

Syarikat Takaful Malaysia Keluarga Berhad ("Takaful Malaysia Keluarga") Questions and Answers ("Q&A") during 39th Annual General Meeting ("AGM") Held on 23 May 2024

1. In what ways that the Group may benefit from the civil servant salary increment?

Civil servant salary increment may support high demand in loan financing provided by Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA), which shall benefit Takaful Malaysia for Mortgage and Fire Takaful businesses.

2. Congratulations on the success in growing Retail market share.

(a) Based on last year AGM Q&A and other explanations, is it right to say that retail/direct-to-customer business refer to regular contribution products e.g. medical under Family Takaful?

(b) Does it cover General Takaful products e.g. auto?

(c) What are the proportion of retail products sold through bank partners vs online platform vs branches?

Yes, retail/direct-to-customer business refers to regular contribution products under Family Takaful. This is part of our strategy to establish greater presence in Retail market for Family Takaful.

For Direct Distribution, we mainly focus on marketing of protection products e.g. term and medical through our online platform on Kaotim and branches. The other key segment of Retail business is Bancatakaful Advisory business, where our bank partners market protection and saving products.

On the other hand, the distribution of General Takaful products (e.g. motor, fire) for Retail customers is part of the Company's another strategy to grow the overall General Takaful business. However, we do see greater opportunity (e.g. cross selling) to manage and grow both Family and General Retail market together to maximise business potential.

For 2023, Family Takaful Retail new business of about 68% is from the Bank partners, 16% from our branches and the balance from Online/Digital Channels. With the launching of Kaotim platform, we are confident to generate higher contribution from Online Platform in 2024.

3. What is the impact of rising medical claim?

How do customers respond to rising premium of medical products?

With rising medical claim, insurance and takaful providers will have to undertake regular reviews of their medical portfolios to adjust pricing to ensure their medical portfolio remains healthy in the long run for the benefit of all their customers.

For consumers, this means an increase in the cost of maintaining medical insurance coverage. For those with medical insurance, it can make it more challenging to afford the medical coverage. For uninsured individuals, or those with minimal coverage, may find themselves facing even greater barriers to accessing necessary medical services, as the cost of care continues to rise.

To better manage the impact of rising premium/ contribution of medical products, customers may consider:

(a) Exploring for more affordable medical cover and appropriate & necessary medical coverage options to suit their budget and coverage needs.

(b) Adopting a healthy lifestyle can reduce the risk of chronic diseases and the need for extensive medical care, potentially mitigating healthcare costs over the long term.

4. What percentage of Family Takaful gross contribution comes from regular contribution products in FY23?

Our business strategy to establish greater presence in the Retail market has demonstrated its effectiveness with a notable increase in our Retail business market share to 2.3% in 2023, a substantial rise from the 0.84% recorded in 2022.

The total new and renewal contribution for regular contribution business is around 5% of total Family Takaful gross contribution.

5. What are the main reasons for Family Takaful industry to contract from RM10.06 billion in 2022 to RM9.59 billion in 2023? (Page 17 of Integrated Annual Report (“IAR”))

What is FY24 industry outlook based on YTD data?

Performance-wise, the three-year numbers indicate normalisation in Family Takaful industry in 2023 after a year of strong post-pandemic growth in 2022.

The regular contribution business registered slight contraction in 2023. Although the single contribution business registered moderate contraction, the Banca channel single contribution business registered high single-digit growth in 2023.

Malaysian Takaful Association (“MTA”) expects the Takaful industry to maintain a steady momentum in 2024, reflecting the forecast for Malaysia’s overall economic expansion.

The contracting part of Family Takaful is partly due to external factors however, we are optimistic that Family Takaful will continue to grow. As for General Takaful, we outpaced the market where despite market contracting, General Takaful business still grow at 21%.

6. How much does the company spend on this virtual AGM?

Would the BOD kindly give e- wallet as a token of appreciation for attending today’s RPV.

I would like to request a printed hard copy of the company annual report.

For 39th AGM, the estimated total cost is approximately RM95,000.

The Board currently has no plans to provide any gifts/e-wallet to shareholders for attendance at the Company’s AGM.

Boardroom Share Registrars will make arrangement to deliver hard copy of annual report. In case of our shareholders would like to request for hard copy annual report, kindly contact Boardroom Share Registrars Sdn Bhd via email: bsrhelpdesk@boardroomlimited.com.

7. Will 2024 be better than 2023 or be worse due to new challenges?

Whilst 2023 Gross Domestic Product (“GDP”) moderated to 3.7%, GDP growth in 2024 is expected to be in the range of 4% to 5%. We anticipate that Malaysia’s moderate economic growth will support the growth of Takaful industry, and we believe that there are significant opportunities in the Takaful market.

With regard to under penetration of Family Takaful market of 20% at the moment, as mentioned earlier, and by looking solely at the Muslim’s population, there is a lot of room to explore for Family Takaful business. On the other hand, growth for General Takaful business has also doubled.

We remain cautiously optimistic on business growth, against the backdrop of inflationary pressure, affecting consumer sentiments and stiff competition. Takaful Malaysia will stay focused and continue capitalising on growth potential and opportunities.

Our established core businesses in Bancatakaful, Treasury, Employee Benefits and General Takaful business segments provides us a firm platform to sustain our business. We will continue diversifying our business portfolio into the retail market with more products and services, as well as investing in digitalisation.

8. The Dividend payout ratio has reduced from 40% in FY22 to 34% in FY23.

1. What is the current dividend policy of the Company?

2. The reason for not maintaining the payout ratio at 40% despite a very good performance in FY23.

The future dividend payout will depend on the Company's business growth, investment performance and profitability of Takaful products. The ability of the Company to sustain the dividend rate would be subject to the Group's ability to continue the business growth momentum and maintain strong expense management. Takaful Malaysia's dividend payment is also subject to regulatory approval. For 2023 dividend, the Company would need to strike a balance between payout to shareholders and retaining surpluses for business growth and to meet its solvency requirements.

9. Any means to conduct next AGM in a physical or hybrid form? If not, why?

We have addressed this question in MSWG Q&A session. The Company will consider this suggestion for future AGM, taking into account pertinent considerations and circumstances accordingly.

10. Do the non-executive directors drawing/entitle for any allowances for attending this meeting (on top of their fees)? If yes, why?

For AGM, only Directors of Takaful Malaysia Keluarga receive allowances, in accordance to Group Remuneration Policy.

11. According to statistics, fire insurance claims ratio has been the lowest among different segment i.e. car, medical and others

(a) Why do fire insurances have a significantly lower claim ratio?

(b) Does this suggest that fire insurances are a more profitable business?

(c) If that is the case, why is our company not focusing on underwriting fire insurance business?

The Fire Insurance/Takaful claims ratio has historically been significantly lower than other business lines due to Fire Tariff which is the minimum rate charged to consumers. Fire Tariff is maintained at certain percentage and the loss ratio is lower than the other anticipated line of business.

Fire business is a more profitable business and has been one of key business lines we focus on growing our General Takaful business. Thus, our Fire business mix is higher than the industry average

12. Any plan to use AI and automation to reduce workforce cost?

The Group is undergoing technology transformation, as we move towards a more digitalisation working environment.

This entails going into Artificial Intelligence ("AI") space and process automation in making the workforce more efficient and at the same time increase productivity. This is also referring to one of Takaful Malaysia Group's key focus agenda, going forward which is to move towards digitalization.

13. Please provide the breakdown on the benefits to non-executive directors.

This may be referred to page 142 of the Integrated Annual Report, which details out the breakdown of the remuneration to non-executive directors.

14. How many percent of the group's Family Takaful Business are derived from:

1. Bancatakaful

2. Credit-related business

3. Civil service market?

Within Family Takaful new business:-

1. Bancatakaful formed 69% of the business.

2. Credit Related business of about 85% (mainly from Bancatakaful and LPPSA).

3. Civil service market is about 15% of the business.

15. What are the strategic objectives of Kaotim platform? How is the performance of Kaotim platform? How do you ensure this will become a key distribution channel?

Kaotim is part of our business expansion strategy and ambition to strengthen our presence in the retail market and build strong technology & digital capabilities in preparing for greater competition of new Digital Insurers and Takaful operators.

Kaotim, as a new digital distribution platform with vibrant branding, has been very well received by the market since its launching in November 2023. Price and market strategy is very much relevant in driving better customers' experience.

We will continue developing more products and exploring new technology partners for better collaboration/ investment to bring better value propositions in developing the digital channel.

16. Why use the term "Kaotim" for the Medikad or digital users? Kaotim is a Hokkien dialect meaning "settle". Is Takaful targeting Hokkien spoken customers instead of the key Muslim market?

Kaotim is becoming a universal word in Malaysia. It does not refer to any specific race and is widely understood by almost everyone. Kaotim brand and spirit is about reaching out to a wider audience by making sure the word used is universal and well understood by Malaysians entirely.

Unanswered Questions at the 39th AGM of Takaful Malaysia Keluarga

The following are responses to unanswered questions received during 39th AGM, which could not be covered during the AGM on 23 May 2024. Similar questions were consolidated.

1. While it is good to see that our company registered significant growth in revenue and profit. Takaful service result has declined by 15% to RM175 million in FY23 from RM206 million in FY22. (refer page 166 of IAR)

(a) What are the reasons for the decline? It seems to suggest that both the Family Takaful segment and General Takaful segment are making losses if excluding investment income

(b) Why are the Takaful service results negative at Family Takaful and General Takaful level, but positive at the Group level?

(c) In layman's terms, how much of the Group's Takaful service result is made up of Family Takaful and General Takaful businesses respectively?

Takaful service results ("TSR") include service result movement attributable to participants for takaful business. If we were to look at the takaful service results attributable to Takaful Operator (Shareholders fund), there is an increase of 6% / RM20 million.

TSR at Family and General Takaful fund level represents the movement of the respective participant funds during the year and would typically be negative as the amounts attributable to participants and amount payable by the fund as wakalah fees are captured as an expense (outgo) at the insurance fund level. However, Family and General Takaful funds remain healthy above the required reserves. Positive TSR at the Group level is mainly attributable to Takaful Operator's results.

The allocation of Group TSR for Family Takaful is 26% and for General Takaful is 74% from takaful operator results perspective. The relatively lower TSR for Family Takaful business is mainly due to relatively larger portion of investment fund/income for long term family products and the impact of recognition of the movement of the participant funds both as a takaful service expense in TSR and as an income in Net Investment.

However, from allocation of Profit before zakat and taxation perspective, we expect this is approximately two third Family Takaful and one third General Takaful, which is quite representative of business mix.

2. During FY23, net investment income (RM530 million) is much higher than Takaful service results (RM175 million).

Over the long term, on average what is the expected proportion of income to be derived from investment versus Takaful service?

Part of the investment income recognised (RM530 million) is for the participant funds, which is also reflected as a takaful service expense (mainly under "Incurred surplus to participants") in the Takaful Service results. You may refer to page 300 of IAR for an analysis of the takaful service expenses.

The Group is expected to achieve a significant proportion of its profits from a combination of both investment income and Takaful service results. However, the proportion of income to be derived from investment versus Takaful service may still vary from year to year, depending on underwriting results and investment performance.

3. Net investment income in FY23 (RM530m) is much higher than FY22 (RM390m).

- a) Is this better performance in FY23 mainly helped by the lowering of fixed-income instrument yield as mentioned in page 19 of AR?**
- b) If yes, will this be a one-off effect? Hence a lower net investment may be expected in FY24?**

2023 higher investment income is due to:

- higher invested amount due to continuing business growth, and
- better profit rates for money market
- equity recovery
- better realised gains from the lowering of fixed-income instrument yield

Our strategic focus is more towards enhancing our stable recurring fixed income, in line with our long-term investment objectives and the asset and liabilities profile of our business. At the same time, we continue to maintain a low equity exposure.

Barring volatility of equity market and negative impact from yield movement, we expect investment return to increase year-on-year, based on increased asset size and long-term expected return.

4. The CSM balance in 2023 has declined slightly to RM1.22 billion from RM1.25 billion (refer to the chart in page 24 of IAR)

It seems that the decline was partly contributed by the greater CSM release in FY23 (page 25).

However, does it also mean the new business for Family Takaful is not growing (despite increase in gross contribution from RM2,191 million to RM2,323 million stated in page 29)?

Can you shed more light on the CSM movement?

During FY23, we do see significant addition to our CSM stock from new business underwritten.

The main reason behind the movement in CSM in FY23 is due to tightening of assumptions as part our regular review of claims experience, to be more representative of recent claims experience.

We expect to maintain a stable growth in new business CSM as we expect to continue to lead the market in Bancatakaful credit business, and to further build up new business CSM from regular contribution protection business as part of our strategic plan to expand our foothold in the retail market.

5. Since some of the non-executive directors is due for re-election, shouldn't the Bank take the chance to get a new blood/ideas into the Bank? This is especially the independent directors where their perceived independency is important.

1. The current independent non-executive Directors are still relatively new.
2. Nevertheless, the Board continue to review ways to ensure a better mix of competencies relevant to our business, and improvement areas for individual directors to align their roles and responsibilities with the strategic direction of the Company.
3. This includes Board Competency Framework for Succession Planning.

6. When can we attend the physical meeting?

The Board and Management are carefully considering physical or hybrid AGM.

7. My prayer is good health and wellbeing of chairman, Directors and staff of Takaful Malaysia. Being a loyal shareholder, I appeal for Takaful Malaysia to conduct a CSR project at my school in Taman Ehsan, I'm NYDP of PIBG, insya-Allah.

Thank you for your kind wishes. We will evaluate various possible options for the scope of CSR projects.

8. **The total fees paid to Non-Executive Directors of the Company including subsidiaries amounted to RM1.64 million (Note 24 - pages 313 - 315 of IAR). Resolution No. 3 for the AGM will be seeking shareholders' approval for payment of Non-Executive Directors' fees of up to RM3.26 million for 2024/2025.**

What are the reason(s) for the substantial increase in fees for Non-Executive Directors for 2024/2025?

RM1.64 million quoted in IAR was for Directors' Fees for 2023, excluding other emoluments.

Resolution No. 3 on request of approval for payment of Non-Executive Directors' Fees of up to RM3.26 million for 2024/2025 is inclusive of Other emoluments in addition to Directors' Fees.

9. **Kaotim**

1. **According to the Chairman's statement, page 13 of the IAR, Kaotim, is very well received by the market, please define further the meaning of "very well received by the market", can you give us some figures (example enquiry rate, sign up rate etc.) for us understand better on the progress of Kaotim since launching?**
2. **Are medical coverage plans one of the lower margin products compared to life or general? Can we know what is range of the net profit margin is?**
3. **Compared to other MediKad, no doubt Kaotim is affordable and kudos to the team, I received a speedy follow-up after I submitted my info. How did Kaotim manage to be sustained with such a low premium charged?**

1. Our new business production for Family Takaful retail business has increased close to 50% in Q1 2024 compared to same period last year. The sales momentum of Kaotim continues in 2024 since its official launch in November 2023 and our direct digital business recorded the growth of 176% in Q1 2024 compared to same period last year, signifying Takaful Malaysia's ability to make an inroad to capture market segment directly, which is aligned with Takaful Malaysia's strategic move to reinforce its retail direct business and gain new customers.

2 & 3.

Kaotim MediKad has been designed with the objective to provide affordable medical cover to our customers while maintaining adequate and moderate margin to pass the cost saving of intermediary cost and cost efficiency of digital channel and service to our customers in terms of pricing affordability.

10. **The dana funds focused on local KLSE investment. Is there any plan to further diversify the funds to regional/world market?**

We have low allocation into equity with less than 3% exposure (as at 31 December 2023) which we invest fully in the KLSE investment. We are not planning to have any direct investment exposure to regional / world market at this juncture.

However, for our some of the unit trust funds we hold, they carry certain investment themes linked to regional/world market.

11. **The Investment Income from Family Takaful increased by 16% in FY23 although total investment held under Family Takaful only increased by 9%.**

- (a) **Which type of the investment under Family Takaful which contributed to the improved investment income?**
- (b) **Will the Family Takaful be able to maintain or similar level of investment income or even improve on it in FY24?**

- (a) The upbeat performance was mainly due to higher income from fixed-income instruments and equity recovery.
- (b) In 2024, we expect the positive performance in the equity and sukuk space to be sustainable.

12. (a) “Expanding into the advisory business and moving beyond our traditional credit-related business”, page 17 of IAR. Can we know what is the meaning of advisory business?

(b) What next for business in Indonesia? Page 25 of IAR.

(c) What is the performance of Treasury FY 2023 in terms of revenue, PAT and market share of Takaful Malaysia?

(d) What are the claim rate, lapse rate and surrender rate for FY23?

(e) What’s the cost of retention and cost of management for FY23?

(f) For General Takaful, what is the ratio of motor vs non-motor?

(g) Why didn’t provide a business review for EB? Page 67

(h) Has the management identified the untapped “blue ocean”? If yes, can we know what’s it? Page 71

(a) This refers to the Bancatakaful Advisory channel, involving face-to-face selling through sales representatives of our bank partners targeting the bank customer segments.

(b) It remains as our priority, even though its significance is low as compared to the consolidated group financials. We adopt a cautious approach in managing our Indonesian operation, and we shall continue to explore the best option moving forward.

(c) Treasury (LPPSA) contributed 15% of total new business contribution of Family Takaful business with a leading market share in 2023.

(d) The actual experience for FY23 has seen the normalisation towards pre-pandemic level, recovering from Covid-19.

(e) Please refer to our IAR’s Note 18 Expenses by Nature (page 301 of IAR). In 2023, total management expenses (including commission and sales related expenses) was RM964.9 million, and, within this, personnel expenses was RM147.5 million.

(f) The motor vs non motor mix is 52.5% vs 47.5% for year 2023.

(g) EB contributed about 13% of Family Takaful new business contribution, with business growth of 6% in 2023. We have been maintaining a healthy medical portfolio due to our disciplined underwriting and pricing to ensure the long-term sustainability of our medical business.

(h) We identify a few blue ocean strategies. For example, Management has identified a unique opportunity to offer specialized travel coverage for Hajj pilgrims. This optional coverage, provided through the online platform, complements the current basic coverage and caters to the specific needs of Hajj travellers, creating a niche market with significant potential.

13. Understand that the group investment income increases by 35% to RM530 million in FY23.

(a) Are these investment incomes sustainable?

(b) How much of the investment income is recurring in nature, such as from coupons of held-to-maturity bonds?

(c) How much of the investment income is one-off in nature, such as gain from mark to market?

Barring volatility of equity market and negative impact from yield movement, we expect investment return to increase year-on-year, based on increased asset size and long-term expected return.

Our strategic focus is more towards enhancing our stable, fixed and recurring income, in line with our long-term investment objectives and the asset and liabilities profile of our business. At the same time, we continue to maintain a low equity exposure. Thus, generally, we expect more than 90% of investment income is recurring in nature.

14. What’s the Board/Management’s plan for the Group’s expansion in FY24/FY25?

Our established core businesses in Bancatakaful, Treasury, Employee Benefits and General Takaful business segments provides us a firm platform to sustain our business.

We will continue diversifying our business portfolio into the retail market with more products, as well as investing in digitalisation.

15. (a) Can shareholder anticipate higher dividend payout, what is the estimate dividend for this year.

(b) Is there any dividend reinvestment (“DRP”)?

The future dividend payout will depend on the Company's business growth, investment performance and profitability of Takaful products. The ability of the Company to sustain the dividend rate would be subject to the Group's ability to continue the business growth momentum and maintain strong expense management.

We plan to launch a DRP for FY24's proposed dividends.

16. The 2023 dividend declaration was only done on the last working day of 29 December 2023, followed by the payment date the following year, resulting in no actual dividend being received in 2023. What is the reason of this deferment, and would it occur again this year?

The dividend declaration timeline was still our original planning by end December 2023, considering various due approval processes.

17. Which sector make PROFIT and which segment making LOSS?

All our product lines are profitable.

18. Is quarter report will announce soon? Any updated good news?

First quarter results was announced on 27 May 2024.

19. The improvement was shown in operating revenue, and profit before tax from previous years but the increase in dividend yield remained gradual (12 to 14 cents 2020 to 2023, below 2019), not consistent with the financial performance. Kindly provide investors with the outlook for future dividend yield.

For 2023 dividend, the Company would need to strike a balance between pay out to shareholders and retaining surpluses for business growth and to meet its solvency requirements.

20. What is the company readiness to front competitive from FWD Takaful? They seems like more digitalization.

Takaful Malaysia does not see FWD or future Digital insurers and Takaful operators (DITO) as a threat, and we view this development positively, with healthy competition and new opportunities to elevate the awareness and receptiveness of digital distribution of insurance/takaful products by consumers, and to drive new product innovations with lower cost to benefit consumers.

Kaotim is part of our business expansion strategy to strengthen our presence in the retail market and build strong technology & digital capabilities in preparing for greater competition of new Digital Insurers and Takaful operators.

With our existing licenses for both Family and General Takaful businesses, capital, technology investments and established digital platform and operations, we have greater flexibility in implementing digital distribution.

21. Disposal of Takaful equity in 2021-2022 by the institution (e.g. Employees Provident Fund (“EPF”)) has resulted in the decline of Takaful stock prices. Since that, the stock prices of Takaful have not regained their previous high. What are the efforts carried out by the Company to regain the confidence of investors?

The Company's share price is based on the company's performance and shareholder's perception of the Company. Thus, it is not easy for us to comment on the share price because many factors drive the share price movement.

The Company's fundamentals remain strong. The Company will focus on the business strategies as presented during the AGM.

22. What is the actual contribution of ESG/Sustainability efforts toward company revenue, profitability and risk to cash flow?

The contribution of ESG (Environmental, Social, and Governance) and sustainability efforts towards Takaful Malaysia's revenue, profitability, and risk to cash flow is detailed as follows:

- (a) Revenue - ESG-focused products attract customers who value sustainability, increasing sales while innovative green products help capture a niche market, incorporating the 10 Principles of UN Global Impact (UNGCI) into our investment policy to refine our commitment to responsible investment, deploying emissions reduction initiatives throughout our investment portfolio to improve long term value of investments.
- (b) Profitability - Sustainable practices, like minimising water and paper consumption, streamlining workflows via automation initiatives, adopting digital distribution platform have reduced operating costs and thus improve profits.
- (c) Risk to Cash Flow - Managing climate risks and adhering to ESG standards reduce potential financial instability. On top of that, the Sustainability Risk Management Framework helps identify and mitigate risks, ensuring steady cash flow.

Overall, Takaful Malaysia's commitment to ESG and sustainability efforts supports its revenue growth, enhances profitability, and mitigates risks to cash flow, ensuring a sustainable and resilient business model.

23. Good morning Management, Syarikat Takaful has an ongoing court case with Lembaga Hasil Dalam Negeri that has been continuously postponed for several years. Are the delays are due to our reasons or those of Lembaga Hasil Dalam Negeri. Additionally, we are looking for alternative ways to resolve the case without having to attend court, as it has been pending for an extended period. Can you provide assistance with this matter?

The deferment is pending Lembaga Hasil Dalam Negeri's review of the drafts cause papers.