORY**

| Category of Shareholders                     | Number of Shareholders |               |            | Total Shareholdings |                    |                   | Percentage (%) |               |               |
|--|------------------------|---------------|------------|---------------------|--------------------|-------------------|----------------|---------------|---------------|
|  | Bumiputra              | Malaysian     | Foreign    | Bumiputra           | Malaysian          | Foreign           | Malaysian      |               | Foreign       |
|  |                        |               |            |                     |                    |                   | Bumiputra      | Non-Bumiputra |               |
| 1 Individual                                 | 2,190                  | 12,037        | 141        | 7,265,664           | 74,314,273         | 2,186,997         | 0.87           | 8.89          | 0.26          |
| 2 Body Corporate                             |                        |               |            |                     |                    |                   |                |               |               |
| A. Banks/Finance Companies                   | 51                     | 2             | 0          | 416,180,655         | 1,913,100          | 0                 | 49.80          | 0.23          | 0.00          |
| B. Investments Trusts/ Foundation/ Charities | 3                      | 2             | 0          | 650,714             | 20,200             | 0                 | 0.08           | 0.00          | 0.00          |
| C. Other types of Companies                  | 61                     | 133           | 3          | 3,936,712           | 9,121,896          | 432,513           | 0.47           | 1.09          | 0.05          |
| 3 Government Agencies/ Institutions          | 15                     | 0             | 0          | 15,700,969          | 0                  | 0                 | 1.88           | 0.00          | 0.00          |
| 4 Nominees                                   | 3,136                  | 1,354         | 227        | 36,977,235          | 192,156,407        | 74,764,998        | 4.43           | 23.00         | 8.95          |
| 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>5,456</b>           | <b>13,528</b> | <b>371</b> | <b>480,711,949</b>  | <b>277,525,876</b> | <b>77,384,508</b> | <b>57.53</b>   | <b>33.21</b>  | <b>9.26</b>   |
| <b>Grand Total</b>                           |                        | <b>19,355</b> |            | <b>835,622,333</b>  |                    |                   |                |               | <b>100.00</b> |

## SHAREHOLDING STATISTICS

as at 31 March 2022

**THIRTY (30) LARGEST SHAREHOLDERS**

| Name of Shareholders   | Number of Shares | Percentage (%) |
|--|------------------|----------------|
| Lembaga Tabung Haji  | 236,109,469      | 28.26          |
| Citigroup Nominees (Tempatan) Sdn Bhd<br>Employees Provident Fund Board            | 79,689,418       | 9.54           |
| Kumpulan Wang Persaraan (Diperbadankan)  | 55,590,448       | 6.65           |
| Amanahraya Trustees Berhad<br>Amanah Saham Bumiputera                              | 33,858,090       | 4.05           |
| Permodalan Nasional Berhad   | 31,678,466       | 3.79           |
| Bimsec Nominees (Asing) Sdn Bhd<br>Islamic Development Bank                        | 29,000,000       | 3.47           |
| Citigroup Nominees (Tempatan) Sdn Bhd<br>Exempt An For AIA Bhd                     | 21,478,537       | 2.57           |
| Amanahraya Trustees Berhad<br>Public Islamic Select Treasures Fund                 | 13,066,100       | 1.56           |
| Cartaban Nominees (Tempatan) Sdn Bhd<br>PBTB For Takafulink Dana Ekuiti            | 9,729,336        | 1.16           |
| Cartaban Nominees (Tempatan) Sdn Bhd<br>PAMB For Prulink Equity Fund               | 8,634,333        | 1.03           |
| Amanahraya Trustees Berhad<br>Public Islamic Opportunities Fund                    | 7,672,500        | 0.92           |
| Amanahraya Trustees Berhad<br>Public Islamic Dividend Fund                         | 7,185,959        | 0.86           |
| Amanahraya Trustees Berhad<br>Amanah Saham Bumiputera 2                            | 7,177,287        | 0.86           |
| HSBC Nominees (Asing) Sdn Bhd<br>HSBC BK PLC For Islamic Development Bank (PF-Inv) | 6,000,000        | 0.72           |
| Citigroup Nominees (Tempatan) Sdn Bhd<br>Urusharta Jamaah Sdn Bhd (2)              | 5,391,404        | 0.65           |
| Cartaban Nominees (Tempatan) Sdn Bhd<br>PAMB For Prulink Dana Unggul               | 4,705,487        | 0.56           |
| Teh Cheong Hua   | 4,550,000        | 0.54           |

## SHAREHOLDING STATISTICS

as at 31 March 2022

### THIRTY (30) LARGEST SHAREHOLDERS (CONTINUED)

| Name of Shareholders  | Number of Shares   | Percentage (%) |
|---|--------------------|----------------|
| DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>Deutsche Trustees Malaysia Berhad For Eastspring<br>Investmentsdana Al-Ilham | 4,058,649          | 0.49           |
| Amin Baitulmal Johor  | 3,969,169          | 0.47           |
| Citigroup Nominees (Tempatan) Sdn Bhd<br>Urusharta Jamaah Sdn Bhd (Maybank 2)   | 3,638,497          | 0.44           |
| HSBC Nominees (Asing) Sdn Bhd<br>JPMCB NA For Vanguard Emerging Markets Stock Index Fund  | 3,375,300          | 0.40           |
| Citigroup Nominees (Tempatan) Sdn Bhd<br>Exempt An For AIA Public Takaful Bhd   | 3,131,344          | 0.37           |
| CIMB Group Nominees (Asing) Sdn Bhd<br>Exempt An For DBS Bank Ltd (SFS)   | 2,985,000          | 0.36           |
| Amanahraya Trustees Berhad<br>Amanah Saham Malaysia 3   | 2,927,416          | 0.35           |
| IFAST Nominees (Tempatan) Sdn Bhd<br>Global Success Network Sdn Bhd   | 2,923,300          | 0.35           |
| Amanahraya Trustees Berhad<br>Public Islamic Treasures Growth Fund  | 2,845,359          | 0.34           |
| Majlis Ugama Islam Sabah  | 2,774,572          | 0.33           |
| Amanah Raya Berhad<br>Kumpulan Wang Bersama Syariah   | 2,758,618          | 0.33           |
| T.O.Lim Holdings Sdn Bhd  | 2,742,000          | 0.33           |
| Citigroup Nominees (Asing) Sdn Bhd<br>CBNY For Emerging Market Core Equity Portfolio DFA<br>Investment Dimensions Group Inc       | 2,634,874          | 0.32           |
| <b>Total</b>  | <b>602,280,932</b> | <b>72.07</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 31.12.2021 (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 | 30                      | 4,025/<br>6,037                    | 3,290,000                            | 31.12.2021          |
| 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  | 35                      | 3,095/<br>6,935                    | 1,210,000                            | 31.12.2021          |
| 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             | 26                      | 1,539/<br>4,255                    | 680,000                              | 31.12.2021          |
| 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     | 26                      | 2,400/<br>7,200                    | 1,730,000                            | 31.12.2021          |
| 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  | 28                      | 1,440/<br>7,720                    | 790,000                              | 31.12.2021          |
| 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  | 23                      | 3,293/<br>8,840                    | 1,520,000                            | 31.12.2021          |
| 7  | No. 433 & 434<br>Jalan Kulas<br>93400 Kuching<br>Sarawak   | Two units of 4 storey<br>Shophouse/Office                | Freehold  | 26                      | 3,589/<br>12,855                   | 4,050,000                            | 31.12.2021          |
| 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         | 27                      | 2,504/<br>7,200                    | 2,800,000                            | 31.12.2021          |

## 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 31.12.2021 (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<br>Shophouse/Office    | 99 years lease<br>expiring on<br>05.09.2078 | 34                      | 3,956/<br>7,044                    | 1,010,000                            | 31.12.2021          |
| 10 | No. 46 & 47<br>Jalan Rahmat<br>83000 Batu Pahat<br>Johor Darul Takzim   | Two units of 4 Storey<br>Shophouse/Office    | Freehold                                    | 32                      | 3,220/<br>12,092                   | 1,890,000                            | 31.12.2021          |
| 11 | No. 180 & 181<br>Jalan Tuan Hitam<br>22000 Jerteh<br>Terengganu Darul<br>Iman                                     | Two units of 4 storey<br>Shophouse/Office    | Freehold                                    | 31                      | 3,200/<br>12,250                   | 1,900,000                            | 31.12.2021          |
| 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<br>Shophouse/Office  | 99 years lease<br>expiring on<br>22.01.2102 | 22                      | 6,339/<br>11,309                   | 3,720,000                            | 31.12.2021          |
| 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<br>Shophouse/Office | Freehold                                    | 25                      | 1,400/<br>3,570                    | 570,000                              | 31.12.2021          |
| 14 | Lot No. 3803<br>Jalan Dato' Ulu Muar<br>72000 Kuala Pilah<br>Negeri Sembilan Darul<br>Khusus                      | One unit of 3 storey<br>Shophouse/Office     | 99 years lease<br>expiring on<br>06.10.2079 | 22                      | 2,001/<br>3,120                    | 640,000                              | 31.12.2021          |
| 15 | No. 45<br>Jalan Teluk Sisek<br>25000 Kuantan<br>Pahang Darul Makmur   | One unit of 4 storey<br>Shophouse/Office     | 99 years lease<br>expiring on<br>18.09.2068 | 21                      | 3,200/<br>8,019                    | 2,630,000                            | 31.12.2021          |
| 16 | No. 27<br>Pusat Komersil<br>Temerloh<br>28000 Temerloh<br>Pahang Darul Makmur                                     | One unit of 2 1/2 storey<br>Shophouse/Office | 99 years lease<br>expiring on<br>01.04.2095 | 21                      | 1,398/<br>5,017                    | 775,000                              | 31.12.2021          |

## 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 31.12.2021 (RM) | Date of Revaluation |
|----|--|---|--|-------------------------|------------------------------------|--------------------------------------|---------------------|
| 17 | No. 2 & 4<br>Jalan 6C/7<br>43650 Bandar Baru<br>Bangi<br>Selangor Darul Ehsan  | Two units of 2 storey<br>Shophouse/Office | 99 years lease<br>expiring on<br>08.07.2086        | 34                      | 6,383/<br>8,032                    | 2,350,000                            | 31.12.2021          |
| 18 | Lot 14<br>Seremban City Centre<br>Jalan Tuanku Munawir<br>70000 Seremban<br>Negeri Sembilan Darul<br>Khusus                  | One unit of 6 storey<br>Shophouse/Office  | Freehold   | 25                      | 1,500/<br>14,589                   | 3,920,000                            | 31.12.2021          |
| 19 | No. 29, Jalan Delima<br>Pusat Perdagangan<br>Pontian<br>82000 Pontian<br>Johor Darul Takzim                                  | One unit of 3 storey<br>Shophouse/Office  | 99 years lease<br>expiring on<br>25.09.2097        | 20                      | 3,899/<br>10,248                   | 1,820,000                            | 31.12.2021          |
| 20 | Lot 1129 & 1130<br>Bangunan Darul<br>Takaful<br>Jalan Sultan Ismail<br>20100 Kuala<br>Terengganu<br>Terengganu Darul<br>Iman | One unit of 12 storey<br>Office building  | 35 years sub<br>lease expiring<br>on<br>29.06.2050 | 19                      | 3,600/<br>23,637                   | 6,310,000                            | 31.12.2021          |
| 21 | No. 616 & 617<br>Jalan Besar<br>73000 Tampin<br>Negeri Sembilan Darul<br>Khusus  | Two units of 2 storey<br>Office building  | 99 years lease<br>expiring on<br>05.10.2088        | 29                      | 4,498/<br>8,685                    | 1,840,000                            | 31.12.2021          |
| 22 | No. 6<br>Jalan 6C/7<br>43650 Bandar Baru<br>Bangi<br>Selangor Darul Ehsan  | One unit of 2 storey<br>Shophouse/Office  | 99 years lease<br>expiring on<br>08.07.2086        | 34                      | 1,905/<br>3,508                    | 950,000                              | 31.12.2021          |
| 23 | Suite 3B/G<br>Blok 3B, Plaza Sentral<br>Jalan Stesen<br>Sentral 5<br>50470 Kuala Lumpur                                      | One floor of 22 storey<br>Office building | Freehold   | 20                      | 6,409*                             | 8,700,000                            | 31.12.2021          |

## 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 31.12.2021 (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 | 40   | 1,600/<br>4,000                    | 720,000                              | 31.12.2021          |
| 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 | 39   | 3,200/<br>15,200                   | 2,240,000                            | 31.12.2021          |
| 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>- 48<br>Annexe<br>Block<br>- 41 | 90,427/<br>393,508                 | 188,000,000                          | 31.12.2021          |
| 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 | 25   | 2,800/<br>5,300                    | 920,000                              | 31.12.2021          |
| 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                                    | 18   | 3,134/<br>18,304                   | 1,770,000                            | 31.12.2021          |
| 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                                   | 19   | 3,852/<br>9,120                    | 2,520,000                            | 31.12.2021          |
| 30 | No. 4197<br>Jalan Teluk Wanjah<br>05200 Alor Star<br>Kedah Darul Aman                           | One unit of 4 storey<br>Office building   | Freehold                                    | 19   | 8,716/<br>18,440                   | 1,900,000                            | 31.12.2021          |
| 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 | 16   | 3,080/<br>8,024                    | 2,320,000                            | 31.12.2021          |

## 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 31.12.2021 (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 | 36                      | 1,400/5,510                        | 700,000                              | 31.12.2021          |
| 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 | 17                      | 1,400/5,500                        | 1,540,000                            | 31.12.2021          |
| 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 | 16                      | 1,540/4,012                        | 1,160,000                            | 31.12.2021          |
| 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 | 28                      | 1,470/6,117                        | 1,100,000                            | 31.12.2021          |
| 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 | 22                      | 3,218/9,280                        | 1,730,000                            | 31.12.2021          |
| 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 | 25                      | 2,658/9,930                        | 2,200,000                            | 31.12.2021          |
| <b>Total</b> |   |  |                                       |                         |                                    | <b>263,915,000</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 31.12.2021 (RM) | Date of Revaluation |
|----|--|--|----------|-------------------------|------------------------------------|--------------------------------------|---------------------|
| 1  | No. 435<br>Jalan Kulas<br>93400 Kuching<br>Sarawak | One unit of 4 storey<br>Shophouse/Office | Freehold | 26                      | 1,214/<br>4,262                    | 1,530,000                            | 31.12.2021          |

# 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

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☎ 603-2274 0237  
🌐 takaful-malaysia.com.my  
✉ csu@takaful-malaysia.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  
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☎ +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  
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# FORM OF PROXY

## FOR 37<sup>TH</sup> AGM



TAKAFULmalaysia

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

198401019089 (131646-K)

(Incorporated in Malaysia)

| 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 37th ANNUAL GENERAL MEETING of SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD, to be held virtually through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facility from 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, 31 May 2022, 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 Suraya Hassan who is retiring by rotation in accordance with Rule 74 of the Company's Constitution and being eligible, has offered herself for re-election.                  |     |         |
| 2   | To re-elect Dato' Mohammed Hussein who is retiring by rotation in accordance with Rule 74 of the Company's Constitution and being eligible, has offered himself for re-election.         |     |         |
| 3   | To re-elect Datin Paduka Kartini Haji Abdul Manaf who is retiring in accordance with Rule 83 of the Company's Constitution and being eligible, has offered herself for re-election.      |     |         |
| 4   | To approve the payment of Non-Executive Directors' fees of up to RM3,000,000 for STMKB Group from this AGM of the Company until the next AGM of the Company.                             |     |         |
| 5   | To approve the payment of Non-Executive Directors' benefits of up to RM872,000 for STMKB Group from this AGM of the Company until the next AGM of the Company.                           |     |         |
| 6   | To re-appoint Messrs. PricewaterhouseCoopers PLT as the Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration. |     |         |
| 7   | Proposed Shareholders' Mandate for Recurrent Related Party Transactions.   |     |         |
| 8   | Proposed Authority to Issue and Allot Shares.  |     |         |

Dated this.....day of ..... 2022

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 2022 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 initiatives to curb the spread of COVID-19, the 37th AGM of the Company will be conducted virtually through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facility from the broadcast venue at Dewan Ahmad Mohamed Ibrahim, 5th Floor, Annexe Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur. Please follow the procedures provided in the Administrative Details for the 37th AGM in order to register, participate and vote remotely.
- (ix) The broadcast venue of the 37th AGM which is the main venue of the meeting is strictly for the purpose of complying with Section 327(2) of Companies Act, 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. The broadcast venue of 37th AGM is to organise a 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 37th AGM of the Company.

AFFIX  
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**BOARDROOM SHARE REGISTRARS SDN BHD**

199601006647 (378993-D)

11th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
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Selangor Darul Ehsan



**TAKAFUL**malaysia

**Syarikat Takaful Malaysia Keluarga Berhad**

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